

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

Docket No. DE 23-XXX

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty

Annual Retail Rate Adjustments

**DIRECT TESTIMONY
OF
HEATHER TEBBETTS**

March 27, 2023



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1 **I. INTRODUCTION**

2 **Q. Ms. Tebbetts, please state your full name, business address, position, and**
3 **responsibilities.**

4 A. My name is Heather M. Tebbetts, and my business address is 15 Buttrick Road
5 Londonderry, New Hampshire. I am the Director of Business Development for Liberty
6 Utilities Service Corp. (“LUSC”) and in this role I am responsible for strategic growth
7 and technology opportunities for Liberty Utilities (Granite State Electric) Corp.
8 (“Liberty” or “the Company”) in New Hampshire. In my previous role as the Manager of
9 Rates and Regulatory Affairs, I was responsible for filing the Annual Retail Rates for
10 many years and as such will be assisting the Rates and Regulatory Affairs department
11 with this filing.

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

13 A. I graduated from Franklin Pierce University in 2004 with a Bachelor of Science degree in
14 Finance. I received a Master of Business Administration from Southern New Hampshire
15 University in 2007.

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

17 A. I joined LUSC in October 2014. Prior to my employment at LUSC, I was employed by
18 Public Service Company of New Hampshire (“PSNH”) as a Senior Analyst in NH
19 Revenue Requirements from 2010 to 2014. Prior to my position in NH Revenue
20 Requirements, I was a Staff Accountant in PSNH’s Property Tax group from 2007 to
21 2010 and a Customer Service Representative III in PSNH’s Customer Service
22 Department from 2004 to 2007.

1 **Q. Have you previously testified before the Commission?**

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

3 **II. PURPOSE OF TESTIMONY**

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

5 A. This testimony presents Liberty’s proposed rates for stranded costs and transmission
6 costs for effect May 1, 2023, in accordance with the Company’s reconciliation and
7 adjustment provisions in its tariff and the Company’s Amended Restructuring Settlement
8 as approved in Docket No. DR 98-012. Included in the proposed rates are the 12-month
9 reconciliation for the period May 1, 2022, through April 30, 2023, of: (1) transmission
10 costs, (2) stranded cost charges, (3) the Regional Greenhouse Gas Initiative (“RGGI”)
11 auction proceeds refund, and (4) Liberty’s municipal property tax expenses as compared
12 to base distribution rates through the Property Tax Adjustment Mechanism (“PTAM”)¹
13 through the Company’s transmission charge.

14 **Q. Please summarize the approach for calculating the retail rates.**

15 A. At a high level, for each rate component, the Company calculates average rates using
16 forecasted costs for the rate year. For the transmission charge, the forecasted costs are
17 based on ISO New England Regional Network System (“RNS”) charges and National
18 Grid Local Network System (“LNS”) charges. For the stranded cost charge, the
19 forecasted costs are Contract Termination Charge (“CTC”) credits. In addition, a
20 calculation of the prior period (over)/under collection of revenues and expenses,

¹ In Order No. 26,619 (Apr. 28, 2022), the Commission approved Liberty’s PTAM and inclusion of the annual PTAM reconciliation in the Company’s annual Retail Rate Adjustment filing.

1 including interest, is added to the total forecasted costs for each mechanism. The total
2 forecasted costs and prior period over/under recovery balance are then divided by total
3 forecasted kilowatt-hour (kWh) sales for the period of May 1, 2023, through April 30,
4 2024, to derive the average rate for each component. This method is generally consistent
5 with past methods and practices.

6 **Q. Please explain the 12-month reconciliation period and what data is used in the**
7 **analysis.**

8 A. The 12-month reconciliation for the period May 1, 2022, through April 30, 2023,
9 includes actual revenues and expenses for May 2022 through February 2023 and
10 forecasted revenue and expenses for March through April 2023 because actual results are
11 not available at the time the filing is prepared. In the Company's next annual
12 reconciliation, the beginning over/under recovery balance includes actuals for those
13 forecasted months.

