



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

Docket No. DE 20-053

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities
Energy Service for the Period August 1, 2020, to January 31, 2021

Reconciliation for the Period August 1, 2019, to July 31, 2020

DIRECT TESTIMONY

OF

ADAM M. HALL

AND

DAVID B. SIMEK

May 22, 2020

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1 **I. INTRODUCTION AND QUALIFICATIONS**

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

3 A. (AH) My name is Adam M. Hall. My business address is 15 Buttrick Road,
4 Londonderry, New Hampshire. My title is Analyst, Rates and Regulatory Affairs.

5 (DS) My name is David B. Simek. My business address is 15 Buttrick Road,
6 Londonderry, New Hampshire. My title is Manager, Rates and Regulatory Affairs.

7 **Q. By whom are you employed?**

8 A. We are employed by Liberty Utilities Service Corp. (“Liberty”), which provides services
9 to Liberty Utilities (Granite State Electric) Corp. (“Granite State” or “the Company”).

10 **Q. Please describe your educational background and your business and professional**
11 **experience.**

12 A. (AH) I graduated from Siena College in 2014 with a Bachelor of Science in Finance. I
13 also received a Master’s of Business Administration from Franklin Pierce University in
14 2016. I joined Liberty Utilities as an Analyst, Rates and Regulatory Affairs in January
15 2019. Prior to this, I was employed by Southern New Hampshire University from 2016
16 to 2019.

17 (DS) I graduated from Ferris State University in 1993 with a Bachelor of Science in
18 Finance. I received a Master’s of Science in Finance from Walsh College in 2000. I also
19 received a Master’s of Business Administration from Walsh College in 2001. In 2006, I
20 earned a Graduate Certificate in Power Systems Management from Worcester
21 Polytechnic Institute. In August 2013, I joined Liberty as a Utility Analyst and I was

1 promoted to Manager, Rates and Regulatory Affairs in August 2017. Prior to my
2 employment at Liberty, I was employed by NSTAR Electric & Gas (“NSTAR”) as a
3 Senior Analyst in Energy Supply from 2008 to 2012. Prior to my position in Energy
4 Supply at NSTAR, I was a Senior Financial Analyst within the NSTAR Investment
5 Planning group from 2004 to 2008.

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

8 A. (AH) Yes, I have recently testified in Docket’s DE 20-036 and DE 20-040.

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

10 **II. PURPOSE OF TESTIMONY**

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

12 A. The purpose of our testimony is to present Liberty Utilities’ proposed Energy Service
13 reconciliation for the period of August 1, 2019, to July 31, 2020. Our testimony includes
14 the results of: (i) the reconciliation of Energy Service power supply expense and
15 applicable revenue (“Energy Service Reconciliation”); (ii) the reconciliation of the
16 Company’s cost of complying with its actual 2019 Renewable Portfolio Standard
17 obligations and the applicable revenue (“Renewable Portfolio Standard Reconciliation”);
18 and (iii) the reconciliation of the administrative cost of providing Energy Service and the
19 applicable revenue (“Energy Service Cost Reclassification Adjustment Factor –ESCRAF-
20 Reconciliation”).

1 Liberty Utilities is not proposing new Energy Service rates at this time. The Company
2 will propose new rates when it submits its rate filing on June 22, 2020. This filing only
3 addresses the reconciliation portion of the rate calculation.

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

6 A. Yes. We have performed our analyses consistent with past methods and practices. The
7 actual revenues and costs tie to the Company's books.

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

9 A.	Schedule AMH/DBS-3	Base Energy Service Expense Reconciliation
10	Schedule AMH/DBS-4	Renewable Portfolio Standard Reconciliation
11	Schedule AMH/DBS-5	Reconciliation and Calculation of Proposed Energy
12		Service Adjustment Factor
13	Schedule AMH/DBS-6	Reconciliation and Calculation of Proposed Energy
14		Service Cost Reclassification Adjustment Factor

15 Schedules AMH/DBS-1 and AMH/DBS-2 (not attached) will provide rate calculations
16 based on the winning bids. These schedules will be filed with the full Energy Service
17 filing on June 22, 2020.

18 **III. RECONCILIATION OF ENERGY SERVICE ADJUSTMENT FACTOR (ESAF)**

19 **Q. Please summarize the Company's ESAF reconciliation.**

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

- 22 • Energy Service Reconciliation – power supply

- 1 • Renewable Portfolio Standard (RPS) reconciliation - costs for complying
- 2 with its RPS obligations
- 3 • Energy Service Adjustment Provision, which consists of two components:
- 4 ○ Energy Service Adjustment Factor (ESAF) reconciliation – any
- 5 over- or under- collection of the prior period’s ESAF
- 6 ○ Energy Service Cost Reclassification Adjustment Factor
- 7 (ESCRAF) reconciliation – any over- or under- collection of the
- 8 prior period’s ESCRAF

9 **IV. ENERGY SERVICE RECONCILIATION**

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

12 A. Yes. The Energy Service Reconciliation for the period August 2019 through July 2020 is
13 presented in Schedule AMH/DBS-3.

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

15 A. Schedule AMH/DBS-3, page 1, presents the reconciliation of Energy Service revenue
16 and Energy Service expense by month for the reconciliation period. The detail behind
17 each month’s Energy Service revenue is included on page 2 of Schedule AMH/DBS-3.
18 The detail behind each month’s Energy Service expense is included on page 3 of
19 Schedule AMH/DBS-3.

