STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. DE 24-XXX

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty
Revenue Decoupling Adjustment for July 2023 through June 2024

DIRECT TESTIMONY

OF

ROBERT GARCIA

AND

ALYSSA E. MASTON

AND

ADAM R.M. YUSUF

September 3, 2024

Liberty™

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I. INTRODUCTION

Q. What are your full names, business addresses, and positions?

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

(AM) My name is Alyssa E. Maston. My business address is 15 Buttrick Road, Londonderry, New Hampshire. My title is Rates Analyst II, Rates and Regulatory Affairs.

(AY) My name is Adam R.M. Yusuf. My business address is 15 Buttrick Road, Londonderry, New Hampshire. My title is Rates Analyst I, Rates and Regulatory Affairs.

Q. By whom are you employed?

A. We are employed by Liberty Utilities Service Corp. ("LUSC"), which provides services to Liberty Utilities (Granite State Electric) Corp d/b/a Liberty ("Liberty" or the "Company").

Q. On whose behalf are you testifying?

A. We are testifying on behalf of the Company.

Q. Mr. Garcia, would you describe your educational and professional background and training?

A. I have an Artium Baccalaureus (Bachelor of Arts) degree in Political Science and French from Wabash College (Crawfordsville, Indiana) and a Master of Public Administration degree from the School of Public and Environmental Affairs at Indiana University

(Bloomington, Indiana) with concentrations in Policy (Quantitative) Analysis and International Affairs. I also obtained a Certificat De Langue Et Civilisation Française from the Université de Paris – Sorbonne (Paris, France) and, as part of my graduate studies, studied French and European government at the École Nationale D'Administration (Paris, France).

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

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

Q. Ms. Maston, would you describe your educational background, and your business and professional experience?

A. I graduated from Southern New Hampshire University in 2019 with a Bachelor of Science degree in Accounting, and earned my Masters in Professional Accountancy from the same institution in 2020. I have held an active Certified Public Accountant ("CPA") license since 2022. I joined Liberty in August 2023. Prior to joining Liberty, I was employed by Baker Newman Noyes, a public accounting firm, from 2020 through 2022. I held positions as an Audit Senior and Audit Staff, and was responsible for performing financial audits of companies in a large range of industries, such as banking and healthcare.

Q. Mr. Yusuf, would you describe your educational background, and your business and professional experience?

A. I graduated from the University of New Hampshire, Durham, in 2009 with a Bachelor of Science in Psychology with a minor in Kinesiology: Sports Studies. I received an Associate degree in Human Services from New Hampshire Technical Institute in Concord, in 2014. I received a Master of Business Administration from Southern New Hampshire University in 2022. I joined Liberty in April 2019, where I held positions as a Customer Service Representative and Billing Representative before joining the Rates and Regulatory Affairs Department.

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

A. Yes.

Q. What is the purpose of your testimony?

A. The purpose of our testimony is to submit for Commission approval Liberty's Revenue Decoupling Adjustment reconciliations and rates for its third Decoupling Year of July 1, 2023, through June 30, 2024 ("DY3"), in accordance with Section I of the Settlement Agreement in Docket No. DE 19-064, approved by Order No. 26,376 (June 30, 2020) (the "Settlement Agreement"). The Settlement Agreement provides, in part:

> The Company will make a reconciliation filing by September 1 following the completion of each decoupling year (July 1 to June 30), in which Liberty will calculate the rate increase or rate refund arising from the just completed decoupling year, and request approval for any adjustment to go into effect on November 1 for the following twelve months. (*Settlement Agreement at Bates 12)*

In DY3, ending June 30, 2024, the Company experienced a revenue under-collection of $5,497,726, including the deferral balance of $4,156,681 from last year's filing in Docket No. DE 23-081. Because this under-collection amount exceeds the 3% cap on the amount that can be refunded or charged to customers, the Company proposes to recover the maximum annual amount of $1,560,633 (3% of Liberty's base revenues) from customers beginning November 1, 2024[1]. The remaining under-collection will be deferred and recovered in a future Revenue Decoupling Adjustment period(s).

