



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

Docket No. DE 18-041

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities
Energy Service for the Period August 1, 2018, to January 31, 2019

Reconciliation for the Period August 1, 2017, to July 31, 2018

DIRECT TESTIMONY

OF

JAIME L. URBAN

AND

DAVID B. SIMEK

May 16, 2018

THIS PAGE INTENTIONALLY LEFT BLANK

1 **I. Introduction and Qualifications**

2 **Q. Please state your full names, business addresses, and positions.**

3 A. My name is Jaime L. Urban. My business address is 15 Buttrick Road, Londonderry,
4 New Hampshire. My title is Rates Analyst, Rates and Regulatory Affairs.

5 My name is David B. Simek. My business address is 15 Buttrick Road, Londonderry,
6 New Hampshire. My title is Manager, Rates and Regulatory Affairs.

7 **Q. By whom are you employed?**

8 A. We are employed by Liberty Utilities Service Corp. (“Liberty”) which provides services
9 to Liberty Utilities (Granite State Electric) Corp. (“Granite State” or “the Company”).
10 We are testifying on behalf of Granite State.

11 **Q. Please describe your educational background and your business and professional
12 experience.**

13 A. (JLU) I graduated from New Hampshire Technical Institute in 2009 with an Associate of
14 Science degree in General Studies. I am currently pursuing a Bachelor of Science degree
15 in Business Administration from Southern New Hampshire University. In November
16 2017, I joined Liberty’s Rates and Regulatory Affairs department as a Rates Analyst.
17 Prior to joining the Regulatory department, I worked in the General Accounting
18 department as an Accounts Payable Coordinator from December 2016 to November
19 2017. Prior to joining Liberty, I was employed as an Accounts Payable Coordinator at
20 Ultra Services, Inc. from 2014 to 2016. Prior to my career in General Accounting, I was
21 employed as an Office Manager from 2004 to 2013.

1 (DBS) I graduated from Ferris State University in 1993 with a Bachelor of Science in
2 Finance. I received a Master's of Science in Finance from Walsh College in 2000. I also
3 received a Master's of Business Administration from Walsh College in 2001. In 2006, I
4 earned a Graduate Certificate in Power Systems Management from Worcester
5 Polytechnic Institute. In August 2013, I joined Liberty as a Utility Analyst and I was
6 promoted to Manager, Rates and Regulatory Affairs in August 2017. Prior to my
7 employment at Liberty, I was employed by NSTAR Electric & Gas ("NSTAR") as a
8 Senior Analyst in Energy Supply from 2008 to 2012. Prior to my position in Energy
9 Supply at NSTAR, I was a Senior Financial Analyst within the NSTAR Investment
10 Planning group from 2004 to 2008.

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

13 A. (JLU) No, I have not.

14 (DBS) Yes, I have testified on numerous occasions before the Commission.

15 **II. Purpose of Testimony**

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

17 A. The purpose of our testimony is to present Liberty Utilities' proposed Energy Service
18 reconciliation for the period of August 1, 2017, to July 31, 2018. Our testimony includes
19 the results of: (i) the reconciliation of Energy Service power supply expense and
20 applicable revenue ("Energy Service Reconciliation"); (ii) the reconciliation of the
21 Company's cost of complying with its actual 2017 Renewable Portfolio Standard

1 obligations and the applicable revenue (“Renewable Portfolio Standard Reconciliation”);
2 and (iii) the reconciliation of the administrative cost of providing Energy Service and the
3 applicable revenue (“Energy Service Cost Reclassification Adjustment Factor –
4 ESCRAF- Reconciliation”).

5 Liberty Utilities is not proposing new Energy Service rates at this time. The Company
6 will propose new rates when it submits its rate filing on June 18, 2018. This filing only
7 addresses the reconciliation portion of the rate calculation.

