STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. DE 16-XXX

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

DIRECT TESTIMONY

OF

HEATHER M. TEBBETTS

March 18, 2016

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I. Introduction and Qualifications

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

A. My name is Heather M. Tebbetts and my business address is 15 Buttrick Road, Londonderry, NH 03053. I am a Utility Analyst for Liberty Utilities Service Corp. ("Liberty") which provides services to Liberty Utilities (Granite State Electric) Corp. ("Granite State" or "the Company") and in this capacity, am responsible for providing rate-related services for the Company.

Q. Please describe your educational background and training.

A. I graduated from Franklin Pierce University in 2004 with a Bachelor of Science degree in Finance. I received a Master's of Business Administration from Southern New Hampshire University in 2007.

Q. Please describe your professional background.

A. In October of 2014, I joined Liberty as a Utility Analyst. Prior to my employment at Liberty, 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 PSNH's Property Tax group from 2007 to 2010, and a Customer Service Representative III in PSNH's Customer Service Department from 2004 to 2007.

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

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

II. Purpose of Testimony

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present Granite State's proposed rate adjustments for 2016 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.

Q. Did you perform your analyses consistent with processes and procedures for similar filings in previous years?

A. Yes. I understand past processes and have performed my analysis consistent with past methods and practices.

Q. Are there any changes to the periods reflected in this filing versus previous filings?

A. Yes. In Docket No. DE 14-340, the Commission ordered the Company to postpone the effective date of its changes to transmission and stranded cost rates to May 1, 2015, rather than the requested date of January 1, 2015. Because of this change, this reconciliation spans a period of nineteen months. At the time of the reconciliation filing in Docket No. DE 14-340, we did not have information for the months of October 2014 through December 2014. Therefore, I included those months as part of this reconciliation.

Q. Are there months in the schedules that do not have actual expenses and revenues?

A. Yes. To address the fact that the filing is made two months prior to rates going into effect, and thus actual expenses and revenues are not available as of the filing date, I provided projections for the months of March and April 2016.

Q. Please summarize the results of the adjustments and reconciliations which Granite State proposes to implement in 2016.

A. The Company proposes to implement the following adjustments to its rates beginning May 1, 2016 for usage on and after that date. The table below illustrates the current and proposed rates:

Average charge (¢ / kWh)	Current	Proposed	Increase (Decrease)
Stranded Cost Charge	$ (0.00015)	$ 0.00040	$ 0.00055
Transmission Service Charge	$ 0.03182	$ 0.02374	$ (0.00808)
Transmission Adjustment Factor	$ 0.00239	$ (0.00848)	$ (0.01087)
RGGI Auction Proceeds Refund	$ (0.00053)	$ (0.00206)	$ (0.00153)
Border Sales Remaining Refund	$ (0.00012)	$ (0.00001)	$ 0.00011

Schedule HMT-1 presents the proposed stranded cost and the transmission rates.

III. 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 2016. The second component is an adjustment factor specific to each rate class. 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 2016.

A. Granite State is proposing to increase the uniform charge per kWh from ($0.00015) per kWh to $0.00040 per kWh for the period beginning May 1, 2016. This is premised upon a rate provided by NEP and is an increase of $0.00055 per kWh from the uniform charge that is currently in effect. In the 2015 CTC Reconciliation Report filed in Docket No. DE 16-216, NEP provided 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.

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 2014 through April 2016 are in Schedule HMT-3.

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

A. Yes. Schedule HMT-2 calculates a Stranded Cost adjustment factor per kWh for each rate class to be applied to all retail delivery service customer bills in that rate class for the period May 1, 2016, through April 30, 2017. A Stranded Cost adjustment factor is indicated for class M (Streetlights). The remaining rate classes (D, D-10, T, G-1, G-2, G-3, 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.

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 kWh 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.

Q. Consistent with Order No. 25,745 in Docket No. DE 14-340, did the Company explore a buy-down of its CTC obligations with NEP?

A. Yes. We had preliminary discussions with National Grid but were unable to make progress. One complicating factor is that the Restructuring Settlement was also filed with the Federal Energy Regulatory Commission ("FERC"), so any changes to that agreement would also need to be approved by the FERC.

IV. Transmission Service Cost Adjustment 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 HMT-5 presents a reconciliation of actual transmission revenues and expenses for the period October 2014 through January 2016 and forecasted transmission revenues and expenses for the period February 2016 through April 2016.

