

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

Docket No. DE 22-024

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty
Energy Service for the Period February 1, 2023 – July 31, 2023

DIRECT TESTIMONY

OF

ERICA L. MENARD

AND

JAMES M. KING

December 16, 2022



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1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. Ms. Menard, please state your full name and business address.**

3 A. My name is Erica L. Menard. My business address is 15 Buttrick Road, Londonderry,
4 New Hampshire.

5 **Q. Please state by whom you are employed.**

6 A. I am employed by Liberty Utilities Service Corp. (“LUSC”) as the Senior Director of
7 Rates and Regulatory Affairs. LUSC provides local utility management, shared services,
8 and support to Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty (“Liberty” or
9 “the Company”) and the other regulated water, wastewater, natural gas, and electric
10 utilities commonly owned and operated by Liberty Utilities as affiliates of the Company.
11 In my position, I am responsible for providing rate-related services to the Company.

12 **Q. Please describe your professional and educational background.**

13 A. I joined LUSC in March 2022. Prior to joining LUSC, I held various positions at
14 Eversource Energy from 2003 to 2022 with my last position being the Manager of
15 Revenue Requirements for New Hampshire responsible for the rate and regulatory filings
16 presented to the New Hampshire Commission. I also held various positions at
17 Eversource responsible for financial planning and analysis of operational and capital
18 expenditures, business planning functions, sales forecasting, and performance
19 management. Prior to my employment at Eversource, I was employed by ICF Consulting
20 in Fairfax, Virginia, from 1997 to 2003 with responsibilities for implementing load
21 profiling and load settlement software for various utilities worldwide. I hold a Bachelor

1 of Arts in Economics and Business Administration from the University of Maine and a
2 Master of Business Administration from the University of New Hampshire.

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

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

6 **Q. Mr. King, please state your full name and business address.**

7 A. My name is James M. King. My business address is 15 Buttrick Road, Londonderry,
8 New Hampshire.

9 **Q. Please state by whom you are employed.**

10 A. I am employed by Liberty Utilities Service Corp. (“LUSC”) as an Analyst II, Rates and
11 Regulatory Affairs. LUSC provides local utility management, shared services, and
12 support to Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty (“Liberty” or “the
13 Company”) and the other regulated water, wastewater, natural gas, and electric utilities
14 commonly owned and operated by Liberty Utilities as affiliates of the Company. In my
15 position, I am responsible for providing rate-related services to the Company.

16 **Q. Please describe your professional and educational background.**

17 A. I joined Liberty in September 2022. Prior to joining Liberty, I was employed by the
18 Massachusetts Department of Public Utilities from 2014 through 2022. I held positions
19 as an Economist III and Economist II in the Rates and Revenue Requirements Division
20 responsible for review and analysis of base distribution rate cases, as well as other rate
21 reconciliation mechanisms presented to the Department from Massachusetts’ gas,

1 electric, and water companies. I graduated from Franklin and Marshall College with a
2 Bachelor of Social Science in Government and Economics.

3 **Q. Have you previously testified in regulatory proceedings before the Commission?**

4 A. No, I have not testified before this Commission.

5 **II. OVERVIEW**

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

7 A. The purpose of our testimony is: (1) to provide a background of the energy service rate
8 and an overview of this filing; (2) to describe the proposed rates and seek the necessary
9 approvals to set an average fixed default Energy Service (“ES”) rate for the Small
10 Customer Group six-month period February 1, 2023, through July 31, 2023, and a
11 monthly ES rate for the Large Customer Group applicable for the period May 1, 2023,
12 through July 31, 2023, for Liberty’s customers who take service under the ES rate; and
13 (3) to provide the resulting bill impacts for a typical residential customer.

14 **Q. Why is the Company not proposing a monthly rate for the Large Customer Group
15 for the period February 1, 2023, to April 30, 2023, for approval at this time?**

16 A. As discussed in Mssr. Warshaw’s testimony, the Company did not receive an acceptable
17 bid for the first solicitation and therefore does not have a complete rate to be proposed at
18 this time. The February 1, 2023, to April 30, 2023, monthly rates will be proposed after
19 the second RFP process is complete.

1 **Q. Please define the rate classes applicable under the Small Customer Group.**

2 A. The Small Customer Group consists of rate classes D (Domestic Service), D-10
3 (Domestic Service with Optional Peak Load Pricing), M (Outdoor Lighting), T (Limited
4 Total Electrical Living Rate), V (Limited Commercial Space Heating), G-3 (General
5 Service), D-11 (Battery Storage Pilot Time-of-Use), and D-12 (Residential EV Charging
6 Time-of-Use).

