STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. DE 21-____

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty

Annual Retail Rate

DIRECT TESTIMONY

OF

DAVID B. SIMEK

AND

ADAM M. HALL

March 24, 2021

Liberty™

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I. INTRODUCTION AND QUALIFICATIONS

Q. Please state your full name and business address.

A. (DS) My name is David B. Simek. My business address is 15 Buttrick Road, Londonderry, New Hampshire.

(AH) My name is Adam M. Hall. My business address is 15 Buttrick Road, Londonderry, New Hampshire.

Q. Please state by whom you are employed.

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

Q. Please describe your educational and professional background.

A. (DS) 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, 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 with the NSTAR Investment Planning group from 2004 to 2008.

(AH) I graduated from Siena College in 2014 with a Bachelor of Science in Finance. I also received a Master's of Business Administration from Franklin Pierce University in 2016. I joined Liberty Utilities as an Analyst, Rates and Regulatory Affairs in January 2019. Prior to this, I was employed by Southern New Hampshire University.

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

A. (DS) Yes, I have testified on numerous occasions before the Commission.

(AH) Yes, I have.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony?

A. The purpose of our testimony is to present Granite State's proposed rate adjustments for 2021 in accordance with the Company's reconciliation and adjustment provisions of its tariff, and the Company's Amended Restructuring Settlement Agreement approved in Docket No. DR 98-012 ("Amended Settlement Agreement"). The reconciliations and adjustments described in our testimony relate to the Stranded Cost Charge and Transmission Charge.

The purpose of the reconciliation analyses is to determine the difference between revenues collected under each charge and the Company's actual expenses. For each of the charges, the Company calculates an adjustment factor based on the result of each reconciliation, which is used to determine whether a refund to or recovery from customers is necessary.

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

A. Yes. We have performed our analyses consistent with past methods and practices. The actual revenues and costs tie to the Company's books. Prior to Docket No. DE 19-062, when the Company ensured that the Annual Retail Rate Filing beginning balances tied to the accounting records, the ending balances from the prior year reconciliations were used as the next years beginning balances.

Q. Are there months in the schedules that do not have actual expenses and revenues?

A. Yes. To address the fact that the filing is made two months prior to rates going into effect, and, thus, actual expenses and revenues are not available as of the filing date, we have included projected revenues and expenses for the months of March and April 2021.

Q. Please summarize the results of the adjustments and reconciliations which Granite State proposes to implement in 2021.

A. The Company proposes to implement the following adjustments to its rates beginning May 1, 2021, for usage on and after that date. The table below illustrates the current and proposed rates:

Average charge ($ / kWh)	Current	Proposed	Increase (Decrease)
Stranded Cost Charge	$ (0.00070)	$ (0.00080)	$ (0.00010)
Stranded Cost Adjustment Factor	$ (0.00002)	$ 0.00000	$ 0.00002
Transmission Service Charge	$ 0.02545	$ 0.03057	$ 0.00512
Transmission Service Cost Adjustment	$ (0.00023)	$ 0.00376	$ 0.00399
RGGI Auction Proceeds Refund	$ (0.00152)	$ (0.00211)	$ (0.00059)
Lost Revenue due to Net Metering	$ -	$ 0.00048	$ 0.00048

Schedule DBS/AMH-1 presents the proposed stranded cost and the transmission rates.

III. STRANDED COST CHARGE AND THE STRANDED COST ADJUSTMENT FACTOR

Q. Please discuss, in general terms, the Company's proposed adjustment and reconciliation of its Stranded Cost Charge.

A. Granite State's Stranded Cost Charge is the sum of two components. The first is a uniform charge per kilowatt-hour ("kWh") that the Company charges all customers, which reflects the Contract Termination Charge ("CTC") assessed by New England Power Company ("NEP") for 2021. The second component is the Stranded Cost Adjustment Factor ("SCAF"), which is specific to each rate class. Both of these components are in accordance with the Company's Stranded Cost Charge described on pages 19–20 of the Company's tariff.

Q. What changes are the Company proposing to the components of the Stranded Cost Charge?

A. Granite State is proposing a uniform charge per kWh related to the CTC assessed by NEP as a credit of ($0.00080) per kWh for the period beginning May 1, 2021. With respect to the SCAF, Granite State is proposing to change the load weighted-average from a credit of ($0.00002) per kWh to a load-weighted average charge of $0.00000 per kWh.

