



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

Docket No. DE 16-249

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities
Energy Service for the Period August 1, 2016 to January 31, 2017

Reconciliation for the Period November 1, 2015 to July 31, 2016

**DIRECT TESTIMONY
OF
HEATHER M. TEBBETTS**

May 20, 2016

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1 **I. INTRODUCTION AND QUALIFICATIONS**

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

3 A. My name is Heather M. Tebbetts and my business address is 15 Buttrick Road,
4 Londonderry, NH 03053. I am a Utility Analyst for Liberty Utilities Service Corp.
5 (“Liberty”) which provides services to Liberty Utilities (Granite State Electric) Corp.
6 (“Liberty Utilities” or “the Company”) and in this capacity, am responsible for providing
7 rate-related services for the Company.

8 **Q. Please describe your educational background and training.**

9 A. I graduated from Franklin Pierce University in 2004 with a Bachelor of Science degree in
10 Finance. I received a Master’s of Business Administration from Southern New
11 Hampshire University in 2007.

12 **Q. Please describe your professional background.**

13 A. In October of 2014, I joined Liberty as a Utility Analyst. Prior to my employment at
14 Liberty, I was employed by Public Service Company of New Hampshire (“PSNH”) as a
15 Senior Analyst in NH Revenue Requirements from 2010 to 2014. Prior to my position in
16 NH Revenue Requirements, I was a Staff Accountant in PSNH’s Property Tax group
17 from 2007 to 2010, and a Customer Service Representative III in PSNH’s Customer
18 Service Department from 2004 to 2007.

1 **Q. Have you previously testified before the New Hampshire Public Utilities**
2 **Commission (“the Commission”)?**

3 A. Yes, I have testified on numerous occasions before the Commission.

4 **II. PURPOSE OF TESTIMONY**

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

6 A. The purpose of my testimony is to present Liberty Utilities’ proposed Energy Service
7 reconciliation for the period of November 1, 2015 to July 31, 2016. My testimony
8 includes the results of: (i) the reconciliation of Energy Service power supply expense and
9 applicable revenue (“Energy Service Reconciliation”); (ii) the reconciliation of the
10 Company’s cost of complying with its actual 2015 Renewable Portfolio Standard (RPS)
11 obligations and the applicable revenue (“Renewable Portfolio Standard Reconciliation”);
12 and (iii) the reconciliation of the administrative cost of providing Energy Service and the
13 applicable revenue (“Energy Service Cost Reclassification Adjustment Factor –ESCRAF-
14 Reconciliation”).

15 Liberty Utilities is not proposing new Energy Service rates at this time. The Company
16 will propose new rates when it submits its rate filing on or about June 20, 2016. This
17 filing only addresses the reconciliation portion of the rate calculation.

1 **Q. Why is the Company filing a reconciliation of Energy Service after only nine months**
2 **from its last reconciliation?**

3 A. In response to high winter Energy Service prices and the disparity of those prices as
4 compared to the summer period over the last couple of years, the Commission opened
5 Docket No. IR 14-338 “Review of Default Service Procurement Processes for Electric
6 Distribution Utilities” on November 24, 2014, for the purposes of reviewing various
7 approaches to default service solicitations to determine if any changes to existing
8 procurement processes were warranted. In order to transition to the proposed periods,
9 Liberty proposed to secure a 9-month supply in the next solicitation covering the period
10 from November 2015 through July 2016. Following this nine-month reconciliation, future
11 reconciliation periods will be twelve months in duration.

12 **Q. Please provide the list of schedules attached to your testimony.**

13	A.	Schedule HMT-3	Energy Service Reconciliation
14		Schedule HMT-4	2015 Energy Service Adjustment Factor Reconciliation
15		Schedule HMT-5	Calculation of Proposed 2016 Energy Service Adjustment Factor
16		Schedule HMT-6	Energy Service Cost Reclassification Adjustment Factor
17			Reconciliation
18		Schedule HMT-7	Calculation of Proposed Energy Service Cost Reclassification
19			Adjustment Factor
20		Schedule HMT-8	Renewable Portfolio Standard
21		Schedule HMT-9	Border Sales Settlement Adjustment Factor

Schedules HMT-1 and HMT-2 (not attached) will provide rate calculations based on the winning bids. These schedules will be filed with the full Energy Service filing on June 20, 2016.

