STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. DE 23-XXX

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty
Revenue Decoupling Adjustment for July 2022 through June 2023

DIRECT TESTIMONY

OF

TYLER J CULBERTSON

AND

ADAM R.M. YUSUF

September 1, 2023

Liberty™

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I. INTRODUCTION

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

A. My name is Tyler J Culbertson. I am the Director of Rates and Regulatory Affairs for Liberty Utilities Service Corp. ("LUSC"), which provides service to Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty ("Liberty" or the "Company"). My business address is 15 Buttrick Road, Londonderry, New Hampshire.

Q. On whose behalf are you submitting this testimony?

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

Q. Please describe your educational and professional background.

A. I graduated from the University of Iowa in 2009 with a Bachelor of Science degree in Accounting, and I have held an active Certified Public Accountant ("CPA") license since 2012. I joined LUSC in May 2023. Prior to my employment at LUSC, I was employed by DCP Midstream as the Senior Manager of Regulatory Affairs from 2015 to 2023. My responsibility at DCP Midstream was to ensure company-wide compliance with the economic regulations of the Federal Energy Regulatory Commission and various state regulatory agencies. From 2014 to 2015, I was a Senior Rate Analyst for Tallgrass Energy, and from 2010 to 2014, I was a Rate Analyst for SourceGas (now Black Hills Energy).

Q. Please describe your duties at LUSC.

A. As Director of Rates and Regulatory Affairs, I am primarily responsible for rates regulatory affairs for Liberty Utilities (Granite State Electric) Corp. and Liberty EnergyNorth.

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

A. Yes. I testified in before the Commission in Docket No. DG 23-076 in support of Liberty EnergyNorth's Local Delivery Adjustment Charge and Docket No. DG 22-045 in support of Liberty EnergyNorth's Winter 2022/2023 and Summer 2023 Cost of Gas.

Q. Mr. Yusuf, please state your full name, business address, and position.

A. My name is Adam R.M. Yusuf. I am an Analyst I for Rates and Regulatory Affairs for LUSC, which provides service Liberty. My business address is 15 Buttrick Road, Londonderry, New Hampshire.

Q. Please describe your business and educational background.

A. I graduated from the University of New Hampshire, Durham, in 2009 with a Bachelor of Science in Psychology with a minor in Kinesiology: Sports Studies. I received an Associate Degree in Human Services from New Hampshire Technical Institute in Concord, in 2014. I received a Master of Business Administration from Southern New Hampshire University in 2022. I joined Liberty in April 2019, where I held positions as a Customer Service Representative and Billing Representative before joining the Rates and Regulatory Affairs Department.

Q. Please describe your duties at LUSC.

A. As Analyst I of Rates and Regulatory Affairs, I am responsible for providing rate-related services for Liberty EnergyNorth and Liberty Utilities (Granite State Electric) Corp.

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

A. Yes. I testified before the Commission in Docket No. DE 23-076 in support of Liberty EnergyNorth's Local Delivery Adjustment Charge (LDAC).

Q. What is the purpose of your testimony?

A. The purpose of our testimony is to explain the Company's proposed 2023/2024 Revenue Decoupling Adjustment, effective November 1, 2023, for reconciliation of the Company's second decoupling year of July 1, 2022, through June 30, 2023.

II. <u>REVENUE DECOUPLING ADJUSTMENT ("RDAF")</u>

Q. Please explain the Revenue Decoupling Adjustment?

A. Revenue Decoupling Adjustment is a ratemaking mechanism designed to eliminate the dependence of a utility's revenues on system throughput (sales). Historically, a utility's revenues were a function of its sales. When customers consumed more, revenues increased, and when customers consumed less, revenues decreased. Consumption may be affected by a number of factors including weather, conservation, economic cycles, distributed generation sources, and other causes. By eliminating the link between customer consumption and Company earnings, decoupling removes the disincentive for utilities to promote conservation and energy efficiency programs. Revenue decoupling allows a utility to recover the base revenue requirement approved in its most recent base-rate proceeding – no more and no less – despite fluctuations or reductions in sales due to conservation or other factors outside of the utility's control.

Q. What is the purpose of your testimony?

A. The purpose of this testimony is to explain the methodology for calculating the Company's Revenue Decoupling Adjustment, provide support for the requested change in rates to recover the revenue shortfall that the Company experienced for the decoupling year ending June 30, 2023, and request approval to defer the decoupling revenue shortfall amount greater than the annual decoupling cap. The proposed revenue shortfall would be recovered through an increase in distribution rates over a twelve-month billing period from November 1, 2023, to October 31, 2024.