Q. Please describe the purpose of the CTC assessed by NEP.

A. In 1996, the New Hampshire Legislature enacted RSA 374-F, a statute which directed the Commission to develop a restructuring plan to implement electric retail choice for all customers ("Restructuring"). Prior to Restructuring, Granite State customers were served by generation assets owned by the Company's then affiliate, NEP. During the Restructuring process, Granite State, NEP, and other parties agreed to a divestiture of NEP's generation assets. As part of its Electric Utility Restructuring Offer of Settlement in Docket No. DR 98-012 ("Restructuring Settlement"), the CTC was established to recover stranded costs associated with this divestiture, with such recovery expected at that time to terminate in 2020, coincident with the scheduled termination of certain underlying long-term power contracts. Although many of the categories of costs and obligations are no longer applicable, some of the remaining obligations other than the residual over-market power contracts include nuclear decommissioning and other post shut-down costs; damages, costs, or net recoveries from claims associated with NEP's former generation business; performance based rate adjustments for nuclear units remaining after divestiture; and environmental response costs.

Q. Please describe the changes to the Stranded Cost Charge resulting from the changes in the CTC assessed by NEP for 2021.

A. In the 2021 CTC Reconciliation Report filed in Docket No. DE 21-011, NEP provided the reconciliation report to the Commission and the signatories to the Amended Settlement Agreement in accordance with Section 3.5 of the Wholesale Settlement approved by the Federal Energy Regulatory Commission. In that filing, NEP calculated the revised CTC rate for 2021 to be a credit of ($0.00080) per kWh as compared to the 2020 CTC, which was a credit of ($0.00070). The Company's rate proposal with respect to the uniform per kWh component of the Stranded Cost Charge is simply the CTC rate filed by NEP.

Q. Please describe the Stranded Cost adjustment factors and the reconciliation used to determine those factors for each rate class.

A. The Company performs an annual reconciliation of its revenues from the Stranded Cost Charge billed to customers and recorded in its general ledger with the CTC expenses paid to NEP to arrive at adjustment factors for each rate class. Details for the reconciliation for the period May 2020 through April 2021 are in Schedule DBS/AMH-2.

Q. Has the Company prepared a reconciliation analysis for Stranded Cost revenues and expenses?

A. Yes. Schedule DBS/AMH-2, page 2 of 4, presents a reconciliation of actual stranded cost revenues and expenses for the period May 2020 through February 2021 and forecasted stranded cost revenues and expenses for the period March 2021 through April 2021. Pages 3 and 4 of Schedule DBS/AMH-2 allocate the reconciliation to the various rate classes.

Q. Has the Company calculated proposed SCAFs for 2021?

A. Yes. Schedule DBS/AMH-2, page 1 of 4, calculates a SCAF per kWh, specific to each rate class, to be applied to all retail delivery service customers' bills for the period May 1, 2021, through April 30, 2022.

IV. TRANSMISSION SERVICE COST ADJUSTMENT CHARGE

Q. Please describe the Company's Transmission Service Cost Adjustment ("TSCA") charge.

A. The Company recovers its transmission-related expenses pursuant to the TSCA, which allows the Company to recover costs billed to it by ISO-New England and NEP through the ISO-New England Inc. Transmission, Markets, and Services Tariff ("ISO Tariff"). The TSCA charge is comprised of two components: a component for base transmission costs for the prospective period plus a component for the reconciliation of transmission revenue and expense for the previous period.

Q. What is the transmission charge that the Company is proposing for effect on May 1, 2021?

A. The Company is proposing an average transmission charge of $0.03433 per kWh for effect May 1, 2021, and is comprised of the base cost component of $0.03057 per kWh and the reconciliation component of $0.00376 per kWh. This average transmission charge is an increase of $0.00911 from the average charge that is currently in effect.

Q. Please describe the reconciliation analysis for transmission revenues and expenses for the previous period.

A. Schedule DBS/AMH-3, page 3, presents a reconciliation of actual transmission revenues and expenses for the period May 2020 through February 2021 and forecasted transmission revenues and expenses for the period March 2021 through April 2021.

Q. How was the reconciliation component of the TSCA charge derived?

A. The reconciliation component of the TSCA recovers under-recoveries of transmission costs or refunds over-recoveries of transmission costs, along with associated interest at the prime rate. This component of the TSCA charge was calculated by adding the projected under-collection of transmission expense as of April 30, 2021, from Schedule DBS/AMH-3, page 3, of $3,318,805, plus the working capital of ($8,590) calculated on DBS/AMH-3, page 5.

Q. How will the reconciliation component of the TSCA charge be implemented?

A. The reconciliation component of the TSCA charge will become effective for usage on and after May 1, 2021. This proposed component will be applied to bills of all customers taking delivery service.

Q. Why is the Company proposing new base transmission rates at this time?

A. The TSCA portion of the Company's tariff states that the base transmission rates shall be calculated annually based on a forecast of transmission costs to be incurred by the Company for the prospective period to provide transmission service to its retail delivery service customers. The rate at which these costs are collected is calculated separately for each of the Company's rate classes based on an allocation of transmission costs to each class using each class' contribution to coincident peak.

