

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. DE 23-039

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty
Distribution Service Rate Case
Request for Temporary Rates

DIRECT TESTIMONY

OF

KRISTIN M. JARDIN,

DANIEL S. DANE,

AND

GREGG H. THERRIEN

May 5, 2023



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LIST OF ATTACHMENTS

KMJ/DSD/GHT-TEMP-1	CALCULATION OF TEMPORARY INCREASE TO DISTRIBUTION REVENUES
KMJ/DSD/GHT-TEMP-2	DELIVERY SERVICE RATE DESIGN
KMJ/DSD/GHT-TEMP-3	MONTHLY TYPICAL BILL IMPACT ANALYSIS

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1 **I. INTRODUCTION**

2 **Q. Please state your name, title, and business address.**

3 A. My name is Kristin M. Jardin. I am the Director of Rates and Regulatory Affairs for
4 Liberty Utilities Service Corp. (“LUSC”), which provides service to Liberty Utilities
5 (Granite State Electric) Corp. d/b/a Liberty (“Liberty” or the “Company”).

6 My business address is 465 Sykes Road, Fall River, Massachusetts.

7 **Q. On whose behalf are you submitting this testimony?**

8 A. I am submitting testimony in this proceeding before the New Hampshire Public Utilities
9 Commission (“Commission”) on behalf of Liberty.

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

11 A. I graduated from Boston University in 2006 with a Bachelor of Science in Management
12 Studies. I received a Master of Science in Administrative Studies concentrated in
13 Financial Economics and a Graduate Certificate in Project Management from Boston
14 University in 2008. I also received a Juris Doctor from New England Law Boston in
15 2018.

16 From 2008 to 2010, I was employed by National Grid USA Service Company, Inc. as a
17 Regulation and Pricing Analyst. From 2010 to 2013, I was employed by TransCanada
18 Power Marketing Ltd. and Engie f/k/a GDF Suez Energy Resources, respectively, as a
19 Retail Market Analyst and a Sales Manager for NEISO and NYISO. From 2014 to 2019,
20 I was employed by the Massachusetts Department of Public Utilities as an Economist II
21 and promoted to an Economist III in the Natural Gas Division. From 2019 to 2020, I was

1 employed by Columbia Gas of Massachusetts as a Manager of Regulatory Affairs. In
2 2020, I was hired by LUSC as Manager, Regulatory Strategy; in 2022, I was promoted to
3 Senior Manager of Rates and Regulatory Affairs and in 2023, I was promoted to Director
4 of Rates and Regulatory Affairs.

5 **Q. Please describe your duties at Liberty.**

6 A. As Director of Rates and Regulatory Affairs, I am responsible for rates and regulatory
7 affairs for Liberty Utilities (New England Natural Gas Company) Corp. d/b/a Liberty and
8 I provide assistance to Liberty.

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

10 A. Yes. I have testified in a regulatory proceeding before the Commission in Granite State
11 Electric Company d/b/a National Grid's Petition for Temporary Increase to its Storm
12 Fund, Docket No. DE 10-096.

13 **Q. Have you testified in other regulatory jurisdictions?**

14 A. Yes. I have submitted testimony before the Massachusetts Department of Public Utilities
15 and the Iowa Utilities Board.

16 **Q. Mr. Dane, please state your name and business address.**

17 A. My name is Daniel S. Dane. My business address is 293 Boston Post Road West, Suite
18 500, Marlborough, Massachusetts.

1 **Q. By whom are you employed and in what position?**

2 A. I am an Executive Vice President with Concentric Energy Advisors, Inc. (“Concentric”)
3 and the Financial and Operations Principal of CE Capital, Inc. (“CE Capital”), a FINRA-
4 member subsidiary of Concentric. My curriculum vitae and testimony listing are
5 included in Appendix B to this testimony.

6 **Q. Please describe Concentric’s and CE Capital’s services, and your professional**
7 **background, education, and professional licenses.**

8 A. Concentric provides financial and economic advisory services to many and various
9 energy and utility clients across North America. Concentric’s regulatory, economic, and
10 market analysis services include utility ratemaking and regulatory advisory services;
11 energy market assessments; market entry and exit analysis; corporate and business unit
12 strategy development; demand forecasting; resource planning; and energy contract
13 negotiations. As an Executive Vice President at Concentric, my responsibilities include
14 assisting clients in identifying and addressing business issues. My primary areas of focus
15 have been regulatory, financial, and accounting-related issues.