14 **Q. Please summarize the results of the adjustments and reconciliations which Liberty**
15 **proposes to implement in 2023.**

16 A. The Company proposes to implement the following adjustments to its rates beginning
17 May 1, 2023, for usage on and after that date. Attachment HMT-1 presents the proposed
18 stranded cost and the transmission rates. The table below illustrates the current and
19 proposed rates:

20

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Table 1: Rates

<u>Average charge (\$ / kWh)</u>	<u>Current</u>	<u>Proposed</u>	<u>Increase (Decrease)</u>
Stranded Cost Charge	\$ (0.00050)	\$ (0.00040)	\$ 0.00010
Stranded Cost Adjustment Factor	\$ (0.00001)	\$ 0.00009	\$ 0.00011
Total Stranded Cost Charge	\$ (0.00051)	\$ (0.00031)	\$ 0.00021
Transmission Charge	\$ 0.03161	\$ 0.03032	\$ (0.00129)
Transmission Service Cost Adjustment	\$ 0.00100	\$ (0.00139)	\$ (0.00238)
RGGI Auction Proceeds Refund	\$ (0.00391)	\$ (0.00488)	\$ (0.00097)
PTAM	\$ 0.00036	\$ 0.00056	\$ 0.00020
Total Transmission Charge	\$ 0.02906	\$ 0.02461	\$ (0.00445)

2

3 **III. STRANDED COST CHARGE AND THE STRANDED COST ADJUSTMENT**
4 **FACTOR**

5 **Q. What is the Stranded Cost Charge?**

6 A. Liberty’s Stranded Cost Charge is the sum of two components. The first is a uniform
7 charge per kilowatt-hour (“kWh”) that the Company charges all customers which reflects
8 the CTC assessed by New England Power Company (“NEP”) for 2022. The second
9 component is the Stranded Cost Adjustment Factor (“SCAF”), which is specific to each
10 rate class.

11 **Q. What is the CTC?**

12 A. In 1996, New Hampshire implemented electric retail choice for all customers with the
13 passage of the restructuring statute, RSA 374-F, which included Liberty divesting itself
14 of its generation assets. At that time, the CTC was established to allow for the recovery
15 of costs associated with stranded generation assets that had been owned by the

1 Company's former affiliate, NEP, and operated on behalf of Liberty's customers.²

2 Specific costs include decommissioning expenses and purchase power costs, which were
3 expected to have been recovered by 2020. However, a handful of costs remain
4 outstanding.

5 **Q. What are the components of the CTC?**

6 A. There are two components, fixed and variable costs. The fixed costs are related to the
7 divestiture of the generation and are no longer being charged to Liberty as the obligation
8 ended in 2011. The variable costs relate to the bankruptcy of USGen New England, Inc.,
9 the entity that purchased all of NEP's non-nuclear generating assets. The settlement in
10 the bankruptcy provided that Liberty receives an allocation of the claim proceeds
11 received by NEP annually to pay down all the remaining NEP power contract buyout
12 payments.

13 **Q. What rate is the Company proposing for the CTC and how was it determined?**

14 A. The proposed CTC of (\$0.00040)/kWh was calculated by NEP in Docket No. DE 23-008
15 by reconciling actual revenues and expenses for the prior period of October 2021 through
16 September 2022. The rate is a credit, due to the allocation of the claim proceeds as noted
17 above.

18 **Q. What rate is the Company proposing for the SCAF and how was it determined?**

19 A. The Company is proposing a load weighted SCAF rate of \$0.00009/kWh. The SCAF is
20 the (over)/under collection of the CTC charge. In 2022, Liberty under-collected a total of

2 DR 98-012 Settlement Agreement <https://www.puc.nh.gov/Regulatory/Orders/1998ords/23041e.html>

1 \$85,471, and as such the adjustment factor is a collection from customers as shown in
2 Attachment HMT-2, page 1.

3 **Q. What does it mean that the SCAF is “load weighted”?**

4 A. The adjustment factor calculation provides that each rate class receives a portion of the
5 charges or credits based on the load of that class.

6 **IV. TRANSMISSION CHARGE**

7 **Q. Please describe the Company’s Transmission Charge (“TC”).**

8 A. The Company recovers its transmission-related expenses pursuant to the TC, which
9 allows the Company to recover costs billed to it by ISO-New England and NEP through
10 the ISO-New England Inc. Transmission, Markets, and Services Tariff (“ISO Tariff”).
11 The TC charge comprises two components: (1) a component for base transmission costs
12 for the prospective period; and (2) a component for the reconciliation of transmission
13 revenue and expense for the previous period.

14 **Q. What is the forecast for 2022 transmission costs?**

15 A. As discussed in the testimony of John D. Warshaw, the Company’s 2023 transmission
16 costs are estimated to be \$28,038,128 as shown in Attachment HMT-3, page 1, line 1.
17 This forecast of transmission expense yields an average rate of \$0.03032 per kWh, as
18 compared to the currently effective average transmission rate of \$0.03161 per kWh,
19 exclusive of the reconciliation component. Based on these estimates, the Company is
20 proposing new base transmission rates effective May 1, 2023, to recover the projected
21 transmission costs to be incurred in the prospective period.

