



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

Docket No. DE 20-XXX

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

DIRECT TESTIMONY

OF

DAVID B. SIMEK

AND

ADAM M. HALL

March 27, 2020

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1 **I. INTRODUCTION AND QUALIFICATIONS**

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

3 A. (DS) My name is David B. Simek. My business address is 15 Buttrick Road,
4 Londonderry, New Hampshire.

5 (AH) My name is Adam M. Hall. My business address is 15 Buttrick Road,
6 Londonderry, New Hampshire.

7 **Q. Please state by whom you are employed.**

8 A. We are employed by Liberty Utilities Service Corp. (“Liberty”), which provides service
9 to Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities (“Granite State”
10 or “the Company”).

11 **Q. Please describe your educational and professional background.**

12 A. (DS) I graduated from Ferris State University in 1993 with a Bachelor of Science in
13 Finance. I received a Master’s of Science in Finance from Walsh College in 2000. I also
14 received a Master’s of Business Administration from Walsh College in 2001. In 2006,
15 earned a Graduate Certificate in Power Systems Management from Worcester
16 Polytechnic Institute. In August 2013, I joined Liberty as a Utility Analyst and I was
17 promoted to Manager, Rates and Regulatory Affairs in August 2017. Prior to my
18 employment at Liberty, I was employed by NSTAR Electric & Gas (“NSTAR”) as a
19 Senior Analyst in Energy Supply from 2008 to 2012. Prior to my position in Energy
20 Supply at NSTAR, I was a Senior Financial Analyst with the NSTAR Investment
21 Planning group from 2004 to 2008.

1 (AH) I graduated from Siena College in 2014 with a Bachelor of Science in Finance. I
2 also received a Master's of Business Administration from Franklin Pierce University in
3 2016. I joined Liberty Utilities as an Analyst, Rates and Regulatory Affairs in January
4 2019. Prior to this, I was employed by Southern New Hampshire University.

5 **Q. Have you previously testified in regulatory proceedings before the New Hampshire**
6 **Public Utilities Commission (the "Commission")?**

7 A. (DS) Yes, I have testified on numerous occasions before the Commission.

8 (AH) No, I have not, although on March 13, 2020, I submitted joint testimony with Mr.
9 Simek in support of the Company's Reliability Enhancement Plan and Vegetation
10 Management Plan Report and Reconciliation filing.

11 **II. PURPOSE OF TESTIMONY**

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

13 A. The purpose of our testimony is to present Granite State's proposed rate adjustments for
14 2020 in accordance with the Company's reconciliation and adjustment provisions of its
15 tariff, and the Company's Amended Restructuring Settlement Agreement approved in
16 Docket No. DR 98-012 ("Amended Settlement Agreement"). The reconciliations and
17 adjustments described in our testimony relate to the Stranded Cost Charge and
18 Transmission Charge.

19 The purpose of the reconciliation analyses is to determine the difference between
20 revenues collected under each charge and the Company's actual expenses. For each of
21 the charges, the Company calculates an adjustment factor based on the result of each

1 reconciliation, which is used to determine whether a refund to or recovery from
2 customers is necessary.

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

5 A. Yes. We have performed our analyses consistent with past methods and practices. The
6 actual revenues and costs tie to the Company's books. Prior to DE 19-062, when the
7 Company first tied the Annual Retail Rate Filing beginning balances to the books, the
8 ending balances from the prior year reconciliations were used as the next years beginning
9 balances.

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

11 A. Yes. To address the fact that the filing is made two months prior to rates going into
12 effect, and, thus, actual expenses and revenues are not available as of the filing date, we
13 have included projected revenues and expenses for the months of March and April 2020.

14 **Q. Please summarize the results of the adjustments and reconciliations which Granite**
15 **State proposes to implement in 2020.**

16 A. The Company proposes to implement the following adjustments to its rates beginning
17 May 1, 2020, for usage on and after that date. The table below illustrates the current and
18 proposed rates:

<u>Average charge (\$ / kWh)</u>	<u>Current</u>	<u>Proposed</u>	<u>Increase (Decrease)</u>
Stranded Cost Charge	\$(0.00070)	\$(0.00070)	\$ -
Stranded Cost Adjustment Factor	\$(0.00035)	\$(0.00002)	\$ 0.00033
Transmission Service Charge	\$ 0.02414	\$ 0.02545	\$ 0.00131
Transmission Service Cost Adjustment	\$ 0.00162	\$(0.00023)	\$(0.00185)
RGGI Auction Proceeds Refund	\$(0.00174)	\$(0.00152)	\$ 0.00022

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Schedule DBS/AMH-1 presents the proposed stranded cost and the transmission rates.

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III. STRANDED COST CHARGE AND THE STRANDED COST ADJUSTMENT

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FACTOR

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Q. Please discuss, in general terms, the Company’s proposed adjustment and reconciliation of its Stranded Cost Charge.

