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Exhibit No. #1
Witness Panel 1
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STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DE 14-XXX

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities
Annual Retail Rate Filing

DIRECT TESTIMONY

OF

DAVID B. SIMEK

and

HEATHER M. TEBBETTS

November 25, 2014

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I. Introduction

Q. Please state your names, business address and positions.

A. My name is David B. Simek, and my business address is 15 Buttrick Road, Londonderry, NH 03053. I am a Senior Utility Analyst at Liberty Energy Utilities (New Hampshire) Corp.("Liberty Energy NH"), which is the sole shareholder of Liberty Utilities (Granite State Electric Corp).d/b/a Liberty Utilities ("Granite State" or the "Company") and provides services to Granite State. I am responsible for providing rate-related services for the Company.

My name is Heather M. Tebbetts and my business address is 15 Buttrick Road, Londonderry, NH 03053. I am a Utility Analyst at Liberty Energy NH and in this capacity, am responsible for providing rate-related services for the Company.

Q. Please describe your educational backgrounds and training.

Mr. Simek

A. I graduated from Ferris State University in 1993 with a Bachelor of Science degree in Finance. I received a Master's of Science degree in Finance from Walsh College in 2000. I also received a Master's of Business Administration degree from Walsh College in 2001. In 2006, I earned a Graduate Certificate in Power Systems Management from Worcester Polytechnic Institute.

Ms. Tebbetts

I graduated from Franklin Pierce University in 2000 with a Bachelor of Science degree in Finance. I received a Master's of Business Administration degree from Southern New Hampshire University in 2007.

Q. What are your professional backgrounds?

Mr. Simek

A. In August of 2013, I joined Liberty Energy NH as a Utility Analyst. Prior to my employment at Liberty Energy NH, 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 within the NSTAR Investment Planning group from 2004 to 2008.

Ms. Tebbetts

In October of 2014, I joined Liberty Energy NH as a Utility Analyst. Prior to my employment at Liberty Energy NH, I was employed by Public Service Company of New Hampshire ("PSNH") as a Senior Analyst in NH Revenue Requirements from 2010 to 2014. Prior to my position in NH Revenue Requirements, I was a Staff Accountant in the PSNH Property Tax group from 2007 to 2010, and a Customer Service Representative III in the PSNH Customer Service Department from 2004 to 2007.

Q. Have you both previously testified before the Commission?

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

Q. What is the purpose of your testimony?

A. The purpose of our testimony is to present Granite State's proposed rate adjustments for 2015 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 we describe in our testimony relate to the Stranded Cost Charge and Transmission Charges.

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. This filing also presents the final reconciliation of balances approved for refund or recovery through adjustment factors, the refund or recovery of which has been completed since the Company's last approved reconciliation in Docket No. DE 13-327 (*See* Order No. 25,611 (December 23, 2013)), and proposes a disposition of any remaining balances related to these adjustment factors. We will discuss each provision subject to reconciliation, its reconciliation, and its proposed adjustment factor separately.

Our testimony also presents the proposed rate design for the Company's forecasted 2015 transmission expenses, per the Company's Transmission Service Cost Adjustment Provision, and changes in the Company's Stranded Cost Charge, in accordance with the Amended Settlement Agreement.

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.

Q. Please summarize the results of the adjustments and reconciliations which Granite State proposes to implement in 2015.

A. The Company proposes to implement the following adjustments to its rates beginning January 1, 2015, for usage on and after that date. The table below illustrates the current and proposed rates: Schedule DBS/HMT-1 presents the proposed stranded cost and the transmission adjustment.

Average charge (¢ / kWh)	Current	Proposed	Increase (Decrease)
Stranded Cost Charge	0.080	(0.150)	(0.230)
Transmission Service Charge	1.948	2.342	0.394
RGGI Excess Revenue Adj Factor	NA	(0.053)	(0.053)
Borderline Sales Settlement Adj Factor	NA	(0.012)	(0.012)
Total	2.028	2.127	0.099

II. 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 calendar year 2015. The second component is an adjustment factor specific to each rate class. These adjustment factors reflect the reconciliation of stranded cost collections for the 12 months ended September 30, 2014. Both of these components are in accordance with the Company's Stranded Cost Adjustment Provision on Page 67 of the Company's tariff.

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 96-150, ("Restructuring

Settlement") the CTC was established to recover stranded costs associated with this divestiture, with such recovery terminating in 2020.