Q. Is the Company proposing a transmission service adjustment factor for 2016?

A. Yes. The Company is proposing a uniform transmission service adjustment factor of ($0.00848) per kWh as calculated in Schedule HMT-6.

Q. How was this adjustment factor derived?

A. This factor was calculated by dividing the projected over collection of transmission expense as of April 30, 2016, from Schedule HMT-5 by the forecasted kWh deliveries for May 1, 2016, through April 30, 2017.

Q. How would this factor be implemented?

A. The transmission service adjustment factor would become effective for usage on and after May 1, 2016. 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 2016 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 $22.7 million in 2016. This forecast of transmission expense yields an average rate of $0.02374 per kWh, which compares to the currently effective average transmission rate of $0.03156 per kWh exclusive of the adjustment factors. Based on these estimates, the Company determined that it should propose new rates effective May 1, 2016, 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 HMT-4.

Q. Please explain the over recovery for 2015.

A. The Company expects to over recover $8,125,852 by April 30, 2016. That over recovery consists of a few components. First, the analysis used to calculate the 2015 rate was based on an estimated 2015 transmission costs of $22.8 million. The actual costs for 2015 were $20.9 million, $1.9 million lower than that estimate. Second, the reconciliation includes approximately $400,000 of over recovery for the months of

October through December 2014. As explained below, those months were not included in the prior reconciliation. Finally, with the four-month delay of implementation of the rate changes as directed in Docket No. DE 14-340, the additional four months of estimated costs that would accrue over that four-month period were included in the rate to be charged over the twelve-month recovery period. This created a situation where the revenue received in a particular month exceeded the actual costs for that particular month. The entire over recovery will be refunded to customers with interest over the effective twelve-month rate period beginning May 1, 2016.

Q. Why has the Company filed a reconciliation spanning nineteen months?

A. In previous years' filings, revenues and expenses were only included for those months in which the Company had actual data. This filing provides for additional months of projected revenues and expenses to better align the filing with the rate recovery period. In the previous reconciliation filing, data for October through December 2014 was not available. Rather than project revenues and expenses, the filing did not include those months. This filing provides the actual data for the following months:

- October 2014 through December 2014 (using the rates in effect beginning January 1, 2014);
- January 2015 through April 2015 (using the rates in effect beginning January 1, 2014); and
- May 2015 through January 2016 (using the rates in effect beginning May 1, 2015).

The reconciliation also includes projected revenues and expenses for the months of February 2016 through April 2016 to further align the rate period with the recovery period.

Q. How does the Company propose to design the base transmission rates effective May 1, 2016?

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 HMT-4 on page 2, and the allocation of transmission cost to each class is shown on Schedule HMT-4, page 1.

V. 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 $0.00206 cents per kWh for RGGI auction proceeds in its transmission service charge for 2015 in Schedule HMT-7.

VI. 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 on or near Hampshire Road in Methuen, MA. 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. The transmission portion of the refund totaled $107,927 and is included in the current transmission service charge. The commodity portion of the refund was included in the Company's September 21, 2015, default service filing (DE 15-010).

Q. Has the Company's customers received the entire amount of the transmission portion of the refund?

A. No. As shown in Schedule HMT-8, there is estimated an outstanding amount of $5,467 still required to be refunded to its customers.

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

A. The Company will credit the remaining borderline sales refund amount of $5,464 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 $0.00001 cents per kWh in its transmission service charge for 2016 in Schedule HMT-8. The default service (i.e., commodity) portion of the refund was included in the Company's September 21, 2015, default service filing (DE 15-010).

VII. 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 May 1, 2016.

Q. Has the Company proposed a rate change for any other bill components?

A. Yes. On March 15, 2016, the Company filed its annual REP/VMP Reconciliation in which it requested a rate increase to its distribution rates for capital expenditures and vegetation management expenses from calendar year 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 kWh usage of 650, which is the average monthly usage over the twelve month period from January 2015 through December 2015, has also been included in this filing on page 1 of Schedule HMT-9. The net total bill impact of the rates proposed in this filing (including the proposed change associated with REP/VMP), as compared to rates in effect today, is a monthly bill decrease of ($10.87), or (8.79%).

VIII. <u>Conclusion</u>

Q. Does this conclude your testimony?

A. Yes, it does.