



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

Docket No. DE 15-010

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities
Energy Service Reconciliation for the Period February 1, 2015 to October 31, 2015

**DIRECT TESTIMONY
OF
HEATHER M. TEBBETTS**

August 20, 2015

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.

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

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

1 **II. Purpose of Testimony**

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

3 A. The purpose of my testimony is to present Liberty Utilities' proposed Energy Service
4 reconciliation for the period of February 2015 through October 2015. My testimony
5 includes the results of: (i) the reconciliation of Energy Service power supply expense and
6 applicable revenue for the period of February 2015 through October 2015 ("Energy
7 Service Reconciliation"); (ii) the reconciliation of the Company's cost of complying with
8 its actual 2014 Renewable Portfolio Standard obligations and the applicable revenue
9 ("Renewable Portfolio Standard Reconciliation"); and (iii) the reconciliation of the
10 administrative cost of providing Energy Service and the applicable revenue for the period
11 February 2015 through October 2015 ("Energy Service Cost Reclassification Adjustment
12 Factor ("ESCRAF") Reconciliation"). Additionally, this filing presents the Company's
13 final reconciliation relating to its 2014 Energy Service adjustment factor as well as the
14 status of the reconciliation relating to its 2015 Energy Service adjustment factor 1.

15 Liberty Utilities is not proposing base Energy Service rates at this time. The Company
16 will propose base rates when it submits its rate filing on or about September 21, 2015.

17 This filing only addresses the reconciliation portion of the rate calculation.

18 **Q. Why is the Company filing a reconciliation of Energy Service after only six months**
19 **from its last reconciliation?**

¹ The orders approving the 2013 and 2014 Default Service adjustment factors were Order No. 25,642 (March 27, 2014) and Order No. 25,770 (March 30, 2015).

1 A. In response to high winter Energy Service prices and the disparity of those prices as
2 compared to the summer period over the last couple of years, the Commission opened
3 Docket No. IR 14-338 “Review of Default Service Procurement Processes for Electric
4 Distribution Utilities” on November 24, 2014, for the purposes of reviewing various
5 approaches to default service solicitations to determine if any changes to existing
6 procurement processes were warranted. The Commission directed Staff to conduct
7 stakeholder discussions with electric distribution utilities, competitive suppliers, market
8 participants and customer representatives on different approaches to default service
9 solicitations. Public Service Company of New Hampshire d/b/a Eversource Energy
10 (Eversource), Liberty Utilities, and Unitil Energy Systems, Inc. (Unitil) were mandatory
11 parties in the discussions.

12 The Commission Staff held several technical sessions to discuss with parties various
13 options for pricing and the procurement of Energy Service by distribution utilities. As a
14 result, on May 27, 2015, the Commission held a hearing to discuss the parties’ positions
15 on changes to the procurement process before the next winter’s procurements take place.

16 The Commission in its final comments at the hearing expressed its desire for the parties
17 to work together on three topics:

- 18 1. Shortening the time from bid to approval
- 19 2. Separating the reconciliation process from the rate-setting process
- 20 3. Moving the six-month period during which rates are in effect

1 The Commission directed Liberty to meet with the Commission Staff, the Office of
2 Consumer Advocate (OCA), and the Office of Energy and Planning (OEP) to discuss and
3 reach an agreement on approaches to address these issues. These parties met on July 1,
4 2015, to discuss how to implement the Commission's suggestions and agreed on the
5 following recommendations which were the subject of the Company's July 22, 2015,
6 Petition for Approval of Revisions to Default Service Solicitation Process and were
7 discussed during the August 11, 2015, hearing in this proceeding:

- 8 1. Shortening the time frame between bidding and approval would require either a
9 change to RSA 378:3, or an adjudicative proceeding by the Commission to
10 determine what the appropriate process should be with regard to proper notice to
11 the Commission and to the public of any rate change by the utilities. This change
12 would not be implemented before the next procurement period, and thus, Liberty
13 is not proposing a change at this time. We will continue to work with on this
14 issue with Staff and parties.
- 15 2. Liberty is proposing to change the two 6-month Energy Service periods currently
16 commencing in May/November to commence in February/August. Moving to the
17 proposed 6-month periods will place the most expensive winter months (January
18 & February) into two separate 6-month periods instead of only in the current
19 November through April period. The intent of the proposed change is to reduce
20 the price volatility as seen between the current service periods.

