



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

Docket No. DE 17-058

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities
Energy Service for the Period August 1, 2017 to January 31, 2018

Reconciliation for the Period August 1, 2016 to July 31, 2017

**DIRECT TESTIMONY
OF
HEATHER M. TEBBETTS**

May 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, New Hampshire. I am a Utility Analyst for Liberty Utilities Service Corp. ("Liberty") which provides services to Liberty Utilities (Granite State Electric) Corp. ("Liberty Utilities" or "the Company"). In this capacity, I 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.

1 **Q. Have you previously testified before the New Hampshire Public Utilities**
2 **Commission (“the Commission”)?**

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

4 **II. Purpose of Testimony**

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

6 A. The purpose of my testimony is to present Liberty Utilities’ proposed Energy Service
7 reconciliation for the period of August 1, 2016 to July 31, 2017. My testimony includes
8 the results of: (i) the reconciliation of Energy Service power supply expense and
9 applicable revenue (“Energy Service Reconciliation”); (ii) the reconciliation of the
10 Company’s cost of complying with its actual 2016 Renewable Portfolio Standard
11 obligations and the applicable revenue (“Renewable Portfolio Standard Reconciliation”);
12 and (iii) the reconciliation of the administrative cost of providing Energy Service and the
13 applicable revenue (“Energy Service Cost Reclassification Adjustment Factor –ESCRAF-
14 Reconciliation”).

15 Liberty Utilities is not proposing new Energy Service rates at this time. The Company
16 will propose new rates when it submits its rate filing on June 19, 2017. This filing only
17 addresses the reconciliation portion of the rate calculation.

18 **Q. Please provide the list of schedules attached to your testimony.**

19 A. Schedule HMT-3 Base Energy Service Expense Reconciliation

20 Schedule HMT-4 Renewable Portfolio Standard Reconciliation

Schedule HMT-5 Reconciliation and Calculation of Proposed 2016 Energy Service Adjustment Factor

Schedule HMT-6 Reconciliation and Calculation of Proposed Energy Service Cost Reclassification Adjustment Factor

Schedules HMT-1 and HMT-2 (not attached) will provide rate calculations based on the winning bids. These schedules will be filed with the full Energy Service filing on June 19, 2017.

III. Reconciliation of Energy Service Adjustment Factor (ESAF)

Q. Please summarize the Company's ESAF reconciliation.

A. The Company calculates the differences between revenues and costs for the following items for the reconciliation filing:

- Energy Service Reconciliation – power supply
- Renewable Portfolio Standard (RPS) reconciliation - costs for complying with its RPS obligations
- Energy Service Adjustment Provision
 - Energy Service Adjustment Factor (ESAF) reconciliation – any over- or under- collection of the prior period's ESAF
 - Energy Service Cost Reclassification Adjustment Factor (ESCRAF) reconciliation – any over- or under- collection of the prior period's ESCRAF

1 **IV. Energy Service Reconciliation**

2 **Q. Is the Company presenting a reconciliation of Energy Service power supply costs**
3 **and revenues in this filing?**

4 A. Yes. The Energy Service Reconciliation for the period of August 2016 through July
5 2017 is presented in Schedule HMT-3.

6 **Q. Please explain the Energy Service Reconciliation.**

7 A. Schedule HMT-3, Page 1, presents the actual reconciliation of Energy Service revenue
8 and Energy Service expense by month for the reconciliation period. The detail behind
9 each month's Energy Service revenue is included on page 2 of Schedule HMT-3.

10 **Q. On Schedule HMT-3, Page 2, why is the Company subtracting amounts from**
11 **Energy Service revenue in column (a) for the other components of revenue in**
12 **columns (b) through (e)?**

13 A. Any revenue relating to the RPS compliance, Energy Service Adjustment Factor, the
14 Energy Service Cost Reclassification Adjustment Factor, and Border Sales must be
15 reconciled separately from Energy Service revenue. To perform these separate
16 reconciliations, the revenue for these items are subtracted from the total Energy Service
17 revenue billed to customers in order to properly reflect the base Energy Service revenue
18 for the current reconciliation period.

19 **Q. Are accruals and unbilled revenues included in the reconciliation?**

20 A. Yes, accrued Energy Service costs and unbilled revenues are included in this filing, as
21 approved in the Settlement Agreement in Order No. 26,005, dated April 12, 2017, in

1 Docket No. DE 16-383, and shown in Schedule HMT-5, page 1, line 2. The accrual
2 estimate is based on August 2016 expense at this time because an accrual is not
3 calculated until the final bids are accepted and will be updated for the June 19, 2017
4 filing.

5 **Q. What is the result of the Company's Energy Service Reconciliation for the period**
6 **ending July 2017?**

7 A. As shown on Schedule HMT-3, page 1 of 2, the Company has estimated an under-
8 collection of Energy Service power supply costs of \$392,050 and will reflect this under-
9 collection in its proposed Energy Service Adjustment Factor to take effect August 1,
10 2017. This under-collection is primarily due to difference in projected revenues based on
11 a sales forecast in Docket No. DE 16-249 used to calculate a rate, versus the actual
12 kilowatt-hours sold in the same period.

