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**P R O C E E D I N G**

CHAIRMAN GOLDNER: Okay, good afternoon. Good afternoon. This is the hearing on Northern's Revenue Decoupling Adjustment Proposal. I'm Chairman Goldner. I'm joined today by Commissioner Chattopadhyay.

As background, on September 15th, 2023, Northern filed a Petition for approval of its Revenue Decoupling Adjustment Factor, or "RDAF", for the two periods between November 1st, 2023, and April 30th, 2024, known as the "Peak Period", and May 1st, 2024, to October 31st, 2024, known as the "Off-Peak Period". In Order Number 26,896, the Commission approved Northern's proposed Peak RDAF rates on an interim basis, pending further review.

The issues before the Commission today are, number one, whether to finalize the approval of the Peak RDAF rates; and, two, whether to approve Northern's proposed Off-Peak RDAF rates.

Based on the parties' filings, the Commission understands that the Department of Energy supports Northern's proposed RDAF rates for the Peak and Off-Peak Periods. However, the

1 Department objects to Northern's calculation of  
2 the monthly revenue variance for Decoupling  
3 Year 1, a figure which does not appear to the  
4 Commission to affect proposed rates.

5 As a preliminary matter, the Commission  
6 would appreciate clarity on whether the  
7 Department is objecting on grounds that  
8 Northern's calculation is inconsistent with the  
9 Settlement Agreement in Docket DG 21-104, and the  
10 applicable tariff language? Or, if it is instead  
11 arguing that the MRV was correctly calculated,  
12 but that the calculation method is flawed, and  
13 thus should be reviewed in the future?

14 In either case, the Commission would  
15 appreciate the parties' input on whether this  
16 issue needs to be resolved in this instant  
17 docket, particularly if the parties agree that it  
18 does not affect the proposed rates.

19 The parties have filed a Joint Witness  
20 and Exhibit List. The Commission understands  
21 that both Northern and the Department intend to  
22 present two witnesses, while the OCA does not  
23 plan to present any witnesses today.

24 The Commission understands that

1 Northern does not assent to all the Department's  
2 proposed exhibits.

3 Finally, before we begin, I'd like to  
4 lay out how these proceedings will take place.  
5 First, we'll take appearances from all the  
6 parties. Second, each party will have the  
7 opportunity to offer a brief opening statement.  
8 During their opening statements, we ask that the  
9 parties offer any objections that they might have  
10 to the proposed exhibits, any relevant procedural  
11 issues the Commission should address, and the  
12 appropriate scope of the hearing, particularly  
13 whether the Commission needs to address the  
14 Department's concerns about the monthly revenue  
15 variances. And, third, Northern and the  
16 Department shall present their witnesses and  
17 exhibits, after which each party shall have the  
18 opportunity to cross-examine each witness. As  
19 the moving party, Northern shall present its --  
20 present, rather, its witnesses first.

21 We'll now take appearances, beginning  
22 with Northern.

23 MR. TAYLOR: Good afternoon,  
24 Commissioners. Patrick Taylor, on behalf of

1 Northern Utilities, Inc.

2 CHAIRMAN GOLDNER: Thank you. The  
3 Office of the Consumer Advocate?

4 MR. KREIS: Good afternoon. I'm Donald  
5 Kreis, the Consumer Advocate.

6 CHAIRMAN GOLDNER: Very good. And the  
7 Department of Energy?

8 MS. SCHWARZER: Good morning, Mr.  
9 Chairman -- good afternoon. Mary Schwarzer,  
10 representing the Department of Energy. And with  
11 me is Legal Director, Paul Dexter.

12 CHAIRMAN GOLDNER: Thank you.  
13 We'll now take opening statements,  
14 starting with the Department.

15 MS. SCHWARZER: Thank you, Mr.  
16 Chairman.

17 We appreciate the opportunity to give  
18 you this opening statement, because we would very  
19 much like to address the scope of this particular  
20 hearing. While Northern is correct that the  
21 Settlement Agreement in Docket Number DG 21-104  
22 sets forth a method for calculating the Revenue  
23 Decoupling Mechanism and the Revenue Decoupling  
24 Adjustment Factor, the Settlement Agreement also

1 establishes a framework for those calculations,  
2 that requires equal attention in this docket at  
3 this time. This is especially true, because this  
4 docket represents Northern's first application of  
5 the RDAM and RDAF. This is the first year in  
6 which Northern has requested approval and review  
7 of any proposed RDAF recovery.

8 Moreover, Northern's cumulative RDAF  
9 recovery request, for Decoupling Year 1, is  
10 approximately \$4.3 million, and that is more than  
11 twice the size of the negotiated and approved  
12 cap. Northern's proposed RDAF recovery is, if  
13 you will, a matter of first impression, and  
14 deserves and requires scrutiny.

15 The Settlement Agreement framework has  
16 three elements. First, it provides for a  
17 Decoupling Year 1, which I'll refer to as "DY1",  
18 recovery of 4.25 percent of approved distribution  
19 revenue for each defined group over the relevant  
20 measurement periods for over- and  
21 under-recoveries.

22 Second, to the extent that the RDAF,  
23 including prior period reconciliation, exceeds  
24 4.25 percent of distribution revenue, the amount

1 over or under 4.25 percent shall be deferred.

2 Third, in the Company's next  
3 distribution rate case, parties to that  
4 proceeding may propose specific treatment of any  
5 carried balances remaining at that time.  
6 Northern's Initial Filing and rebuttal testimony  
7 do not give weight to that third component of  
8 this framework, and the Department finds it  
9 significant.

10 DOE's witnesses will explain the  
11 specific treatment that, on a preliminary basis,  
12 seems appropriate in the Department's view. Had  
13 the Department remained silent with regard to the  
14 DY1 deferred amount, the Commission would not  
15 have been provided with a comprehensive  
16 understanding of the Settlement Agreement  
17 framework.

18 To be clear, the Department does not  
19 anticipate a definitive ruling from the  
20 Commission with regard to the "specific  
21 treatment" of any deferred amount at this time.

22 As specified in the Settlement  
23 Agreement, that matter requires an explicit  
24 ruling only during the Company's next

1 distribution rate case. Neither the Commission  
2 nor the Department know when that rate case might  
3 occur. However, in the Department's view, it is  
4 appropriate to consider and address both the  
5 capped amount for immediate recovery, and the  
6 Department's initial view regarding any deferred  
7 amount, and the specific treatment that seems  
8 appropriate. We see it as a "best practice", if  
9 you will.

10 The Department anticipates that  
11 providing its preliminary -- the Department  
12 anticipates that it will provide its preliminary  
13 position in each RDAF docket, up to and including  
14 Northern's next distribution rate case.

15 Otherwise, the actual consideration of the  
16 appropriate treatment in Northern's next  
17 distribution rate case would require the review  
18 of many months of past data, which seems likely  
19 to be more challenging than the Department's  
20 annual approach.

21 With regard to the question on what  
22 matters are at issue before the Commission today,  
23 consistent with the Commission's Notice of  
24 Adjudicative Proceeding and Notice of Hearing,

1           which is Tab 6 in this docket, the Department  
2           will seek an order stating that Northern's  
3           calculations regarding the cumulative RDAF  
4           revenue shortfall and the 4.25 percent cap are  
5           mathematically correct. The recovery of the 4.25  
6           percent cap, an amount of approximately  
7           1.9 million, is just and reasonable, and in the  
8           public interest. That recovery of the 4.25  
9           percent cap for the winter peak period, and the  
10          proposed recovery of the 4.25 percent cap for the  
11          summer off-peak period are correct, resulting in  
12          the rates for effect November 1, 2023, through  
13          October 31, 2024, that Northern has proposed in  
14          its initial testimony, in Exhibit 1, at  
15          Bates 009.

16                        We will ask that the deferral of the  
17                        remainder, that's the cumulative, minus the cap,  
18                        be found consistent with the SA -- excuse me,  
19                        with the Settlement Agreement, "subject to  
20                        specific treatment", which shall be explicitly  
21                        addressed and determined in the Company's next  
22                        distribution rate case.

23                        We ask that the Commission order  
24                        reflect that it is mindful of the parties'

1           disparate views regarding what specific treatment  
2           comprises, and that ultimate resolution of  
3           recovery of deferred amounts in this, and  
4           potentially future decoupling years, remains  
5           indeterminate at this time, consistent with the  
6           Settlement Agreement language, as reviewed and  
7           approved by the Commission.

8                       As the Commission will hear in the  
9           testimony ahead, DOE and Northern are in  
10          agreement with regard to the first three rulings  
11          DOE will ask the Commission to make, as I have  
12          outlined them.

13                      The Department looks forward to  
14          explaining to the Commission how and why the  
15          revenue per customer model agreed to in the  
16          Settlement Agreement results in DOE's  
17          recommendations, namely, that the 1.9 million  
18          RDAF recovery, in Decoupling Year 1, be approved  
19          as consistent with the cap, and that, as a  
20          preliminary matter, in the Department's view,  
21          Northern's proposed cumulative RDAF recovery, and  
22          the amount it will defer for future resolution,  
23          may overcompensate Northern by approximately  
24          \$1.15 million.

1 Thank you.

2 CHAIRMAN GOLDNER: So, I'm going to go  
3 just a little bit out of the order here, just to  
4 clarify for the purposes of the coming opening  
5 statements.

6 So, it's my math that Northern is  
7 seeking 1.2 million in this proceeding, and not  
8 1.8 or 1.9. That's what their spreadsheets show.

9 So, we can come back to it. But  
10 that's -- I show a different number.

11 MS. SCHWARZER: Okay. Mr. Chairman, if  
12 I just might ask you, I believe 1.27 million is  
13 the winter peak or period proposed recovery, and  
14 0.6 million is the summer or off-peak. And, so,  
15 we added those for the cumulative RDAF request  
16 for the cap, would be roughly 1.9. That's how we  
17 got there.

18 CHAIRMAN GOLDNER: And this is an  
19 important distinction, I think. Because the cap  
20 calculation, I agree with that. But the  
21 Company's only seeking 1.2, by my math, 1.218,  
22 today, because they don't reach the cap in every  
23 category.

24 So, maybe, when Dr. Arif is testifying,

1 or we can get additional comments from the other  
2 parties. But I wanted to first mention, I don't  
3 think the Company is seeking -- at least my math  
4 shows that they're seeking recovery of 1.218 in  
5 this proceeding, most of which was previously  
6 approved in the *nisi* order. And, so, that hasn't  
7 changed there, what they requested and what the  
8 Commission approved in the *nisi* order looks the  
9 same to me. They're asking for an additional 250  
10 in the off-peak period, is what it looks like to  
11 me.

12 So, maybe that's something we could  
13 discuss more later. But I just, before we went  
14 through all the opening statements, I wanted to  
15 highlight that we -- that at least my assessment  
16 of what the Company is asking for is different  
17 than the 1.891.

18 MS. SCHWARZER: Thank you, Mr.  
19 Chairman. I certainly look forward to clarifying  
20 that question.

21 CHAIRMAN GOLDNER: We'll take a quick  
22 break after opening statements, because the  
23 Commission is also going to need to regroup,  
24 because it's important to know what we're

1           debating at the hearing today. So, we'll need to  
2           talk more. But I wanted to at least put that out  
3           there for consideration.

4                   MS. SCHWARZER: Thank you.

5                   CHAIRMAN GOLDNER: We'll turn now to  
6           the Office of the Consumer Advocate.

7                   MR. KREIS: Thank you, Mr. Chairman.  
8           Good afternoon, everybody.

9                   I am not going to take up any of the  
10          Commission's time with an opening statement. I  
11          am here today on behalf of residential ratepayers  
12          to support the positions that the Department is  
13          taking. And I have nothing to add to the  
14          eloquent opening that my colleague, Ms.  
15          Schwarzer, has already offered you.