1 3. The current Energy Service supply contracts end on October 31, 2015. In order to
2 transition to the proposed periods, Liberty is proposing to secure a 9-month supply
3 in the next solicitation covering the period from November 2015 through July
4 2016. To implement the proposed change, the Settlement Agreement regarding
5 the solicitation of a default service supply for Liberty's customers, as approved in
6 Docket No. DE 05-126 will need to be revised. Liberty proposed to file its annual
7 Energy Service reconciliation at least 30 days in advance of the Energy Service
8 rate filing to allow time for parties to review the filing and request additional
9 information during the discovery process. Under the current process, the
10 reconciliation of costs for the 12-month period ending in January of the current
11 year is filed concurrently with the March Energy Service rate filing. Under
12 Liberty's proposal, the annual reconciliation process will commence with a filing
13 30 days prior to a filing for the August Energy Service rate change. In addition,
14 this timing change will have the benefit of eliminating the mismatch that currently
15 exists between the reconciliation period and the period during which rates are in
16 effect. To implement this change, the first nine months of the reconciliation will
17 include actual revenues and expenses, while the last three months will be based on
18 projected revenues and expenses.

19 To accomplish the last of the preceding three items, Liberty is filing its reconciliation at
20 least 30 days in advance of its September 21, 2015, filing to allow parties the opportunity
21 to review the reconciliation of the previous period's revenues and expenses.

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

2 A. Schedule HMT-3 Energy Service Reconciliation
3 Schedule HMT-4 2014 Energy Service Adjustment Factor Reconciliation
4 Schedule HMT-5 Calculation of Proposed 2015 Energy Service Adjustment Factor
5 Schedule HMT-6 Energy Service Cost Reclassification Adjustment Factor
6 Reconciliation
7 Schedule HMT-7 Calculation of Proposed Energy Service Cost Reclassification
8 Adjustment Factors
9 Schedule HMT-8 Renewable Portfolio Standard
10 Schedule HMT-9 Border Sales Settlement Adjustment Factor

11 Schedules HMT-1 and HMT-2 provide rate calculations based on the winning bids.

12 These schedules will be filed with the full Energy Service filing on September 21, 2015.

13 **III. Reconciliations and Adjustment Factors Energy Service Adjustment Provision**

14 **Q. Please summarize the Company's obligations under the Company's ESAP.**

15 A. Pursuant to the Company's ESAP, on an annual basis, the Company performs its Energy
16 Service Reconciliation (power supply reconciliation) and Energy Service Cost
17 Reclassification Adjustment Factor Reconciliation (reconciliation of administrative costs
18 of providing Energy Service). The Company performs these reconciliations in order to
19 set factors that adjust its Energy Service rates and ensure that it recovers only the costs it
20 actually incurs to provide Energy Service to its customers, no more and no less.

21 In the Energy Service Reconciliation, the Company reconciles its power supply cost of
22 providing Energy Service with its Energy Service revenue associated with such power
23 supply costs. The excess or deficiency resulting from that reconciliation, including

1 interest at the interest rate paid on customer deposits, is returned to, or recovered from, all
2 Energy Service customers over the following twelve months through the Energy Service
3 adjustment factor. Due to the fact that Liberty Utilities has proposed to change the period
4 for which it will procure power, the excess or deficiency will be returned to customers
5 over the same proposed nine-month transition period. The period for which the Company
6 has reconciled is also nine months. The power supply cost of providing Energy Service
7 includes all payments to suppliers and the Independent System Operator associated with
8 the provision of Energy Service.