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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 2020. The second component is the Stranded Cost Adjustment Factor (“SCAF”), which is specific to each rate class. Both of these components are in accordance with the Company’s Stranded Cost Charge described on pages 19–20 of the Company’s tariff.

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Q. What changes are the Company proposing to the components of the Stranded Cost Charge?

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A. Granite State is proposing to keep the uniform charge per kWh related to the CTC assessed by NEP as a credit of (\$0.00070) per kWh for the period beginning May 1, 2020. With respect to the SCAF, Granite State is proposing to change the load weighted-

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1 average from a credit of (\$0.00035) per kWh to a load-weighted average credit of
2 (\$0.00002) per kWh.

3 **Q. Please describe the purpose of the CTC assessed by NEP.**

4 A. In 1996, the New Hampshire Legislature enacted RSA 374-F, a statute which directed the
5 Commission to develop a restructuring plan to implement electric retail choice for all
6 customers (“Restructuring”). Prior to Restructuring, Granite State customers were served
7 by generation assets owned by the Company’s then affiliate, NEP. During the
8 Restructuring process, Granite State, NEP, and other parties agreed to a divestiture of
9 NEP’s generation assets. As part of its Electric Utility Restructuring Offer of Settlement
10 in Docket No. DR 98-012 (“Restructuring Settlement”), the CTC was established to
11 recover stranded costs associated with this divestiture, with such recovery terminating in
12 2020.

13 **Q. Please describe the changes to the Stranded Cost Charge resulting from the changes**
14 **in the CTC assessed by NEP for 2020.**

15 A. In the 2020 CTC Reconciliation Report filed in Docket No. DE 19-025, NEP provided
16 the reconciliation report to the Commission and the signatories to the Amended
17 Settlement Agreement in accordance with Section 3.5 of the Wholesale Settlement
18 approved by the Federal Energy Regulatory Commission. In that filing, NEP calculated
19 the revised CTC rate for 2020 to be a credit of (\$0.00070) per kWh as compared to the
20 2019 CTC, which was also (\$0.00070). The Company’s rate proposal with respect to the
21 uniform per kWh component of the Stranded Cost Charge is simply the CTC rate filed by
22 NEP.

1 **Q. Please describe the Stranded Cost adjustment factors and the reconciliation used to**
2 **determine those factors for each rate class.**

3 A. The Company performs an annual reconciliation of its revenues from the Stranded Cost
4 Charge billed to customers and recorded in its general ledger with the CTC expenses paid
5 to NEP to arrive at adjustment factors for each rate class. Details for the reconciliation
6 for the period May 2019 through April 2020 are in Schedule DBS/AMH-2.

7 **Q. Has the Company prepared a reconciliation analysis for Stranded Cost revenues**
8 **and expenses?**

9 A. Yes. Schedule DBS/AMH-2, page 2 of 4, presents a reconciliation of actual stranded
10 cost revenues and expenses for the period May 2019 through February 2020 and
11 forecasted stranded cost revenues and expenses for the period March 2020 through April
12 2020. Pages 3 and 4 of Schedule DBS/AMH-2 allocate the reconciliation to the various
13 rate classes.

14 **Q. Has the Company calculated proposed SCAFs for 2020?**

15 A. Yes. Schedule DBS/AMH-2, page 1 of 4, calculates a SCAF per kWh, specific to each
16 rate class, to be applied to all retail delivery service customers' bills for the period May 1,
17 2020, through April 30, 2021.

1 **IV. TRANSMISSION SERVICE COST ADJUSTMENT CHARGE**

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

4 A. The Company recovers its transmission-related expenses pursuant to the TSCA, which
5 allows the Company to recover costs billed to it by ISO-New England and NEP through
6 the ISO-New England Inc. Transmission, Markets, and Services Tariff ("ISO Tariff").
7 The TSCA charge is comprised of two components: a component for base transmission
8 costs for the prospective period plus a component for the reconciliation of transmission
9 revenue and expense for the previous period.

10 **Q. What is the transmission charge that the Company is proposing for effect on May 1,**
11 **2020?**

12 A. The Company is proposing an average transmission charge of \$0.02522 per kWh for
13 effect May 1, 2020, and is comprised of the base cost component of \$0.02545 per kWh
14 and the reconciliation component of (\$0.00023) per kWh. This average transmission
15 charge is a decrease of \$0.00054 from the average charge that is currently in effect.

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

18 A. Schedule DBS/AMH-3, page 3, presents a reconciliation of actual transmission revenues
19 and expenses for the period May 2019 through February 2020 and forecasted
20 transmission revenues and expenses for the period March 2020 through April 2020.

1 **Q. How was the reconciliation component of the TSCA charge derived?**

2 A. The reconciliation component of the TSCA recovers under-recoveries of transmission
3 costs or refunds over-recoveries of transmission costs, along with associated interest at
4 the prime rate. This component of the TSCA charge was calculated by adding the
5 projected over-collection of transmission expense as of April 30, 2020, from Schedule
6 DBS/AMH-3, page 3, of (\$193,793), plus the working capital of (\$14,579) calculated on
7 DBS/AMH-3, page 5.