III. RECONCILIATION OF ENERGY SERVICE ADJUSTMENT FACTOR (ESAF)

Q. Please summarize the Company's ESAF reconciliation.

A. The Company calculates the differences between revenues and costs for the following items for the reconciliation filing:

- Energy Service – power supply
- RPS - costs for complying with its RPS obligations
- Energy Service Adjustment Factor (ESAF) –any over- or under- collection of the prior period's ESAF

The net amount of the above items is used to compute the ESAF that is included in the total Energy Service rate that is charged to customers for the prospective Energy Service period.

Q. Why is the Company providing information in the schedules for September and October 2015?

A. Prior to the reconciliation filing on September 21, 2015, previous reconciliation filings only included revenues and expenses for the months in which there was actual data. This was a process that was used for many years. By filing in this manner, the period that was being reconciled lagged the period in which rates were in effect. For example, the

1 Company's March 23, 2015, reconciliation filing included revenues and expenses for the
2 months of February 2014 – January 2015 because only actual data through January was
3 available. The rate period (i.e., the months in which the rate was in effect) in that filing
4 was May 2015 – April 2016. Under that prior reconciliation model the months of
5 February 2015 – April 2015 would not be reconciled until the spring 2016 reconciliation
6 filing, thus there would have been almost a fifteen-month lag in reconciliation of costs
7 from February 2015 if those costs were filed in the spring 2016 reconciliation.

8 With the recommendation from the Commission in Docket No. IR 14-338 to change the
9 default service periods, in its September 21, 2015 reconciliation filing in Docket No. DE
10 15-010 the Company reconciled the months of February 2015 through August 2015 to
11 settle the lag period. In that filing, the months of September and October 2015 were
12 estimated using projected revenues and expenses to keep the reconciliation periods
13 aligned with the period in which the rates were charged. In this filing, the months of
14 September and October 2015 provide the difference between the estimated and actual
15 revenues and expenses to true-up the previous reconciliation.

16 **Q. Have you made any changes to the presentation of over- and under-collection**
17 **amounts in this reconciliation filing as compared to previous filings?**

18 A. Yes. In this filing over-collections are shown in parentheses and under-collections are
19 shown as positive numbers. For consistency purposes, prior reconciliations had reported
20 under- and over-collection amounts in the opposite manner as that depiction had been
21 used for a number of years. However, changing the presentation as described above

1 results in rates that are shown in the appropriate manner; i.e., a rate crediting customers is
2 shown as (\$0.00), and a rate charging customers is shown as \$0.00. Making this change
3 does not change the outcome of the reconciliation.

4 **IV. ENERGY SERVICE RECONCILIATION**

5 **Q. Is the Company presenting a reconciliation of power supply costs for Energy Service**
6 **in this filing?**

7 A. Yes. The Energy Service Reconciliation for the period of November 2015 – July 2016 is
8 presented in Schedule HMT-3.

9 **Q. Please explain the Energy Service Reconciliation.**

10 A. Schedule HMT-3, Page 1, presents the actual reconciliation of Energy Service revenue
11 and Energy Service expense by month for the reconciliation period. The detail behind
12 each month's Energy Service revenue is included on Page 2 of Schedule HMT-3.

13 **Q. On Schedule HMT-3, Page 2 of 3, why is the Company subtracting amounts from**
14 **Energy Service revenue for the other components of revenue?**

15 A. Any revenue relating to the RPS compliance, Energy Service Adjustment Factor, the
16 Energy Service Cost Reclassification Factor, and Border Sales must be reconciled
17 separately from Energy Service revenue. To perform these separate reconciliations, the
18 revenue for these items are subtracted from the total Energy Service revenue billed to
19 customers in order to properly reflect the base Energy Service revenue for the current
20 reconciliation period.

1 **Q. Does the Company include accruals and unbilled revenues in its reconciliation?**

2 A. At this time it does not. The reconciliation for Energy Service is currently performed on
3 a cash basis. Granite State Electric is currently reviewing changing that method to the
4 accrual basis of accounting to remove timing differences between the reconciliation filing
5 and amounts reported in the books of account. Use of the accrual method for
6 reconciliation purposes would also provide a better matching of revenues and expenses
7 with the periods for which the rates are in effect and the costs incurred.

