

REDACTED

DIRECT TESTIMONY

OF

DAVID B. SIMEK

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Table of Contents

I.	<u>Introduction and Qualifications</u>	1
II.	<u>Purpose of Testimony</u>	2
III.	<u>Base Energy Service Rates</u>	3
IV.	<u>Reconciliations and Adjustment Factors</u>	5
	<u>Energy Service Reconciliation</u>	7
	<u>Renewable Portfolio Standard Reconciliation and Adjustment Factor</u>	7
	<u>Regional Greenhouse Gas Initiative Auction Excess Rebate Reconciliation</u>	7
	<u>Regional Greenhouse Gas Initiative Auction Excess Revenue Adjustment Factor</u>	8
	<u>Reconciliation of Energy Service Adjustment Factor</u>	9
V.	<u>Energy Service Cost Reclassification Adjustment Factor Reconciliation</u>	9
VI.	<u>Effective Date and Bill Impacts</u>	10
VII.	<u>Conclusion</u>	12

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1 **I. Introduction and Qualifications**

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

3 A. My name is David B. Simek, and my business address is 15 Buttrick Road, Londonderry,
4 NH 03053.

5
6 **Q. Please state by whom you are employed and your position.**

7 A. I am a Senior Utility Analyst for Liberty Energy Utilities (New Hampshire) Corp.
8 (“Liberty Energy NH”) which is the sole shareholder of Liberty Utilities (Granite State
9 Electric) Corp. d/b/a Liberty Utilities (“Granite State” or “the Company”) and provides
10 service to Granite State. I am responsible for providing rate-related services for the
11 Company.

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

14 A. I graduated from Ferris State University in 1993 with a Bachelor of Science in Finance. I
15 received a Master’s of Science in Finance from Walsh College in 2000. I also received a
16 Master’s of Business Administration from Walsh College in 2001. In 2006, I earned a
17 Graduate Certificate in Power Systems Management from Worcester Polytechnic Institute.

18
19 **Q. Please describe your professional background.**

20 A. In August of 2013, I joined Liberty Utilities as a Utility Analyst and I was promoted to a
21 Senior Utility Analyst in August 2014. Prior to my employment at Liberty Energy NH, I
22 was employed by NSTAR Electric & Gas (“NSTAR”) as a Senior Analyst in Energy

1 Supply from 2008-2012. Prior to my position in Energy Supply at NSTAR, I was a
2 Senior Financial Analyst within the NSTAR Investment Planning group from 2004 to
3 2008.

4
5 **Q. Have you previously testified before the New Hampshire Public Utilities
6 Commission (“the Commission”)?**

7 A. Yes. I recently provided written and oral testimony before the Commission in Dockets
8 DE 13-327, DE 14-013 and DE 14-086.

9
10 **II. Purpose of Testimony**

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

12 A. The purpose of my testimony is to present Granite State’s proposed Energy Service rates
13 for service rendered on and after November 1, 2014, in accordance with the Company’s
14 retail delivery tariff on file with the Commission (“Retail Delivery Tariff”) and the
15 Settlement Agreement in Docket No. DE 05-126 approved by the Commission in Order
16 No. 24,577 (January 13, 2006) (“Settlement Agreement”)¹.

17
18 **Q. Please summarize the proposed Energy Service rates resulting from the Energy
19 Service procurement, which Granite State is proposing to implement for service
20 rendered on and after November 1, 2014.**

¹ The Order granted Granite State’s August 1, 2005 Petition for Post-Transition Service Default Service Proposal as amended by the Post-Transition Service Default Service Proposal Settlement Agreement filed with the Commission on November 18, 2005. Granite State’s original proposal filed August 1, 2005 and the subsequent settlement

1 A. As I describe in more detail later in my testimony, Granite State proposes to implement
2 the following Energy Service rates per kilowatt-hour (kWh) of consumption beginning
3 November 1, 2014, for service rendered on and after that date:

	Residential and Small C&I	Medium & Large C&I					
	November 2014 - April 2015	November	December	January	February	March	April
Base Energy Service Rate	15.057 ¢	8.182 ¢	17.231 ¢	21.432 ¢	20.703 ¢	12.265 ¢	7.174 ¢
2014 Energy Service Adjustment Factor	(0.123) ¢	(0.123) ¢	(0.123) ¢	(0.123) ¢	(0.123) ¢	(0.123) ¢	(0.123) ¢
Energy Service Cost Reclassification Adjustment Factor	0.044 ¢	0.022 ¢	0.022 ¢	0.022 ¢	0.022 ¢	0.022 ¢	0.022 ¢
Renewable Portfolio Standard (“RPS”) Adder	0.535 ¢	0.398 ¢	0.398 ¢	0.595 ¢	0.595 ¢	0.595 ¢	0.595 ¢
RGGI Auction Excess Revenue Adjustment Factor	(0.026) ¢	(0.026) ¢	(0.026) ¢	(0.026) ¢	(0.026) ¢	(0.026) ¢	(0.026) ¢
Total Energy Service Rate	15.487 ¢	8.453 ¢	17.502 ¢	21.900 ¢	21.171 ¢	12.733 ¢	7.642 ¢

4
5 The Energy Service rates which the Company proposes to bill its customers receiving
6 Energy Service are also summarized in Schedules DBS-1 and DBS-2.

7
8 **III. Base Energy Service Rates**

9 **Q. What are the “base” Energy Service rates that the Company is proposing for service**
10 **rendered on and after November 1, 2014?**

11 A. Consistent with the Settlement Agreement, Granite State is proposing a fixed six-month
12 base Energy Service rate for the period November 2014 – April 2015 for the Residential

agreement will together be referred to as the “Settlement Agreement” throughout my testimony.

1 and Small Commercial Customer Group² (“Small Customer Group”) based on the
2 weighted average of the six monthly contract prices contained in the supply agreement
3 with the winning Energy Service supplier for the Small Customer Group. As shown on
4 line (19) of Schedule DBS-2, the proposed base Energy Service rate for the Small
5 Customer Group is 15.057¢ per kWh. The Company is also proposing monthly base
6 Energy Service rates for the Medium and Large Commercial and Industrial Customer
7 Group³ (“Large Customer Group”) based on the six monthly contract prices contained in
8 the supply agreement with the winning Energy Service supplier for the Large Customer
9 Group. As shown on line (5) of Schedule DBS-1, page 1, the proposed base Energy
10 Service rates for the Large Customer Group are 8.182¢ per kWh, 17.231¢ per kWh,
11 21.432¢ per kWh, 20.703¢ per kWh, 12.265¢ per kWh, and 7.174¢ per kWh for the
12 months of November 2014 through April 2015, respectively.
13

14 **Q. How do these proposed Small Customer Group “base” Energy Service rates**
15 **compare to the Small Customer Group “base” Energy Service rates that were in**
16 **effect from November 1, 2013 through April 30, 2014?**

17 A. The base Energy Service rate for the Small Customer Group that was in effect from
18 November 1, 2013 through April 30, 2014 was 8.379¢ per kWh which compared to the
19 proposed November 1, 2014 Small Customer Group rate of 15.057¢ per kWh is an

² Customers taking service under Domestic Service Rate D; Domestic Service - Optional Peak Load Pricing Rate D-10; Outdoor Lighting Service Rate M; Limited Total Electrical Living Rate T; General Service Rate G-3; or Limited Commercial Space Heating Rate V of the Company’s Retail Delivery Tariff.

³ Customers taking service under General Long-Hour Service Rate G-2 or General Service Time-Of-Use Rate G-1 of the Company’s Retail Delivery Tariff.

1 increase of 6.678¢ per kWh or 79.7%.
2

3 **IV. Reconciliations and Adjustment Factors**

4 **Q. Please summarize the Company's obligations.**

5 A. Pursuant to the Company's Energy Service Adjustment Provision (ESAP), on an annual
6 basis, the Company performs its Energy Service Reconciliation (power supply
7 reconciliation) and Energy Service Cost Reclassification Adjustment Factor
8 Reconciliation (reconciliation of administrative costs of providing Energy Service). The
9 Company performs these reconciliations in order to set factors that adjust its Energy
10 Service rates and ensure that it recovers only the costs it actually incurs to provide Energy
11 Service to its customers, no more and no less.
12

13 In the Energy Service Reconciliation, the Company reconciles its power supply cost of
14 providing Energy Service with its Energy Service revenue associated with the recovery of
15 power supply costs. The excess or deficiency resulting from that reconciliation, including
16 interest at the interest rate paid on customer deposits, is returned to, or recovered from, all
17 Energy Service customers over the following 12 months through the Energy Service
18 adjustment factor. For purposes of this reconciliation, Energy Service revenue means all
19 revenue collected from Energy Service customers through the Energy Service rate for the
20 applicable twelve-month reconciliation period. The power supply cost of providing
21 Energy Service means all payments to suppliers and the Independent System Operator
22 associated with the provision of Energy Service. The power supply costs are partially

1 offset by the Regional Greenhouse Gas Initiative (RGGI) credits the Company receives.