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

9 A.	Schedule JLU/DBS-3	Base Energy Service Expense Reconciliation
10	Schedule JLU/DBS-4	Renewable Portfolio Standard Reconciliation
11	Schedule JLU/DBS-5	Reconciliation and Calculation of Proposed 2018 Energy
12		Service Adjustment Factor
13	Schedule JLU/DBS-6	Reconciliation and Calculation of Proposed Energy Service
14		Cost Reclassification Adjustment Factor

15 Schedules JLU/DBS-1 and JLU/DBS-2 (not attached) will provide rate calculations
16 based on the winning bids. These schedules will be filed with the full Energy Service
17 filing on June 18, 2018.

18 **Q. Are you including any adjustments to last year’s reconciliation in this filing?**

19 A. Yes. There are a total of four adjustments, one to each of the schedules listed above.
20 Each adjustment is summarized in the table below and will be described in sections IV,
21 V, VI, and VII below. The total of these four adjustments, including interest, is a refund
22 to customers in the amount of \$2,457,207.

<u>Energy Service Adjustment Factor Reconciliation Adjustments</u>			
	17-058 Filed (a)	17-058 Adjusted (b)	Net effect to 18-041 (c = b - a)
(1) Energy Service (Over)/ Under Collection	\$ 973,219	\$ (182,554)	\$ (1,155,773)
(2) RPS Reconciliation (Over)/ Under Collection	\$ (612,228)	\$ (873,268)	\$ (261,040)
(3) ESAF Reconciliation (Over)/ Under Collection	\$ 30,258	\$ (31,546)	\$ (61,804)
(4) ESAF True-up June and July 2017		\$ 2,864	
(5) Interest from July 2017 ESAF True-up		\$ 3	
(6) Adjusted Over Collection shown on JLU/DBS-5, Page 2, Line 3		\$ (1,084,501)	
(7) ESCRAF Reconciliation (Over)/ Under Collection	\$ 442,261	\$ (536,329)	\$ (978,590)
(8) ESCRAF True-up June and July 2017		\$ 25,139	
(9) Interest from July 2017 ESCRAF True-up		\$ 63	
(10) Adjusted Over Collection shown on JLU/DBS-6, Page 2, Line 3		\$ (511,128)	\$ (2,457,207)

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 Reconciliation – power supply
- Renewable Portfolio Standard (RPS) reconciliation - costs for complying with its RPS obligations
- Energy Service Adjustment Provision, which consists of two components:
 - Energy Service Adjustment Factor (ESAF) reconciliation – any over- or under- collection of the prior period's ESAF
 - Energy Service Cost Reclassification Adjustment Factor (ESCRAF) reconciliation – any over- or under- collection of the prior period's ESCRAF

1 **IV. Energy Service Reconciliation**

2 **Q. Is the Company presenting a reconciliation of Energy Service power supply costs**
3 **and revenues in this filing?**

4 A. Yes. The Energy Service Reconciliation for the period August 2017 through July 2018 is
5 presented in Schedule JLU/DBS-3.

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

7 A. Schedule JLU/DBS-3, page 1, presents the reconciliation of Energy Service revenue and
8 Energy Service expense by month for the reconciliation period. The detail behind each
9 month's Energy Service revenue is included on page 2 of Schedule JLU/DBS-3. The
10 detail behind each month's Energy Service expense is included on page 3 of Schedule
11 JLU/DBS-3.

12 **Q. On Schedule JLU/DBS-3, page 2, why is the Company subtracting amounts from**
13 **Energy Service revenue in column (a) for the other components of revenue in**
14 **columns (b) through (e)?**

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

1 **Q. Why is the Border Sales Refund Factor zero subsequent to July 2017?**

2 A. On April 11, 2014, Liberty Utilities and Massachusetts Electric Company (“MECO”)
3 entered into a Borderline Sales Settlement Agreement with respect to customers residing
4 near the New Hampshire border in Methuen, Massachusetts, on or near Hampshire Road.
5 These customers had received electric service from MECO that was procured by Liberty
6 Utilities and delivered over distribution facilities and equipment owned, controlled,
7 and/or operated by Liberty Utilities for a period of time commencing on or before 2003
8 through April 2014.