Liberty is submitting for approval its Revenue Decoupling Adjustment reconciliation filing for its second decoupling year of July 1, 2022, through June 30, 2023, in accordance with Section I of the Settlement Agreement in Docket No. DE 19-064, approved by Order No. 26,376 (June 30, 2020) (the "Settlement Agreement"). The Settlement Agreement provides, in part:

> The Company will make a reconciliation filing by September 1 following the completion of each decoupling year (July 1 to June 30), in which Liberty will calculate the rate increase or rate refund arising from the just completed decoupling year, and request approval for any adjustment to go into effect on November 1 for the following twelve months. (*Settlement Agreement at Bates 12)*

In the decoupling year ending June 30, 2023, the Company experienced a revenue under-collection of $3,744,363, including the deferral balance of $337,913 from last year's filing in Docket No. DE 22-052. Since this under-collection amount exceeds the 3% cap on the amount that can be refunded or charged to customers, the Company proposes to recover the maximum annual amount of $1,042,715 (3% of Granite State's base revenues) from customers beginning November 1, 2023[1]. The remaining under-collection will be deferred and recovered in a future Revenue Decoupling Adjustment period(s).

Q. What Rate Classes are included in the mechanism?

A. All rate classes are included in the mechanism, except for Rate classes M, LED-1, and LED-2 (all street lighting). These classes were excluded because at the time the RDAF was being considered, the street lighting classes did not contain volumetric charges as part of the rate design and therefore would not be candidates for revenue decoupling. The D-11 (Battery Pilot Program) and all EV (electric vehicle) rate classes were also excluded as they were new rate classes. The inclusion of these rate classes will be re-evaluated in the current rate case.

Q. What surcharges will be billed under the RDAF?

A. Liberty is seeking approval of the Revenue Decoupling Adjustment Rate, by rate class, designed to recover an under-collection of $1,042,715 and deferral of $2,363,735 to a future Revenue Decoupling Adjustment ("RDA") year(s). As shown in Attachment ARMY/TJC-1, Page 1 of 4, Customers with Rate D will be charged $0.00204 per

[1] See Attachment ARMY/TJC-2, Page 6 of 6, Line No. 155.

kilowatt hour (kWh). Please see the table below for the proposed rate changes for the participating rates.

Rate Class	Rate Effective 1/1/2023-10/31/2023 ($/kWh)	Rate Effective 11/1/2023-10/31/2024 ($/kWh)	Difference	Difference %
D	$0.00281	$0.00204	-$0.00077	-27.40%
D-10	$0.00180	$0.00147	-$0.00033	-18.33%
G-1	$0.00104	$0.00077	-$0.00027	-25.96%
G-2	$0.00151	$0.00108	-$0.00043	-28.48%
G-3	$0.00253	$0.00183	-$0.00070	-27.67%
T	$0.00285	$0.00206	-$0.00079	-27.72%
V	$0.00291	$0.00230	-$0.00061	-20.96%

III. GRANITE STATE'S DECOUPLING MECHANISM

Q. Please describe the decoupling methodology approved for Granite State.

A. The approved RDAF includes an adjustment between actual and allowed revenues using a revenue per customer ("RPC") methodology.

Q. What is a "Decoupling Year" and what period is the Company requesting recovery/refund for?

A. The "Decoupling Year" is the 12-month period for reconciliation of target revenues and actual revenues collected from July 1 through June 30, as stipulated in the Settlement Agreement.

Q. How is the RDAF determined for Granite State?

A. The RDAF is calculated annually using monthly accruals. The monthly accruals are determined by (a) calculating the difference between the Target RPC and Actual RPC for that month by rate class, and (b) multiplying the difference by the number of equivalent bills rendered for each rate class during that month. The resulting monthly revenue shortfall/surplus for each class is combined to form the total monthly revenue shortfall/surplus. At the end of the decoupling year, the monthly amounts are summed to determine the cumulative annual revenue surplus or shortfall.

There is a 3% cap on the amount that can be refunded or charged to customers.[2] This deferred amount will be recovered or refunded during the following year up to the 3% cap. Any amounts over the 3% cap will be deferred and recovered or refunded in future periods, as determined by the Commission. Any amount deferred carries interest at the monthly prime rate determined by the first day of said month.