9 In addition, New Hampshire's Electric Renewable Portfolio Standard ("RPS") statute,
10 RSA 362-F, requires providers of electric service to either purchase a portion of their
11 power from renewable sources or through the acquisition of Renewable Energy
12 Certificates ("RECs") or, if RECs are not available, to make specified Alternative
13 Compliance Payments ("ACPs") to the State Renewable Energy Fund created by the RPS
14 statute. Accordingly, power supply costs also include payments for the purchase of RECs
15 as well as any ACP that the Company renders to comply with the annual RPS obligations.

16 As I describe later in my testimony, the Company performs a separate reconciliation of
17 the costs for complying with its RPS obligations, which is included in the Energy Service
18 adjustment factor.

19 In the Energy Service Cost Reclassification Adjustment Factor Reconciliation
20 ("ESCRAF"), the Company reconciles the administrative costs associated with providing
21 Energy Service with the Energy Service revenue associated with the recovery of

1 administrative costs. Pursuant to the Energy Service Cost Reclassification Adjustment
2 Provision, the excess or deficiency resulting from that reconciliation, including interest at
3 the interest rate paid on customer deposits, is then reflected in the subsequent year's
4 ESCRAF. Administrative costs of providing Energy Service means the sum of all labor
5 and consultant costs in arranging for and administering the provision of Energy Service,
6 any payments related to the cost of providing contract security (i.e., collateral or other
7 credit enhancements), Energy Service-related working capital cost, and Energy Service-
8 related bad debt (i.e., uncollectible account expense) cost. Revenue associated with the
9 recovery of administrative costs means the revenue generated from the ESCRAFs.

10 **IV. Energy Service Reconciliation**

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

13 A. Yes. The Energy Service Reconciliation for the period February 2015 through October
14 2015 is presented in Schedule HMT-3.

15 **Q. Please explain the Energy Service Reconciliation in detail.**

16 A. Schedule HMT-3, page 1, presents the actual reconciliation of Energy Service revenue
17 and Energy Service expense by month. The detail behind each month's Energy Service
18 revenue is included on page 2 of Schedule HMT-3. The detail behind each month's
19 Energy Service expense is shown on page 3 of Schedule HMT-3. The source of the
20 Energy Service expenses on page 3 are each month's invoices from the various Energy
21 Service providers.

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

11 To bring the reconciliation period and the recovery/refund periods closer together, the
12 Company is using projections of costs and revenues for the months of August through
13 October 2015 in this filing and including them in the calculation of the reconciliation to
14 remove the lag.

15 **Q. On Schedule HMT-3, page 2 of 3, why is the Company subtracting amounts from**
16 **Energy Service revenue for the Renewable Portfolio Standard adder revenue?**

17 A. Any revenue relating to the RPS compliance adder must be reconciled separately from
18 Energy Service revenue. To perform this separate reconciliation, the revenue for RPS
19 compliance is subtracted from the total Energy Service revenue billed to customers in
20 order to properly reflect the base Energy Service revenue for the current reconciliation
21 period. The RPS compliance adder is the charge associated with the Company's costs to

1 comply with its RPS obligation. Accordingly, the Company has calculated the revenue
2 relating to the Small Customer Group RPS compliance adder and the Large Customer
3 Group RPS compliance adder and removed these components of revenue from the total
4 Energy Service revenue billed. The revenue amounts related to the RPS compliance
5 adders are included in the Renewable Portfolio Standard Reconciliation discussed below.

6 **Q. What is the result of the Company's Energy Service Reconciliation for the period**
7 **ending October 2015?**

8 A. As shown on Schedule HMT-3, page 1 of 3, the Company has an over-recovery of Energy
9 Service power supply costs of \$1,078,683 and will reflect this over-recovery in its
10 proposed Energy Service adjustment factor to take effect November 1, 2015. The over-
11 recovery is due in large part to the fact that the May 1, 2015, Energy Service rate change
12 used the February 2015 migration rate of 37% (the most recent actual migration rate).
13 This migration rate held steady for March. Starting with the month of April, the
14 migration rate increased to 43% and continued increasing through June to 49%. The
15 costs associated with supply for the months of May through June were significantly
16 reduced being that the load to be served was cut by more than 20%. When the six-month
17 rate for small customers is calculated at the beginning of a period, monthly prices from
18 suppliers and the forecasted Energy Service load are used to develop a weighted average
19 price to be charged for the entire six-month period. To the extent that the Energy Service
20 load in the higher priced months decreases due to increased migration, a gap forms
21 between the Energy Service rate in effect for the period and what the rate would have

1 been if the lower actual monthly load had been known at the time the Energy Service rate
2 was initially established.