9 The settlement agreement required MECO to pay Liberty Utilities \$716,722 plus interest
10 at the prime rate for a total of \$723,890 for transmission and commodity costs incurred
11 by Liberty Utilities to provide service to MECO for these customers, of which \$615,963
12 was to be refunded to Energy Service customers. Such payment was received by Liberty
13 Utilities on April 22, 2014. The refund was made during the period of May 2015 through
14 July 2017. Thus, the Borderline Sales Agreement has been satisfied and will not be
15 relevant to future filings.

16 **Q. Are accruals and unbilled revenues included in the reconciliation?**

17 A. Yes; however, they are not as evident as in the prior year’s filing. The approved
18 Settlement Agreement in Docket No. DE 16-383 included a provision that permitted the
19 use of accrual accounting in Granite State’s various reconciliation filings. Thus,
20 estimated accruals were included in the Company’s prior Energy Service reconciliation.
21 The reconciliation filed on June 19, 2017, in Docket No. DE 17-058 shows these

1 calculations on page 1 of Schedule HMT-5, lines 2 and 3. Upon further analysis, the
2 Company has concluded that it is not necessary to include estimated accruals in a
3 reconciliation period that ends with estimated monthly data. The use of accrual
4 accounting during a reconciliation period allows for more accurate matching of revenues
5 and expenses in the period they were incurred, as well as to ensure the Company's
6 regulatory filings reconcile with the Company's financial records. However, in order for
7 this calculation to be accurate, a portion of the accrual calculation must be known, i.e., at
8 the end of a month including actual results. Since the final Energy Service reconciliation
9 is filed by the Company in June, and the period which an accrual would be calculated is
10 July, with only estimated amounts available for that month at the time of filing, an
11 additional accrual at the end of that month is not necessary nor appropriate. Accruals are,
12 however, included in the monthly accounting for the months that include actual results.

13 Therefore, the prior period Unbilled Accrual Estimate shown on line 2 in the amount of
14 (\$1,563,102) and the Power Purchase Accrual Estimate shown on line 3 in the amount of
15 \$2,624,187 are being reversed in this reconciliation, as shown on page 1 of Schedule
16 JLU/DBS-5, lines 4 and 5. As accrual accounting is performed on a monthly basis, no
17 similar amounts have been included at the end of this reconciliation period.

18 **Q. What is the result of the Company's Energy Service Reconciliation for the period**
19 **ending July 2018?**

20 A. As shown on Schedule JLU/DBS-3, page 1 of 3, the Company has estimated an over-
21 collection of Energy Service power supply costs of (\$1,530,603) and will reflect this

1 over-collection in its proposed Energy Service Adjustment Factor to take effect August 1,
2 2018. This over-collection is partially due to the difference in projected revenues based
3 on a sales forecast in Docket No. DE 17-058 Energy Service proceeding used to calculate
4 a rate, versus the actual kilowatt-hours sold in the same period.

5 **Q. Does the over-collection of (\$1,530,603) include an adjustment from last year's**
6 **reconciliation?**

7 A. Yes. There were two adjustments made to the Energy Service Reconciliation in Docket
8 No. DE 17-058 that affected the numbers that were filed on June 19, 2017. First, the
9 expenses incurred for Renewable Energy Credits (RECs, or RPS expenses) are recorded
10 in the same general ledger account as electric purchases. In order to properly reflect the
11 base Energy Service expense for the current reconciliation period, the expense for
12 Renewable Energy Credits must be subtracted from the total Energy Service expense
13 recorded, as shown in Schedule JLU/DBS-3, page 3. This calculation was not performed
14 when the reconciliation in Docket No. DE 17-058 was filed on June 19, 2017. Second,
15 the Company shifted the period in which RPS expenses were recognized in the
16 reconciliation in order to reflect the same period in which they were recorded on the
17 Company's financial records. Specifically, expenses for RECs purchased in June 2017
18 that were used to satisfy the 2017 RPS obligation were recognized in the reconciliation
19 for the period ending June 30, 2017, rather than in the subsequent period's reconciliation
20 commencing July 1, 2017, as originally filed on June 19, 2017, in Docket No. DE 17-
21 058.