8 **Q. What is the result of the Company's Energy Service Reconciliation for the period**
9 **ending July 2016?**

10 A. As shown on Schedule HMT-3, Page 1 of 3, the Company has an under-collection of
11 Energy Service power supply costs of \$1,012,110 and will reflect this under-collection in
12 its proposed Energy Service Adjustment Factor to take effect August 1, 2016. This
13 under-collection is primarily due to difference in projected revenues based on a sales
14 forecast in Docket No. DE 15-010 used to calculate a rate, versus the actual kilowatt-
15 hours sold in the same period, and higher than estimated expenses in that same period.

16 **V. RECONCILIATION OF THE 2015 ENERGY SERVICE ADJUSTMENT**
17 **FACTOR**

18 **Q. Please explain Schedule HMT-4.**

19 A. Schedule HMT-4 provides the reconciliation of the recovery of the net under-collection
20 from the prior period. As shown on Schedule HMT-4, as of the end of July 2016, the

1 remaining under-collection to be beginning August 1, 2016, is an under-collection of
2 \$27,817.

3 **Q. Please describe Schedule HMT-5.**

4 A. Schedule HMT-5, Page 1 of 2, provides a calculation of the Energy Service Adjustment
5 Factor. The factor includes the under-collection of Energy Service, the under-collection
6 associated with the Energy Service Adjustment Factor, and the over-collection of RPS
7 and interest. The net of these amounts is an under-collection of \$264,992 which, when
8 divided by estimated Energy Service forecasted kilowatt-hour sales, results in an ESAF of
9 \$0.00056 to be included in Energy Service rates effective August 1, 2016.

10 Schedule HMT-5, Page 2 of 2, calculates the interest associated with the under- and over-
11 recoveries of Energy Service and RPS, respectively, over the period in which the ESAF
12 will be in effect.

13 **VI. ENERGY SERVICE COST RECLASSIFICATION ADJUSTMENT FACTOR**
14 **RECONCILIATION (ESCRAF)**

15 **Q. Please describe the reconciliation of the administrative costs of providing Energy**
16 **Service.**

17 A. As stated earlier, pursuant to the Company's ESAF, the Company must reconcile its
18 administrative cost of providing Energy Service with its Energy Service revenue
19 associated with the collection of administrative costs; and the excess or deficiency

1 resulting from that reconciliation, including interest at the interest rate paid on customer
2 deposits, must be reflected in the subsequent year's ESCRAF.

3 **Q. Is the Company presenting a reconciliation of administrative costs of providing**
4 **Energy Service with its Energy Service revenue associated with the collection of**
5 **administrative costs in this filing?**

6 A. Yes. The ESCRAF Reconciliation for the period November 2015 through July 2016 is
7 presented in Schedule HMT-6.

8 **Q. Please explain the ESCRAF reconciliation.**

9 A. Schedule HMT-6, Page 1, presents the actual reconciliation of ESCRAF revenue and
10 administrative expense by month. The detail behind each month's ESCRAF revenue is
11 included on Page 1 of Schedule HMT-6. The detail behind each month's ESCRAF
12 administrative expense is shown on Page 2 of Schedule HMT-6. The calculation of the
13 cash working capital impact is presented on Pages 3 and 4 of Schedule HMT-6.

14 **Q. Has the Company calculated the cash working capital impact consistent with prior**
15 **year's calculations?**

16 A. Yes. The cash working capital impact is prepared in the same manner as the cash
17 working capital impact filed with the Commission in the September 21, 2015, DE 15-010
18 filing.

VII. PROPOSED ENERGY SERVICE COST RECLASSIFICATION ADJUSTMENT
FACTOR

Q. Has the Company calculated proposed ESCRAF for the period beginning August 1, 2016?

A. Yes. Schedule HMT-7 calculates the proposed ESCRAF of \$0.00354 per kWh for the Small Customer Group and \$0.00742 per kWh for the Large Customer Group for the period of August 1, 2016 through July 31, 2017. The proposed ESCRAF would be combined with the Energy Service rates for billing.