3 **V. Reconciliation of the 2014 Energy Service Adjustment Factor**

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

5 A. Schedule HMT-4 combines the following over- and under-recovery amounts for prior
6 periods to determine the net amount of over/under-recovery remaining as of the start of
7 the November 1, 2015, Energy Service rate period:

- 8 • \$348,417 of over-recovery remaining from the balance incurred February 2013
9 through January 2014, recovered May 2014 through April 2015 period (see
10 revised Schedule HMT-6 filed March 24, 2015, in Docket DE 15-010);
- 11 • \$4,840,569 of Energy Service under-recovery as of the end of January 2015 (see
12 revised Schedule HMT-3, page 1 filed March 24, 2015, in Docket DE 15-010);
13 and
- 14 • \$599,755 of RPS projected over-recovery (see revised Schedule HMT-4 P1 filed
15 March 24, 2015, in Docket DE 15-010).

16 The net amount of those three items as of the start of the current reconciliation period was
17 an under-recovery of \$3,892,397. After applying the revenue received from the Energy
18 Service Adjustment Factor, the net amount to be recovered beginning November 1, 2015,
19 is an under-recovery of \$2,833,252. Based on previous filings, there was a two-year lag
20 in recovery/refunds for the Energy Service reconciliation. Prior reconciliation filings did
21 not include projected costs or revenues for the months of the reconciliation period beyond

1 those for which actual dollars were known. This process created a lag in
2 recovery/refunds. HMT-4 takes those previous years' reconciliations and calculates the
3 remaining net under-recovery to be recovered in the next rate period starting November 1,
4 2015, thereby reducing the lag.

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

6 A. Schedule HMT-5, page 1 of 2, provides a calculation of the Energy Service Adjustment
7 Factor. The factor includes the over-collection of Energy Service, the under-collection
8 associated with the Energy Service adjustment factor, the over-collection of RPS and
9 interest.

10 Schedule HMT-5, page 2 of 2, calculates the interest associated with the period in which
11 the rate was in effect for Energy Service and RPS.

12 **VI. Energy Service Cost Reclassification Adjustment Factor Reconciliation**

13 **Q. Please describe the reconciliation of the administrative costs of providing Energy**
14 **Service.**

15 A. As stated earlier, pursuant to the Company's ESAP, the Company must reconcile its
16 administrative cost of providing Energy Service with its Energy Service revenue
17 associated with the recovery of administrative costs; and the excess or deficiency
18 resulting from that reconciliation, including interest at the interest rate paid on customer
19 deposits, must be reflected in the subsequent year's ESCRAF.

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

4 A. Yes. The ESCRAF Reconciliation for the period February 2015 through October 2015 is
5 presented in Schedule HMT-6.

6 **Q. Please explain the ESCRAF reconciliation in detail.**

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

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

14 A. Yes. The cash working capital impact is prepared in the same manner as the cash working
15 capital impact filed with the Commission in the March 23, 2015, DE 15-010 filing.

16 **VII. Proposed Energy Service Cost Reclassification Adjustment Factors**

17 **Q. Has the Company calculated proposed ESCRAFs for the period beginning**
18 **November 1, 2015?**

19 A. Yes. Schedule HMT-7 calculates the proposed ESCRAFs of \$0.00345 per kWh for the
20 Small Customer Group and \$0.00022 per kWh for the Large Customer Group for the

1 period of November 2015 through July 2016. The proposed ESCRAFs would be
2 combined with the Energy Service rates for billing.

3 **Q. Has the Company calculated the ESCRAFs in the same manner as in last year's**
4 **filing?**

5 A. Yes. The Company has calculated the ESCRAFs in the same manner as in last year's
6 filing and in accordance with the methodologies approved in the Settlement Agreement.