Q. Please describe the changes to the Stranded Cost Charge resulting from the changes in the CTC assessed by NEP for 2015.

A. Granite State is proposing to decrease the uniform charge per kWh from 0.080¢ per kWh to (0.15¢) per kWh for the period beginning January 1, 2015. This is premised upon an estimate provided by NEP and is a decrease of 0.23¢ per kWh from the uniform charge that is currently in effect. As of the date of this filing, NEP has not finalized its 2015 CTC, but expects to do so on or before December 1, 2014. In that filing, NEP will provide 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. If the final CTC determined by NEP differs from the amount proposed herein, the Company will update its proposed Stranded Cost Charge accordingly.

Q. Please describe the Stranded Cost adjustment factors and the reconciliation used to determine those factors.

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 October 2013 through September 2014 are in Schedule DBS/HMT-2.

Q. Please explain the adjustments to the Stranded Cost revenue on pages 2 and 3 of Schedule DBS/HMT-2, column (c).

A. The adjustments in column (c) reflected in January 2014 for rates D-10 and M (Streetlights) represent the final balance of the 2013 Stranded Cost adjustment factor reconciliation after completion of the refund of the reconciliation balance (at the end of 2013) for the period October 2011 through September 2012. The reconciliation and remaining amounts for each rate class are found in Schedule DBS/HMT-3. Reflecting these final balances as adjustments in the current period's reconciliation ends the 2013 Stranded Cost Adjustment factor reconciliation, providing final resolution of the remaining balance.

Q. Has the Company prepared a reconciliation of the Stranded Cost adjustment factors that were implemented in 2013?

A. Yes. Schedule DBS/HMT-3 presents the final reconciliation for the 2013 factors. The 2013 Stranded Cost adjustment factors were intended to recover a combined net under collection of $21, which was recovered from customers during 2013. By the end of 2013, the Company had an over collection of $4. This amount, as discussed above, is reflected as an adjustment in this year's reconciliation. The final balance is reflected in January 2014.

Q. Has the Company prepared a reconciliation of the Stranded Cost adjustment factors that were implemented in 2014?

A. Yes. Schedule DBS/HMT-4 presents the current status of the 2014 factors. The currently effective 2014 Stranded Cost adjustment factors are intended to refund a net over collection. By the end of September 2014, the status of the 2014 Stranded Cost adjustment factor reconciliation is a combined net under collection of $1,869, which remains to be collected from customers by the end of 2014. Any remaining balances after the end of the refund/recovery period will be reflected as adjustments in next year's reconciliation.

Q. Has the Company calculated proposed Stranded Cost adjustment factors for 2015?

A. Yes. Schedule DBS/HMT-5 calculates a Stranded Cost adjustment factor per kilowatt-hour for each rate class to be applied to all retail delivery service customer bills in that rate class for the period January 2015 through December 2015. A Stranded Cost adjustment factor is indicated for class D-10, G-3 and M (Streetlights.) The remaining rate classes (D, T, G-1, G-2, and V) have balances so low that their calculated adjustment factor is zero due to rounding to the fifth decimal place. Therefore, the Company proposes that there be no Stranded Cost adjustment factors for these rate classes, and that the balances for these rate classes be carried forward as the beginning balance in the next reconciliation (October 2014 through September 2015).

Q. How does the methodology used for the Company's Stranded Cost adjustment factor determination and reconciliation compare to the other reconciliations presented in your testimony?

A. NEP bills its CTC based on the number of kilowatt-hours delivered by the Company on a cycle-billed basis. This process eliminates the timing differences between cycle and calendar-month billing that is present for some of the Company's other reconciliations, such as the transmission reconciliation. There is, therefore, a more accurate matching of revenue and expense for stranded cost recovery than there is for the other reconciliations presented in this filing, resulting in correspondingly small Stranded Cost adjustment factors.

III. Transmission Service Charge

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

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").

Q. Does the TSCA provide for a reconciliation of the Company's transmission revenue and transmission expense?

A. Yes. The Company's TSCA provides for full reconciliation of transmission revenue and expense and rate adjustment for any over or under recovery of transmission costs from the prior year.

Q. Has the Company prepared a reconciliation analysis for transmission revenues?

A. Yes. Schedule DBS/HMT-6 presents a reconciliation of actual transmission revenues and expenses for the period October 2013 through September 2014.