16 I have an MBA from Boston College in Chestnut Hill, Massachusetts, and a BA in
17 Economics from Colgate University in Hamilton, New York. I am a Certified Public
18 Accountant, and a licensed securities professional (FINRA series 7, 28, 63, 79, and 99
19 licenses).

1 **Q. Have you previously testified before the Commission or any other regulatory**
2 **agencies?**

3 A. Yes. Appendix A provides a listing of my previous testimony before the Commission
4 and other regulatory agencies.

5 **Q. Mr. Therrien, please state your full name, business address, and position.**

6 A. My name is Gregg H. Therrien. I am a Vice President with Concentric Energy Advisors,
7 293 Boston Post Road West, Suite 500, Marlborough, MA. My professional
8 qualifications and experience are described in my separately sponsored rate design
9 testimony and provided in Attachment GHT-1 to that testimony.

10 **Q. Mr. Therrien, have you previously testified before the Commission?**

11 A. Yes. I have testified in Docket No. DG 17-048 on behalf of Liberty Utilities
12 (EnergyNorth Natural Gas) Corp. on the subject matter of revenue decoupling and rate
13 design. I also testified in Docket No. DE 19-064 on the subject matter of Liberty's
14 revenue decoupling. Most recently, I testified in Docket No. DE 22-052 on behalf of
15 Liberty in support of their annual decoupling compliance filing.

16 **II. PURPOSE OF TESTIMONY AND EXECUTIVE SUMMARY**

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

18 A. The purpose of our testimony is to describe and support the Company's request for
19 temporary rates, which would be subject to reconciliation based on the difference
20 between permanent and temporary rates approved in this proceeding.

1 **Q. Are you sponsoring any required attachments or schedules?**

2 A. Yes. We are sponsoring the following attachments and schedules:

- 3 • Attachment KMJ/DSD/GHT-TEMP-1, which includes the following schedules:

Schedule TR-1	Computation of Revenue Deficiency
Schedule TR-1.1	Operating Income Statement at Proposed Rates
Schedule TR-2	Operating Income Statement at Current Rates
Schedules TR-2.1 through TR-2.13	Revenue and Operating Expense Workpapers
Schedule TR-3	Summary of Test Year Adjustments
Schedule TR-3.1	Gross-up Factor for Income Taxes Workpaper
Schedule TR-3.2	Uncollectible Expense Factor Workpaper
Schedule TR-4	Rate Base Summary
Schedule TR-4.1 through TR-4.6	Rate Base Details
Schedule TR-5	Overall Rate of Return
Schedule TR-5.1	Weighted Average Cost of Long-Term Debt

- 4 • Attachment KMJ/DSD/GHT-TEMP-2, which details the temporary delivery
5 service rate design by rate class;

- 6 • Attachment KMJ/DSD/GHT-TEMP-3, which provides the monthly bill impact
7 analysis for temporary rates, including a separate analysis for a residential
8 customer using 650 kWh per month;

1 **III. TEMPORARY RATES**

2 **Q. Are the Company's current rates sufficient to allow it to earn a reasonable return**
3 **on rate base?**

4 A. No. For the historical 12 months ending December 31, 2022 (the "Test Year"), the
5 Company's earned return on rate base for the distribution portion of its business was
6 4.80%, as shown on Schedule TR-1, line 4. This is less than the return on rate base of
7 7.60%, computed using the Company's authorized return on equity of 9.10% and capital
8 structure established by the Commission in Docket No. DE 19-064, and Liberty's current
9 cost of debt (Schedule TR-5). Additionally, after adjusting for certain items, the earned
10 rate of return increases modestly to 4.99% but is still well below the 7.60% return on rate
11 base as shown on Schedule TR-1, line 4.

12 **Q. What is the primary reason that the Company's earnings in the Test Year and**
13 **adjusted Test Year were below the authorized rate of return?**

14 A. The primary reason the Company's earnings in the Test Year and adjusted Test Year
15 were below the allowed rate of return is the capital investments the Company has made
16 since its last rate case (Docket No. DE 19-064) as discussed in the testimony of Anthony
17 Strabone. Additionally, increases in expenses since the 2018 test year in Liberty's last
18 approved rate case also contribute to the Company's earning below its authorized rate of
19 return.

