



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

Docket No. DE 13-_____

Granite State Electric Company d/b/a Liberty Utilities
Regarding an Increase in the Storm Recovery Adjustment Factor

DIRECT TESTIMONY

OF

JIM RIORDAN

July 16, 2013

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1 **I. INTRODUCTIONS AND QUALIFICATIONS**

2 **Q. Please state your full name and business address.**

3 A. My name is James M. Riordan. My business address is 11 Northeastern Boulevard,
4 Salem NH.

5

6 **Q. Mr. Riordan by whom are you employed and in what capacity?**

7 A. I am an Accountant with Liberty Energy Utilities (New Hampshire) Corp. (“Liberty
8 Energy NH”) which owns the stock of Granite State Electric Company (“Granite State”
9 or the “Company”). Liberty Energy NH provides services to Granite State. My
10 responsibilities are primarily in the area finance.

11

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

13 A. I earned a BS degree in Arts and Sciences from Northeastern University in Boston and
14 was awarded a Certificate of Accountancy from Assumption College in Worcester,
15 Massachusetts in 1991. In 1999, I graduated from Bentley University in Waltham,
16 Massachusetts with a Master’s of Science in Taxation. In 2009, I earned a Masters in
17 Quantitative Finance from Bentley University. I am also a Certified Public Accountant.

18

19 My professional experience spans a period of 16 years in various accounting positions,
20 including Auditor with Interstate Hotels Corporation/Marriott Corporation, Worcester,
21 MA; Accounting Manager for a Software developer in Needham, MA; Staff Auditor for

1 O'Rourke, Sacher and Moulton Accountancy Corporation, CPA's, Boston, MA; Senior
2 Auditor with Robert Ercolini & Company LLP, Boston, MA; and Supervising Senior
3 Accountant O'Brien, Riley & Ryan P.C., Lexington, MA. I joined National Grid, in
4 January of 2001 as a Senior Financial Analyst. I became employed by Liberty Energy
5 NH in July 2013.

6
7 **Q. Have you previously testified or participated in proceedings before the**
8 **Commission?**

9 A. No, I have not.

10
11 **Q. Are you sponsoring any schedules?**

12 A. Yes, my testimony includes the following schedules:

13	Schedule JMR-1	Tropical Storm Irene August 2011
14	Schedule JMR-2	Snow Storm - October 2011
15	Schedule JMR-3	Hurricane Sandy – October 2012
16	Schedule JMR-4	Cumulative Impact of Storms on Storm Contingency Fund

17
18 **II. PURPOSE OF TESTIMONY**

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

20 A. The purpose of my testimony is to provide a high-level description of how the Storm
21 Fund operates; provide a snapshot as to the current status of the Storm Fund; detail the
22 costs associated with the (1) August 28, 2011 Tropical Storm Irene, (2) October 29, 2011

1 Halloween Storm, and (3) October 29, 2012 Hurricane Sandy as well as the 2013 storm
2 staging costs. Finally, I illustrate the impact of these storms and staging costs on the
3 Storm Fund, and model the Company's recovery proposal as described in the testimony
4 submitted by ChristiAne Mason.

5
6 **Q. Please provide a brief description of how the Company's Storm Fund operates.**

7 **A.** The Storm Fund was the result of the Commission's approval of the Settlement
8 Agreement in DG 06-107. The Storm Fund allows for the recovery of the costs of "major
9 storms" experienced by the Company. Under the Storm Fund mechanism, the
10 Company's base rates were set at a level that included \$120,000 of annual collections to
11 credit the Storm Fund, accruing at the rate of \$10,000 per month.

12
13 The Company's Storm Recovery Adjustment Factor ("SRAF") tariff provision is the
14 mechanism by which the Company is authorized to assess customers to fund the Storm
15 Fund beyond the level provided for in base rates. The cumulative balance of the Storm
16 Fund (whether in a surplus or deficit position) accrues interest at the customer deposit
17 rate of 3.25%. The interest component is intended to compensate customers or the
18 Company for the net cash position of the Storm Fund. If the Storm Fund is in a credit
19 position (cumulative collections from customers exceed cumulative qualifying storm
20 costs charged to the Storm Fund), interest is accrued on behalf of customers increasing
21 the Storm Fund's credit balance. If, however, the Storm Fund is in a debit position or

1 deficit position (cumulative collections from customers are less than cumulative storm
2 costs charged to the Storm Fund), interest is accrued on behalf of the Company,
3 increasing the Storm Fund's deficit position. The Storm Fund is intended to smooth out
4 the cost to customers of the inevitable impact of major storm events that cause damage to
5 the Company's electric distribution system.