Q. Please explain the October 2013 and July 2014 adjustments on Schedule DBS/HMT-6, page 1, column (c).

A. The adjustments are related to activity in the general ledger for interest to match the revenues and expenses.

Q. Is the Company proposing a transmission service adjustment factor for 2014?

A. Yes. The Company is proposing a uniform transmission service adjustment factor of 0.24¢ per kWh as calculated in Schedule DBS/HMT-7.

Q. How was this adjustment factor derived?

A. This factor was calculating by dividing the under collection of transmission expense at September 2014 from Schedule DBS/HMT-6 by the forecasted kilowatt-hour deliveries for calendar year 2015.

Q. How would this factor be implemented?

A. The transmission service adjustment factor would become effective for usage on and after January 1, 2015. The proposed adjustment factor would 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 Company's Transmission Service Cost Adjustment states that the base transmission rates shall be calculated annually based on a forecast of transmission costs to be incurred by the Company to provide transmission service to its retail delivery service customers. The rate at which these costs are collected is to be calculated separately for each of the Company's rate classes based on cost-incurrence.

Q. What is the forecast of 2015 transmission costs?

A. As discussed in the testimony of John D. Warshaw included in this filing, the Company's transmission costs are expected to be approximately $22.6 million in 2015. This forecast of transmission expense yields an average rate of 2.342¢ per kWh, which compares to the currently effective average transmission rate of 1.948¢ per kWh exclusive of the adjustment factor. Based on these estimates, the Company determined that it should propose new rates effective January 1, 2015 to better match the projected incurrence of transmission costs. The Company is allocating its forecasted transmission expense to classes in accordance with the calculations shown in Schedule DBS/HMT-8.

Q. How does the Company propose to design the base transmission rates effective January 1, 2015?

A. Since base transmission rates are unique by rate class, the first step in designing the proposed base transmission rates is to allocate the forecast of transmission costs to each rate class. The Company implemented the same allocation methodology accepted by the Commission in previous Retail Rate filings, which is to allocate based on each rate class's contribution to system peak. The contribution to system peak by class is presented in Schedule DBS/HMT-8 on page 2, and the allocation of transmission cost to each class is shown on Schedule DBS/HMT-8, page 1.

IV. RGGI Auction Proceeds

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

A. Consistent with 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 0.015 cents per kWh for RGGI auction proceeds in its transmission service charge for 2015 in Schedule DBS/HMT-9.

V. Borderline Sales Agreement Settlement

Q. What is the Borderline Sales Agreement Settlement?

A. On April 11, 2014, Granite State and Massachusetts Electric Company ("MECO") entered into a borderline sales agreement with respect to customers residing near the New Hampshire border in Methuen, MA on or near Hampshire Road. These customers have received electric service from MECO that was procured by Granite State and delivered over distribution facilities and equipment owned, controlled and/or operated by Granite State for a period of time commencing on or before 2003 through April 2014.

The settlement agreement required MECO to pay Granite State $716, 722 plus interest at the prime rate for a total of $723,890 for transmission and commodity costs incurred by Granite State to provide service to MECO for these customers.

Q. How does the Company propose to refund borderline sales to delivery customers?

A. The Company will credit the borderline sales refund amount of $107,927 on a per kWh basis through its retail rate reconciliation mechanism that is adjusted on an annual basis. The refund is the charge to MECO customers taking service since June 2006 through September 2012. The default service portion of the refund will be included in the Company's next default service filing. The Company has included a credit of ($0.00012) cents per kWh in its transmission service charge for 2015 in Schedule DBS/HMT-10.

VI. 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 January 1, 2015.

Q. Has the Company determined the impact of these rate changes on customer bills?

A. Yes. A bill comparison for an Energy Service residential customer with an average kilowatt-hour usage of 665, which is the average monthly usage over the twelve month period from September 2013 through August 2014, has also been included in this filing on page 1 of Schedule

DBS/HMT-11. 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 $2.26 or 1.40%, from $161.33 to $163.60.

Q. Has the Company prepared a revised Summary of Rates tariff page reflecting the proposed rates?

A. Yes. It is included as Attachment 1. The Summary of Rates reflects both the proposed rate changes contained in this filing and the currently effective distribution and default service rates, as well as the currently effective Electricity Consumption Tax and Systems Benefit Change. Upon receiving an order from the Commission approving the Company's proposed rate changes in this proceeding, the Company will file a Third Revised Page 68, Summary of Rates tariff page reflecting the approved rates.

VII. Conclusion

Q. Does this conclude your testimony?

A. Yes, it does.