Q. How did the Company calculate the monthly Target RPC?

A. The monthly Target RPC amounts were determined in the Settlement Agreement, Attachment 9, and referenced in the Year 1 reconciliation, Docket No. DE 22-052. These monthly Target RPC values are the product of, first, allocating each year's allowed revenue requirement to each rate class, by month, in proportion to the test year.[3] Each class's monthly baseline distribution revenues allowed in the Settlement Agreement were

[2] The 3% cap is equal to 0.03 times the allowed revenue requirement subject to annual adjustments.

[3] Settlement Agreement, Exhibit 9, Bates 114, lines 42 through 71.

then divided by the number of monthly customer bills from the test year to derive the monthly Target RPC.

Q. How did the Company calculate the monthly Actual RPC?

A. The monthly Actual RPC is calculated as the actual monthly distribution revenues for each rate class divided by the actual number of equivalent bills for each rate class rendered during that month.

Q. Please describe the importance of "equivalent bills" in the Target RPC and Actual RPC calculations.

A. The term "equivalent bills" is a term used in ratemaking to establish annualized monthly billing determinants; it is an accurate way to count customers. The "equivalent bills" are the number of customer charges rendered for the rate class in a given month or year and thus match the revenue stream. The Target RPC was developed using rate year equivalent bills. To provide an accurate RPC comparison, Actual RPC must also use equivalent bills. Therefore, the proposed decoupling adjustment uses equivalent bills in both the Target RPC and Actual RPC calculations.

Q. How will any shortfall/surplus be allocated?

A. Subject to the 3% cap described above, the Annual Allowed Adjustment revenue shortfall/surplus will be allocated to the classes using the Rate Class Allocation percentages shown on line 71 of Settlement Agreement. (Attachment 9, Bates 117). These percentages represent the contribution of class distribution revenues to total system distribution revenues.

Q. Does Liberty's RDAF include a weather normalization adjustment?

A. No. The issue of weather normalization is less significant in the case of electric sales and as a result, the RDAF does not include a weather-related adjustment in the RDAF calculation.

IV. REVENUE REQUIREMENT

Q. What is the distribution revenue requirement associated with the decoupling year?

A. As shown in Attachment ARMY/TJC-2, page 1, the distribution revenue requirement subject to decoupling is $46,175,058, which includes the 2022 Base Revenue of $44,912,083 authorized in Docket No. 19-064, Order No. 26,537 (Oct. 29, 2021) and the Step Adjustments that went into effect per Docket No. DE 22-035[4] during the decoupling year.

Q. How did the Company calculate the revenue deficiency?

A. The Company took the sum of the differences between the monthly revenue per customer using the test year billing determinants and rates in effect during the decoupling year against and the actual monthly revenue per customer using the decoupling year billing determinants and rates in effect, for each rate class to determine the total of $3,406,450 revenue deficiency. Attachment ARMY-TJC-2, pages 2-6 show a detailed calculation of the proposed RDAF, consistent with the Settlement Agreement calculation presented on Attachment ARMY-TJC-2, page 1.

[4] Docket No. DE 22-035 includes several Step Adjustments approved in the following orders: Order No. 26,661 (July 29, 2022), Order No. 26780 (March 1, 2023), Order No. 26,781 (March 3, 2023), and Order No. 26,836 (May 31, 2023).

Q. What is the amount of the decoupling cap in Decoupling Year 2?

A. Per the Settlement Agreement, the 3% cap is equal to 0.03 times the allowed revenue requirement subject to annual adjustments. For Decoupling Year 2, the allowed revenue requirement of $46,020,950 multiplied by 0.03 equals the $1,042,715 cap, consistent with the amount the Company is asking to recover in Decoupling Year 2.

Q. What happens to the remaining amount beyond the 3% cap?

A. The $2,363,735 in excess of the 3% cap, approximately 5.14% of the revenue requirement, will be deferred for recovery in subsequent decoupling period(s).

V. CUSTOMER BILL IMPACTS

Q. What is the bill impact to residential customers?

Attachment ARMY/TJC-3 provides the proposed resulting distribution charges effective November 1, 2023. As shown in Attachment ARMY/TJC-4, a residential customer using 650 kWh per month and taking energy service from the Company's default service offering will see a decrease to their bill of approximately $0.50 per month or -0.30%. The figure below depicts the decrease in the RDA rate for each impacted rate class.

Q. Is the Company providing a redlined tariff as part of the Revenue Decoupling Adjustment filing?

A. Yes, the Company is providing both a clean and redlined version of proposed tariff Pages 90, 91, 92, 93, 96, 98, 101, 104, 107, and 126 as part of the RDAF filing.

VI. CONCLUSION

Q. Does this conclude your testimony?

A. Yes, it does