1 After making the adjustments noted above, the adjusted Energy Service over-collection
2 ending July 2017 was (\$182,554). This adjustment is reflected in the August 2017
3 beginning balance of the ESAF reconciliation, which is shown on Schedule JLU/DBS-5,
4 page 2, line 3. The beginning balance of (\$1,084,501) is comprised of four components,
5 which are listed below:

Energy Service Adjustment Factor Beginning Balance Calculation	
<i>Energy Service (Over)/ Under Collection</i>	\$ (182,554)
RPS Reconciliation (Over)/ Under Collection	\$ (873,268)
ESAF Reconciliation (Over)/ Under Collection	\$ (31,546)
True-up of June and July 2017 revenue	\$ 2,867
August 2017 ESAF Beginning Balance	\$ (1,084,501)

6
7 **V. 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 July 2017 through June 2018 is presented in
11 Schedule JLU/DBS-4. The reconciliation year for RPS is July 2017 through June 2018
12 because the program year is a calendar year, but the Company may purchase Renewable
13 Energy Certificates (RECs) and make Alternative Compliance Payments (ACPs) through
14 June 2018. The expenses associated with the 2017 program year are accounted for
15 through June 16, 2018, because the trading period for the 2017 program year ends on
16 June 16, 2018. After this date, the Company will know its obligations for RPS
17 compliance and/or to pay the ACPs for the previous year.

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

2 A. Schedule JLU/DBS-4 presents the actual reconciliation of RPS compliance adder revenue
3 and expense by month. The RPS compliance adder revenue is collected from Energy
4 Service customers during the period. These costs are based on actual revenues and
5 expenses for the period. The Company has estimated an over-collection of (\$68,518).
6 The Company anticipated a higher RPS adder with higher costs for the 2017 program
7 year, but with lower sales and the ability to procure RECs at lower market pricing versus
8 the ACP, the Company over-collected for RPS.

9 **Q. How is the Company treating the projected over-collection of RPS expense?**

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

14 **Q. Does the over-collection of (\$68,518) include an adjustment from last year's
15 reconciliation?**

16 A. Yes. There were two adjustments made to the Renewable Portfolio Standard
17 Reconciliation in Docket No. DE 17-058 that affected the numbers that were filed on
18 June 19, 2017: (i) the Company shifted the period in which RPS expenses were
19 recognized in the reconciliation in order to reflect the same period in which they were
20 recorded on the Company's financial records; and (ii) a true-up of estimated RPS revenue
21 against actual revenue for the month of June 2016 had not been calculated.

1 After making the adjustments noted above, the adjusted RPS over-collection ending June
2 2017 was (\$873,268). This adjustment is reflected in the July 2017 beginning balance of
3 the ESAF reconciliation, which is shown on Schedule JLU/DBS-5, page 2, line 3. The
4 beginning balance of (\$1,084,501) is comprised of four components, which are listed
5 below:

Energy Service Adjustment Factor Beginning Balance Calculation	
Energy Service (Over)/ Under Collection	\$ (182,554)
<i>RPS Reconciliation (Over)/ Under Collection</i>	<i>\$ (873,268)</i>
ESAF Reconciliation (Over)/ Under Collection	\$ (31,546)
True-up of June and July 2017 revenue	\$ 2,867
August 2017 ESAF Beginning Balance	\$ (1,084,501)

6

7 **VI. RECONCILIATION OF THE 2017 ENERGY SERVICE ADJUSTMENT**
8 **FACTOR**

9 **Q. Please explain Schedule JLU/DBS-5.**

10 A. The calculation of the Energy Service Adjustment Factor charged to customers includes
11 the over-collection of Energy Service, the over-collection associated with the Energy
12 Service Adjustment Factor for the prior period, the over-collection of RPS, and the
13 reversal of the accrual and unbilled revenue. The net of these amounts is estimated to be
14 an over-collection of (\$5,307,752) which, when divided by estimated Energy Service
15 forecasted kilowatt-hour sales, results in an estimated ESAF of (\$0.01161) to be included
16 in Energy Service rates effective August 1, 2018.