Q. Are there any schedules and attachments included in your testimony?

A. Yes. The table below lists the schedules and attachment included in our testimony.

Schedule	Description
Schedule 1	Rate Calculation Page and Reconciliation Per Rate Class
Schedule 2	• Revenues Subject to Decoupling • Annual Target Revenue by Class • Target Revenues Per Customer • Actual Revenues Per Customer • Decoupling Calculation • Annual Deferral Calculation: Decoupling Year 3 • Rate Class Allocation

[1] See Schedule 2, Page 6 of 6, Line No. 155.

	• Indicative Monthly Bill Impacts (Without Reconciliation from Decoupling Years)
Schedule 3	Rate Calculation
Schedule 4	Residential Bill Impact
Schedule 5	Deferral Balance Interest Calculation
Attachment 1	Revised Tariff Pages

Q. Can you provide a summary of the RDAF rates proposed by Liberty, along with a comparison to the rates in effect at the time of this filing?

A. Yes. The table below compares the RDAF rates, by class, submitted for Commission approval with the rates in effect today. These rates provide for the recovery of an under-collection of $1,560,633, leaving a deferral of $3,937,093 for recovery in a future year(s).

Rate Class	Rate Effective 1/1/2023-10/31/2024 ($/kWh)	Rate Effective 11/1/2024-10/31/2025 ($/kWh)	Difference	Difference %
D	$0.00281	$0.00027	-$0.00254	-90.39%
D-10	$0.00180	$0.00070	-$0.00110	-61.11%
G-1	$0.00104	($0.00008)	-$0.00112	-107.69%
G-2	$0.00151	($0.00005)	-$0.00156	-103.31%
G-3	$0.00253	$0.00010	-$0.00243	-96.05%
T	$0.00285	($0.00027)	-$0.00312	-109.47%
V	$0.00291	$0.00008	-$0.00283	-97.25%

II. <u>REVENUE DECOUPLING ADJUSTMENT FACTOR ("RDAF")</u>

Q. What is the Revenue Decoupling Adjustment?

A. The Revenue Decoupling Adjustment is a ratemaking mechanism designed to eliminate the dependence of a utility's revenues on system throughput (*i.e.*, kilowatthour or kilowatt sales). Historically, a utility's revenues were a function of its sales. When customers consumed more, revenues increased, and conversely when customers consumed less, revenues decreased. Consumption may be affected by a number of factors including weather, conservation, energy efficiency, economic cycles, Distributed Energy Resources ("DER"), and other causes. By eliminating the link between customer consumption and Company earnings, decoupling removes the disincentive for utilities to promote conservation, energy efficiency programs, and DER. As approved for Liberty, revenue decoupling allows the Company to recover the base revenue requirement per customer approved in its most recent base-rate proceeding – no more and no less – despite fluctuations or reductions in sales due to conservation or other factors outside of the utility's control.

Q. How is the RDAF determined for Liberty?

A. The RDAF adjusts rates annually in order to reconcile actual revenues and target revenues set in Liberty's last rate case using a revenue per customer ("RPC") methodology. Generally speaking, Liberty calculates the RDAF for a Decoupling Year, using monthly accruals. The monthly accruals are determined by (a) calculating the difference between the Target RPC and Actual Base RPC ("Actual RPC") for that month by rate class, and (b) multiplying the difference by the number of equivalent bills rendered for each rate class during that month. Liberty adds the resulting monthly revenue shortfalls or surpluses for each class to determine the total monthly revenue shortfall or surplus. At the end of the Decoupling Year, Liberty then adds the monthly amounts to determine the cumulative annual revenue surplus or shortfall.

There is a 3% cap on the annual revenue amount refunded or charged to customers.[2] Amounts exceeding this cap are deferred for recovery or refund during the following annual reconciliation, subject to the same 3% cap. Any amount deferred carries interest at the monthly prime rate determined by the first day of said month.