7 **Q. Please define the rate classes applicable under the Large Customer Group.**

8 A. The Large Customer Group consists of rate classes G-1 (General Service Time-Of-Use),
9 G-2 (General Long-Hour Service), EV-L (Large Commercial EV Charging), and EV-M
10 (Medium Commercial EV Charging).

11 **Q. Does your testimony also provide bill impacts for a typical residential customer?**

12 A. Yes, Attachment ELM/JMK-3 provides bill impacts for residential Rate D customers
13 using 650 kWh per month taking energy service.

14 **III. BACKGROUND**

15 **Q. When did it become necessary for electric utilities in New Hampshire to purchase
16 energy on behalf of their customers in the manner they do now?**

17 A. In 1996, the New Hampshire legislature passed RSA 374-F, which started the process of
18 deregulation and required utilities in the state to divest their ownership of generation
19 assets. Prior thereto, the distribution utilities were allowed to generate the power their
20 customers consumed and passed the costs of doing so on to their customers through
21 regulated rates.

1 **Q. Who provides energy to New Hampshire customers now?**

2 A. Deregulation created competition in all of the state, meaning that customers may choose a
3 third-party supplier to provide the commodity portion of their service rather than
4 automatically receive the commodity portion of their service from their electric utility, as
5 was the practice prior to deregulation. For customers who do not choose a third-party
6 supplier, those customers are served by the electric utility under energy service or
7 “default” service.

8 **Q. When were the procedures by which the Company purchases energy on behalf of its**
9 **default customers established by the Commission?**

10 A. These procedures have evolved over time in a number of ways, particularly with regard
11 to the timing of procurements and the periods for which rates would be effective.

12 **Q. Please explain.**

13 A. From the time deregulation became effective in New Hampshire through 2014, the six-
14 month periods for Liberty’s default service rates began November 1 and May 1, but there
15 were questions as to whether those time frames, and the energy solicitation process itself,
16 were the most appropriate to achieve the goals of restructuring. Liberty raised those
17 issues in Docket No. DE 14-211 (Petition for Alternate Plan for Procurement of Energy
18 Services Requirements for all Customer Groups), and Liberty, Unitil, and the Office of
19 the Consumer Advocate (“OCA”) continued the discussion in Liberty’s and Unitil’s
20 energy service filings in the fall of 2014. The OCA suggested that energy service
21 customers may benefit from changing the term of energy service procurement from a 6-
22 month block to a 12-month block to mitigate the price spikes that occur in the winter

1 months. The OCA also proposed that procuring power through a laddered portfolio could
2 provide some rate stability.

3 **Q. What are 6-month and 12-month blocks and how do they mitigate price spikes?**

4 A. The blocks refer to the periods for which the Company procures power. The Company
5 procures energy for six months at a time to allow for receiving bids with the latest pricing
6 possible for that future six-month period in which those prices will serve our energy
7 service customers. Utilizing a 12-month block would not allow for as timely pricing to
8 be used in calculating rates for the energy to be delivered to our customers, especially in
9 times when the procurement happens during severe price volatility periods.

10 **Q. Is it necessary to mitigate price spikes in the summer as well?**

11 A. Yes, summer pricing spikes just as winter pricing spikes, so moving the procurement
12 periods alleviates summer pricing spikes as well.

13 **Q. What was the result of DE 14-211?**

14 A. The Commission opened Docket No. IR 14-338 (Review of Default Service Procurement
15 Processes for Electric Distribution Utilities) to review the various approaches to energy
16 service solicitations and directed Staff to conduct stakeholder discussions with electric
17 distribution utilities, competitive energy suppliers, market participants, and customer
18 representatives on different approaches to energy service solicitations. *See* Order No.
19 25,732 (Nov. 4, 2014).

1 **Q. What are the most important ways the New Hampshire utilities' procurement**
2 **practices changed as a result of that proceeding?**

3 A. One result of the IR 14-338 investigation was that Liberty proposed to move its energy
4 service periods to the six-month periods beginning February 1 and August 1, to divide the
5 highest use winter months (January/February) and summer months (July/August) months,
6 and to include an equal number of shoulder months in each procurement period. Futures
7 prices for January/February and July/August periods tend to be closer together,
8 particularly before the change. The Commission addressed this proposal in Docket No.
9 DE 15-010 and approved the change in Order 25,806 (Sept. 2, 2015). The result of this
10 change has been to lessen the volatility of rates between each period as compared to the
11 previous practice.

12 **Q. How else have the procurement practices of utilities in New Hampshire changed**
13 **since deregulation was implemented?**

14 A. Several earlier dockets and their resulting settlement agreements and orders refined how
15 to make energy service solicitations, how to evaluate bids, and how best to conduct the
16 entire procurement process. Those proceedings include the Settlement Agreement in
17 Docket No. DE 05-126, dated November 18, 2005, which was approved by the
18 Commission in Order No. 24,577 (Jan. 13, 2006), amended by Order No. 24,922 (Dec.
19 19, 2008) in Docket No. DE 08-011, amended by Order No. 25,601 (Nov. 27, 2013) in
20 Docket No. DE 13-018, and further amended by Order No. 25,806 (Sept. 2, 2015) in
21 Docket No. DE 15-010, as discussed above. Liberty followed those approved processes

1 in conducting the energy service solicitation that gives rise to the rates being proposed in
2 this docket.