16                   CHAIRMAN GOLDNER: Very good. And,  
17          before I turn to Attorney Taylor, I'll also  
18          mention that, again, we can take this up during  
19          the Department's testimony, but I sort of don't  
20          understand how we can not look at the  
21          carryforward until the next rate case? And we  
22          can -- perhaps Attorney Taylor can also comment  
23          on the plans for Unitil's next rate case. But,  
24          if there's a carryforward that carries into

1 Year 2 and Year 3, and we don't attend to the  
2 carryforward now or in the next -- in the next  
3 hearing on this matter, I don't -- I don't  
4 understand how the math would work. So, that can  
5 be maybe something you can help the Commission  
6 out with now or later, because I don't quite see  
7 how that would work.

8 MS. SCHWARZER: Mr. Chairman, if I  
9 could give you a preliminary response?

10 CHAIRMAN GOLDNER: Sure.

11 MS. SCHWARZER: And, then, reserve a  
12 right, after a break, to consult with my  
13 witnesses. Thank you.

14 I would like us to specifically look at  
15 that Settlement of the -- the paragraph of the  
16 Settlement Agreement, which is part of an  
17 attachment --

18 CHAIRMAN GOLDNER: I'm sorry, Attorney  
19 Schwarzer. I'm confident that you're reading the  
20 Settlement as it's written.

21 What I don't understand is how,  
22 mechanically, that would work? That's what I  
23 don't understand.

24 MS. SCHWARZER: Well, I guess, because

1 we're in Decoupling Year 1 --

2 CHAIRMAN GOLDNER: Yes.

3 MS. SCHWARZER: -- at this time, what  
4 we're looking at is the initial calculation and  
5 the framework for those two amounts. And we  
6 would certainly ask that the Commission not make  
7 an explicit ruling on the deferred amount at this  
8 time.

9 We support -- I mean, we came here to  
10 support the 1.9. And, so, I will certainly,  
11 subject to the question that you've raised,  
12 certainly address that.

13 But we are -- we are confident that the  
14 recovery at no more than the 4.25 percent cap is  
15 just and reasonable, and in the public interest.  
16 But we believe the Settlement Agreement framework  
17 gives the parties an opportunity to reflect upon  
18 all of the deferred amounts for any number of --  
19 based on a number of factors, and certainly based  
20 on specific events to come.

21 And, so, respectfully, we would  
22 anticipate addressing Decoupling Year 1 deferral  
23 and Decoupling Year 2 deferral in the future, in  
24 the Decoupling Year 2 proceeding.

1                   CHAIRMAN GOLDNER: Okay. So, I'll just  
2 see if I can repeat back.

3                   So, in the Decoupling Year 2  
4 proceeding, a year from now, let's assume no rate  
5 case interference or any extra convolution, then,  
6 at that point, the Company and the Department  
7 would calculate the entire decoupling mechanism.  
8 And my question would be, how would you deal with  
9 the carryforward from Year 1 in that calculation?

10                  MS. SCHWARZER: Well, I believe our --  
11 as our supplement technical statement suggests,  
12 in our opinion, the appropriate carryforward to  
13 be addressed is smaller than the one that  
14 Northern anticipates. However, --

15                  CHAIRMAN GOLDNER: But there wouldn't  
16 be --

17                  MS. SCHWARZER: -- that is not to be  
18 adjudicated until --

19                  CHAIRMAN GOLDNER: Right. It would  
20 be -- wouldn't it be adjudicated in the next rate  
21 case or it would be adjudicated in the Year 2  
22 decoupling hearing?

23                  MS. SCHWARZER: Well, I believe, as we  
24 read it, we read it broadly, to be that it would

1 be addressed in the Company's next distribution  
2 rate case.

3 I suppose parties might reach an  
4 agreement otherwise, or a settlement. I don't  
5 want to speculate. It's making me a little  
6 nervous to go too far into the future.

7 But, certainly, we're not faced with  
8 reconciling any deferred amounts at this time.

9 CHAIRMAN GOLDNER: Okay. Okay. I  
10 think I understand the Department's position.

11 Attorney Taylor.

12 MR. TAYLOR: Before I go into my  
13 opening statement, I can answer your question.

14 CHAIRMAN GOLDNER: Thank you.

15 MR. TAYLOR: The question is, the math  
16 won't work. Because we need to know what we need  
17 to, from an accounting perspective, and I'm not  
18 an accountant and even I know this, we need to  
19 know what the deferral is going into the next  
20 year.

21 So, the Department of Energy has said  
22 explicitly our calculations are mathematically  
23 correct. If that's true, then the deferral is  
24 beyond dispute. It's the -- I don't have the

1 number right off the top of my head, it's  
2 approximately \$4 million and change.

3 So, the matter is, in terms of what's  
4 going to happen in the next rate case, is not to  
5 be adjudicated in this rate case. And I will  
6 object to any evidence that is put in to this  
7 docket that is relevant to the coming rate case,  
8 or the Department thinks is relevant for a rate  
9 case that has not been filed, and is not going to  
10 be -- well, it's not been filed. And there isn't  
11 a rate case before you right now.

12 And, so, the Department of Energy is  
13 certainly entitled to starting (?) wherever they  
14 want in the next rate case, by putting whatever  
15 evidence they want to. But it's clear that they  
16 don't intend to -- there's no intention to  
17 adjudicate the calculation in this case. There's  
18 an agreement that the calculation is correct.

19 And this docket, which is intended to  
20 make sure that that calculation was done  
21 correctly, is not the docket to put in evidence  
22 that is going to be relevant in the next rate  
23 case. We can't iteratively litigate an issue  
24 that is not before the Commission yet, in

1 docket, and then say "Well, this will be  
2 relevant down the road. This will be relevant  
3 down the road. Eventually, we're going to get  
4 there. Keep it in mind, you know, we're giving  
5 you this opinion now, we're giving you this  
6 analysis now. It's not actually relevant to what  
7 you're doing. It's only going to be relevant in  
8 the rate case down the road."

9 That doesn't work. That's not how  
10 evidence works. It's not how procedure works.  
11 It's totally inappropriate. And I will object to  
12 any attempt to get evidence like that into this  
13 docket today, because it isn't relevant.

14 CHAIRMAN GOLDNER: So, when your  
15 witnesses take the stand, and we talk about it,  
16 so, the way that I've -- so, I think that's a  
17 commonsense approach. And maybe the parties  
18 would like to talk at the break and determine if  
19 the approach, Attorney Taylor, that you suggested  
20 is acceptable.

21 But the simple math was, on the filing,  
22 that I understood was that there was a -- I get a  
23 \$1.2 million recovery that the Company is seeking  
24 here today, not 1.9. And I'm sure we'll go over

1 the math here in a moment. The total is 4.5.  
2 So, if you recover 1.2, there's a \$3.something  
3 million carryforward.

4 And my question for the Department  
5 would be, it seems logical to determine in this  
6 docket, so that we know when the Year 2 filing  
7 comes in, what the carryforward is, whatever it  
8 is, whether it's zero, or 3.something, or some  
9 other number, and what the Company is seeking for  
10 recovery of today.

11 Those would seem to be logical things  
12 to take care of in this docket, so that the  
13 Year 2 filing, we have perfect clarity with the  
14 baseline.

15 So, if that's something you're  
16 uncomfortable with, maybe there can be a  
17 discussion at the break.

18 MS. SCHWARZER: Mr. Chairman, we don't  
19 have an audit, and won't have an audit of the  
20 RDAF year -- the first RDAF year until May of  
21 2024. There's nothing in the Settlement  
22 Agreement that says the deferred amount will be  
23 approved in advance of any particular benchmark.

24 And, so, while we would anticipate that

1 Northern, based on its own expectations, would  
2 list in its accounting -- in its accounts for  
3 deferred revenue what it believes to be the  
4 appropriate amount, it is not appropriate to ask  
5 the Department to make a definitive argument at  
6 this time, nor does the Settlement Agreement  
7 require that.

8 CHAIRMAN GOLDNER: Well, I'll make this  
9 argument. I think that the Department audits are  
10 always welcome, and encouraged, but the  
11 Department doesn't audit everything.

12 And, so, from an audit point of view,  
13 the Department can always file an audit that says  
14 "the numbers are incorrect", and that, of course,  
15 will be something that we can take a look at.

16 But, in the meanwhile, we have to use  
17 the numbers that the Company submits across  
18 dockets, whether it's vegetation management or  
19 step increases or what have you. So, we have to  
20 move forward with something.

21 And I think I would argue that the  
22 Company's filings, there's no reason to believe  
23 that the numbers they're submitting are wrong.  
24 We just need to -- if there's a subsequent audit,

1 we can review that data then.

2 Any concerns with that approach?

3 MS. SCHWARZER: I believe, if the  
4 Commission were to turn its attention to the  
5 cover letter provided in Northern's Exhibit 4,  
6 which is Northern's rebuttal testimony, it's  
7 clear that neither party here anticipated a  
8 ruling on the deferred amount.

9 We are here to speak to agreement on  
10 what's to be collected as a preliminary matter,  
11 consistent with a 4.25 percent cap. And, in the  
12 Department's view, and I believe consistent with  
13 the Settlement Agreement, there's no other  
14 finding to be made in Decoupling Year 1.

15 That said, everyone can do the math.  
16 Northern certainly has its own opinion. But  
17 there is no final approval of any deferred amount  
18 at issue today.

19 MR. TAYLOR: Can you point me to the  
20 place in the letter where we agreed with that,  
21 what you just said?

22 MS. SCHWARZER: Okay. I'm looking at  
23 the last paragraph --

24 CHAIRMAN GOLDNER: I'm sorry, Attorney

1 Schwarzer, if you could orient everyone. So,  
2 you're referring to --

3 MS. SCHWARZER: Sure. I'm sorry. I'm  
4 looking at what's been marked by Northern as --  
5 for identification, as "Hearing Exhibit 4".

6 CHAIRMAN GOLDNER: Exhibit 4. Okay,  
7 hold on just a second. Let me catch up with you.  
8 Exhibit 4. Okay.

9 MS. SCHWARZER: And Northern is  
10 objecting to the Department's analysis and view  
11 of the Settlement Agreement. And the last  
12 paragraph says: "Even assuming, for the sake of  
13 argument, the Commission were to consider the  
14 Department's arguments...The Settlement  
15 Agreement, Order 26,650, and the Company's Tariff  
16 set forth a method for calculating the RDA and  
17 RDAF", the Department would add also "a  
18 framework", and "to the extent the RDA exceeds a  
19 cap of 4.25 percent of approved distribution  
20 revenues for each group over the relevant  
21 measurement periods for over- and  
22 under-recoveries, the amount over or under 4.25  
23 percent shall be deferred, with carrying costs  
24 accrued monthly at the Prime Rate...The specific

1 treatment of any remaining carried balance",  
2 which in this case would be the deferred amount,  
3 "is to be addressed in the Company's next rate  
4 case. To the extent that the Department wishes  
5 to revisit the RPC model, it may do so in the  
6 Company's next distribution rate case."

7 And that is the quote from Northern.  
8 It is the Company's -- it is the Department's  
9 strong assertion that the Settlement Agreement  
10 provides for an RPC model consistent with  
11 specific treatment of any remaining carried  
12 balance at the next rate case, with no approval  
13 in advance of any deferred amount.

14 CHAIRMAN GOLDNER: The problem is is  
15 the Company is carrying that balance at the Prime  
16 Rate. So, I would think the ratepayers would  
17 want to know how much they're paying for the  
18 carryforward.