1 **Q. Does the current ESAF over-collection of (\$2,647,546) include an adjustment from**
2 **last year's reconciliation?**

3 A. Yes. There was one adjustment made to the Energy Service Adjustment Factor
4 Reconciliation in Docket DE 17-058 that affected the numbers that were filed on June 19,
5 2017. A true-up of estimated June and July 2016 revenue against actual revenue had not
6 been calculated.

7 After making the adjustment noted above, the adjusted ESAF over-collection ending July
8 2017 was (\$31,546). This adjustment is reflected in the August 2017 beginning balance
9 of the ESAF reconciliation, which is shown on Schedule JLU/DBS-5, page 2, line 3. The
10 beginning balance of (\$1,084,501) is comprised of four components, which are listed
11 below:

Energy Service Adjustment Factor Beginning Balance Calculation	
Energy Service (Over)/ Under Collection	\$ (182,554)
RPS Reconciliation (Over)/ Under Collection	\$ (873,268)
ESAF Reconciliation (Over)/ Under Collection	\$ (31,546)
True-up of June and July 2017 revenue	\$ 2,867
<hr/>	
August 2017 ESAF Beginning Balance	\$ (1,084,501)

12
13 **VII. Energy Service Cost Reclassification Adjustment Factor (ESCRAF) Reconciliation**

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

16 A. As stated earlier, the Company must reconcile its administrative cost of providing Energy
17 Service with its Energy Service revenue associated with the collection of administrative

1 costs, and the excess or deficiency resulting from that reconciliation, including interest at
2 prime, 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 August 2017 through July 2018 is
7 presented in Schedule JLU/DBS-6.

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

9 A. The detail behind each month's ESCRAF administrative expense is shown on pages 2
10 through 4 of Schedule JLU/DBS-6. The calculation of the cash working capital impact is
11 presented on pages 5 through 8 of Schedule JLU/DBS-6.

12 **Q. Has the Company calculated proposed ESCRAF for the period beginning August 1,**
13 **2018?**

14 A. Yes. Schedule JLU/DBS-6, page 1, calculates the estimated ESCRAF of (\$0.00069) per
15 kWh for the Small Customer Group and (\$0.00124) per kWh for the Large Customer
16 Group for the period of August 1, 2018, through July 31, 2019. The proposed ESCRAF
17 would be combined with the Energy Service rates for billing.

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

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

7 **Q. Does the ESCRAF over-collection of (\$858,182) include an adjustment to last year's**
8 **reconciliation?**

9 A. Yes. There was one adjustment made to the Energy Service Cost Reclassification
10 Adjustment Factor Reconciliation in Docket No. DE 17-058 that affected the numbers
11 that were filed on June 19, 2017. A true-up of estimated June and July 2016 revenue and
12 expenses against actual revenue and expenses had not been calculated.

13 After making the adjustment noted above, the adjusted ESCRAF over-collection ending
14 July 2017 was (\$536,329). This adjustment is reflected in the August 2017 beginning
15 balance of the ESCRAF reconciliation, which is shown on Schedule JLU/DBS-6, page 2,
16 line 3. The beginning balance of (\$511,128) is comprised of two components, which are
17 listed below:

ESCRAF Beginning Balance Calculation		
<i>ESCRAF (Over)/ Under Collection</i>	\$	(536,329)
True-up of June and July 2017 revenue and expenses	\$	25,201
August 2017 ESCRAF Beginning Balance	\$	(511,128)

18

1 **VIII. Bill Impacts**

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

4 A. Not at this time. As stated earlier, Liberty Utilities is not yet proposing new Energy
5 Service rates, thus the impact of the Energy Service rate change on customers' bills is not
6 known. The Company will propose new rates when it submits its rate filing on June 18,
7 2018. This filing only addresses the reconciliation portion of the rate calculation.

8 **IX. Conclusion**

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

10 A. Yes.

THIS PAGE INTENTIONALLY LEFT BLANK