2
3 In addition, New Hampshire's Electric Renewable Portfolio Standard ("RPS") statute,
4 RSA 362-F, requires providers of electric service to either purchase a portion of their
5 power from renewable sources through the acquisition of renewable energy certificates
6 ("RECs") or, if RECs are not available, make specified alternative compliance payments
7 ("ACPs") to the State renewable energy fund created by the RPS law. Accordingly,
8 power supply costs also include payments to suppliers of RECs as well as any ACP that
9 the Company makes to meet RPS obligations. As I describe later in my testimony, the
10 Company performs a separate reconciliation of the costs for complying with its RPS
11 obligations, which is included in the Energy Service adjustment factor.

12
13 In the Energy Service Cost Reclassification Adjustment Factor Reconciliation
14 (ESCRAF), the Company reconciles the administrative costs associated with providing
15 Energy Service with the Energy Service revenue associated with the recovery of
16 administrative costs. Pursuant to the Energy Service Cost Reclassification Adjustment
17 Provision, the excess or deficiency resulting from that reconciliation, including interest at
18 the interest rate paid on customer deposits, is then reflected in the subsequent year's
19 ESCRAF. Administrative costs of providing Energy Service means the sum of all labor
20 and consultant costs in arranging for and administering the provision of Energy Service,
21 any payments related to the cost of providing contract security (i.e., collateral or other
22 credit enhancements), Energy Service-related working capital cost, and Energy Service-

1 related bad debt (i.e., uncollectible account expense) cost. Revenue associated with the
2 recovery of administrative costs means the revenue generated from the ESCRAFs.

3
4 **Energy Service Reconciliation**

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

7 A. No. The 2014 Energy Service Reconciliation Adjustment Factor was approved by the
8 Commission in Order No. 25,642 (March 27, 2014) and will remain in effect through
9 April 30, 2015.

10
11 **Renewable Portfolio Standard Reconciliation and Adjustment Factor**

12 **Q. Is the Company presenting a reconciliation of the cost of complying with the**
13 **Renewable Portfolio Standard obligation in this filing?**

14 A. No. The Renewable Portfolio Standard Reconciliation for the period January 2013
15 through June 2014 was approved by the Commission in Order No. 25,642 and the
16 associated adjustment factor will remain in effect through April 30, 2015.

17
18 **Regional Greenhouse Gas Initiative (RGGI) Auction Excess Rebate Reconciliation**

19 **Q. Is the Company presenting a reconciliation of the “Rebate of Excess Regional**
20 **Greenhouse Gas Initiative Allowance Auction Proceeds to Energy Service**
21 **Customers” consistent with Order No. 25,471 in Docket DE 12-362?**

22 A. Yes. The result of the refund for the period May 2014 through October 2014 is presented

1 in Schedule DBS-3.

2

3 **Q. Please explain the RGGI Rebate Reconciliation in detail.**

4 A. Schedule DBS-3, page 3, presents the reconciliation of the projected to actual RGGI
5 Rebate by month. Based on actual revenue collected for the period April 2014 through
6 August 2014 and projected revenue collections for September through October 2014, the
7 ending balance as of October 2014 is an estimated remaining refund of \$77,533.

8

9 **Proposed November 2014 – April 2015 RGGI Auction Excess Revenue Adjustment**

10 **Factor**

11 **Q. Is the Company proposing to implement a RGGI Auction Excess Revenue**
12 **adjustment factor beginning November 1, 2014?**

13 A. Yes. The Company proposes a RGGI Auction Excess Revenue adjustment factor of
14 (0.00026) ¢ per kWh as calculated in Schedule DBS-3, page 1. This schedule takes the
15 estimated RGGI remaining refund from Schedule DBS-3 page 3 (covering the period
16 May 2014 through October 2014), projects accrued interest on the balance during the
17 refund period assuming monthly refund amounts, and divides the balance including
18 interest by an estimate of the kWh deliveries attributable to Energy Service customers for
19 the period from November 2014 through April 2015.

20

21 **Q. How would this factor be implemented?**

22 A. The RGGI Auction Excess Revenue adjustment factor would become effective for service

1 rendered on and after November 1, 2014, the same date that the other rates proposed in
2 this filing are proposed to become effective. The proposed RGGI Auction Excess
3 Revenue adjustment factor would be combined with the base Energy Service rates for
4 billing.