19 MS. SCHWARZER: Well, it would be the  
20 Department's position that, when the appropriate  
21 time comes to determine the specific treatment to  
22 be accorded the carried balance, that any carried  
23 balance that was not to be recovered would not  
24 include interest.

1                   CHAIRMAN GOLDNER:   Okay.   Attorney  
2                   Taylor.

3                   MR. TAYLOR:   So, when we talk about the  
4                   specific treatment in the next case, it's about  
5                   how that balance is going to be recovered, not  
6                   whether it gets recovered.

7                   The Department -- I mean, I'm now sort  
8                   of -- I mean, I had an opening statement, you can  
9                   probably guess what I'm going to get into, which  
10                  is the Department's complete abdication of the  
11                  Settlement Agreement that it entered into in  
12                  Department -- in DG 21-104.

13                  CHAIRMAN GOLDNER:   And we, Attorney  
14                  Taylor, can go in whatever sequence you want.   I  
15                  was trying to set up for the Company to be able  
16                  to address the issues on the table.

17                  So, if you prefer to go to the opening  
18                  statement now, that's fine, or address the issues  
19                  directly, either way.

20                  MR. TAYLOR:   Well, I mean, I think, in  
21                  this case, in terms of the scope of this docket,  
22                  which, frankly, is a docket that should have been  
23                  resolved many months ago under the Settlement.  
24                  If the scope of this docket is "Did we do the

1 calculation correctly? Are the rates correct  
2 relative to the cap? And is the carryforward  
3 balance correct?" Then, we can wrap this up  
4 quite quickly.

5 If that's the scope of this docket,  
6 then we don't need to be here all afternoon  
7 talking about the legitimacy and propriety of the  
8 revenue per customer model, which we shouldn't be  
9 doing anyways.

10 So, if the Department agrees that  
11 that's it, if it's just the calculation, then we  
12 don't need to have a long, protracted hearing  
13 today. I don't know if they're going to agree to  
14 that.

15 But, if, you know, again, if we're  
16 going to go down the road of whether we should be  
17 doing RPC, and whether they should be allowed to  
18 start pre-litigating that issue, then I'm going  
19 to be objecting a lot, and I have a statement  
20 regarding the -- you know, their actions relative  
21 to the Settlement Agreement.

22 CHAIRMAN GOLDNER: I think they're  
23 arguing for an even shorter proceeding today,  
24 which is the only number that we're talking about

1 is the recovery for Year 1 decoupling, which is  
2 somewhere between 1.2 and 1.9 million.

3 I think that's what the Department is  
4 saying, right?

5 MS. SCHWARZER: Well, we are actually  
6 saying that the calculation that's relevant, and  
7 the recovery to be issued an order about specific  
8 to the recovery would be that number. However,  
9 it's very important to us to point out that we do  
10 not agree with Northern's position that we are  
11 rejecting the revenue per customer model.

12 We have made -- done our calculations  
13 consistent with the revenue per customer model,  
14 and the specific adjustments made to that model  
15 in the Settlement Agreement. And, so, we would  
16 like an opportunity to speak to what is of  
17 concern to us as a preliminary basis with regard  
18 to Northern's proposed deferral amount, which, in  
19 our opinion, may overcompensate Northern.

20 It's a preliminary analysis on our  
21 part. We are open to seeing what happens in  
22 Decoupling Year 2. We are open to additional  
23 data from Northern.

24 I will point out, Northern did not file

1 data requests in response to the Department's  
2 supplemental technical statement, and it had the  
3 opportunity to do that. And, so, we are happy to  
4 keep those questions open until Decoupling  
5 Year 2.

6 But it's important to us, because a key  
7 sentence in the Settlement Agreement that says  
8 that the Company's next distribution rate case --  
9 in the parties' next -- excuse me -- "In the  
10 Company's next distribution rate case, parties to  
11 that proceeding may propose specific treatment of  
12 any carried balances remaining at that time", was  
13 not included in the Company's initial petition,  
14 and was not included in their rebuttal testimony.  
15 And it is a sentence that is important to the  
16 Department. It was negotiated and approved in  
17 the Settlement Agreement. And we would like to  
18 bring it to the Commission's attention this  
19 afternoon.

20 CHAIRMAN GOLDNER: So, my question  
21 would be, and I apologize to Attorney Taylor for  
22 the out-of-sequence here, but, so, the carried  
23 balance at that time, why didn't the Department  
24 interpret that as, if that's in Year 3, let's

1 say, why wouldn't that be the carried balance in  
2 Year 3, as opposed to the carried balance in  
3 Year 1? Which is -- I don't understand why the  
4 carried balance wouldn't just carry forward in  
5 each year, and we would sort out what the carried  
6 balance is in each of the decoupling docket?

7 So, that's where I'm not understanding  
8 your reading of the Settlement.

9 MS. SCHWARZER: I understand that  
10 question. And I believe Northern may be looking  
11 at it in that manner. I was not part of the  
12 settlement discussions. So, I'm in no danger of  
13 revealing anything that was part of that  
14 discussion.

15 But, if I can place the revenue  
16 decoupling mechanism and the RDAF calculation in  
17 a larger framework, at the time of Northern's  
18 proposed recovery model, the Department was  
19 already dealing with Liberty's model and noticing  
20 large amounts. And, so, I think it was very  
21 reasonable for the Settlement Agreement to  
22 reflect that there was some thought that there be  
23 a cap, and that there be something to do with  
24 that cap.

1           And, as I stated in the beginning of my  
2 opening statement, Northern's cumulative RDAF  
3 recovery request is more than two times the size  
4 of what was seen as an appropriate cap when the  
5 Settlement Agreement was signed.

6           And, so, if you followed that  
7 framework, it is also logical for the parties to  
8 have agreed that deferred amounts, deferred from  
9 Year 1, Year 2, and I believe Northern can file a  
10 rate case at any point in time, I think it's -- I  
11 would have to check the record, but I don't  
12 believe it's in a stay-out period, that it would  
13 be appropriate to look at the model and consider,  
14 through a variety of analyses or perspectives,  
15 the extent to which the mathematical calculations  
16 appropriately reflect what the RDAF was designed  
17 to do, which is to adequately compensate the  
18 Company for its capital costs consistent with --  
19 without, you know, with allowing fuel economy and  
20 encouraging of economic -- energy efficiency at  
21 that time.

22           And, so, we do have a broader view of  
23 the Settlement Agreement. And we are eager to  
24 enlighten the Commission with regard to the

1           analyses that we have done, and the concerns that  
2           we have, that the Settlement Agreement framework  
3           makes room for.

4                   CHAIRMAN GOLDNER:   Okay.

5                   MS. SCHWARZER:   Thank you.

6                   CHAIRMAN GOLDNER:   Okay.   Thank you.

7                   And, so, we'll finally turn to Attorney  
8           Taylor for what I'll call the "opening  
9           statement", anything else you'd like to add,  
10          Attorney Taylor.

11                   And, then, what we'll do is we'll take  
12          a brief break, because I think there's some  
13          challenges that the Commission needs to work  
14          through.   And, of course, if we come back and the  
15          parties have settled, that would be even better.

16                   So, Attorney Taylor, if you would like  
17          to proceed?

18                   MR. TAYLOR:    Sure.

19                   Well, as I've already said, this is a  
20          case that should have been resolved several  
21          months ago.   Our Commission-approved revenue  
22          decoupling adjustment clause tariff describes a  
23          simple, streamlined process.   The Company, after  
24          calculating its Revenue Decoupling Adjustment

1 Factor, or the RDAF, consistent with the  
2 methodology described with specificity in  
3 Section 5.0 of its tariff, makes a filing for  
4 implementation of its RDAF 45 days before  
5 November 1st, for rates effective November 1st.

6 The process and calculation are  
7 unambitious and laid out with clarity in the  
8 tariff.

9 And, so, assuming that the Company's  
10 calculation contains no errors, and you've  
11 already heard that it doesn't, it's merely a  
12 matter of implementing the output of the  
13 calculation in rates. And this justifies the  
14 relatively brief window of time between the date  
15 of filing and the date that the rates are  
16 implemented. Essentially, it's an objective and  
17 self-executing process, because that's what the  
18 settling parties intended.

19 The simplicity in the model -- and the  
20 simplicity of the methodology is by design. And  
21 that design was negotiated and agreed to by the  
22 settling parties in Docket DG 21-104, including  
23 the Department of Energy. And it was  
24 subsequently approved by the Commission without

1           modification.

2                       The Company made a timely filing on  
3           September 15th, 2023. And notwithstanding the  
4           fact that the Department had agreed to the 45 day  
5           period only a year earlier, and the fact that the  
6           Department had no trouble at all assessing the  
7           Unitil Energy Systems' nearly identical RDAF in a  
8           timely manner only months earlier, in Docket  
9           23-057, we agreed, as a courtesy, to the  
10          Department's request for additional time to  
11          conduct discovery.

12                      The Commission allowed the Department  
13          additional time, until November 9th, to file the  
14          technical statement; the Department was unable to  
15          meet that deadline. And instead proposed a  
16          procedural schedule pursuant to which it would  
17          submit a technical statement on or before  
18          December 8th, 2023. The Commission approved that  
19          schedule from the Department. And, even with the  
20          benefit of that additional time, the Department  
21          issued an incomplete technical statement on  
22          December 8th, taking no position on the Company's  
23          filing, and unilaterally reserving to itself the  
24          opportunity to provide, at some undefined point

1 in the future, an updated filing. And, so, as a  
2 result, the resolution of this docket was  
3 prolonged even further.

4 Ultimately, the Department did not file  
5 a final technical statement until January 25th,  
6 2024, and was a full three months after the date  
7 upon which, under the Company's tariff, and the  
8 21-104 Settlement, and the Commission's order in  
9 the case, 26,650, the case was supposed to have  
10 concluded.

11 Now, unfortunately, this technical  
12 statement, in the Company's view, is an improper  
13 attempt to undo the DG 21-104 Settlement  
14 Agreement, and to relitigate the legitimacy of  
15 the Company's approved Revenue Decoupling  
16 Mechanism.

17 In DG 21-104, the settling parties  
18 agreed that Northern would implement a Revenue  
19 Decoupling Mechanism sub -- pardon me --  
20 substantially as proposed in the Company's  
21 initial rate case filing. Specifically, the  
22 settling parties agreed that the Company would  
23 implement revenue decoupling using a revenue per  
24 customer model, that reconciles monthly actual

1 and authorized revenues per customer by rate  
2 class. And this is explained unambiguously in  
3 the DG 21-104 Settlement Agreement, which the  
4 settling parties recommended to the Commission  
5 for approval, including the Department of Energy.

6 The Commission did, in fact, approve  
7 the RPC model as recommended by the settling  
8 parties. And, again, the methodology is laid out  
9 unambiguously in the Commission's order.

10 The Department was also a settling  
11 party in DE 21-030, which recommended an almost  
12 identical revenue per customer methodology for  
13 the Company's electric affiliates. I think the  
14 only difference is the -- is the cap, is 3.0  
15 percent. And the Commission approved that  
16 methodology as well, in Order 26,6 -- well, it  
17 approved that order. And it's relevant that the  
18 Commission take note of Order -- it's 26,623 in  
19 that docket, as well as its more recent order,  
20 26,865, in Docket 23-057.

