STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. DE 17-___

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

DIRECT TESTIMONY

OF

HEATHER M. TEBBETTS

March 23, 2017

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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 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. <u>PURPOSE OF TESTIMONY</u>

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present Granite State's proposed rate adjustments for 2017 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 described in my 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 have performed my analyses consistent with past methods and practices.

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 2017.

Q. Please summarize the results of the adjustments and reconciliations which Granite State proposes to implement in 2017.

A. The Company proposes to implement the following adjustments to its rates beginning May 1, 2017, 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	$ 0.00040	$ 0.00049	$ 0.00009
Transmission Service Charge	$ 0.02374	$ 0.02240	$ (0.00134)
Transmission Adjustment Factor	$ (0.01098)	$ (0.00414)	$ 0.00684
RGGI Auction Proceeds Refund	$ (0.00213)	$ (0.00137)	$ 0.00076

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 2017. 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 2017.

A. Granite State is proposing to increase the uniform charge per kWh from $0.00040 per kWh to $0.00049 per kWh for the period beginning May 1, 2017. In the 2017 CTC Reconciliation Report filed in Docket No. DE 17-015, 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 May 2016 through April 2017 are in Schedule HMT-2, page 1.

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

A. Yes. Schedule HMT-2 presents a reconciliation of actual stranded cost revenues (credits for March and April 2016) and expenses for the period May 2016 through February 2017 and forecasted stranded cost revenues and expenses for the period March 2017 through April 2017.

Q. Has the Company calculated proposed Stranded Cost adjustment factors for 2017?

A. Yes. Schedule HMT-2, page 2 calculates a Stranded Cost adjustment factor per kWh to be applied to all retail delivery service customers' bills for the period May 1, 2017, through April 30, 2018.

Q. Why was there an under collection of $86,067?

A. For the twelve months ending April 30, 2016, customers were billed a credit rate because the CTC for calendar year 2015 was a refund The CTC is in place during the calendar year, rather than during the period in which Granite State's rates are in effect. However, Granite State bills customers for the twelve months ending April 30 based on the rate charged by NEP during the calendar year ending the previous December. During the months of January through April 2016, the Company credited customers based on the NEP rate in effect in 2015 (a credit of $0.00015), but Granite State was actually billed at the new rate level from NEP of $0.00040 during those months. This created an under-recovery for the months of March and April 2016.

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

A. Yes. Steven Mullen has provided testimony to address the exploration of a buydown of its CTC obligations with NEP.

IV. <u>TRANSMISSION SERVICE COST ADJUSTMENT CHARGE</u>

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

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"). The TSCA charge is comprised of two components: a component for base transmission costs for the prospective period plus a component for the reconciliation of transmission revenue and expense for the previous period.

Q. What is the TSCA charge that the Company is proposing for effect on May 1, 2017?

A. The Company is proposing an average TSCA credit of ($0.00414) per kWh for effect May 1, 2017, as shown on HMT-3, page 5. This charge is an increase of $0.00684 from the charge that is currently in effect.

Q. In view of Mr. Warshaw's testimony discussing the decrease in projected transmission costs for the upcoming period, why is the Company's proposed TSCA charge higher than the charge currently in effect?

A. The proposed TSCA charge is higher than the currently-effective TSCA charge due to the change in the reconciliation factor. The currently-effective TSCA charge included the refund of an over-recovery of approximately $10.4 million, whereas the proposed TSCA charge includes a refund of an over-recovery of approximately $3.3 million. This $7.1 million difference more than offset the $1.6 million decrease in base transmission expense discussed in Mr. Warshaw's testimony.

Q. Please describe the reconciliation analysis for transmission revenues and expenses for the previous period.

A. Schedule HMT-3, page 3 presents a reconciliation of actual transmission revenues and expenses for the period May 2016 through January 2017 and forecasted transmission revenues and expenses for the period February 2017 through April 2017.

Q. How was this adjustment factor derived?

A. The transmission service adjustment reconciliation factor is the rate component that recovers under-recoveries of transmission costs or refunds over-recoveries of transmission costs, along with associated interest at prime. This factor was calculated by dividing the projected over collection of transmission expense as of April 30, 2017, from Schedule HMT-3, page 3 of $3,354,364, the remaining refund to customers for the prior period of $653,315 as shown on HMT-3, page 4, plus the working capital calculated on

HMT-3, page 6, by the forecasted kWh deliveries for May 1, 2017, through April 30, 2018.