5
6 **Q. How will this factor be handled in the future?**

7 A. Pursuant to Commission Order No. 25,664 issued May 9, 2014 in Docket No, DE 14-048,
8 all RGGI proceeds in excess of \$1.00 per allowance resulting from auctions performed in
9 2014 or later will be rebated to all distribution customers, as opposed to only Energy
10 Service customers. The rebates will become effective for service rendered on and after
11 January 1, 2015 and will include all 2014 RGGI Auction Excess Revenue received plus
12 all applicable carrying charges. Annual reconciliations will be performed as part of the
13 Company's Annual Retail Rate Reconciliation and the proposed RGGI Auction Excess
14 Revenue adjustment factor would be combined with the transmission rates for billing.

15
16 **V. Energy Service Cost Reclassification Adjustment Factor Reconciliation**

17 **Q. Please describe the reconciliation of the administrative costs of providing Energy**
18 **Service.**

19 A. As stated earlier, pursuant to the Company's ESAP, the Company must reconcile its
20 administrative cost of providing Energy Service with its Energy Service revenue
21 associated with the recovery of administrative costs; and the excess or deficiency
22 resulting from that reconciliation, including interest at the interest rate paid on customer

1 deposits, must be reflected in the subsequent year's ESCRAF.

2
3 **Q. Is the Company presenting a reconciliation of administrative costs of providing**
4 **Energy Service with its Energy Service revenue associated with the recovery of**
5 **administrative costs in this filing?**

6 No. The ESCRAF Reconciliation for the period February 2013 through January 2014
7 was approved by the Commission in Order No. 25,642 and the associated adjustment
8 factor will remain in effect through April 30, 2015.

9
10 **VI. Effective Date and Bill Impact**

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

12 A. The Company is proposing that all of the above rate changes be made effective for service
13 rendered on and after November 1, 2014.

14
15 **Q. Has the Company determined the impact of these rate changes on customer bills?**

16 A. Yes. The bill impacts are included in Schedule DBS-4. The bill impact of the rates
17 proposed in this filing, as compared to rates in effect today, for a residential Energy
18 Service customer with a monthly kWh usage of 665 (the average monthly usage over the
19 twelve month period ending August 2014) is an increase of \$51.57 or 46.7%, from
20 \$110.48 to \$162.05. For other customers in the Small Customer Group, increases range
21 from 38.9% to 53.4% (see pages 1 to 9 of Schedule DBS-4). For customers in the Large
22 Customer Group, the Company has provided bill impacts for illustrative load-weighted

1 rates. The bill impacts for the six-month period ending April 2015 are increases ranging
2 from 45.6% to 59.1% as compared to the six-month period ending October 2014 (see
3 pages 10 to 16 of Schedule DBS-4).

4
5 **Q. In view of the sizable customer bill impact, is the Company planning to inform**
6 **customers of the proposed Energy Service price increase prior to the effective date?**

7 A. Yes. Concurrent with this filing, the Company plans to issue a press release, update the
8 Liberty web page and update the Liberty Facebook page with the proposed rates. A
9 newsletter will also be included with customer bills in November that alerts customers to
10 the increase, explains steps that customers can take to conserve electric usage, and
11 identifies resources available to those customers who may face difficulties paying their
12 bills.

13
14 **Q. Has the Company prepared a revised Summary of Rates tariff page reflecting the**
15 **proposed rates?**

16 A. Yes. It is included as Schedule DBS-5. The Summary of Rates tariff page reflects the
17 proposed Energy Service rate changes contained in this filing. Upon receiving an order in
18 this proceeding, the Company will file a Second Revised Page 68, Summary of Rates,
19 reflecting the appropriate approved rates.

20
21 **Q. Has the Company included the most recent quarterly report of migration**
22 **information based on monthly migration by customer class and load, as required by**

1 **the Commission's Order No. 24,715 in Docket No. DE 06-115?**

2 A. Yes. The quarterly report of customer migration information for the second quarter of
3 calendar year 2014 is included as Schedule DBS-6 page 1.

4

5 **Q. Please describe the migration trends.**

6 A. Residential customers continue to migrate to competitive supply. Approximately 6% of
7 all residential customers are now on competitive supply as compared to 1% at the
8 beginning of the year. Industrial and commercial customers taking competitive supply
9 remains fairly constant (16% now vs 15% at beginning of year).

10

11 **VII. Conclusion**

12 Q. Does this conclude your testimony?

13 A. Yes.