13 **V. Renewable Portfolio Standard Reconciliation**

14 **Q. Is the Company presenting a reconciliation of the cost of complying with the**
15 **Renewable Portfolio Standard obligation in this filing?**

16 A. Yes. The RPS Reconciliation for the period July 2016 through June 2017 is presented in
17 Schedule HMT-4. The reconciliation year for RPS is January 2016 through June 2017
18 because the program year is a calendar year, but the Company may purchase Renewable
19 Energy Certificates (RECs) and make Alternative Compliance Payments (ACPs) anytime
20 through June 2017. The expenses associated with the 2016 program year are not
21 accounted for until July 2017 because the month of June 2017 still allows for the

1 Company to finish purchasing obligations for RPS compliance and/or to pay the ACPs
2 for the previous year.

3 **Q. Please explain the Renewable Portfolio Standard Reconciliation.**

4 A. Schedule HMT-4 presents the actual reconciliation of RPS compliance adder revenue and
5 expense by month. The RPS compliance adder revenue is collected from Energy Service
6 customers during the period. These costs are based on actual revenues and expenses for
7 the period. The Company has estimated an over-collection of \$584,796. The Company
8 anticipated a higher RPS adder with higher costs for the 2016 program year, but with
9 lower sales and the ability to procure RECs at lower market pricing versus the ACP, the
10 Company over-collected for RPS.

11 **Q. How is the Company treating the projected over-collection of RPS expense?**

12 A. Consistent with the previously-approved methodology, the Company has combined the
13 projected RPS expense over-collection with the projected under-collection of Energy
14 Service power supply costs in the calculation of the proposed Energy Service Adjustment
15 Factor.

16 **VI. Reconciliation of the 2016 Energy Service Adjustment Factor**

17 **Q. Please explain Schedule HMT-5.**

18 A. The calculation of the Energy Service Adjustment Factor charged to customers includes
19 the under-collection of Energy Service, the under-collection associated with the Energy
20 Service Adjustment Factor for the prior period, the inclusion of the accrual, the over-
21 collection of RPS, and the over-refund of border sales. The net of these amounts is

1 estimated to be an under-collection of \$2,818,605 which, when divided by estimated
2 Energy Service forecasted kilowatt-hour sales, results in an estimated ESAF of \$0.00618
3 to be included in Energy Service rates effective August 1, 2017.

4 **VII. Energy Service Cost Reclassification Adjustment Factor (ESCRAF) Reconciliation**

5 **Q. Please describe the reconciliation of the administrative costs of providing Energy**
6 **Service.**

7 A. As stated earlier, the Company must reconcile its administrative cost of providing Energy
8 Service with its Energy Service revenue associated with the collection of administrative
9 costs; and the excess or deficiency resulting from that reconciliation, including interest at
10 the interest rate paid on customer deposits, must be reflected in the subsequent year's
11 ESCRAF.

12 **Q. Is the Company presenting a reconciliation of administrative costs of providing**
13 **Energy Service with its Energy Service revenue associated with the collection of**
14 **administrative costs in this filing?**

15 A. Yes. The ESCRAF Reconciliation for the period August 2016 through July 2017 is
16 presented in Schedule HMT-6.

17 **Q. Please explain the ESCRAF reconciliation.**

18 A. The detail behind each month's ESCRAF administrative expense is shown on pages 2
19 through 4 of Schedule HMT-6. The calculation of the cash working capital impact is
20 presented on pages 5 through 8 of Schedule HMT-6.

VIII. Proposed Energy Service Cost Reclassification Adjustment Factor

Q. Has the Company calculated proposed ESCRAF for the period beginning August 1, 2017?

A. Yes. Schedule HMT-6, page 1, calculates the estimated ESCRAF of \$0.00169 per kWh for the Small Customer Group and \$0.00352 per kWh for the Large Customer Group for the period of August 1, 2017 through July 31, 2018. The proposed ESCRAF would be combined with the Energy Service rates for billing.

Q. Has the Company calculated the ESCRAF in the same manner as in the prior year's filing?

A. Yes. The Company has calculated the ESCRAF in the same manner as in the prior year's filing and in accordance with the methodologies and allocations approved in the Settlement Agreement in DR 95-169 Granite State Electric Company Rate Increase.

IX. Borderline Sales Settlement Agreement

Q. What is the Borderline Sales Settlement Agreement?

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

1 The settlement agreement required MECO to pay Liberty Utilities \$716,722 plus interest
2 at the prime rate for a total of \$723,890 for transmission and commodity costs incurred
3 by Liberty Utilities to provide service to MECO for these customers, of which \$615,963
4 is to be refunded to Energy Service customers. Such payment was received by Liberty
5 Utilities on April 22, 2014. The refund was made during the period of May 2015 through
6 July 2017.

7 **Q. Has the Company over-refunded the Border Sales refund to its Energy Service**
8 **customers?**

9 A. Yes. The ending balance for the month of April 2017 was \$14,275. Combining the April
10 ending balance and the estimated refund currently in rates through July 31, 2017, of
11 \$13,396 based on forecasted sales multiplied by the current rate of (\$0.00012), the total
12 over-refund to customers is expected to be \$27,671. The Company has combined this
13 over-refund in the Energy Service Adjustment Factor calculation to collect it from
14 customers during the period, rather than include a line item in the calculation of rates to
15 end the inclusion of Border Sales after July 31, 2018.

16 **Q. Has the Company determined the impact of the Energy Service rate change on**
17 **customers' bills?**

18 A. Not at this time. As stated earlier, Liberty Utilities is not yet proposing new Energy
19 Service rates, thus the impact of the Energy Service rate change on customers' bills is not
20 known. The Company will propose new rates when it submits its rate filing on June 19,
21 2017. This filing only addresses the reconciliation portion of the rate calculation.

1 **X.** **Conclusion**

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

3 **A.** **Yes.**