1 **Q. What level of temporary rate increase is the Company requesting?**

2 A. The Company is requesting temporary rates that would generate additional annual gross
3 distribution revenue of \$6,732,801 (Schedule TR-1, line 17), which represents a 14.49%
4 increase in distribution revenue. The Company is requesting that temporary rates take
5 effect as of July 1, 2023, on a service-rendered basis, and that they be applied by
6 increasing all rates under the Company's existing rate design by a uniform percentage.

7 **Q. Is the Company proposing any rate design changes associated with temporary**
8 **rates?**

9 A. No. The Company recognizes that a temporary rate request generally does not provide a
10 sufficient opportunity for the Commission and other parties to this proceeding to review
11 proposed revenue allocation or rate design changes, and therefore the Company is not
12 proposing any such changes in connection with the temporary rates.

13 **Q. How does the request for temporary rates relate to the Company's request for a**
14 **permanent rate increase?**

15 A. The Company has requested a permanent increase of \$15,487,002 in Rate Year 1 of its
16 proposed multi-year rate plan; the temporary increase is 43.74% of that amount.
17 Temporary rates are proposed to be in effect until the establishment of permanent rates
18 pursuant to the Commission's final order in this case. The temporary rates increase will
19 reduce regulatory lag while providing the Commission and parties sufficient opportunity
20 to fully evaluate the Company's permanent rate request. Temporary rates at 43.74% of

1 the requested permanent rate increase also provide a more gradual, smoother transition to
2 the permanent rates ultimately approved by the Commission in this case.

3 **Q. How did you calculate the requested temporary rate increase of \$6.7 million?**

4 A. We calculated the requested temporary rate increase by multiplying the 7.60% return on
5 rate base (described above) by rate base as of December 31, 2022, to determine the
6 required operating income. We then subtracted the Company's actual operating income,
7 with certain adjustments, to determine the revenue deficiency. That deficiency was then
8 adjusted for taxes and uncollectible expense to develop the total requested temporary rate
9 increase.

10 **Q. What are the components of the rate base on which the temporary rates request is**
11 **based?**

12 A. The Company's adjusted Test Year rate base is comprised of: (1) utility plant in service
13 as of December 31, 2022, including the amount in Federal Energy Regulatory
14 Commission ("FERC") account 106, Completed Construction not Classified, net of
15 accumulated depreciation; (2) the 13-month average balance in supplies and inventory;
16 (3) the 13-month average of prepaid expenses; (4) an allowance for cash working capital
17 (using the 24.2 day net lag calculated in DE 19-064 and adjusted 2022 cash working
18 capital expenses); (5) a deduction for the 13-month average balance of customer deposits;
19 (6) regulatory assets and liabilities; (7) a deduction for accumulated deferred income
20 taxes ("ADIT"); and (8) a rate base adjustment per DG 11-040. The rate base

1 components are summarized in Schedule TR-4. As shown in that schedule, the adjusted
2 Test Year rate base was calculated to be \$187,829,002.

3 **Q. Does the Company continue to hold customers harmless for the elimination of the**
4 **historical ADIT liabilities resulting from the acquisition of Granite State approved**
5 **in DG 11-040?**

6 A. Yes. Consistent with its approach in DE 19-064, the Company is including as a reduction
7 to rate base the ADIT for the plant assets that existed at the time of acquisition consistent
8 with the schedule of balances agreed to as part of the Settlement Agreement in Docket
9 No. DE 16-383. The agreed-upon ratemaking adjustment amount for the Test Year is
10 \$21 million.¹ That amount serves as ratemaking adjustments to reduce rate base. The
11 rate base reduction amounts are shown on Schedule TR-4, line 14.

12 **Q. What regulatory assets and liabilities are included in rate base?**

13 A. The Company has included two regulatory assets and one regulatory liability in rate base,
14 which, together, are a net reduction to rate base in the Test Year. The first regulatory
15 asset reflects costs incurred by the Company to hire an evaluation, measurement, and
16 verification consultant to assess a battery storage pilot in Docket No. DE 17-189. The
17 second regulatory asset reflects costs incurred by the Company for consultants hired by
18 the Commission, the Department of Energy, and the Consumer Advocate. The regulatory
19 liability relates to the Lost Revenue Adjustment Mechanism which is designed to
20 compensate the Company for lost revenue due to the installation of energy efficiency

¹ See Docket No. DE-16-383 Settlement Agreement, Attachment 7.

