



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

Docket No. DE 13-XXX

Granite State Electric Company d/b/a Liberty Utilities
Regarding an Increase in the Storm Recovery Adjustment Factor

**DIRECT TESTIMONY
OF
CHRISTIANE G. MASON**

July 16, 2013

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1 **I. INTRODUCTION**

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

3 A. My name is ChristiAne G. Mason. My business address is 11 Northeastern Boulevard,
4 Salem, NH 03079.

5

6 **Q. For whom do you work and in what capacity?**

7 A. I am Director and Head of Regulatory, Government & Community Affairs for Liberty
8 Energy Utilities (New Hampshire) Corp. (“Liberty Energy NH”) which owns the stock of
9 Granite State Electric Company (“Granite State” or the “Company”). Liberty Energy NH
10 provides centralized management and administrative services to Granite State. I am
11 responsible for directing regulatory filings, tariff administration, revenue requirements,
12 customer and legislative research and other analytical services.

13

14 **Q. Please describe your educational background and professional experience.**

15 A. I earned a Bachelor of Science in Business Administration from Franklin Pierce
16 University and in 2001 received a Master’s of Science in Finance-Management
17 Information Systems from Rensselaer Polytechnic Institute. I have over 25 years of
18 professional experience in the utility industry in the areas of finance, administration and
19 regulation. For much of my career, I was employed by the NH Public Utilities
20 Commission (“NHPUC” or “Commission”) in varying capacities, including most recently
21 as Director of Administration and Assistant Executive Director, and prior to that as

1 Assistant Director of Telecommunications. I joined Liberty Energy NH in October
2 2011.

3
4 **Q. Have you previously testified or participated in proceedings before the**
5 **Commission?**

6 A. Yes. I have testified in a number of dockets before the Commission, including DE 13-063
7 Granite State Electric Company Distribution Rate Case and DE 13-050 Granite State
8 Reliability Enhancement Plan and Vegetation Management Plan Report and
9 Reconciliation Filing.

10

11 **II. PURPOSE AND OVERVIEW OF TESTIMONY**

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

13 A. The purpose of my testimony is to present the Company's proposal to increase its Storm
14 Recovery Adjustment Factor ("SRAF") effective November 1, 2013 in accordance with
15 its Storm Recovery Adjustment Provision, Tariff Page No. 114. This increase is
16 necessary to offset the effects of major storms that have caused a significant deficit
17 balance in the Storm Fund. In addition, I will explain how the Company's proposal
18 relates to the Storm Fund modification the Company is seeking in Docket DE 13-063.

19

1 **Q. Please describe the modifications that the Company is seeking in Docket DE 13-063.**

2 A. In its on-going general rate case in DE 13-063, the Company proposed a number of
3 changes related to the Storm Fund mechanism established in DG 06-107. Specifically,
4 the Company is proposing to recover the costs associated with pre-staging personnel and
5 equipment for qualifying major storms, including pre-staging costs for winter storm
6 Nemo which were necessary and prudently incurred given the severity of the storm that
7 was predicted. In addition, the Company is proposing that the carrying charges
8 associated with the Storm Fund deficit balance accrue at the Company's weighted
9 average cost of capital. Finally, in docket DE 13-063 the Company seeks recovery of an
10 annual amount of \$2.8 million to be collected via the Storm Fund mechanism, comprised
11 of \$1.6 million in an adjustment in base rate allowance and \$1.2 million to be recovered
12 via the SRAF.

13

14 **Q. Why is the Company proposing to increase its SRAF at this time?**

15 A. During settlement discussions with the other parties in DE 13-063 regarding temporary
16 rates, the Company sought to accelerate its request for an increase in the SRAF effective
17 November 1, 2013, without prejudice to its recommendations for permanent changes in
18 its Storm Fund mechanism described above during the remaining course of DE 13-063.
19 The parties agreed and the Commission accepted this provision in the Settlement
20 Agreement in Order No. 25,531 approving temporary rates allowing the Company to

1 make this request at this time. This would allow Liberty to begin recovery of storm-
2 related costs in advance of the approval of permanent rates in DE 13-063.

3
4 **Q. Is the Company only seeking to increase its SRAF at this time?**

5 A. Yes, in the instant docket, and as agreed to by the Settling Parties the Company is simply
6 seeking changes in the Company's SRAF that will not preclude consideration of the
7 additional changes to the Storm Form in DE 13-063.

8
9 **Q. Please provide an overview of the other Company witnesses' testimonies included in
10 the filing.**

11 A. Kurt Demmer is the Director of Electrical Operations. His testimony describes the events
12 relating to three major storms – Tropical Storm Irene, the October 2011 Snow Storm, and
13 Hurricane Sandy. He also addresses: (1) the impact of and the associated restoration
14 efforts with respect to the above referenced storms, and (2) how these two weather events
15 qualify as Major Storms as defined by the Company's Storm Fund.