Q. Has the Company calculated the ESCRAF in the same manner as in the prior year's filing?

A. Yes. The Company has calculated the ESCRAF in the same manner as in the prior year's filing and in accordance with the methodologies approved in the Settlement Agreement in Docket No. DR 95-169 Granite State Electric Company Rate Increase.

VIII. RENEWABLE PORTFOLIO STANDARD RECONCILIATION

Q. Is the Company presenting a reconciliation of the cost of complying with the Renewable Portfolio Standard (RPS) obligation in this filing?

A. Yes. The RPS Reconciliation for the period July 2015 through June 2016 is presented in Schedule HMT-8. The reconciliation year for RPS is January 2015 through June 2016, but the Company may purchase Renewable Energy Certificates (RECs) and make Alternative Compliance Payments (ACPs) anytime through June 2016. The expenses associated with the 2015 program year are not accounted for until July 2015 because the

1 month of June 2015 still allows for the Company to finish purchasing obligations for RPS
2 compliance and/or to pay the ACPs. The Company has aligned the revenues with the
3 costs for the program year with the months that customers are incurring costs.

4 **Q. Please explain the Renewable Portfolio Standard Reconciliation.**

5 A. Schedule HMT-8, Page 1, presents the actual reconciliation of RPS compliance adder
6 revenue and expense by month. The RPS compliance adder revenue is collected from
7 Energy Service customers during the period and is presented on Page 2 of Schedule
8 HMT-8. The RPS Obligation Expense for 2015 is presented on Page 3 of Schedule
9 HMT-8. These costs are based on actual revenues and expenses for the period. The
10 Company has calculated an over-collection of \$779,471. The over-collection is caused by
11 the change in class requirements for 2015.

12 **Q. How is the Company treating the projected under-collection of RPS expense?**

13 A. Consistent with the previously-approved methodology, the Company has combined the
14 projected RPS expense over-collection with the projected under-collection of Energy
15 Service power supply costs in the calculation of the proposed Energy Service Adjustment
16 Factor.

17 **IX. BORDERLINE SALES SETTLEMENT AGREEMENT**

18 **Q. What is the Borderline Sales Settlement Agreement?**

19 A. On April 11, 2014, Liberty Utilities and Massachusetts Electric Company (“MECO”)
20 entered into a Borderline Sales Settlement Agreement with respect to customers residing

1 near the New Hampshire border in Methuen, MA, on or near Hampshire Road. These
2 customers had received electric service from MECO that was procured by Liberty
3 Utilities and delivered over distribution facilities and equipment owned, controlled and/or
4 operated by Liberty Utilities for a period of time commencing on or before 2003 through
5 April 2014.

6 The settlement agreement required MECO to pay Liberty Utilities \$716,722 plus interest
7 at the prime rate for a total of \$723,890 for transmission and commodity costs incurred by
8 Liberty Utilities to provide service to MECO for these customers, of which \$615,963 is to
9 be refunded to Energy Service customers. Such payment was received by Liberty
10 Utilities on April 22, 2014.

11 **Q. How is the Company providing the borderline sales refund to its Energy Service**
12 **customers?**

13 A. As proposed and accepted in its March 23, 2015, Energy Service rate filing, the Company
14 proposed to begin refunding the Energy Service portion of the Settlement Agreement
15 starting in May 2015 through its Energy Service Reconciliation mechanism. The
16 Company estimates the remaining refund to customers as of the end of July 2016 is
17 \$59,524. The Company calculated a credit of (\$0.00013) cents per kWh to be included in
18 its Energy Service rate in Schedule HMT-9. The schedule illustrates the actual and
19 projected refunds for the period of May 2015 – July 2017.

1 **Q. Has the Company determined the impact of the Energy Service rate change on**
2 **customers' bills?**

3 A. Not at this time. As stated earlier, Liberty Utilities is not yet proposing new Energy
4 Service rates, thus the impact of the Energy Service rate change on customers' bills is not
5 known. The Company will propose new rates when it submits its rate filing on June 20,
6 2016. This filing only addresses the reconciliation portion of the rate calculation.

7 **X. CONCLUSION**

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

9 A. Yes.

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