1 **Q. On Schedule AMH/DBS-3, page 2, why is the Company subtracting amounts from**
2 **Energy Service revenue in column (a) for the other components of revenue in**
3 **columns (b) through (e)?**

4 A. Any revenue relating to the RPS compliance, Energy Service Adjustment Factor, and the
5 Energy Service Cost Reclassification Adjustment Factor is reconciled separately from
6 Energy Service revenue. To perform these separate reconciliations, the revenue for these
7 items are subtracted from the total Energy Service revenue billed to customers in order to
8 properly reflect the base Energy Service revenue for the current reconciliation period.

9 **Q. What is the result of the Company's Energy Service Reconciliation for the period**
10 **ending July 2020?**

11 A. As shown on Schedule AMH/DBS-3, page 1 of 3, the Company has estimated an under-
12 collection of Energy Service power supply costs of \$412,659 and will reflect this under-
13 collection in its proposed Energy Service Adjustment Factor to take effect August 1,
14 2020. This projected under-collection is partially due to the difference in projected
15 revenues based on a sales forecast in Docket No. DE 19-059 Energy Service proceeding
16 used to calculate a rate, versus the actual kilowatt-hours sold in the same period.

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

19 A. Yes. The RPS Reconciliation for the period July 2019 through June 2020 is presented in
20 Schedule AMH/DBS-4. Although the RPS program year is a calendar year, the
21 reconciliation year is July 2019 through June 2020 because the Company may purchase
22 Renewable Energy Certificates (RECs) and make Alternative Compliance Payments

1 (ACPs) to meet its 2019 RPS obligations through June 2020. The expenses associated
2 with the 2019 program year are accounted for through June 15, 2020, because the trading
3 period for the 2019 program year ends on June 15, 2020. After this date, the Company
4 will know its obligations for RPS compliance and/or to pay the ACPs for the previous
5 year.

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

7 A. Schedule AMH/DBS-4 presents the actual reconciliation of RPS compliance adder
8 revenue and expense by month. The RPS compliance adder revenue is collected from
9 Energy Service customers during the period. These costs are based on actual revenues
10 and expenses for the period. The Company has estimated an over-collection of
11 (\$985,665). The primary reason for this estimated over-collection is the timing mismatch
12 between 2020 RPS revenue and 2019 RPS costs. The RPS expenses incurred in 2020
13 were to meet a portion of the 2019 RPS obligation. The 2020 RPS revenue is based on
14 the increased RPS obligation for 2020 as compared to 2019 and the estimated market
15 price of 2020 RPS RECs. With respect to this reconciliation, the estimated market prices
16 used to calculate the current 2020 RPS compliance adder were significantly higher than
17 the actual purchase costs incurred in 2020 to meet the balance of the 2019 RPS
18 obligation, resulting in the over-recovery. The Company intends to modify its
19 methodology of calculating the RPS compliance adder to reduce the occurrence of such a
20 variance in future reconciliations.

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

2 A. Consistent with the previously-approved methodology, the Company has combined the
3 projected RPS expense over-collection with the projected under-collection of Energy
4 Service power supply costs in the calculation of the proposed Energy Service Adjustment
5 Factor.

6 **V. RECONCILIATION OF THE ENERGY SERVICE ADJUSTMENT FACTOR**

7 **Q. Please explain Schedule AMH/DBS-5.**

8 A. The calculation of the Energy Service Adjustment Factor charged to customers includes
9 the under-collection of Energy Service, the over-collection associated with the Energy
10 Service Adjustment Factor for the prior period, and the over-collection of RPS. The net
11 of these amounts is estimated to be an over-collection of (\$856,741) which, when divided
12 by estimated Energy Service forecasted kilowatt-hour sales, results in an estimated ESAF
13 of (\$0.00192) to be included in Energy Service rates effective August 1, 2020.

14 **VI. ENERGY SERVICE COST RECLASSIFICATION ADJUSTMENT FACTOR**
15 **(ESCRAF) RECONCILIATION**

16 **Q. Please describe the reconciliation of the administrative costs of providing Energy**
17 **Service.**

18 A. The Company must reconcile its administrative cost of providing Energy Service with its
19 Energy Service revenue associated with the collection of administrative costs, and the
20 excess or deficiency resulting from that reconciliation, including interest at prime, must
21 be reflected in the subsequent year's ESCRAF.

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

4 A. Yes. The ESCRAF Reconciliation for the period August 2019 through July 2020 is
5 presented in Schedule AMH/DBS-6.

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

7 A. The detail behind each month's ESCRAF administrative expense is shown on pages 2
8 through 4 of Schedule AMH/DBS-6. The calculation of the cash working capital impact
9 is presented on pages 5 through 8 of Schedule AMH/DBS-6.

10 **Q. Has the Company calculated proposed ESCRAF for the period beginning August 1,**
11 **2020?**

12 A. Yes. Schedule AMH/DBS-6, page 1, calculates the estimated ESCRAF of \$0.00041 per
13 kWh for the Small Customer Group and \$0.00089 per kWh for the Large Customer
14 Group for the period of August 1, 2020, through July 31, 2021. The proposed ESCRAF
15 would be combined with the Energy Service rates for billing.

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

18 A. Yes. The Company has calculated the ESCRAF in the same manner as in the prior year's
19 filing and in accordance with the methodologies and allocations approved in the

1 Settlement Agreement in Docket No. DR 95-169, Granite State Electric Company Rate

2 Increase.

3 **VII. BILL IMPACTS**

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

6 A. Not at this time. As stated earlier, Liberty Utilities is not yet proposing new Energy
7 Service rates, thus the impact of the Energy Service rate change on customers' bills is not
8 known. The Company will propose new rates when it submits its rate filing on June 22,
9 2020. This filing only addresses the reconciliation portion of the rate calculation.

10 **VIII. CONCLUSION**

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

12 A. Yes.

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