Q. Has the Company stopped collecting RDAF?

A. No, the Company is still collecting RDAF, contrary to the $0.00000 amounts reflected in its Temporary Rates filing pursuant to the Settlement Agreement approved in the Company's Rate Case, Docket No. DE 23-039[3], which included a broken formula in the Excel model used to create the Temporary Rate Schedules. The same can be said of the "Comparative Monthly Bill Impacts – Temporary Rates" section under the "Rate Riders" line, where the Proposed Rate had inadvertently not included the RDAF rate for the applicable Rate Classes. Lastly, nothing in Liberty's tariff permits it to unilaterally cease the RDAF recoveries or refunds. Thus, there was no intention on the part of the Company, nor should it be misconstrued by any party that the Company had intended, to stop collecting any revenues through the RDAF through its approved rate from Decoupling Year 1, which are currently still in effect. The Company does recognize that it should have further reviewed the model before filing and has since devoted more time to reviewing such filings to ensure mistakes like this do not happen again.

[2] The 3% cap is equal to 0.03 times the allowed revenue requirement subject to annual adjustments.

[3] See Exhibit 3 - Attachment KMJ/DSD/GHT-TEMP-3 (Settlement), filed on July 5, 2023.

Q. What Rate Classes are included in the RDAF mechanism?

A. All rate classes are included in the mechanism, with the exception of Rate M, LED-1, and LED-2 (all street lighting). These classes are excluded because at the time the RDAF was being considered, these street lighting classes did not contain volumetric charges as part of the rate design and, therefore, would not be candidates for revenue decoupling. Rate D-11 (Battery Pilot Program) and all EV (electric vehicle) rate classes (Rates D-12, EV-L, and EV-M) also are excluded as they were new rate classes at the time RDAF was implemented.

Q. What is a Decoupling Year?

A. The Decoupling Year is the 12-month period for reconciliation of target revenues and actual revenues collected from July 1 through June 30, as stipulated in the Settlement Agreement in Docket No. DE 19-064. The scope of this testimony concerns Decoupling Year 3, the period July 1, 2023, through June 30, 2024.

Q. Have RDAFs for all Decoupling Years been approved for recovery?

A. No, RDAFs proposed in Docket No. DE 23-081 for Decoupling Year 2 have not been approved for recovery. The Company has included the $3,470,723 still to be approved and recovered in the "Prior Years' Deferral Balance in Schedule 5, line 13, column C as a deferred balance, while the Company awaits resolution for Decoupling Year 2.

Q. How did the Company calculate the monthly Target RPC?

A. The monthly Target RPC amounts were initially determined in Attachment 9 of the Settlement Agreement in Docket No. DE 19-064, and referenced in the Year 1 and 2 reconciliations, Docket Nos. DE 22-052 and DE 23-081. For DY3, Liberty calculated revised monthly Target RPCs as part of the Settlement Agreement establishing the Temporary Rates effective July 1, 2023[4]; the August 1, 2023, increase authorized in Docket No. DE 22-035; and, most recently, the June 1, 2024, step decrease ordered in Docket No. DE 22-035. Liberty determined these revised monthly Target RPC values by, first, allocating each year's allowed revenue requirement to each rate class, by month, in proportion to the test year.[3] Each class's monthly baseline distribution revenues allowed were then divided by the number of monthly customer bills from the test year to derive the monthly Target RPC. The Company has also ensured that these RPC values have been filed with each distribution change mentioned above.

Q. How did the Company calculate the monthly Actual RPC?

A. The monthly Actual RPC is calculated as the actual monthly distribution revenues for each rate class divided by the actual number of equivalent bills for each rate class rendered during that month. The distribution revenues are the result of any prior RDAF recoveries and does not include any VMP revenues. The Company's Actual Distribution Revenues for DY3 were $52,681,449 based on 561,625 Equivalent Bills.