1 **Q. Does the Company charge a flat transmission rate or a load-weighted rate?**

2 A. The Company charges a load-weighted transmission rate to its customers to account for
3 the fact that customer class loads differ greatly. By charging load-weighted rates, the
4 Company is following the cost causation principle that the rate classes causing the most
5 costs should be allocated the most costs. The table below provides a snapshot of the
6 load-weighted rates proposed for May 1, 2023.

7 **Table 2: Transmission Rates (\$/kWh)**

<u>D</u>	<u>D-10</u>	<u>G-1</u>	<u>G-2</u>	<u>G-3</u>	<u>Streetlights</u>	<u>T</u>	<u>V</u>
\$0.03928	\$0.01935	\$0.02494	\$0.02764	\$0.02875	\$0.02295	\$0.02792	\$0.03114

8
9 **Q. How were the rates calculated?**

10 A. The rate class-specific transmission rates were calculated by dividing the allocated
11 transmission expense estimate for each rate class for the May 1, 2023, through April 30,
12 2024, period by the forecasted kWh sales for each rate class for the same period as shown
13 in Attachment HMT-3, page 1.

14 **Q. How was the reconciliation component of the TC charge derived?**

15 A. The reconciliation component of the TC recovers under-recoveries of transmission costs
16 or refunds over-recoveries of transmission costs, along with associated interest at the
17 prime rate. This component of the TC charge was calculated by totaling the projected
18 over-collection of transmission expense of (\$1,208,753) as of April 30, 2023, as shown
19 on Attachment HMT-3, page 3, plus the working capital of (\$73,439) as shown on
20 Attachment HMT-3, page 5, for a total of (\$1,282,192). That amount is then divided by

1 the forecasted kWh sales for the period of May 1, 2023, through April 30, 2024, of
2 924,515,841 for a reconciliation rate of (\$0.00139) per kWh to be added to the weighted
3 transmission rates on Attachment HMT-1, page 1, column (d).

4 **Q. Please describe the working capital calculation included in the filing.**

5 A. The Settlement Agreement in Docket No. DE 19-064 provided, in part, that the Company
6 may recover cash working capital on transmission costs through the transmission cost
7 adjustment mechanism included in the Company's Annual Retail Rate Adjustment filing.
8 In accordance with that settlement, the Company has included a transmission cash
9 working capital amount in the calculation of its proposed transmission rates in
10 Attachment HMT-3, pages 5 through 7.

11 **Q. What is the total amount of transmission working capital included in this filing?**

12 A. The total working capital included in the TC charge is (\$73,439) as shown on Attachment
13 HMT-3, page 5. The expense lag is calculated by summing all invoices for 2022 and
14 multiplying the period of days between when the invoice was received and when it was
15 paid, to determine the number of days of cost as shown on Attachment HMT-3, page 6.
16 The days of cost are then divided by 365 days in the year to determine the invoice
17 payment lag. The revenue lag is calculated by summing three components: 1) the Service
18 Lag of 15.21 days; 2) the Collection Lag of 32.47 days; and 3) the Billing Lag of 2.59
19 days. The Service Lag and Billing Lag were agreed upon in the Settlement Agreement in
20 Docket No. DE 19-064. The Collection Lag is calculated by summing the total customer
21 receivables for 2022 of \$14,841,729 and dividing that amount by the total daily average
22 revenues of \$457,097. The daily revenues are calculated by the monthly sales divided by

1 the number of days in that month and averaged for the twelve months. The detailed
2 calculation of the revenue lag is shown on Attachment HMT-3, page 7.

3 **V. REGIONAL GREENHOUSE GAS INITIATIVE AUCTION PROCEEDS**

4 **Q. How does the Company propose to refund Regional Greenhouse Gas Initiative
5 (RGGI) auction proceeds to delivery service customers?**

6 A. Consistent with Order No. 25,664 (May 9, 2014) in Docket No. DE 14-048, the Company
7 will credit the RGGI rebate amount it receives from the allocation on a per kWh basis
8 through its retail rate reconciliation mechanism that is adjusted on an annual basis. The
9 Company has included a credit of (\$0.00488) per kWh for RGGI auction proceeds in its
10 transmission service charge for 2023, as shown on Attachment HMT-4. This credit of
11 (\$0.00488) per kWh is comprised of the RGGI auction proceeds for May 2022 through
12 April 2023 of (\$3,327,773) and the reconciliation component through April 2023 of
13 (\$1,187,613). The total of (\$4,515,386) is then divided by the estimated sales of
14 924,515,841 kWh to calculate the RGGI credit of (\$0.00488) per kWh, as compared to
15 the current rate of (\$0.00391) per kWh.