21 In that case, the Department reviewed  
22 the Company's filing without needing an  
23 extension, and indicating in its technical  
24 statement that UES's RDAF was calculated in

1           accordance with the directives outlined in Order  
2           Number 26,623, the rate case order. And that the  
3           Company's filing properly reflected the monthly  
4           revenue variance as laid out in the Settlement.  
5           In other words, the Department reviewed the  
6           Company's filing through consistency with the  
7           Settlement Agreement. And, similarly, the  
8           Commission approved the RDAF, noting that it had  
9           been established and approved in a prior  
10          proceeding, and that the RDAF rate was properly  
11          calculated, resulting in just and reasonable  
12          rates.

13                        The Department has not disputed that  
14          the Company calculated the RDAF in accordance  
15          with the DG 21-104 Settlement, or the  
16          Commission's order. Rather, the Department is  
17          critical of the very RPC method to which the  
18          Department agreed in the Settlement Agreement,  
19          and that the Commission approved in Order 26,650.  
20          And with which the DOE raised no issue in the  
21          recent UES RDAF filing.

22                        The Department offered a statistical  
23          analysis that is not relevant to the RDAF  
24          calculation, and which -- to which, you know,

1 really, we had no meaningful opportunity to  
2 respond. And, frankly, you know, the Department  
3 tries to offer as evidence the fact that we don't  
4 do discovery on it as some failing on our part.  
5 But we had approximately two weeks to respond to  
6 something that they took three months, or more,  
7 to put together, and is not relevant to this  
8 case. So, it's not relevant, so, we didn't  
9 conduct discovery on that particular analysis.

10 You know, this is the kind of testimony  
11 that could have and should have been presented in  
12 the rate case, or in a future rate case, but not  
13 in this docket. The Department has recommended  
14 that the Commission disallow approximately 1.15  
15 million in revenues. But not due to imprudency,  
16 not due to any fault on the Company's -- any  
17 fault of the Company, but because the Department  
18 has now decided that it now longer supports the  
19 revenue per customer methodology.

20 And, instead, the Department ties its  
21 recommended disallowance to a total revenue  
22 amount, arguing that the Company should not be  
23 allowed to earn in excess of that amount. That's  
24 not what the parties agreed to in the Settlement

1 Agreement. And, in fact, it's a completely  
2 different form of revenue decoupling, one that  
3 the settling parties did not agree to. And, in  
4 fact, the total revenue methodology is something  
5 that was identified in the Company's initial  
6 testimony in the rate case, and something that  
7 the Company was not pursuing, and it explained  
8 that. And that's attached to the Company's  
9 rebuttal testimony.

10 The Department had the entirety of the  
11 rate case proceeding to conduct discovery on the  
12 Company's proposed RPC methodology. It had the  
13 opportunity to discuss -- you know, it had ample  
14 resources to evaluate the methodology, had an  
15 external expert witness, it had multiple Staff  
16 analysts, it had multiple attorneys, it had the  
17 benefit of a hearing before the Commission. And,  
18 ultimately, as part of a comprehensive  
19 settlement, the Department agreed to implement  
20 the revenue per customer methodology. And, as  
21 with any settlement, each party compromised to  
22 achieve a mutually agreeable result.

23 And, by disavowing the revenue per  
24 customer methodology, and recommending that the

1 Department effectively adopt the total revenue  
2 methodology, and disallow over a million dollars  
3 in revenue, the Department is essentially keeping  
4 for itself the benefit of the Settlement  
5 Agreement that it negotiated, while stripping  
6 away something that we negotiated for. So, we  
7 got the RPC method, and that was something that  
8 we were willing to compromise for. But, now,  
9 that's being taken away from us, on the very  
10 first RPC filing.

11 So, we likely would not have agreed,  
12 or, in terms of a settlement agreement, perhaps  
13 we would have reached a settlement in that case,  
14 with a total revenue methodology, but the  
15 Settlement would have looked completely  
16 different, because all the components have to be  
17 in balance, and that would have probably changed  
18 the way that the parties compromised. And, so,  
19 it's a complete change to the Settlement  
20 Agreement.

21 So, adopting the Department's  
22 recommended disallowance, or otherwise modifying  
23 the proposed RPC methodology, you know, would be  
24 bad policy, it would be bad precedent.

1           You know, as I've said, the Department  
2           is essentially seeking to modify the Settlement  
3           Agreement and the Commission's order. It's not  
4           filed any petition seeking to do that. You know,  
5           I'm not sure if there's even a precedent for  
6           doing that, and I've never seen a party try to do  
7           it, I've never seen a party try to undo a  
8           settlement.

9           But, you know, in any event, a  
10          drastic action like that would, I think, require  
11          a petition and adjudication before the  
12          Petitioner [Commission?].

13          You know, in further allowing -- you  
14          know, allowing this departure from the approved  
15          Settlement Agreement would be contrary to the  
16          well-established Commission policy, encouraging  
17          parties to settle disagreements through  
18          negotiation and compromise, because it's an  
19          opportunity for creative problem-solving, and  
20          allows the parties to reach a result in line with  
21          their expectations. The Department's  
22          supplemental technical statement is not in line  
23          with the settled expectations of the parties, and  
24          would not be in line (?) with that rate case.

1           So, to the extent the Department wishes  
2           to revisit the revenue per customer model, it can  
3           do so in the Company's next rate case. Although,  
4           I want to be very clear about something. When we  
5           talk about them being able to revisit in the next  
6           rate case, that's on a going-forward basis. How  
7           we treat the deferral balance in the next rate  
8           case, the deferral balance, the way that it's  
9           calculated, has already been determined. That  
10          was determined in the last rate case. All the  
11          parties agreed to it.

12           We didn't agree to say "whatever is  
13          left over in the next rate case, maybe you're  
14          going to get to completely revisit the  
15          methodology and cut off a whole bunch of it, and  
16          you're not going to get any of that." That is  
17          not what the -- regardless of -- I understand  
18          that there are people in the room who weren't  
19          there when we settled this Agreement, that is not  
20          what the parties agreed to. Why would we ever  
21          agree to that? That doesn't make sense. It's  
22          about how we will recover it in the next rate  
23          case, on a going-forward basis.

24           If the Department or the Consumer

1 Advocate, or any other party, feels that the  
2 revenue per customer model is something that they  
3 don't agree with, and we propose it again,  
4 then -- we propose a continuance of it, then  
5 that's a discussion for the next rate case. It  
6 is not a discussion for this docket. It is not a  
7 discussion for the RDAF docket next year. It is  
8 the -- and any evidence to undermine the RPC is  
9 just an attempt to unwind the Settlement that  
10 already exists.

11 So, as I've said, to the extent that  
12 any -- there's an attempt to introduce any kind  
13 of evidence to undermine the RPC or challenge the  
14 RPC methodology, or to say "well, you know, yes,  
15 we agreed to the RPC, but it's, you know, twice  
16 the amount of the cap", that's irrelevant. It  
17 does not matter, because the calculation is the  
18 calculation. Everybody knew what the calculation  
19 was, the experts knew what it was, the analysts  
20 knew what it was. We have applied it exactly as  
21 it is intended to work. And there's not some now  
22 opportunity to say "Well, gee, now that we see it  
23 working, we don't like it. And, so, we want you  
24 to do something else." That's not how

1 settlements work, and that's not how this docket  
2 worked.

3 If this was supposed to be a complete,  
4 you know, relitigation of the RPC, then that's  
5 something that should have been petitioned at the  
6 beginning of the docket. We would have hired an  
7 expert. We would have done something completely  
8 differently. But, you know, again, it's not  
9 appropriate in this case.

10 So, we think that the Commission should  
11 disregard the Commission -- the Department's  
12 recommendation, confirm the amount that was  
13 placed into rates -- confirm the amount that was  
14 placed into rates on November 1st, and the amount  
15 that is to be placed into rates on May 1st, and  
16 further confirm that the Company can defer the  
17 full amount, you know, the carryforward balance  
18 as it's been calculated.

19 So, that's my opening statement.  
20 Sorry, I was quite long.

21 CHAIRMAN GOLDNER: Thank you.

22 And, before we take a quick break, are  
23 there any specific exhibits that -- there's 16  
24 exhibits in the filing that the Company would

1 object to?

2 MS. SCHWARZER: Mr. Chairman, before we  
3 turn to the exhibits, because, generally,  
4 Northern would go first on its own petition,  
5 might I make just very brief remarks about the  
6 accusation that we are trying to return to a  
7 total revenue model?

8 CHAIRMAN GOLDNER: Not just yet. Let  
9 me first sort through the exhibit piece, and tidy  
10 up some things before we take a break.

11 Would you -- is there any specific  
12 exhibits, Attorney Taylor, that you would object  
13 to? Or, are there?

14 MR. TAYLOR: My apologies. I don't  
15 have it up in front of me.

16 I don't know, I won't know until the  
17 Department, I guess, tries to enter these into  
18 evidence through a witness, the purpose that  
19 they're offering them for.

20 So, I would say, to the extent that  
21 they're offering any exhibit to challenge our  
22 calculation -- well, no, I would say, to the  
23 extent that they're offering any exhibit to  
24 challenge the legitimacy of the RPC method, or to

1           undermine it, then I would object to it, because  
2           I don't think it's appropriate in this case.

3                   CHAIRMAN GOLDNER:   But, if it's the  
4           first hearing where these calculations are  
5           actually done, wouldn't the calculation itself be  
6           in play?

7                   MR. TAYLOR:   Sure.   But they have  
8           already said that the calculation is correct.

9                   CHAIRMAN GOLDNER:   Okay.

10                   MR. TAYLOR:   So, I'm really talking  
11           more about, if they're offering any exhibit to  
12           show that the RPC is somehow faulty, or that the  
13           methodology itself is not appropriate, --

14                   CHAIRMAN GOLDNER:   Okay.

15                   MR. TAYLOR:   -- basically, to offer  
16           anything that should have been offered in the  
17           prior rate case, or could be offered in a future  
18           rate case, anything that's related to their  
19           preliminary, and I've never heard of somebody  
20           giving a preliminary position in one litigation  
21           for a litigation that is going to come in the  
22           future, but, to the extent that there's any  
23           evidence offered to support that preliminary  
24           recommendation, I would object to it, because I

1 think it's inappropriate.

2 CHAIRMAN GOLDNER: Okay. Thank you.  
3 And, before we part, just so that we have all the  
4 information, to the extent it's available, the  
5 largest electric utility in the state, I think  
6 they're called "Eversource", committed to --  
7 explained to us that they plan on filing a rate  
8 case this year.

9 Can you Unitil or Northern help the  
10 Commission understand what its plans are? Does  
11 it have a -- does it plan to file a rate case  
12 this year? For test year 2023, I should say?

13 MR. TAYLOR: I'm not aware of --  
14 there's nothing that I can say definitively now  
15 on the record. I can talk to my folks to see if  
16 there is any kind of more definitive statement  
17 that I can give you over the break.

18 CHAIRMAN GOLDNER: That would be  
19 helpful. Independent of this docket, it would  
20 just be helpful for the Commission to have  
21 headlights. We have two ongoing rate cases, and  
22 then potentially three more in electric and gas.  
23 So, everyone will be in an active rate case  
24 shortly, potentially. So, we're just trying to

1 understand what the picture is. So, that would  
2 be helpful for us, and I'm sure the other parties  
3 as well.

4 Okay. So, let's just take a  
5 fifteen-minute break.

6 MS. SCHWARZER: Mr. Chairman?

7 CHAIRMAN GOLDNER: Yes.

8 MS. SCHWARZER: Might I speak to  
9 Northern's request that certain exhibits be  
10 excluded? Because I would just like to point out  
11 that, having been told by Northern that they did  
12 not assent to our exhibits, we sent an email on  
13 Friday, the 23rd, outlining why all the exhibits  
14 were relevant, and seeking a response from both  
15 the OCA and Northern, and did not receive a  
16 response.