16
17 James Riordan is Granite States' accountant. His testimony describes the costs for these
18 major storm events for which the Company is seeking inclusion in its Storm Fund. Jim
19 Riordan, addresses how the Storm Fund operates from an accounting standpoint,
20 including the cumulative balance, interest accruals and other factors detailing the Storm
21 Fund's deficit balance. He will also illustrate the projected deficit in the Company's

1 Storm Fund assuming the current level of SRAF.

2

3 **III. COST RECOVERY PROPOSAL**

4 **Q. What is the Company proposing in this filing?**

5 A. The Company is proposing to increase the SRAF in an amount designed to eliminate the
6 anticipated Storm Fund deficit in approximately seventeen (17) months absent any
7 additions to the Storm Fund during that period.

8

9 **Q. What is the proposed SRAF?**

10 A. As shown on Schedule CGM-1, the proposed Storm Recovery Adjustment Factor is
11 \$0.00388 per kWh effective November 1, 2013, which will recover \$2,217,682 more than
12 the currently effective factor of \$0.00223 per kWh during the period the increased factor
13 is expected to be in effect. This factor corresponds to an annual increase in Storm Fund
14 recovery of \$1,565,423 as shown on Schedule CGM-1, p. 1, line 8.

15

16 **IV. CURRENT NEED FOR AN INCREASE IN THE SRAF**

17 **Q. Why is the Company making this proposal at this time?**

18 A. As discussed by Mr. Demmer and Mr. Riordan, the Company incurred significant O&M
19 costs associated with three major storms. Tropical Storm Irene costs were over
20 \$1 million, the October 2011 Snow Storm costs were over \$1.5 million, and the O&M
21 costs related to Hurricane Sandy are estimated to be more than \$1.6 million. Based upon

1 the costs of these three major storms, if the Company does not receive incremental
2 revenue above the amount in base rates and if the \$0.00223 per kWh amount currently
3 reflected in the SRAF remained in effect, it would be more than three years, assuming no
4 additional major storms qualify for reimbursement from the Storm Fund, before the
5 Storm Fund would reach a breakeven level.

6
7 **Q. Is the Company asking the Commission to approve the ultimate costs of Tropical**
8 **Storm Irene, October 2011 Snow Storm, and Hurricane Sandy?**

9 A. No. The Company expects that the Commission will audit the costs of all three storms.
10 However, consistent with past practice, the Commission has the authority to allow for a
11 change in rates on a reconcilable basis until its review is complete and a final
12 determination is made regarding the recoverability of all of the costs submitted by the
13 Company. The Company believes this practice should be followed in this case as well in
14 order to mitigate the accrual of interest on the deficit balance to be recovered and the time
15 period over which the costs are recovered.

16
17 **Q. Why does the Company propose to reduce its deficit over an accelerated period?**

18 A. The Company incurred significant O&M costs associated with three major storms, as
19 discussed in Mr. Demmer's testimony, and reflected in Mr. Riordan's testimony. There
20 has been an increasing frequency of these super storms in recent years, and as a result, the
21 levels of cost deferrals have continued to climb despite ongoing recovery through the

1 SRA Factor.

2 **Q. Is it reasonable to recover the deficit over a relatively short time period?**

3 A. Yes, for example, the Commission found that a two-year recovery period to be
4 reasonable in a similar request by Public Service New Hampshire:

5 We have reviewed PSNH's request and find it is reasonable and in the public interest
6 to allow the company to recover the \$5.5 million negative balance in the MSCR and
7 associated carrying charges over a two-year period effective on July 1, 2008. It is
8 clear that, should the MSCR account remain under-funded, customers would
9 ultimately be responsible for additional interest costs. The proposal to allow recovery
10 over two years provides reasonably timely reimbursement to PSNH.¹

11 In addition, the Company took into account the magnitude of the Storm Fund deficit and
12 the combined effect of the several rate increases customers have experienced during 2013
13 in formulating its recommended recovery period.

14

15 **V. BILL IMPACTS**

16 **Q. Has the Company filed any tariff changes associated with this proposal?.**

17 A. Yes, Schedule CGM-3 contains a redlined copy of Page No. 84 of the Company's Tariff.

18

19 **Q. Please discuss the Company's objective in establishing the new SRAF, in terms of
20 Customer Bill Impacts.**

21 A. The Company's is in a serious negative earnings position; this is slightly mitigated by a
22 temporary rate increase as authorized by Order 25,531. The Company is mindful of the
23 rate impacts to its customers, and as such sought to keep the bill impact attributable to the

¹ DE 08-071, Order number 24,870, June 27, 2008.

1 combination of the approved temporary rates, the approved REP/VMP base rates and
2 adjustment factor in DE 13-150, and the proposed SRAF less than 10% for an average
3 residential customer. The Company believes its proposal for temporary increase strikes a
4 balance between a desire to reduce the deferred balance with the recovery of these costs
5 from customers over a reasonable timeframe and rate impact.

6

7 **Q. What will be the impact of this increase on the residential class?**

8 A. The change in the SRAF will increase that bill by \$1.11 (+1.1%) from \$97.21 to \$98.32
9 for a typical Residential Rate D customer using 676 kWh/month. Schedule CGM-2
10 presents the bill impacts of the Company's proposal for its various rate classes for
11 customers receiving Energy Service associated with the proposed SRAF.

12

13 **VI. CONCLUSION**

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

15 A. Yes, it does.