3 **IV. PROPOSED ENERGY SERVICES RATES**

4 **Q. Please describe the Company's most recent solicitation.**

5 A. As further described in Mssr. Warshaw's testimony, the Company goes out to bid for
6 pricing for the periods of February through July, and August through January. Those
7 final awarded bids are translated into rates using the monthly bid price (MWh) multiplied
8 by the load loss factor, calculated by Liberty's Energy Procurement group. The base
9 energy service rate calculation is provided in Attachments ELM/JMK-1 and Attachment
10 ELM/JMK-2, line 13.

11 **Q. What adjustments are made?**

12 A. Two adjustments are made, one for a Renewable Portfolio Standard ("RPS") factor and
13 one for a reconciling factor.

14 **Q. What is the RPS factor?**

15 A. New Hampshire's RPS statute, RSA 362-F, requires each electricity provider to meet
16 their customer load by purchasing Renewable Energy Certificates ("RECs") representing
17 generation from renewable energy based on total MWh supplied to their customers. New
18 Hampshire's RPS statute divides renewable energy sources into four separate classes. As
19 the Company is a provider through its energy service, we must procure RECs to meet
20 annual RPS obligations. These obligations may be found on the Commission's website¹.

1 https://www.puc.nh.gov/sustainable%20energy/renewable_portfolio_standard_program.htm

1 The factor is the charge to customers to pay for those requirements added to the base
2 energy service rate.

3 **Q. What is the reconciling factor?**

4 A. As the Company procures RECs to meet the RPS obligation each year, the cost to procure
5 those RECs changes. The reconciling factor is the vehicle for the Company to collect or
6 refund the under or over-collection from the previous period.

7 **Q. Have you calculated the RPS factor and the reconciling factor?**

8 A. No. The RPS factors are the same as those that were approved by the Commission in
9 Docket No. DE 22-024 on June 17, 2022. RPS factors are updated once a year at the
10 time of the August rate change.

11 **Q. Is this approach typical?**

12 A. Yes, each year since 2008 Liberty has calculated the RPS factor and the reconciling
13 factor when proposing energy service rates for a twelve-month period and then applied
14 the same factors when proposing its next set of energy service rates for the subsequent
15 twelve-month period. Accordingly, we expect to propose new factors when the Company
16 next proposes rates for August 2023, which it will do around May 2023. The factor will
17 stay in place through July 2024.

18 **Q. Do the results of these calculations establish the energy service rates for Liberty's
19 default customers?**

20 A. The Large Customer Group pays the monthly rate calculated. The Small Customer
21 Group is billed on a weighted-average six-month rate.

1 **Q. Please explain.**

2 A. The pricing received from the winning bidder provides a monthly price for the six-month
3 period. For rate stability, the Small Customer Group's rate is calculated to be a
4 weighted-average six-month rate. The Large Customer Group pays the monthly rate
5 instead of paying a weighted-average six-month rate.

6 **Q. What do you propose for the Small Customer Group?**

7 A. The proposed rate for the Small Customer Group is \$0.22007 per kWh.

8 **Q. What rates do you propose for the Large Customer Group?**

9 A. The proposed rates are shown in Tables 1 through 3 below:

Table 1

G-1 and G-2 Rates Effective February 1, 2023

<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>
\$--	\$ --	\$--	\$ 0.11830	\$ 0.11421	\$ 0.13380

10

11 As discussed in Mssr. Warshaw's testimony, February, March, and April 2023 G-1 and
12 G-2 rates will be updated after the results of Liberty's secondary RFP, completed in
13 January 2023. EV-L and EV-M TOU rates are set using the approved cost allocation
14 method as approved in Docket No. DE 20-170 Order No. 26,604 (April 7, 2022), for the
15 six-month procurement period. The approved model requires a full six months of data to
16 calculate the TOU rates, upon completion of the secondary RFP, the Company will
17 complete the calculation for the EV-L and EV-M charge rates.