17 We are not trying to reject the RPC  
18 model. We believe our calculations and analysis  
19 are consistent with that model. And that, if  
20 Northern were to provide information showing that  
21 embedded costs and marginal costs are closer than  
22 they appear to be, then we would certainly be  
23 willing to revise and reconsider our proposal  
24 with regard to deferred quantities.

1                   CHAIRMAN GOLDNER: In the spirit of a  
2                   swift and efficient hearing today, what the  
3                   Commission will do is take a quick break. We'll  
4                   scope the hearing, what we'll hear and what we  
5                   won't hear. And, then, we'll come back, and then  
6                   that will provide the guardrails on the hearing,  
7                   so we know exactly what we're talking about.

8                   So, the parties -- the positions are  
9                   clear to me. We just need to take a few minutes  
10                  and align. And we'll return at five after 2:00.  
11                  Thank you. Off the record.

12                  *(Recess taken at 1:51 p.m., and the*  
13                  *hearing reconvened at 2:06 p.m.)*

14                  CHAIRMAN GOLDNER: Okay. We're back on  
15                  the record.

16                  So, the scope for today's hearing, I'll  
17                  just make sure everyone is clear, and then we'll  
18                  move to swear in the Company witnesses. So,  
19                  we're just going to talk about two things today.

20                  We're going to talk about the Year One  
21                  Decoupling recovery. I think the Company is  
22                  recovering 1.2 million, and there is another  
23                  school of thought that it's 1.9. But, in either  
24                  case, we need to resolve that the Year 1

[WITNESS PANEL: Nawazelski|Demeris]

1 Decoupling recovery is. And, secondly, we'll  
2 talk about the carryforward to Year 2, and  
3 resolve that today. And that is the scope of  
4 today's hearing.

5 So, without any further ado, let's  
6 move -- Mr. Patnaude, if you could please swear  
7 in the Company witnesses.

8 *(Whereupon **DANIEL T. NAWAZELSKI** and*  
9 ***S. ELENA DEMERIS** were duly sworn by the*  
10 *Court Reporter.)*

11 CHAIRMAN GOLDNER: All right. Thank  
12 you. And we'll move to Attorney Taylor, and  
13 direct.

14 MR. TAYLOR: And, before we do that,  
15 just a question on the scope that you just laid  
16 out. I understand the first part. For the  
17 second part, discussing the carryforward, is that  
18 intended to be limited to whether it was  
19 calculated correctly? Or, are we going to sort  
20 of explore the full recommendation of the  
21 Department of Energy in this case?

22 CHAIRMAN GOLDNER: Just if it's  
23 calculated correctly per the Settlement.

24 MR. TAYLOR: Okay. Okay, thank you.

[WITNESS PANEL: Nawazelski|Demeris]

1 CHAIRMAN GOLDNER: And, if I read ahead  
2 in the book, I get 4.3 million for the total  
3 recovery, less 1.2 million in recovery in Year 1,  
4 thus a \$3.1 million carryforward. So, I'll be  
5 interested to see if the Company witnesses and  
6 the Department agree with that calculation.

7 MR. TAYLOR: I'll start with Ms.  
8 Demeris. Ms. Demeris, can you hear me?

9 WITNESS DEMERIS: I can. Thank you.

10 **S. ELENA DEMERIS, SWORN**

11 **DANIEL T. NAWAZELSKI, SWORN**

12 **DIRECT EXAMINATION**

13 BY MR. TAYLOR:

14 Q Could you please give your name and position with  
15 the Company?

16 A (Demeris) My name is Elena Demeris. I'm a Senior  
17 Regulatory Analyst with Unitil Service Corp.

18 Q And have you previously testified before the  
19 Commission?

20 A (Demeris) Yes, I have.

21 Q If you could refer to Hearing Exhibit 1, which is  
22 the Company's Initial Filing from September 15th,  
23 2023?

24 A (Demeris) Yes.

[WITNESS PANEL: Nawazelski|Demeris]

1 Q The Company's Initial Filing includes prefiled  
2 testimony, exhibits, and schedules that you  
3 sponsored, correct?

4 A (Demeris) Yes.

5 Q Were the prefiled testimony and accompanying  
6 exhibits prepared by you or under your direction?

7 A (Demeris) Yes, they were.

8 Q Ms. Demeris, what is the purpose of your initial  
9 testimony, exhibits, and schedules?

10 A (Demeris) The purpose of my testimony is to  
11 present and describe Northern's proposed Revenue  
12 Decoupling Peak and Off-Peak Adjustment Factors,  
13 which are intended to take effect on November 1,  
14 2023, and May 1, 2024.

15 Q And was the RDAF calculated in a manner  
16 consistent with the revenue per customer  
17 methodology agreed to by the settling parties and  
18 approved by the Commission in DG 21-104?

19 A (Demeris) Yes.

20 Q And applying that methodology, what is the  
21 revenue decoupling adjustment for the periods at  
22 issue in this case?

23 A (Demeris) So, can we clarify whether we're  
24 talking about the amount we're proposing for

[WITNESS PANEL: Nawazelski|Demeris]

1 recovery or the amount that is the RMV amount?

2 Q And just, when you say "RMV", can you just  
3 clarify what you're referring to there?

4 A (Demeris) Yes. That's the total monthly revenue  
5 variances, that are then subjected to the cap and  
6 carrying charges, to end up with the recoverable  
7 amount.

8 CMSR. CHATTOPADHYAY: So, you meant  
9 "MRV"?

10 WITNESS DEMERIS: MRV.

11 MR. TAYLOR: Oh, I see.

12 WITNESS DEMERIS: M-R-V.

13 MR. TAYLOR: Thank you, Commissioner.

14 I probably should have figured that one out.

15 BY MR. TAYLOR:

16 Q Well, I think, if you heard the -- the  
17 Commissioners are looking for clarification on  
18 the amount that we're looking to recover, I  
19 think, first through rates in this case.

20 So, perhaps that's where we should  
21 start for the Peak and Off-Peak Periods. Are you  
22 able to clarify that?

23 A (Demeris) Okay. So, for the Peak Period, it's --  
24 the collectible amount is 965,480, and the

[WITNESS PANEL: Nawazelski|Demeris]

1 Off-Peak amount is 252,772, for a total of  
2 1,218,252.

3 Q Thank you. And, again, applying the methodology  
4 agreed to by the parties, the settling parties,  
5 what is the total amount before applying the cap?

6 A (Demeris) Before applying the cap, the Peak  
7 Period is 3,792,266, and the Off-Peak Period is  
8 520,993. And the total is 4,313,259.

9 Q Okay. And, as we've already discussed, there's a  
10 cap applied to that amount, correct?

11 A (Demeris) Correct.

12 Q And what's that cap?

13 A (Demeris) The cap is 4.25 percent of distribution  
14 revenue.

15 Q Is that calculated by rate class group?

16 A (Demeris) Yes. Sorry.

17 Q No, that's okay. And the amount over that cap  
18 will be deferred, with carrying costs, until the  
19 Company's next rate case, correct?

20 A (Demeris) Yes. That is correct.

21 Q Do you have any changes or corrections to your  
22 testimony or exhibits or schedules that you wish  
23 to note on the record today?

24 A (Demeris) I do not.

[WITNESS PANEL: Nawazelski|Demeris]

1 Q Referring to Hearing Exhibit 2, which are Excel  
2 versions of schedules included with the Initial  
3 Filing, these were prepared by you or under your  
4 direction, correct?

5 A (Demeris) Correct.

6 Q And you have no changes or corrections that you  
7 wish to note for those on the record today?

8 A (Demeris) I do not.

9 Q And referring to Hearing Exhibit 3, which is the  
10 compliance tariff made on November 3rd, 2023, was  
11 that prepared by you or under your direction?

12 A (Demeris) Yes.

13 Q Referring to Hearing Exhibit 4, the Company's  
14 rebuttal testimony and exhibits filed on February  
15 12th, 2024, are you a co-sponsor of the rebuttal  
16 testimony and exhibits included in Hearing  
17 Exhibit 4?

18 A (Demeris) Yes, I am.

19 Q And were the rebuttal testimony and accompanying  
20 exhibits prepared by you or under your direction?

21 A (Demeris) Yes.

22 Q Do you have any changes or corrections to your  
23 rebuttal testimony or exhibits that you'd like to  
24 note on the record today?

[WITNESS PANEL: Nawazelski|Demeris]

1 A (Demeris) I do not.

2 Q And do you adopt your initial testimony and  
3 rebuttal testimony, and all associated exhibits  
4 and schedules, as your sworn testimony today?

5 A (Demeris) I do. Thank you.

6 MR. TAYLOR: Thank you. Before I move  
7 on to Mr. Nawazelski, I just want to confer with  
8 one of my --

9 *[Atty. Taylor and Mr. Goulding*  
10 *conferring.]*

11 MR. TAYLOR: Commissioners, again,  
12 going back to the scope, you know, I have a  
13 direct for Mr. Nawazelski that is fairly  
14 detailed, I think anticipating some of the  
15 arguments that we -- anticipating some of the  
16 Department of Energy's arguments or responding to  
17 some of that to kind of give some context for it.

18 My understanding from the scope is that  
19 we are dialing back and just focusing on the  
20 calculation. So, if that's the case, I'll limit  
21 my direct.

22 And, so, I just want to confirm that  
23 we're just going to be focusing on the  
24 calculation, not those more substantive issues

[WITNESS PANEL: Nawazelski|Demeris]

1 that the Department has earmarked, I guess, for  
2 the next rate case?

3 CHAIRMAN GOLDNER: That's correct. And  
4 I'll limit Department testimony accordingly.

5 MS. SCHWARZER: Mr. Chairman, if I  
6 could just seek clarification?

7 CHAIRMAN GOLDNER: Sure.

8 MS. SCHWARZER: To the extent that you  
9 described the scope of the hearing as the  
10 Decoupling Year 1 recovery, and then the deferred  
11 amount, consistent with the Settlement, the  
12 Department has very carefully attended to the  
13 Settlement. And we believe that the position  
14 we're presenting here, with regard to  
15 overcompensation of \$1.15 million in the deferred  
16 amount, is important and worthy of your attention  
17 here this morning.

18 And we would ask that we have an  
19 opportunity to present that analysis. And I  
20 raise that, because I don't want to -- I don't  
21 want Northern's witnesses to not have an  
22 opportunity to testify accordingly, because we  
23 have filed our supplemental technical statement,  
24 and it's important to us to address those points.

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[WITNESS PANEL: Nawazelski|Demeris]

1 CHAIRMAN GOLDNER: So, I'll -- let me  
2 put it this way. So, I'm looking at Exhibit 2,  
3 Page 1 of 14. And, while summing the columns is  
4 always helpful, Excel does that really well, and  
5 what I'll say is that the numbers that Ms.  
6 Demeris highlighted earlier are consistent with  
7 my understanding of the Settlement calculations.  
8 And that the Company is seeking 1.218 million in  
9 Year 1, and a carryforward of 3.189, that's the  
10 delta between 4.313 and 1.218, that would move  
11 into the Year 2 calculation.

12 And that's all, while I think -- so,  
13 that's all the Commission will hear today, is  
14 just the topic of "were those numbers calculated  
15 correctly?"

16 And I'll say that the filing from the  
17 Department was very detailed, very well  
18 organized. And I can see how that would be  
19 helpful in a future rate case. But, in this  
20 proceeding, all we're here to talk about is the  
21 Year 1 Decoupling recovery and the carryforward  
22 to Year 2.

23 MS. SCHWARZER: And the carryforward  
24 would be for deferral purposes only?

[WITNESS PANEL: Nawazelski|Demeris]

1 CHAIRMAN GOLDNER: That's correct. My  
2 understanding is that 3.189 million would be  
3 carried forward, carried forward -- would be the  
4 carryforward into the Year 2 Decoupling  
5 proceeding.

