



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

Docket No. DE 19-059

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities
Energy Service for the Period August 1, 2019, to January 31, 2020

Reconciliation for the Period August 1, 2018, to July 31, 2019

DIRECT TESTIMONY

OF

DAVID B. SIMEK

June 7, 2019

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I. Introduction and Qualifications

Q. Please state your full name, business address, and position.

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

Q. By whom are you employed?

A. I am employed by Liberty Utilities Service Corp. (“Liberty”), which provides services to Liberty Utilities (Granite State Electric) Corp. (“Granite State” or “the Company”). I am testifying on behalf of Granite State.

Q. Please describe your educational background and your business and professional experience.

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

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

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

4 **II. Purpose of Testimony**

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

6 A. The purpose of my testimony is to present Liberty Utilities’ proposed Energy Service
7 reconciliation for the period of August 1, 2018, to July 31, 2019. My testimony includes
8 the results of: (i) the reconciliation of Energy Service power supply expense and
9 applicable revenue (“Energy Service Reconciliation”); (ii) the reconciliation of the
10 Company’s cost of complying with its actual 2018 Renewable Portfolio Standard
11 obligations and the applicable revenue (“Renewable Portfolio Standard Reconciliation”);
12 and (iii) the reconciliation of the administrative cost of providing Energy Service and the
13 applicable revenue (“Energy Service Cost Reclassification Adjustment Factor –ESCRAF-
14 Reconciliation”).

15 Liberty Utilities is not proposing new Energy Service rates at this time. The Company
16 will propose new rates when it submits its rate filing on June 17, 2019. This filing only
17 addresses the reconciliation portion of the rate calculation.

18 **Q. Did you perform your analyses consistent with processes and procedures for similar**
19 **filings in previous years?**

20 A. Yes. I have performed my analyses consistent with past methods and practices. The
21 actual revenues and costs tie to the Company’s books and are reported consistent with the

1 July 2012–April 2019 revenues and costs currently being reviewed by PUC Audit Staff,
2 this is discussed further in Section VII of my testimony.

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

4 A. Schedule DBS-3 Base Energy Service Expense
5 Reconciliation
6 Schedule DBS-4 Renewable Portfolio Standard Reconciliation
7 Schedule DBS-5 Reconciliation and Calculation of Proposed 2019
8 Energy Service Adjustment Factor
9 Schedule DBS-6 Reconciliation and
10 Calculation of Proposed Energy Service Cost
11 Reclassification Adjustment Factor

12 Schedules DBS-1 and DBS-2 (not attached) will provide rate calculations based on the
13 winning bids. These schedules will be filed with the full Energy Service filing on June
14 17, 2019.

15 **III. Reconciliation of Energy Service Adjustment Factor (ESAF)**

16 **Q. Please summarize the Company's ESAF reconciliation.**

17 A. The Company calculates the differences between revenues and costs for the following
18 items for the reconciliation filing:

- 19 • Energy Service Reconciliation – power supply
- 20 • Renewable Portfolio Standard (RPS) reconciliation - costs for complying
21 with its RPS obligations
- 22 • 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

IV. Energy Service Reconciliation

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

A. Yes. The Energy Service Reconciliation for the period August 2018 through July 2019 is presented in Schedule DBS-3.

Q. Please explain the Energy Service Reconciliation.

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

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

A. Any revenue relating to the RPS compliance, Energy Service Adjustment Factor, and the Energy Service Cost Reclassification Adjustment Factor is reconciled separately from Energy Service revenue. To perform these separate reconciliations, the revenue for these

1 items are subtracted from the total Energy Service revenue billed to customers in order to
2 properly reflect the base Energy Service revenue for the current reconciliation period.

3 **Q. What is the result of the Company's Energy Service Reconciliation for the period**
4 **ending July 2019?**

5 A. As shown on Schedule DBS-3, page 1 of 3, the Company has estimated an under-
6 collection of Energy Service power supply costs of \$261,837 and will reflect this under-
7 collection in its proposed Energy Service Adjustment Factor to take effect August 1,
8 2019. This projected under-collection is partially due to the difference in projected
9 revenues based on a sales forecast in Docket No. DE 18-041 Energy Service proceeding
10 used to calculate a rate, versus the actual kilowatt-hours sold in the same period.

11 **Q. Does the under-collection of \$261,837 include an adjustment from last year's**
12 **reconciliation?**

13 A. Yes. In order to determine the difference between the prior period revenues collected and
14 actual expenses the estimated August 2018 beginning over-collection balance of
15 (\$650,150) from Docket DE 18-041 was changed to zero in Schedule DBS-3 page 1. The
16 Company's books only track the Energy Service over/under balance at a total level so it
17 is appropriate to have zero beginning balances for components where the over/under
18 balance is not separately accounted for. The total actual Energy Service August 1, 2018,
19 over-collection balance of (\$9,612,437) is reflected in the RPS reconciliation, the Energy
20 Service Adjustment Factor reconciliation, and the Energy Service Cost Reclassification
21 Adjustment Factor reconciliation.

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

3 A. Yes. The RPS Reconciliation for the period July 2018 through June 2019 is presented in
4 Schedule DBS-4. The reconciliation year for RPS is July 2018 through June 2019
5 because the program year is a calendar year, but the Company may purchase Renewable
6 Energy Certificates (RECs) and make Alternative Compliance Payments (ACPs) through
7 June 2019. The expenses associated with the 2018 program year are accounted for
8 through June 15, 2019, because the trading period for the 2018 program year ends on
9 June 15, 2019. After this date, the Company will know its obligations for RPS
10 compliance and/or to pay the ACPs for the previous year.