Q. How will this factor be implemented?

A. The transmission service adjustment reconciliation factor will become effective for usage on and after May 1, 2017. The proposed adjustment factor will 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 for the prospective period to provide transmission service to its retail delivery service customers. The rate at which these costs are collected is calculated separately for each of the Company's rate classes based on an allocation of transmission costs to each class using each class' contribution to coincident peak.

Q. What is the forecast of 2017 transmission costs?

A. As discussed in the testimony of John D. Warshaw, included in this filing, the Company's transmission costs are estimated to be $21,309,361 in 2017. This forecast of transmission expense yields an average rate of $0.02240 per kWh, as compared to the currently effective average transmission rate of $0.02374 per kWh exclusive of the adjustment factors. Based on these estimates, the Company is proposing new rates effective May 1, 2017, to recover the projected transmission costs to be incurred in the prospective period.

Q. Please explain the over recovery for 2016.

A. The Company expects to over recover $3,354,364 by April 30, 2017. That over recovery consists of a few components. First, the analysis used to calculate the 2016 rate was based on estimated 2016 transmission costs of $22.7 million, but the estimated total transmission expense for the period is expected to be $20.5 million. Second, with the four-month delay of implementation of the rate changes as directed in Docket No. DE 14-340, the higher rates were still in effect for January through April 2016, resulting in an over recovery during those months. The entire over recovery will be refunded to customers with interest over the prospective twelve-month rate period beginning May 1, 2017.

Q. Please explain the remaining refund due to customers for the transmission service adjustment reconciliation factor.

A. When Granite State filed for reconciliation of its transmission costs in Docket No. DE 16-346, the Company's rates included an over collection of $10.4 million. Due to lower sales, only $9,934,629 is expected to be refunded to customers. Granite State is proposing to refund the remaining $653,315 beginning May 1, 2017.

Q. Why is the Company including a working capital calculation in its filing?

A. In Docket No. DE 16-383, the parties entered into a settlement that provided, in part, that the Company may recover cash working capital on transmission costs through the transmission cost adjustment mechanism included in the Company's Annual Retail Rate Adjustment filing. In anticipation of the Commission's approval of that settlement, the

Company has included a transmission cash working capital amount in the calculation of its proposed transmission rates.

Q. What is the total amount of transmission working capital included in this filing?

A. The total working capital included in the Transmission Adjustment Factor is $77,144 as shown on Schedule HMT-3, page 5. The detailed calculation of the expense lag is shown on Schedule HMT-3, page 6. The detailed calculation of the revenue lag is shows on Schedule HMT-3, page 8.

Q. How does the Company propose to design the base transmission rates effective May 1, 2017?

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 Annual Retail Rate Adjustment 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-3 on page 2, and the allocation of transmission cost to each class is shown on Schedule HMT-3, page 1.

V. <u>RGGI AUCTION PROCEEDS</u>

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 ($0.00137) cents per kWh for RGGI auction proceeds in its transmission service charge for 2017 as shown in Schedule HMT-4.

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 (Docket No. DE 15-010).

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

A. No. As shown in Schedule HMT-3, page 5, there is estimated an outstanding amount of $9,286 still required to be refunded to its customers. The Company ended the Borderline

Sales Agreement refund on April 30, 2016, as part of the filing in Docket No. DE 16-346, but because customers' bills are prorated for rate changes, there remained $9,020 left to refund to customers, plus interest. The remaining refund was unknown until after the rates went into effect May 1, 2016, for customers who received a bill on or after May 1, 2016, that included consumption in April 2016.

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

A. The Company will credit the remaining Borderline Sales Agreement refund amount of $9,286 on a per kWh basis through its retail rate reconciliation mechanism that is adjusted on an annual basis. The Company has included the credit in its transmission service charge for 2017 in Schedule HMT-3.

Q. Why did the Company include the Borderline Sales Agreement refund as part of transmission costs, rather than refunding it separately?

A. When the Borderline Sales Agreement rate was calculated on its own – total refund divided by total forecasted sales – the rate was $0.00000. By including the refund in the total transmission (over)/under collection, the full amount will be refunded through the operation of the transmission cost adjustment reconciliation mechanism.

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, 2017.

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

A. Yes. On March 15, 2017, 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 2016.

Q. Has the Company determined the impact of these rate changes on customers' 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 2016 through December 2016, has also been included in this filing in Schedule HMT-5. 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 $4.61 or 4.54%.

VIII. <u>CONCLUSION</u>

Q. Does this conclude your testimony?

A. Yes, it does.

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