6 So, the parties would all know, as we  
7 move forward into that proceeding, what the  
8 numbers are, and there would be less controversy  
9 moving into that proceeding.

10 MS. SCHWARZER: Mr. Chairman, the  
11 Department would anticipate challenging  
12 1.15 million of that deferred amount in a future  
13 proceeding.

14 CHAIRMAN GOLDNER: And that would be  
15 fine. That would be your privilege in the future  
16 proceeding.

17 MS. SCHWARZER: So, the deferral amount  
18 is for deferral only, and not sacrosanct, not  
19 ultimately, with regard to recovery?

20 CHAIRMAN GOLDNER: Yes. What the  
21 Commission would be interested in hearing from  
22 the Department, and from the Company, is that  
23 calculation of 3.189 million, as it relates to  
24 the Settlement, do the parties agree that, per

[WITNESS PANEL: Nawazelski|Demeris]

1 the Settlement, that is the correct calculation?

2 MS. SCHWARZER: Thank you.

3 CHAIRMAN GOLDNER: Okay. Attorney  
4 Taylor, is that clear?

5 MR. TAYLOR: It's clear to me. To the  
6 extent that, I guess, this goes in a direction, I  
7 would just reserve the right to maybe recall  
8 Mr. Nawazelski and have -- do some additional  
9 direct with him?

10 CHAIRMAN GOLDNER: That would be  
11 excellent.

12 BY MR. TAYLOR:

13 Q Mr. Nawazelski, please give your name and  
14 position with the Company?

15 A (Nawazelski) Good afternoon. My name is Daniel  
16 Nawazelski. And I am the Manager of Revenue  
17 Requirements at Unitil Service Corp.

18 Q Have you previously testified before the  
19 Commission?

20 A (Nawazelski) Yes, I have.

21 Q Please refer to Hearing Exhibit 4, the Company's  
22 rebuttal testimony and exhibits, filed on  
23 February 12th, 2024.

24 *[Purring sounds emanating from the*

[WITNESS PANEL: Nawazelski|Demeris]

1 *speakers in the hearing room.]*

2 CHAIRMAN GOLDNER: Attorney Taylor, I  
3 think we have a cat on the line. Maybe  
4 Ms. Demeris should mute the phone.

5 MR. TAYLOR: It looks like --

6 CHAIRMAN GOLDNER: We've got it, okay.  
7 All right. It sounded very cuddly, but it was  
8 hard to hear you.

9 CMSR. CHATTOPADHYAY: It would have  
10 been better if it was a dog.

11 *[Laughter.]*

12 BY MR. TAYLOR:

13 Q Mr. Nawazelski, are you a co-sponsor of the  
14 rebuttal testimony and exhibits included in  
15 Hearing Exhibit 4?

16 A (Nawazelski) Yes, I am.

17 Q Were the rebuttal testimony and accompanying  
18 exhibits prepared by you or under your direction?

19 A (Nawazelski) Yes, they were.

20 Q Do you have any changes or corrections to your  
21 testimony or exhibits that you wish to note on  
22 the record today?

23 A (Nawazelski) No, I do not.

24 Q Do you adopt your rebuttal testimony and all

[WITNESS PANEL: Nawazelski|Demeris]

1 associated exhibits as your sworn testimony  
2 today?

3 A (Nawazelski) Yes, I do.

4 Q Mr. Nawazelski, has the Company calculated its  
5 revenue decoupling adjustment factors consistent  
6 with the approved Settlement in DG 21-104 and the  
7 approved Revenue Decoupling Adjustment Clause  
8 tariff?

9 A (Nawazelski) Yes, it has.

10 Q And do you find these rates to be just and  
11 reasonable?

12 A (Nawazelski) Yes, I do.

13 MR. TAYLOR: I have no further for  
14 Mr. Nawazelski.

15 CHAIRMAN GOLDNER: Okay. Thank you.

16 Before we turn to the Department, I'll  
17 just mention, Attorney Taylor, for future  
18 filings, if the Company could put the dollar  
19 impact in the Petition. The Company did a nice  
20 job of making a table with all of the rate  
21 impacts, and the Commission is in the business of  
22 regulating rates, so, that's, of course, helpful.  
23 If the dollar impact is there, I think that could  
24 help clarify things for the parties, both, in

[WITNESS PANEL: Nawazelski|Demeris]

1           this case, both the number that the Company is  
2           seeking, what I believe to be 1.2 million, and  
3           then the carryforward, which I believe to be the  
4           3.1 million.

5                       In the petition moving forward, if you  
6           file it accordingly, I think that could shorten  
7           the learning curve for the Commission and the  
8           parties. So, just for future reference, that  
9           would be very helpful.

10                      MR. TAYLOR: Sage advice. Thank you.

11                      CHAIRMAN GOLDNER: Thank you. Okay.  
12           Let's move to cross, and the Department.

13                      MS. SCHWARZER: Thank you, Mr.  
14           Chairman.

15                      These questions are for either witness.  
16           And, so, both should please feel free to respond  
17           to them.

18    **CROSS-EXAMINATION**

19   BY MS. SCHWARZER:

20   Q    I'd like to direct your attention to the  
21        Department's Exhibits 8 and 9. With regard to --  
22        focusing on specifically Exhibit 9, do the gas  
23        service revenue and/or the other operating  
24        revenue accounts in the F-1s include any of the

[WITNESS PANEL: Nawazelski|Demeris]

1 requested cumulative RDAF recovery?

2 A (Nawazelski) Yes. The RDAF revenues are included  
3 in the "Gas Service Revenue" lines within those  
4 exhibits.

5 Q Both 8 and 9?

6 A (Nawazelski) In Exhibit 8, that was the F-1 rate  
7 of return filing filed on -- or, for the  
8 twelve-month period ending September 30th, 2022.  
9 The Company's decoupling mechanism went into  
10 place on August 1st, 2022. So, there were two  
11 months of decoupling revenue within that report.

12 Q And, with regard to F-1 for the subsequent  
13 twelve-month period, Exhibit 9?

14 A (Nawazelski) Exhibit 9 would have a full twelve  
15 months of decoupling revenue.

16 Q Can you tell me how much would be included in  
17 that revenue?

18 A (Nawazelski) I can, if you can give me just one  
19 moment.

20 Q Thank you.

21 A (Nawazelski) So, Exhibit 8 has approximately  
22 167,000 of decoupling revenue included in it.  
23 Turning to Exhibit 9, that included approximately  
24 \$4.3 million of decoupling revenue.

[WITNESS PANEL: Nawazelski|Demeris]

1 Q Does that combine more than one decoupling year?

2 A (Nawazelski) No. That is just the decoupling  
3 revenue for that twelve-month period.

4 Q It was my understanding that the Decoupling 1  
5 Year measurement period ran from August 1 of  
6 2022, through July of 2023, is that correct?

7 A (Nawazelski) That is correct.

8 Q And, so, I'm not clear on why Exhibit 9 does not  
9 include decoupling revenue for more than one  
10 decoupling year?

11 A (Nawazelski) So, on a monthly basis, we are  
12 booking the monthly decoupling revenue  
13 adjustment. And, so, what the F-1 rate of return  
14 is picking up is only that last twelve-month  
15 period related to those RDA adjustments.

16 Q So, Mr. Nawazelski, if you would just clarify, in  
17 the F-1 statements, the Company is booking as  
18 revenue not just the RDAF cap, but the cumulative  
19 MVR, or, excuse me, monthly revenue variance, is  
20 that correct?

21 A (Nawazelski) That is correct.

22 Q Thank you. So, to the extent the RDAF revenue --  
23 the monthly revenue variance is included in the  
24 Company's F-1, that would mean that the ROE

[WITNESS PANEL: Nawazelski|Demeris]

1 identified in both Exhibit 8 and 9 is higher as a  
2 result?

3 A (Nawazelski) That is correct.

4 Q Thank you. I'd like to direct your attention to  
5 Exhibit 4, Northern's rebuttal testimony. And,  
6 in that testimony, in the rebuttal testimony,  
7 Northern described the method -- the approved  
8 method of calculating the RDAF, is that correct?

9 A (Nawazelski) That is correct.

10 Q I'm going to just find the right exhibit.

11 Thank you. And you quoted a Commission  
12 order with regard to your description of that  
13 method, is that correct?

14 MR. TAYLOR: Could you perhaps provide  
15 a page and line reference?

16 MS. SCHWARZER: Certainly. Bates  
17 Page 009.

18 WITNESS NAWAZELSKI: I have it as  
19 "Bates Page 008", and then going a little bit  
20 onto Page 009?

21 MS. SCHWARZER: Yes, 008, onto 009.  
22 And if you just direct your attention to 009.

23 WITNESS NAWAZELSKI: I'm there.

24 BY MS. SCHWARZER:

[WITNESS PANEL: Nawazelski|Demeris]

1 Q Okay. So, the final sentence that's quoted here,  
2 from Order 26,260, is that "If more than one  
3 interest rate is reported, the average of the  
4 reported rates shall be used." Is that correct?

5 A (Nawazelski) That is correct.

6 Q But the Settlement itself provides that "In the  
7 Company's next distribution rate case, parties to  
8 that proceeding may propose specific treatment of  
9 any carried balances remaining at that time."  
10 Would you agree?

11 A (Nawazelski) Sorry. I just want to bring up the  
12 Settlement Agreement itself.

13 Q And I believe that's attachment to this rebuttal  
14 testimony.

15 A (Nawazelski) Do you have a Bates page please?

16 Q Seventeen (17) and 18. On Page 18, Paragraph  
17 4.2.3. So, are you there?

18 A (Nawazelski) Yes. If you could just ask the  
19 question again, that would be helpful.

20 Q Certainly. In the Company's rebuttal testimony,  
21 on Bates Page 009, in describing the method of  
22 calculating the RDAF and the Revenue Decoupling  
23 Mechanism, the final sentence included in your  
24 testimony is "If more than one interest rate is

[WITNESS PANEL: Nawazelski|Demeris]

1 reported, the average of the reported rates shall  
2 be used." And that's at the top of Bates  
3 Page 009, Lines 6 and 7.

4 A (Nawazelski) I agree.

5 Q And the Settlement itself goes on to provide  
6 additional framework, and that sentence being "In  
7 the Company's next distribution rate case,  
8 parties to that proceeding may propose specific  
9 treatment of any carried balances remaining at  
10 that time."

11 A (Nawazelski) Yes. I would agree there's that  
12 extra sentence in the Settlement Agreement  
13 itself.

14 Q So, that's part of the Settlement framework?

15 A (Nawazelski) It is.

16 Q And you don't comment on it in your testimony?

17 A (Nawazelski) When you say "testimony", do you --  
18 are you referring to the rebuttal testimony?

19 Q Yes. I'm referring to the rebuttal testimony and  
20 to the initial testimony submitted in the  
21 Petition?

22 MR. TAYLOR: I object to the question.  
23 The testimony says what it says. I'm not sure  
24 what we're getting at here.

[WITNESS PANEL: Nawazelski|Demeris]

1 MS. SCHWARZER: Well, I believe it's  
2 being offered to support the appropriate  
3 calculation and framework for the RDAM -- RDAF,  
4 Revenue Decoupling Adjustment Factor. And I am  
5 pointing out that part of the framework that's  
6 relevant to that Revenue Decoupling Adjustment  
7 Factor was not part of the testimony and is part  
8 of the framework.