8 **Q. How will the reconciliation component of the TSCA charge be implemented?**

9 A. The reconciliation component of the TSCA charge will become effective for usage on
10 and after May 1, 2020. This proposed component will be applied to bills of all customers
11 taking delivery service.

12 **Q. Why is the Company proposing new base transmission rates at this time?**

13 A. The TSCA portion of the Company's tariff states that the base transmission rates shall be
14 calculated annually based on a forecast of transmission costs to be incurred by the
15 Company for the prospective period to provide transmission service to its retail delivery
16 service customers. The rate at which these costs are collected is calculated separately for
17 each of the Company's rate classes based on an allocation of transmission costs to each
18 class using each class' contribution to coincident peak.

19 **Q. What is the forecast of 2020 transmission costs?**

20 A. As discussed in the testimony of John D. Warshaw included in this filing, the Company's
21 transmission costs are estimated to be \$23,231,692 in 2020. This forecast of transmission

1 expense yields an average rate of \$0.02545 per kWh, as compared to the currently
2 effective average transmission rate of \$0.02414 per kWh exclusive of the reconciliation
3 component. Based on these estimates, the Company is proposing new base transmission
4 rates effective May 1, 2020, to recover the projected transmission costs to be incurred in
5 the prospective period.

6 **Q. Please describe the working capital calculation included in the filing.**

7 A. The settlement agreement in Docket No. DE 16-383 provided, in part, that the Company
8 may recover cash working capital on transmission costs through the transmission cost
9 adjustment mechanism included in the Company's Annual Retail Rate Adjustment filing.
10 In accordance with that settlement, the Company has included a transmission cash
11 working capital amount in the calculation of its proposed transmission rates.

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

13 A. The total working capital included in the TSCA charge is (\$14,579) as shown on
14 Schedule DBS/AMH-3, page 5. The detailed calculation of the expense lag is shown on
15 Schedule DBS/AMH-3, page 6. The detailed calculation of the revenue lag is shown on
16 Schedule DBS/AMH-3, page 7.

17 **Q. How does the Company propose to design the base transmission rates effective May**
18 **1, 2020?**

19 A. Since base transmission rates are unique by rate class, the first step in designing the
20 proposed base transmission rates is to allocate forecasted transmission costs to each rate
21 class. The Company implemented the same allocation methodology accepted by the

1 Commission in previous Annual Retail Rate Adjustment filings, which is to allocate
2 based on each rate class's contribution to system peak. The contribution to system peak
3 by class is presented on Schedule DBS/AMH-3 on page 2, and the allocation of
4 transmission cost to each class is shown on Schedule DBS/AMH-3, page 1.

5 **V. RGGI AUCTION PROCEEDS**

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

8 A. Consistent with Commission Order No. 25,664 in Docket No. DE 14-048, the Company
9 will credit the RGGI rebate amount it receives from the allocation on a per kWh basis
10 through its retail rate reconciliation mechanism that is adjusted on an annual basis. The
11 Company has included a credit of (\$0.00152) per kWh for RGGI auction proceeds in its
12 transmission service charge for 2020, as shown on Schedule DBS/AMH-4. The credit of
13 (\$0.001524) per kWh is comprised of the estimated RGGI auction proceeds for May
14 2020 through April 2021 of (\$860,964) and the reconciliation component through April
15 2020 of (\$523,282). The total of (\$1,384,246) is then divided by the estimated sales of
16 912,773,764 kWh to calculate the RGGI credit of (\$0.00152) per kWh. In previous
17 filings, the RGGI credit only included the reconciliation component.

18 **VI. EFFECTIVE DATE AND RATE IMPACTS**

19 **Q. How and when is the Company proposing that these rate changes be implemented?**

20 A. Consistent with the Commission's rules on the implementation of rate changes, the
21 Company is proposing that all of the above rate changes be made effective for usage on
22 and after May 1, 2020.

1 **Q. Has the Company proposed a rate change for any other bill components to be**
2 **effective on that same date?**

3 A. Yes. On March 13, 2020, the Company filed its annual REP/VMP Reconciliation in
4 which it requested a rate increase to its distribution rates for capital expenditures and
5 vegetation management expenses from calendar year 2019. The Company also expects
6 to have base distribution rate adjustments on May 1, 2020 related to Docket No. DE 19-
7 064.

8 **Q. Has the Company determined the impact of the transmission and stranded cost rate**
9 **changes on customers' bills?**

10 A. Yes. A bill comparison for an Energy Service residential customer with an average kWh
11 usage of 650 has also been included in this filing in Schedule DBS/AMH-5. The net total
12 bill impact of the rates proposed in this filing, as compared to rates in effect today, is a
13 monthly bill decrease of \$0.25, or 0.22%.

14 **VII. CONCLUSION**

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

16 A. Yes, it does.

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