Table 2

EV-L Commercial EV TOU Charging Rate		
<u>Critical Peak</u>	<u>Mid Peak</u>	<u>Off Peak</u>
\$ 0.xxxxx	\$ 0.xxxxx	\$ 0.xxxxx

1

Table 3

EV-M Commercial EV TOU Charging Rate		
<u>Critical Peak</u>	<u>Mid Peak</u>	<u>Off Peak</u>
\$ 0.xxxxx	\$ 0.xxxxx	\$ 0.xxxxx

2

3 **Q. What rates do you propose for the time-of-use rates D-11 and D-12?**

4 A. Our proposed time-of-use rates are shown in Table 4 below:

Table 4

D-11 Battery Storage/ D-12 Residential EV TOU Charging Rate			
<u>Period</u>	<u>Critical Peak</u>	<u>Mid-Peak</u>	<u>Off-Peak</u>
Winter (Feb 2023–Apr 2023)	\$ 0.31035	\$ 0.29889	\$ 0.26271
Summer (May 2023–Jul 2023)	\$0.29083	\$0.13872	\$0.08274

5

6 D-11 and D-12 energy service rates are calculated in the same manner as the fixed non-
7 TOU rates using the total kWh and revenues for the time of use period to calculate a
8 single rate applicable for the six-month period.

9 **Q. Have you provided workpapers that show your calculations?**

10 A. Yes, please see Attachments ELM/JMK-1 and ELM/JMK-2 for the workpapers
11 supporting the non-time-of-use rate calculations. The workpapers for the time-of-use
12 rates contain thousands of lines of data and, as such, filing the model as an attachment is
13 not feasible, but can be provided in a live excel version for review purposes.

1 Attachment ELM/JMK-1 (page 1) provides the calculation of the total monthly ES rates
2 for the Large Customer class including (i) the forecasted cost of Energy Service; (ii) the
3 forecasted cost of RPS compliance; and (iii) prior period reconciliations for ES and RPS,
4 including the cost of administrative and general expense, bad debt expense, and cash
5 working capital expense associated with the ES offering. The monthly rates for the six-
6 month period are calculated on Line 17.

7 Attachment ELM/JMK-1 (page 2) provides the calculation of the total monthly ES rates
8 for the Small Customer class including (i) the forecasted cost of Energy Service; (ii) the
9 forecasted cost of RPS compliance; and (iii) prior period reconciliations for ES and RPS,
10 including the cost of administrative and general expense, net metering, bad debt expense,
11 and cash working capital expense associated with the ES offering. The weighted average
12 fixed rate for the six-month period is calculated on Line 21.

13 **Q. Please explain how the Time of Use rates are calculated.**

14 A. The TOU rates are calculated using approved methodologies in Docket Nos DE 17-189
15 and DE 20-170. These calculations take the usage during each hour of the year to
16 determine the allocation of the resulting costs to serve customers during the procurement
17 period. The allocation of those costs is broken down into three periods, critical peak,
18 mid-peak, and off-peak.

1 **V. BILL IMPACTS**

2 **Q. Has the Company determined the impact of the energy service rate change on a**
3 **typical residential customer bill?**

4 A. Yes. As shown in Attachment ELM/JMK-3, Page 1, for a residential customer taking
5 Energy Service and using 650 kWh per month, the total bill impact of the proposed rate
6 in this filing, as compared to current rates, is a bill decrease of \$0.21 per month, or -0.09
7 percent, from \$225.74 to \$225.53. The proposed February 1, 2023, rates include the
8 proposed distribution rate change effective January 1, 2023, due to the revenue
9 decoupling adjustment as proposed in Docket No. DE 22-052 and the approved change in
10 the system benefits charge rate for effect on January 1, 2023, per Order No. 26,745 (Dec.
11 14, 2022). The Energy Service rate component alone as compared to current rates, is a
12 bill decrease of \$1.44, or -1.0 percent.

13 Attachment ELM/JMK-3, Page 2, compares actual historical rates in effect on February
14 1, 2022, to proposed rates effective February 1, 2023. For a residential customer taking
15 Energy Service and using 650 kWh per month, the total bill impact of the proposed rate
16 in this filing, as compared to rates effective on February 1, 2022, is a bill increase of
17 \$71.67, or 46.58 percent, from \$153.86 to \$225.53. The proposed February 1, 2023, rates
18 include the proposed distribution rate change effective January 1, 2023, due to the
19 revenue decoupling adjustment as proposed in Docket No. DE 22-052 and the approved
20 change in the system benefits charge rate for effect on January 1, 2023, per Order No.
21 26,745 (Dec. 14, 2022). The Energy Service rate component alone as compared to rates
22 effective on February 1, 2022, is a bill increase of \$70.77, or 97.93 percent.

1 **Q. Has the Company provided updated tariff pages as part of this filing?**

2 A. Yes, updated tariff pages have been provided as Attachment ELM/JMK-4.

3 **Q. Does Liberty require Commission approval of this rate by a specific date?**

4 A. Yes, in order to lock in the RFP results and make effective the contracts executed with
5 the winning bidders, Liberty is seeking approval of the proposed ES rates by December
6 23, 2022.

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

8 A. Yes, it does.