9 MR. TAYLOR: I object. Attorney  
10 Schwarzer is testifying.

11 CHAIRMAN GOLDNER: I'm confused on the  
12 question. So, what you were going through with  
13 the witness was first paragraph on Page 9, right,  
14 Bates Page 009?

15 MS. SCHWARZER: Correct. The quote of  
16 the order, and offered to explain how the RDAF is  
17 calculated.

18 CHAIRMAN GOLDNER: But isn't that  
19 talking about, when you quote it, "If more than  
20 one interest rate is reported, the average of the  
21 reported rates shall be used", they're talking  
22 about the Prime Rate, the average of the Prime  
23 Rates, if the Prime Rates differ, right above  
24 that is --

[WITNESS PANEL: Nawazelski|Demeris]

1 MS. SCHWARZER: Yes, Mr. Chairman.

2 CHAIRMAN GOLDNER: I'm confused -- I'm  
3 confused as to the question.

4 MS. SCHWARZER: I'm sorry. I'm trying  
5 to point out and direct the witness to both his  
6 testimony, and then to the attachment of the  
7 actual Settlement language that appears in  
8 Northern's rebuttal statement at Page 18. And  
9 there is a missing sentence that is relevant and  
10 pertinent to the RDAF calculation that has not  
11 been addressed by this witness.

12 MR. TAYLOR: Objection. She's  
13 testifying. Attorney Schwarzer is testifying.

14 MS. SCHWARZER: Mr. Chairman, you asked  
15 me to explain my question. I'm happy to ask the  
16 witness the questions again.

17 CHAIRMAN GOLDNER: Yes. Thank you.  
18 So, now I'm clear on what's going on.

19 So, the sentence that's missing in the  
20 Settlement that Mr. Nawazelski read into the  
21 record was -- can you say it again, sir, the  
22 missing sentence, what was it?

23 MR. TAYLOR: Just, if I may, I'm going  
24 to object to the characterization of that

[WITNESS PANEL: Nawazelski|Demeris]

1 sentence as the "missing sentence".

2 CHAIRMAN GOLDNER: "Missing sentence",  
3 okay.

4 MR. TAYLOR: It was -- there's a quote  
5 in Mr. Nawazelski's testimony. There's some  
6 other material in an attachment to that  
7 testimony. So, I am going to object to the  
8 characterization of it as a "missing sentence".

9 CHAIRMAN GOLDNER: That is well-taken,  
10 sir. So, let's review the sentence in question.

11 MS. SCHWARZER: Well, I guess part of  
12 my point is that the testimony was offered, as I  
13 believe the witness explained, to explain the  
14 calculation of the RDAF, the revenue decoupling,  
15 and the Revenue Decoupling Adjustment Factor.  
16 And there is a component of that description that  
17 is not included here.

18 CHAIRMAN GOLDNER: Okay. Can you  
19 explain the relevance of that missing component?

20 MS. SCHWARZER: Well, I think my own  
21 witnesses would do a better job of explaining the  
22 relevance of that component. It's the  
23 Department's position that specific treatment  
24 relative to the deferred amount includes an

[WITNESS PANEL: Nawazelski|Demeris]

1 analysis that suggests to us that the deferred  
2 amount may overcompensate Northern.

3 MR. TAYLOR: Objection. This is out of  
4 the scope that the Commission has already defined  
5 and placed on the Company.

6 CHAIRMAN GOLDNER: Yes. I agree with  
7 the Company.

8 So, where I'm puzzled, Attorney  
9 Schwarzer, just before you finish your cross, is  
10 that the Company isn't seeking recovery of  
11 1.9 million as the Department agreed to, they're  
12 actually seeking recovery of a lower number,  
13 1.2 million. And, so, I'm struggling to  
14 understand the Department's objection. The  
15 Company has already agreed to recover \$700,000  
16 less than the Department represented was  
17 acceptable.

18 MS. SCHWARZER: The Department's  
19 concern is with regard to whatever finality might  
20 be provided by the Commission to the deferred  
21 amount.

22 CHAIRMAN GOLDNER: I think you're  
23 referring to the carryforward then?

24 MS. SCHWARZER: Correct.

[WITNESS PANEL: Nawazelski|Demeris]

1 CHAIRMAN GOLDNER: Okay.

2 MS. SCHWARZER: And, so, we think it's  
3 relevant, because the carry -- we would prefer  
4 that the Commission not make a final ruling on  
5 the carryforward. We don't think that's  
6 appropriate, as we read the Settlement, and  
7 consistent with the Settlement.

8 And, in particular, the calculation  
9 describing the -- the witness testimony from  
10 Northern describing the cumulative RDAF recovery  
11 request for Decoupling Year 1, inclusive of both  
12 the capped amount and the deferred amount should  
13 include the sentence that is not in the  
14 testimony, in our opinion.

15 MR. TAYLOR: Objection. Again,  
16 Mr. Nawazelski's testimony describes the model.  
17 If the Department is moving that Mr. Nawazelski's  
18 testimony should have some additional testimony  
19 added to it that the Department wants, I  
20 certainly would object to that. I'm sure they  
21 would object if I made that request of their  
22 witness.

23 There is an attachment that's the  
24 Settlement Agreement to Mr. Nawazelski's

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1 testimony that includes the sentence at issue. I  
2 think the sentence can fairly be read to say  
3 "whatever the deferral balance is that you  
4 calculate based on this, the treatment of that is  
5 going to be addressed in the next rate case." It  
6 has nothing to do with the actual calculation of  
7 the balance itself. That's clear.

8 So, the idea that we can somehow  
9 shoehorn in something that has already been  
10 decided is out of scope, by reading through this  
11 sentence, and saying that sentence is part of the  
12 calculation, is not correct.

13 MS. SCHWARZER: Mr. Chairman,  
14 respectfully, there are two matters that the  
15 Commission framed when we resumed this afternoon.  
16 Those included both the recovery payment to be  
17 made in coupling -- excuse me -- the decoupling  
18 year capped amount to be recovered in Decoupling  
19 Year 1.

20 But, of necessity almost, the remaining  
21 deferred amount, and the extent to which the  
22 Commission was going to approve that or reserve  
23 reviewing that. So, to the extent that the  
24 Commission seems directed towards potentially

[WITNESS PANEL: Nawazelski|Demeris]

1 approving a deferred amount, it's important to  
2 the Commission to discuss those portions of the  
3 Settlement Agreement that we believe address the  
4 treatment of that deferred amount.

5 CHAIRMAN GOLDNER: So, what was helpful  
6 for me, when I was going through the many filings  
7 in this docket, was Exhibit 2, it's the first  
8 spreadsheet, "P1. RDAF Rate Calculation". And  
9 the calculations are laid out here in a very  
10 elegant and simplified way.

11 Does the Department object to this, the  
12 calculations on this spreadsheet?

13 MS. SCHWARZER: If I could have a  
14 moment, Your Honor?

15 CHAIRMAN GOLDNER: Please.

16 MS. SCHWARZER: Excuse me, "Mr.  
17 Chairman".

18 CHAIRMAN GOLDNER: Either way is fine.  
19 *[Atty. Schwarzer, Atty. Dexter, and*  
20 *Dir. Arif conferring.]*

21 MR. TAYLOR: And, if I may, while  
22 they're doing that, could you please repeat the  
23 reference to the exhibit?

24 CHAIRMAN GOLDNER: Sure. It's

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1 Exhibit 2 (Part 1 of 3). And it's the very first  
2 tab.

3 Which, by the way, I appreciate the  
4 work that the technical team has done at Unitil  
5 and Northern, because, even when you save your  
6 spreadsheets, you're saving it on the Summary  
7 Sheets. And there's, obviously, a lot of  
8 attention to detail going on here. And it's much  
9 appreciated. It makes things a lot easier when  
10 this much care is being taken.

11 So, the Commission appreciates the work  
12 that the Company is doing, even on the small  
13 details. So, thank you for that.

14 MR. TAYLOR: Thank you.

15 MS. SCHWARZER: Mr. Chairman, thank  
16 you. I think you could lend some clarity here.

17 CHAIRMAN GOLDNER: Uh-huh.

18 MS. SCHWARZER: To the extent that  
19 there's a Decoupling Year 1 requested recovery  
20 that is, in fact, smaller than what we had  
21 initially understood the Company to be seeking,  
22 we do not object to that smaller recovery.

23 It's when the Commission expects to  
24 comment on the carryforward. If the Commission

[WITNESS PANEL: Nawazelski|Demeris]

1 is simply calculating math, and is not -- and is  
2 not going to make a finding as to the  
3 appropriateness of the carryforward, we have a  
4 position, in our opinion, consistent with the  
5 analysis and framework in the Settlement  
6 Agreement. Northern is seeking \$1.15 million  
7 related to new customers. That is too much. Our  
8 calculation shows some money should be related to  
9 new customers. We have made allowances for that.

10 But, if the Commission is merely going  
11 to -- I don't mean "merely". If the Commission  
12 is going to, today, issue an order specifically  
13 approving the capped amount of recovery in  
14 Decoupling Year 1, that is a smaller focus. But,  
15 if it's only approving the Decoupling Year 1  
16 recovery, then I think I have a different sense  
17 of where we're going.

18 CHAIRMAN GOLDNER: Okay. So, let me  
19 see if I can clarify.

20 So, Question 1 for the Department,  
21 which you can take care of in your own testimony,  
22 you don't have to take care of it in cross, is  
23 "Does the Department agree that 1.218 million is  
24 the appropriate recovery in Year 1?" That's

[WITNESS PANEL: Nawazelski|Demeris]

1 Question 1.

2 And Question 2 is "Does the Department  
3 agree with the Company's calculation?" And, on  
4 this spreadsheet, it is on Line 2, that  
5 calculates the monthly revenue variance for each  
6 of the time periods, so there's two Line 2s on  
7 the spreadsheet, it sums to 4.3 million, and if  
8 you believe that 1.15 million needs to be removed  
9 from that line, then the Commission would like to  
10 know how you calculated that, and why you don't  
11 agree with the Company's filing, which appears to  
12 be in compliance with the Settlement?

13 But that's why we're here today. If  
14 it's not in compliance with the Settlement, then  
15 we need to know that.

16 MS. SCHWARZER: Thank you, Mr.  
17 Chairman.

18 And, yes, with that clarification, we  
19 do believe that 1.15 million may overcompensate  
20 the Company. It indicates, at present, that it  
21 is overcompensated. And we look forward to  
22 offering testimony consistent with that.

23 BY MS. SCHWARZER:

24 Q And, so, to go back to my question to this

[WITNESS PANEL: Nawazelski|Demeris]

1 witness, this sentence that's --

2 MR. TAYLOR: Can I, before we go on?

3 CHAIRMAN GOLDNER: Please.

4 MR. TAYLOR: I am quite certain that  
5 the Department has now interpreted what you just  
6 said as a go-ahead to litigate everything that's  
7 in its -- everything that's in its technical  
8 statement, which I had understood that we had  
9 agreed we would not be doing.

10 So, I think what I understood you to  
11 say is, to the extent that they think that, under  
12 the calculation that is set forth on this, that  
13 it has somehow been improperly calculated, that  
14 we have made an error, then they should bring  
15 that to your attention.

16 CHAIRMAN GOLDNER: That's correct.

17 MR. TAYLOR: Not whether we have been  
18 "overcompensated", which I don't agree to that  
19 term, as a result of application of this  
20 calculation.

21 CHAIRMAN GOLDNER: That's correct. I'm  
22 just trying to verify that the Settlement  
23 calculation is reflected on Line 2 of the  
24 Company's filing in this -- in this exhibit.