Q. What does the term "equivalent bills" mean?

A. "Equivalent bills" is a term used in ratemaking to establish annualized monthly billing determinants; it is an accurate way to fully count customers. Liberty calculates the

[4] Settlement Agreement in Docket No. DE 23-039, Attachment KMJ/DSD/GHT-TEMP-5 filed on July 5, 2023, Page 2 of 3

equivalent bills by dividing the billed customer charge revenue for a rate class in a given month or year by the applicable Customer Charge for that month. Calculating the number of bills in this manner accounts for the fact that customers come and go each month, utilizing service for only portions of a given month, and receive prorated Customer Charges based on the number of days of service. In essence, this methodology properly counts all the fractions of a month that a customer takes service from Liberty. Both the Target RPC and the Actual RPC use equivalent bills in order to provide an accurate comparison.

Q. How does Liberty allocate any shortfall or surplus?

A. Subject to the 3% cap described above, Liberty allocates the Annual Allowed Adjustment revenue shortfall or surplus to the classes using the Rate Class Allocation percentages shown on line 71 of Settlement Agreement, (Attachment 9, Bates 117). These percentages represent the contribution of class distribution revenues to total system distribution revenues.

Q. Does Liberty's RDAF include a weather normalization adjustment?

A. No. The RDAF does not include a weather-related adjustment in the RDAF calculation.

III. <u>REVENUE REQUIREMENT</u>

Q. What is the distribution revenue requirement associated with DY3?

A. As shown in Schedule 2, page 1, the allowed distribution revenue requirement subject to decoupling is $52,021,093, which includes the July 1, 2023, temporary rate adjustment increase authorized in Docket No. DE 23-039 (used for 1 month); the August 1, 2023, step adjustment increase authorized in Docket No. DE 22-035 (used for 10 months); and, most recently, the June 1, 2024 decrease ordered in Docket No. DE 22-035 (used for the final month of DY3). The Company derived this figure by allocating the associated revenue requirements on a monthly basis, as shown on Schedule 2, page 2, and summing the monthly totals to determine the Target Revenues as shown on Schedule 2, page 3.

Q. What is the deferral balance carried over from previous Decoupling Years?

A. The prior year's deferral balance, which includes carrying charges, is $4,156,681. This includes $337,913 deferred from DY1 in Docket No. DE 22-052, as well as $3,470,723 deferred from DY2 in Docket No. DE 23-081 and then carrying charges totaling $348,044, as of October 31, 2024, that remain to be collected.

Q. Did Liberty calculate a cumulative annual revenue surplus or shortfall?

A. The Company calculated a total of $1,341,045 revenue deficiency for DY3. Schedule 2, pages 2-6 provide the detailed calculation of the proposed RDAFs, consistent with the Settlement Agreement calculation presented on Schedule 2, page 1.

Q. What is the amount of the decoupling cap in DY3?

A. Per the Settlement Agreement, the 3% cap is equal to 0.03 times the allowed revenue requirement subject to annual adjustments. For DY3, the allowed revenue requirement of $52,021,093 multiplied by 0.03 equals the $1,560,633 cap, consistent with the amount the Company is asking to recover in DY3.

Q. What happens to the remaining amount beyond the 3% cap?

A. Liberty seeks authorization to defer the $3,937,093 in excess of the 3% cap, approximately 7.57% of the revenue requirement, for recovery in subsequent decoupling period(s).

IV. CUSTOMER BILL IMPACTS

Q. What is the bill impact to residential customers?

Schedule 3 reflects the addition of the proposed RDAFs to existing distribution charges effective November 1, 2024. As shown in Schedule 4, a residential customer using 650 kWh per month and taking Energy Service from the Company's default supply offering will see a decrease to their bill of approximately $1.65 per month or -1.03%.

Q. Did the Company provide a redlined tariff reflecting the proposed rate changes?

A. Yes. Attachment 1 contains both a clean and redlined version of proposed tariff Pages 90, 91, 92, 93, 96, 98, 101, 104, 107, and 126 as part of the RDAF filing.

V. CONCLUSION

Q. Does this conclude your testimony?

A. Yes, it does.

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