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

12 A. Schedule DBS-4 presents the actual reconciliation of RPS compliance adder revenue and
13 expense by month. The RPS compliance adder revenue is collected from Energy Service
14 customers during the period. These costs are based on actual revenues and expenses for
15 the period. The Company has estimated an over-collection of (\$28,178).

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

17 A. Consistent with the previously-approved methodology, the Company has combined the
18 projected RPS expense over-collection with the projected under-collection of Energy
19 Service power supply costs in the calculation of the proposed Energy Service Adjustment
20 Factor.

1 **Q. Does the over-collection of (\$28,178) include an adjustment from last year's**
2 **reconciliation?**

3 A. Yes. In order to determine the difference between the prior period revenues collected and
4 actual expenses the estimated July 2018 beginning over-collection balance of (\$34,546)
5 from Docket DE 18-041 was changed to zero in Schedule DBS-4. The August 2018
6 beginning under-collected balance of \$117,195 reflects the July 2018 activity only.

7 **V. Reconciliation of the 2018 Energy Service Adjustment Factor**

8 **Q. Please explain Schedule DBS-5.**

9 A. The calculation of the Energy Service Adjustment Factor charged to customers includes
10 the under-collection of Energy Service, the over-collection associated with the Energy
11 Service Adjustment Factor for the prior period, and the under-collection of RPS. The net
12 of these amounts is estimated to be an over-collection of (\$4,716,543) which, when
13 divided by estimated Energy Service forecasted kilowatt-hour sales, results in an
14 estimated ESAF of (\$0.00982) to be included in Energy Service rates effective August 1,
15 2019.

16 **Q. Does the current ESAF over-collection of (\$4,716,543) include an adjustment from**
17 **last year's reconciliation?**

18 A. Yes. In order to determine the difference between the prior period revenues collected and
19 actual expenses the estimated August 2018 beginning over-collection balance of
20 (\$4,385,505) from Docket DE 18-041 was increased by (\$4,643,046) in Schedule DBS-5.
21 The adjusted August 2018 ESAF beginning over-collection balance is (\$9,028,551). This
22 August 2018 ESAF beginning balance adjustment allows the Company to capture all

1 prior period activity related to base Energy Service, the Energy Service Adjustment
2 factor, and RPS.

3 **VI. Energy Service Cost Reclassification Adjustment Factor (ESCRAF) Reconciliation**

4 **Q. Please describe the reconciliation of the administrative costs of providing Energy**
5 **Service.**

6 A. The Company must reconcile its administrative cost of providing Energy Service with its
7 Energy Service revenue associated with the collection of administrative costs, and the
8 excess or deficiency resulting from that reconciliation, including interest at prime, must
9 be reflected in the subsequent year's ESCRAF.

10 **Q. Is the Company presenting a reconciliation of administrative costs of providing**
11 **Energy Service with its Energy Service revenue associated with the collection of**
12 **administrative costs in this filing?**

13 A. Yes. The ESCRAF Reconciliation for the period August 2018 through July 2019 is
14 presented in Schedule DBS-6.

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

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

1 **Q. Has the Company calculated proposed ESCRAF for the period beginning August 1,**
2 **2019?**

3 A. Yes. Schedule DBS-6, page 1, calculates the estimated ESCRAF of \$0.00122 per kWh
4 for the Small Customer Group and \$0.00251 per kWh for the Large Customer Group for
5 the period of August 1, 2019, through July 31, 2020. The proposed ESCRAF would be
6 combined with the Energy Service rates for billing.

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

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

13 **Q. Does the ESCRAF under-collection of \$357,839 include an adjustment to last year's**
14 **reconciliation?**

15 A. No. The estimated July 2018 over-collected balance of (\$701,081) from Docket No. DE
16 18-041 was used as the beginning August 2018 balance in this filing. Since the ESCRAF
17 is a separate rate component within the total Energy Service rate and we are unable to
18 determine the actual beginning balance for this separate component alone, it makes sense
19 to use the prior period estimate as the beginning balance in the current rate calculations.
20 Any difference between the actual and estimated beginning ESCRAF amount will be
21 captured under the ESAF rate.

VII. Reconciliation and Bill Impacts

Q. Has the Company provided Audit Staff a reconciliation of the over/under calculations as required by Order No. 26,150 in DE 18-041?

A. Yes. On June 7, 2019, the Company submitted its Energy Service reconciliation of the accounting records back to July 2012 to Audit Staff for their review. This filing in total ties to the reconciled April 2019 ending over-collected balance that was included in the reconciliation that was provided to Audit Staff. The Company worked closely with Staff prior to the DE 18-041 hearing and Staff was aware that there was a fairly large Energy Service over-collected difference between the Company's books and the beginning balances included in the DE 18-041 filing. It was agreed that we would address this difference once the reconciliation was complete and reviewed by Audit Staff. The Company's accounting department recommended to include an interest calculation on the over-collected balance and to correct how revenue and costs were reported for certain months in 2014 plus some other minor changes. The net effect of the accounting adjustments is an increase to the April 2019 GL over-collected balance of (\$171,230).

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

A. Not at this time. As stated earlier, Liberty Utilities is not yet proposing new Energy Service rates, thus the impact of the Energy Service rate change on customers' bills is not known. The Company will propose new rates when it submits its rate filing on June 17, 2019. This filing only addresses the reconciliation portion of the rate calculation.

1 **VIII. Conclusion**

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

3 **A. Yes.**

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