1 measures by customers resulting in lower kilowatt-hour sales/revenues. The Lost
2 Revenue Adjustment Mechanism due to Energy Efficiency ended when the Company
3 implemented Revenue Decoupling, however, amounts remain from billing adjustments
4 when the LRAM rate was in effect.

5 **Q. What adjustments did you make to Test Year revenues and expenses to calculate the**
6 **requested increase in temporary rates?**

7 A. The following adjustments were made to normalize the Test Year revenues and expenses
8 to calculate the requested increase in temporary rates, as shown on Schedule TR-2 and
9 TR-3:

Adjustment	Reference
Adjustment 1 – Adjustment to Normalize Revenues	Schedules TR-2.2 and TR-2.3
Adjustment 2 – Remove Electric Purchase Power Expenses	Company Books and Records
Adjustment 3 – Remove Transmission Expenses	Company Books and Records
Adjustment 4 – Adjustment to Inventory Expense	Company Books and Records
Adjustment 5 – Storm Expense Adjustment	Company Books and Records
Adjustment 6 – Removal of other Transmission Costs	Company Books and Records
Adjustment 7 – Adjust Historical Amortization	Company Books and Records
Adjustment 8 – Remove other Dues, Lobbying Costs, and Donations	Company Books and Records
Adjustment 9 – Reclassify Expense to Regulatory Asset	Company Books and Records

1 **Q. Please describe Adjustment 1 to normalize revenues.**

2 A. This adjustment was made to normalize Test Year revenues to remove non-base rate
3 revenues, re-state Test Year revenues to current rates, and make other adjustments.

4 Please refer to the testimony of Company Witness Gregg Therrien for further discussion
5 of the normalization of Test Year revenues.

6 **Q. Please describe Adjustments 2 and 3 to remove purchase power and transmission
7 expenses.**

8 A. These adjustments were made to remove non-base rate expenses from the revenue
9 requirement.

10 **Q. Please describe Adjustment 4 to inventory expense.**

11 A. This adjustment removes non-recurring expenses in the test year related to certain year-
12 end inventory valuations.

13 **Q. Please describe Adjustment 5 to storm expense.**

14 A. This adjustment removes the Company's \$1.5 million storm expense allowance from the
15 account to which it was recorded in the Test Year and reclassifies it to a separate account
16 that is not escalated in the Test Year or Rate Years. As such, this adjustment has no
17 impact on the Test Year or temporary rates calculation.

18 **Q. Please describe Adjustment 6 to remove other transmission costs.**

19 A. This adjustment removes transmission-related expenses not captured in Adjustment 3.

1 **Q. Please describe Adjustment 7 to amortization expense.**

2 A. This adjustment removes regulatory amortizations that will not extend beyond the Test
3 Year.

4 **Q. Please describe Adjustment 8 to remove dues, lobbying costs, and donations.**

5 A. This adjustment removes certain dues, lobbying costs, and donations that the Company is
6 not seeking recovery for in this case.

7 **Q. Please describe Adjustment 9 to reclassify Test Year expenses to a regulatory asset.**

8 A. This adjustment reclassifies Test Year expenses to a regulatory asset. The Company's
9 proposed regulatory assets and liabilities are discussed earlier in this testimony.

10 **Q. Has the full impact of the Tax Cuts and Jobs Act of 2017 been reflected in the**
11 **Company's temporary rates revenue requirement?**

12 A. Yes. The full impact of the Tax Cuts and Jobs Act of 2017, which reduced the federal
13 corporate income tax rate from 35% to 21%, has been reflected in the Company's
14 revenue requirement. Specifically, income taxes in the revenue requirement are
15 calculated based on the post-2017 21% federal corporate income tax rate, and Test Year
16 rate base reflects the unamortized balance of excess accumulated deferred income taxes
17 ("EADIT") that arose due to the Tax Cuts and Jobs Act of 2017. Further, annual
18 amortization of EADIT is reflected as a reduction to income tax expense.