7 **VIII. Renewable Portfolio Standard Reconciliation**

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

10 A. Yes. The RPS Reconciliation for the period January 2014 through June 2015 is presented
11 in Schedule HMT-8. The reconciliation year for RPS is January 2014 through June 2015
12 because the program year is a calendar year, but the Company may purchase RECs and
13 pay the ACP anytime through June 2015.

14 **Q. Please explain the Renewable Portfolio Standard Reconciliation in detail.**

15 A. Schedule HMT-8, page 1, presents the actual reconciliation of RPS compliance adder
16 revenue and expense by month. The RPS compliance adder revenue is collected from
17 Energy Service customers during January 2014 through June 2015 and is presented on
18 page 2 of Schedule HMT-8. The RPS Obligation Expense for 2014 is presented on page
19 3 of Schedule HMT-8. These costs are based on actual revenues and expenses for the
20 period January 2014 through June 2015. The Company has calculated an over-recovery
21 of \$1,295,863.

1 **Q. Why does the Company have an over recovery for RPS?**

2 A. In Order No. 25,768, the Commission ruled that the Class III RPS requirements for 2014
3 and 2015 will be set at 0.5% of retail sales. Pursuant to RSA 362-F:3, Class III
4 requirements were set at 3% of retail sales for 2014, and 8% of retail sales for 2015. RSA
5 362-F authorizes the Commission to adjust Class III requirements as necessary. Due to
6 these changes, the RPS adder in effect for January through April 2015 was based on the
7 8% of retail sales, or \$0.00595 per kWh. The newly calculated adder with the 0.5% of
8 retail sales adder was not implemented until the May 1, 2015, Energy Service rate change
9 in Docket DE 15-010.

10 **Q. How is the Company proposing to treat the projected over recovery of RPS**
11 **expense?**

12 A. The Company is proposing to combine the over-recovery of Energy Service power supply
13 costs with the projected RPS expense over-recovery in the calculation of the proposed
14 2015 Energy Service adjustment factor.

15 **IX. Borderline Sales Settlement Agreement**

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

17 A. On April 11, 2014, Liberty Utilities and Massachusetts Electric Company (“MECO”)
18 entered into a Borderline Sales Settlement Agreement with respect to customers residing
19 near the New Hampshire border in Methuen, MA on or near Hampshire Road. These
20 customers had received electric service from MECO that was procured by Liberty
21 Utilities and delivered over distribution facilities and equipment owned, controlled and/or

1 operated by Liberty Utilities for a period of time commencing on or before 2003 through
2 April 2014.

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

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

10 A. As proposed and accepted in its March 23, 2015, Energy Service rate filing, the Company
11 proposed to begin refunding the Energy Service portion of the Settlement Agreement
12 starting in May 2015 through its Energy Service Reconciliation mechanism. The
13 Company calculated a credit of (\$0.00104) cents per kWh in its Energy Service charge in
14 Schedule HMT-9. The schedule illustrates the actual and projected refunds for the period
15 of May 2015 – July 2016. Any remaining refund will be included in the next
16 reconciliation filing for August 1, 2016, rates.

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

19 A. Not at this time. As stated earlier, Liberty Utilities is not yet proposing base Energy
20 Service rates, thus the impact of the Energy Service rate change on customers' bills is not
21 known. The Company will propose base rates when it submits its rate filing on

1 September 21, 2015. This filing only addresses the reconciliation portion of the rate
2 calculation.

3 **Q. What does the Company plan to do to educate customers about the rate changes?**

4 A. On October 1, 2015, the Company will be posting information regarding this filing on its
5 website. There will be on-bill messaging on the October bills reminding customers of the
6 summer period rate change. The information will direct them to our website for more
7 information about the rate change. Once the rates are approved, they will be posted on
8 the website by November 1, 2015. The November bills will include on-bill messaging,
9 along with a bill insert reminding customers of the new rates, and directing them to the
10 website for more information.

11 **X. Conclusion**

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

13 A. Yes.