16 **VI. PTAM**

17 **Q. What is the purpose of the PTAM?**

18 A. The PTAM is a mechanism provided by RSA 72:8-e and approved for Liberty in Order
19 No. 26,619 (Apr. 28, 2022), that authorizes the Company to reconcile its actual property
20 tax expense each New Hampshire property tax year (April 1 through March 31) with the
21 revenue currently collected through customer rates and make annual adjustments to
22 distribution rates accordingly.

1 **Q. How has the PTAM been implemented?**

2 A. RSA 72:8-e directed the Commission to “establish a rate recovery mechanism for any
3 public utility owning property that meets the definition of utility company assets under
4 RSA 72:8-d, I.” The mechanism is to “adjust annually to recover all property taxes paid
5 by each such utility on such utility company assets” The Company’s approved
6 mechanism calculates the difference between the amount of property taxes included in
7 distribution rates and the total amount of municipal property tax bills for the relevant
8 property tax year. The Company recovers that amount through annual adjustments to the
9 Liberty Transmission Charge. *See* Order No. 26,619.

10 **Q. Please explain how the current level of municipal property tax in base distribution**
11 **rates was derived.**

12 A. As described in the Company’s previous PTAM filing in Docket No. DE 22-018, the
13 starting level of municipal property taxes in base distribution rates for purposes of this
14 PTAM reconciliation is \$4,335,347.

15 **Q. Please describe the variance between actual and base property taxes included in**
16 **distribution rates.**

17 A. The actual property taxes billed for property tax year 2022 is \$4,883,044 is compared to
18 the base level of \$4,335,347, as described above, for a current period variance of
19 \$547,697 as shown on Attachment HMT-5, page 3, line 3.

1 **Q. Please explain the (over)/under collection of the 2022 PTAM.**

2 A. In Docket No. DE 22-018, the Company received approval to recover \$330,873 plus
3 interest of \$8,147 for a total of \$339,020, collected over an estimated 917,255,198 kWh
4 sales. The actual sales for the period were 875,315,223, or 41,939,975 less, resulting in
5 an under-collection of \$23,275. This amount is added to the amount of property taxes
6 uncollected for 2022, as described below.

7 **Q. Please describe any adjustments to the PTAM calculation.**

8 A. The DOE Audit Division audited the PTAM mechanism after the rates were approved
9 which audit found the Company paid the State Education tax to towns. RSA 83-F
10 provides that utilities pay the State Utility Tax for all parcels and assets owned by the
11 utility in lieu of paying the State Education Tax. The Company agreed that it should not
12 have paid the State Education Tax on the parcels in question. The total adjustment for
13 property tax years 2020 and 2021 was \$48,708.88. Attachment HMT-7 provides the final
14 audit report.

15 **Q. What is the proposed PTAM rate and how was it calculated?**

16 A. The proposed PTAM rate is \$0.00056 per kWh and was calculated by summing the prior
17 period undercollection of \$23,275, the current property tax variance plus audit
18 adjustments of \$498,988 for a total amount to be collected of \$522,263 divided by the
19 forecasted kWh for the period of May 1, 2023, through April 30, 2024, of 924,515,841 as
20 shown on Attachment HMT-5, page 1, line 5.

1 **VII. EFFECTIVE DATE AND RATE IMPACTS**

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

3 A. The Company is requesting rates effective May 1, 2023.

4 **Q. Has the Company determined the impact of the proposed Retail Rate changes on a**
5 **typical residential customer's monthly bill?**

6 A. Yes. As shown in Attachment HMT-6, the monthly bill impact for a typical residential
7 customer using a total of 650 kilowatt hours is a decrease of (\$1.68)/kWh or (0.75)
8 percent.

9 **Q. When does the Company require rates to be approved?**

10 A. The Company is requesting Commission approval by April 24, 2023, to allow time for
11 rates to be implemented in the Company's billing system for effect on May 1, 2023.

12 **VIII. CONCLUSION**

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

14 A. Yes, it does.