Q. What is the forecast of 2021 transmission costs?

A. As discussed in the testimony of John D. Warshaw included in this filing, the Company's transmission costs are estimated to be $26,891,183 in 2021. This forecast of transmission expense yields an average rate of $0.03057 per kWh, as compared to the currently effective average transmission rate of $0.02545 per kWh exclusive of the reconciliation component. Based on these estimates, the Company is proposing new base transmission rates effective May 1, 2021, to recover the projected transmission costs to be incurred in the prospective period.

Q. Please describe the working capital calculation included in the filing.

A. The settlement agreement in Docket No. DE 19-064 provided, in part, that the Company may recover cash working capital on transmission costs through the transmission cost adjustment mechanism included in the Company's Annual Retail Rate Adjustment filing. In accordance with that settlement, the Company has included a transmission cash working capital amount in the calculation of its proposed transmission rates.

Q. What is the total amount of transmission working capital included in this filing?

A. The total working capital included in the TSCA charge is ($8,590) as shown on Schedule DBS/AMH-3, page 5. The detailed calculation of the expense lag is shown on Schedule DBS/AMH-3, page 6. The detailed calculation of the revenue lag is shown on Schedule DBS/AMH-3, page 7.

Q. How does the Company propose to design the base transmission rates effective May 1, 2021?

A. Since base transmission rates are unique by rate class, the first step in designing the proposed base transmission rates is to allocate forecasted transmission costs to each rate class. The Company implemented the same allocation methodology accepted by the

Commission in previous Annual Retail Rate Adjustment filings, which is to allocate based on each rate class's contribution to system peak. The contribution to system peak by class is presented on Schedule DBS/AMH-3, page 2, and the allocation of transmission cost to each class is shown on Schedule DBS/AMH-3, page 1.

V. RGGI AUCTION PROCEEDS

Q. How does the Company propose to refund RGGI auction proceeds to delivery service customers?

A. Consistent with Commission Order No. 25,664 in Docket No. DE 14-048, the Company will credit the RGGI rebate amount it receives from the allocation on a per kWh basis through its retail rate reconciliation mechanism that is adjusted on an annual basis. The Company has included a credit of ($0.00211) per kWh for RGGI auction proceeds in its transmission service charge for 2020, as shown on Schedule DBS/AMH-4. The credit of ($0.00211) per kWh is comprised of the estimated RGGI auction proceeds for May 2021 through April 2022 of ($522,778) and the reconciliation component through April 2021 of ($1,333,151). The total of ($1,855,928) is then divided by the estimated sales of 879,426,489 kWh to calculate the RGGI credit of ($0.00211) per kWh.

VI. NET METERING LOST REVENUE ADJUSTMENT MECHANISM

Q. Why is the Company seeking recovery of displaced distribution revenue associated with net metering?

A. Due to the increasing number of customer-generated energy systems, primarily photovoltaic (PV), also known as solar, energy systems, the Company is receiving less distribution revenue than it would have received were it not for the energy generated by these systems. Order No. 26,029 dated June 23, 2017, in Docket No. DE 16-576 provides the utilities the opportunity to file for lost revenues associated with net metering. Being that 2018 was a test year for Granite State Electric, the 2019 Annual Retail Rate filing did not include the lost revenues as the base revenues were set during that test year. In 2020, the Company did not include the lost revenues as we were working through Docket No. DE 19-064, the Company's most recent distribution rate case with a request for the approval of a revenue decoupling mechanism. While decoupling was approved in that docket, it is not effective until July 1, 2021, but that agreement was not arrived at by the time the 2020 Annual Retail Rate filing was due in March 2020. Rather than include revenues that may have been refunded, the Company deferred the request for cost recovery until this filing.

Q. Please summarize the findings of your analyses.

A. As a result of PV systems installed by customers in 2019 and 2020, the Company is proposing to recover a total of $421,733 in displaced distribution revenue including 2019 and 2020 group host payments and the 2019 annual cash out allowed under Puc 903.02(n). The rate calculation may be found in DBS/AMH-5.

VII. EFFECTIVE DATE AND RATE IMPACTS

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

A. Consistent with the Commission's rules on the implementation of rate changes, the Company is proposing that all of the above rate changes be made effective for usage on and after May 1, 2021.

Q. Has the Company proposed a rate change for any other bill components to be effective on that same date?

A. Yes. On March 15, 2021, the Company filed its annual REP/VMP Reconciliation in which it requested a rate increase to its distribution rates for capital expenditures and vegetation management expenses from calendar year 2020. The Company also expects to have a base distribution rate adjustment on July 1, 2021, related to a step adjustment approved as part of Docket No. DE 19-064.

Q. Has the Company determined the impact of the transmission and stranded cost rate changes on customers' bills?

A. Yes. A bill comparison for an Energy Service residential customer with an average kWh usage of 650 has also been included in this filing in Schedule DBS/AMH-6. The net total bill impact of the rates proposed in this filing, as compared to rates in effect today, is a monthly bill increase of $6.73, or 5.86%.

VIII. CONCLUSION

Q. Does this conclude your testimony?

A. Yes, it does.