6
7 **Q. What is the status of the Storm Fund?**

8 A. The balance in the Storm Fund as of April 2013 is (\$6,128,608). The Company is
9 recovering from \$120,000 from base rates in addition to the currently effective SRAF of
10 \$0.00223/kWh (designed to recover \$2.2 million on an annual basis).

11
12 **III. TROPICAL STORM IRENE -AUGUST 2011**

13 **Q. What is the status of the Tropical Storm Irene Storm costs and what is the impact of
14 those costs on the Storm Fund?**

15 A. The storm restoration costs from Tropical Storm Irene are currently estimated at
16 \$1,000,796. However, costs from the storm are under review and have not been audited
17 by the NHPUC. The 2012 Annual Storm Fund Report presented costs and credits by
18 expense incurred during the year ended December 31, 2012 of approximately \$94,000.
19 Prior to Tropical Storm Irene, the Storm Fund had a deficit balance of approximately \$4.8
20 million. The approximate \$1 million cost of Tropical Storm Irene significantly increases
21 the Storm Fund deficit. The impact of the storm cost from Tropical Storm Irene is

1 included on Schedule JMR-1.

2
3 **IV. SNOW STORM - OCTOBER 2011**

4 **Q. What is the status of the Snow Storm - October 2011 and what is the impact on the**
5 **Storm Fund?**

6 A. The Snow Storm - October 2011 cost is currently estimated at \$1,489,292, however costs
7 from the storm are under review and have not been audited by the NHPUC. The 2012
8 Annual Storm Fund Report presented costs by expense category incurred during the year
9 ended December 31, 2012 of approximately \$512,000. Prior to the Snow Storm -
10 October 2011 the Storm Fund had a deficit balance of approximately \$5.8 million. The
11 approximately \$1.5 million cost of the October Snow storm further increased the deficit
12 in the Storm Fund. The impact of the storm costs from the Snow Storm - October
13 2011 are included on Schedule JMR-2.

14
15 **V. HURRICANE SANDY - OCTOBER 2012**

16 **Q. What is the amount of costs the Company incurred as a result of Hurricane Sandy,**
17 **October 2012?**

18 A. The Company incurred approximately \$1.5 million in costs associated with Hurricane
19 Sandy. These costs are preliminary and have not been audited by the NHPUC. The costs
20 are identified in Schedule JMR-3 through April of 2012.

21 Hurricane Sandy costs in Schedule JMR-3 are slightly different than those reflected in the

1 Company's annual Storm Fund report. The presentation of costs in the Storm Fund
2 Report for calendar 2012 includes storm costs and credits until December 31, 2012 of
3 approximately \$1.6 million. The costs of Hurricane Sandy presented in Schedule JMR-3
4 include additional costs and credits that occurred after December 31, 2012 until April 30,
5 2013. The primary reason for the difference is the credit from billing FairPoint
6 Communications for storm restoration tree clearing completed by Liberty on its behalf
7 (approximately \$84,000).

8
9 **Q. How are the Tropical Storm Irene, Snow Storm - October 2011 and Hurricane**
10 **Sandy Storm costs eligible for Storm Fund treatment?**

11 A. Pursuant to the provisions of the Storm Fund approved in DG 06-107, all costs of major
12 storms are eligible for recovery from the Storm Fund. Tropical Storm Irene, the Snow
13 Storm - October 2011 and Hurricane Sandy qualify as major storms as discussed in the
14 testimony of Mr. Demmer. Therefore, the total costs identified in Schedule JMR-4 are
15 eligible to be charged against the Storm Fund.

16
17 **Q. Has the Company illustrated the impact of the storms discussed earlier and the**
18 **accelerated cost recovery proposal on the Storm Fund?**

19 A. Yes, it has. Schedule JMR-4 displays activity in the storm fund from the period of July
20 2010 to the proposed complete recovery of the storm recovery costs from customers in
21 March of 2015. The schedule shows the monthly collections from customers both from

1 base rates and the SRAF. In addition the schedule shows monthly interest applied,
2 preliminary qualified storm costs charged to the storm fund and the closing balance of the
3 storm fund. The schedule also shows the projected recovery of storm costs as proposed
4 in Ms. Mason's testimony. An increase of the SRAF to \$0.00338 per kWh would
5 increase the amount of the recovery in the fund over the current recovery by
6 approximately \$1.6 million on an annual basis. Assuming that there is no further major
7 storm activity the rate increase would eliminate the Storm Fund deficit in less than two
8 years.

9

10 **VI. CONCLUSION**

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

12 **A.** Yes, it does.