19 **Q. Please describe the adjustments to income tax expense.**

20 A. Income tax expense was adjusted to reflect current statutory rates, including synchronized
21 interest expense based on the Company's authorized capital structure and actual cost of

1 debt. In addition, Test Year income tax expense reflects permanent difference items
2 related to meals expense, as well as the amortization of EADIT, which reduce income tax
3 expense. The Company's income tax calculations are provided in Schedule TR-2.13.

4 **Q. Are the proposed adjustments consistent with the statute governing temporary**
5 **rates?**

6 A. Yes. Per RSA 378:27, temporary rates should be based on "... the reports of the utility
7 filed with the commission, unless there appears to be reasonable ground for questioning
8 the figures in such reports." Each adjustment described above is intended to correct Test
9 Year data, remove non-base rate revenues and expenses, or make other reasonable
10 adjustment to normalize the Test Year, and are therefore appropriate for inclusion in the
11 calculation of temporary rates.

12 **Q. What percentage increase in customers' bills does the Company's temporary rate**
13 **request represent?**

14 A. The monthly bill impact for a residential customer using 650 kWh per month is an
15 increase of \$5.70, or 2.6% as a percentage of the total bill. As shown in Attachment
16 KMJ/DSD/GHT-TEMP-3, the bill impact was calculated as compared to the rates in
17 effect as of the date of this filing.² As additional adjustments to various rate components
18 are expected between the date of this filing and the requested effective date for temporary
19 rates, the actual bill impacts will be different than those reflected above. Additional

² Base delivery rates effective March 1, 2023.

1 information regarding customer bill impacts for the various rate classes is also included
2 in Attachment KMJ/DSD/GHT-TEMP-3.

3 **Q. Have you prepared a schedule that shows how you determined temporary base**
4 **delivery rates for each class?**

5 A. Yes. Attachment KMJ/DSD/GHT-TEMP-2 shows the application of a 14.67%³ increase
6 to all firm billing components (e.g., monthly customer charge, delivery charge per kWh,
7 and demand charge per KW, where applicable). The same percentage increase is applied
8 to each lighting fixture and energy per kWh charge for Rate M. This across-the-board
9 increase approach provides a bridge between current rates and proposed rates without
10 disrupting existing rate designs or pre-existing class revenue allocations, which are
11 proposed to change with permanent rates as described in the rate design testimony of
12 witness Therrien.

13 **Q. Do the proposed temporary rates provide no more than a reasonable return on the**
14 **cost of the property used and useful for the public service less accrued depreciation,**
15 **as shown by the reports on the Company filed with the Commission?**

16 A. Yes. With the proposed temporary rates, the Company will earn no more than a
17 reasonable return on its investment calculated based on the books and records on file with
18 the Commission. As demonstrated in Attachment KMJ/DSD/GHT-TEMP-1, Schedule

³ The application of a slightly higher increase of 14.67% to base distribution rate components compared to the 14.49% total temporary revenue requirement increase to current base delivery rates is because current base delivery rates also include revenues from other sources, including miscellaneous service revenues, rents, sales for resale and other revenues. These other sources of base revenues are either held at Test Year levels or separately adjusted (e.g., miscellaneous service revenues). See the Company's revenue requirements testimony, Exhibit KMJ/DSD-1, Schedules RR-2.2 and RR-2.3.

1 TR-1, the Company's requested level of temporary rates yield a rate of return equal to
2 7.60%, which is based on the return on equity and capital structure approved in the
3 Company's last rate case.

4 **Q. Are customers protected from being overcharged by temporary rates if the final**
5 **rate case decision is less than the level of temporary rates?**

6 A. Yes. Customers are protected because of the reconciling nature of temporary rates once
7 permanent rates are established by the Commission.

8 **IV. EFFECTIVE DATES**

9 **Q. What is the Company's proposal for the effective date of the temporary rates?**

10 A. The Company is requesting that temporary rates take effect as of July 1, 2023, on a
11 service-rendered basis, and that they be applied by increasing all rates under the existing
12 rate design by a uniform percentage.

13 **V. CONCLUSION**

14 **Q. Were the Exhibits and schedules you are sponsoring prepared by you or under your**
15 **direction and supervision?**

16 A. Yes.

17 **Q. Does this conclude your pre-filed direct testimony?**

18 A. Yes.

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