[WITNESS PANEL: Nawazelski|Demeris]

1 MS. SCHWARZER: And, Mr. Chairman, I  
2 believe that is the rub. Because, in our  
3 opinion, it's that sentence that I quoted, "In  
4 the Company's next distribution rate case,  
5 parties to the proceeding may propose specific  
6 treatment of any carried balances remaining at  
7 that time." That is the sentence that is not In  
8 the witness's testimony, the Company's testimony,  
9 that we believe requires us to assess whether or  
10 not the deferred amount inappropriately,  
11 inconsistent with the purposes of the decoupling  
12 settlement, overcompensates the Company.

13 And, so, I can't, I mean, if you cut  
14 out part of that Settlement framework, it becomes  
15 perhaps a mathematical calculation. But the  
16 Settlement framework is not purely formulaic.  
17 There's a framework that allows the parties to  
18 propose specific treatment in the next  
19 distribution rate case. And, in our opinion,  
20 that is why the deferred amount here seems to be  
21 too high.

22 We had not contemplated the Commission  
23 ruling on the deferred amount, a definitive  
24 ruling. We are -- we expected to come here today

[WITNESS PANEL: Nawazelski|Demeris]

1 to agree to the proposed recovery for Decoupling  
2 Year 1, consistent with the 4.25 percent cap, and  
3 then leave for another day any other final -- a  
4 final resolution of the deferred amount, although  
5 we would wish to educate the Commission about our  
6 concerns.

7 CHAIRMAN GOLDNER: Yes. Let me see if  
8 I can answer that.

9 So, I read the Company's filing as  
10 having a carryforward of 3.1 million, that's 4.3,  
11 less 1.2, and that the Company represents that  
12 it's calculated it these numbers correctly per  
13 the Settlement.

14 If the Department doesn't agree with  
15 the calculation, then please proceed with the  
16 Company's witnesses to expose why you think the  
17 Company has not calculated it correctly,  
18 mechanically, and, then, obviously, present your  
19 own witnesses to augment your line of  
20 questioning.

21 But, from my perspective, it's very  
22 simple. All we're doing is we're checking to  
23 make sure that, having agreed to the \$1.2 million  
24 recovery in Year 1, the only other question today

[WITNESS PANEL: Nawazelski|Demeris]

1 is, is the monthly revenue variances, are those  
2 calculated correctly per the Settlement?

3 MS. SCHWARZER: Well, I --

4 CHAIRMAN GOLDNER: That's the only  
5 other question.

6 MS. SCHWARZER: Yes. But, per the  
7 Settlement, it's our opinion that the monthly  
8 revenue variances, as cumulatively presented, are  
9 \$1.15 million too high. We have not gone  
10 backwards on a monthly basis to chart what those  
11 monthly numbers would be. But our witnesses will  
12 explain why there's a concern that this deferred  
13 amount -- the proposed deferred amount would  
14 overcompensate the Company.

15 And we believe that analysis is  
16 consistent with what will ultimately be a  
17 resolution in the Company's next distribution  
18 rate case with regard to the specific treatment  
19 of carried balances.

20 CHAIRMAN GOLDNER: Okay. Just a  
21 moment.

22 *[Chairman Goldner and Cmsr.  
23 Chattopadhyay conferring.]*

24 CHAIRMAN GOLDNER: So, from the

[WITNESS PANEL: Nawazelski|Demeris]

1 Commission's perspective, the "overcompensation"  
2 argument is in writing, we have it in the  
3 testimony. We understand what was written. We  
4 are prepared to rule on it. So, there's really  
5 nothing else that we need on that.

6 Again, we're just trying to validate  
7 that the carryforward is the -- is 3.1 million or  
8 not.

9 MS. SCHWARZER: I'm sorry, Mr.  
10 Chairman. You're prepared to rule on the  
11 "overcompensation" argument, without testimony  
12 from the Department?

13 CHAIRMAN GOLDNER: We have the -- we  
14 have the papers. We can rule on the papers.  
15 But, if you wish to augment your argument,  
16 you're, of course, welcome to do so.

17 MS. SCHWARZER: Okay. Thank you.

18 CHAIRMAN GOLDNER: And I just want to  
19 be clear as to what we're here today to  
20 determine. You've already agreed to the  
21 1.2 million for Year 1. So, I think, unless  
22 you'd like to add something, I think that's  
23 clear.

24 The only other thing an issue today is,

[WITNESS PANEL: Nawazelski|Demeris]

1 is the carryforward 3.1 million, or is it a  
2 different number? And, if you're representing  
3 that the number, for example, should be 2  
4 million, because you're subtracting off the  
5 million one, then please walk the Commission  
6 through the math of how got there. That's all.

7 MS. SCHWARZER: Okay. Thank you very  
8 much.

9 CHAIRMAN GOLDNER: Thank you.

10 MR. TAYLOR: So, Commissioner, if I  
11 may? I may have to bring Mr. Nawazelski back.

12 CHAIRMAN GOLDNER: That would be fine,  
13 yes. I agreed earlier that that would be fine,  
14 if that's necessary today.

15 MR. TAYLOR: Yes. But it does sound  
16 like, scopewise, we are changing direction, and  
17 I'm a little concerned about that. But we'll see  
18 where this goes.

19 CHAIRMAN GOLDNER: Fair enough. Let's  
20 see where it goes.

21 BY MS. SCHWARZER:

22 Q Mr. Nawazelski, you agree that 1.2 million figure  
23 cited by your other witness is the appropriate  
24 recovery amount for Decoupling Year 1?

[WITNESS PANEL: Nawazelski|Demeris]

1 A (Nawazelski) Yes.

2 Q And, I'm sorry. Thank you. That's 1. --

3 \$1,218,252?

4 A (Nawazelski) Ms. Demeris, do you want to respond  
5 to this question?

6 A (Demeris) Yes. That is correct.

7 Q Thank you. And you agree as well?

8 A (Nawazelski) Yes, I do.

9 Q Okay. Thank you. And Northern did not ask --  
10 file any data requests with regard to the  
11 supplemental technical statement, is that  
12 correct?

13 MR. TAYLOR: Objection. That's not a  
14 fact question for the witness.

15 MS. SCHWARZER: Well, does he know?

16 MR. TAYLOR: It's not relevant to --  
17 it's not a relevant piece of evidence in this  
18 case.

19 CHAIRMAN GOLDNER: Can you repeat the  
20 question, Attorney Schwarzer?

21 MS. SCHWARZER: Did Northern file any  
22 data requests regarding the Department's  
23 supplemental technical statement?

24 CHAIRMAN GOLDNER: That's a fact

[WITNESS PANEL: Nawazelski|Demeris]

1 question, correct, Attorney Taylor?

2 MR. TAYLOR: It's -- it has nothing to  
3 do -- there's no relevance to what's before the  
4 Commission today, whether the Company issued  
5 discovery or not. That is something that the  
6 Company can or cannot do at its discretion.

7 I am happy to represent to you that we  
8 did not issue discovery.

9 It's not relevant to the issue before  
10 the Commission today. So, on that ground alone,  
11 I object to it.

12 CHAIRMAN GOLDNER: Okay. Attorney  
13 Schwarzer, would you like to address relevance?

14 MS. SCHWARZER: Well, I believe  
15 Attorney Taylor has represented that, after our  
16 clients -- excuse me -- after my witnesses  
17 testify, he would like to potentially recall this  
18 witness to further develop whatever line of  
19 argument we present.

20 And, so, I guess I would just like to  
21 say if there was an -- I believe it's relevant,  
22 because there was an opportunity for Northern to  
23 explore, specifically with our witnesses, that --  
24 their testimony at that time. And there was no

[WITNESS PANEL: Nawazelski|Demeris]

1 explanation -- exploration made.

2 CHAIRMAN GOLDNER: Okay. I think the  
3 Commission is clear on the status.

4 So, Attorney Taylor, I understand, and  
5 the witness doesn't need to respond to the  
6 question. Just please --

7 MS. SCHWARZER: Okay.

8 CHAIRMAN GOLDNER: -- continue with  
9 your questioning.

10 MS. SCHWARZER: Sure.

11 BY MS. SCHWARZER:

12 Q Mr. Nawazelski, do you have any comments that you  
13 would like to make with regard to whether  
14 Northern -- well, strike that.

15 MS. SCHWARZER: I have no further  
16 questions for this witness. Thank you.

17 CHAIRMAN GOLDNER: Okay. For the  
18 Company writ large, Attorney Schwarzer? Do you  
19 have any questions for the other witness?

20 MS. SCHWARZER: No. No further  
21 questions. Thank you.

22 CHAIRMAN GOLDNER: Okay. Attorney  
23 Kreis?

24 MR. KREIS: I have no questions, Mr.

[WITNESS PANEL: Nawazelski|Demeris]

1 Chairman.

2 CHAIRMAN GOLDNER: Thank you. So,  
3 we'll move now to Commissioner questions,  
4 beginning with Commissioner Chattopadhyay.

5 CMSR. CHATTOPADHYAY: In the DOE's  
6 technical statement, can somebody remind me what  
7 exhibit that would be?

8 MS. SCHWARZER: Exhibit 6 is the  
9 supplemental.

10 CMSR. CHATTOPADHYAY: Okay.

11 BY CMSR. CHATTOPADHYAY:

12 Q Exhibit 6. There is the mention of, it's Bates  
13 Page 001, and the penultimate paragraph, it says  
14 "The Department supports Northern's capped RDAF  
15 ask of \$1,891,519." But the rates, as has  
16 already been confirmed, they are recovering  
17 \$1,218,252.

18 Can you try and explain what's going on  
19 there? Why is there a difference?

20 And, if you can't, because it's the  
21 DOE's technical statement, you can say so. I  
22 would ask DOE later.

23 And it could be anybody from the  
24 Company.

[WITNESS PANEL: Nawazelski|Demeris]

1 A (Nawazelski) Give me one moment please. Or, Ms.  
2 Demeris, if you have the answer, go ahead.

3 I currently do not have that answer.

4 Q So, to clarify, I'm really a little confused,  
5 because that sentence says "Northern's capped  
6 RDAF ask of \$1.9 million."

7 So, did Northern, you know, capped RDAF  
8 ask was that? Or, is it actually \$1.2 million?

9 A (Nawazelski) I would agree with the latter amount  
10 that you referenced. The \$1.2 million is the  
11 Company's capped ask.

12 CMSR. CHATTOPADHYAY: Okay. I think  
13 that's all I have.

14 **BY THE WITNESS:**

15 A (Demeris) Can I just -- the 1.89 million is the  
16 actual cap.

17 CMSR. CHATTOPADHYAY: Okay. I think I  
18 understand it. Thank you.

19 CHAIRMAN GOLDNER: Okay. Thank you.  
20 So, I just want to make sure I understand the way  
21 the mechanism works, and either witness, please  
22 feel free to answer.

23 BY CHAIRMAN GOLDNER:

24 Q So, the Company seeks a recovery of the

[WITNESS PANEL: Nawazelski|Demeris]

1 1.2 million, of that, 965K was already approved  
2 by the Commission *nisi* order. So, this is just  
3 an incremental 253,000. And you're obviously  
4 looking to make that a rate, a permanent rate  
5 change, you know, in concert with the *nisi* order.

6 So, Part 1 is that you're seeking  
7 recovery of the 1.2 million. There will be a  
8 carryforward to next year, that's what we're  
9 debating right now.

10 And, then, if the Company were to file  
11 a rate case with a 2023 test year, how would that  
12 carryforward work?

13 I'm just trying to understand the  
14 mechanics of the Settlement, and the big picture  
15 here. What's happening with respect to the  
16 decoupling recovery, relative to an updated or a  
17 new rate case filing?

18 A (Nawazelski) So, the Settlement Agreement  
19 specifically states that "In the Company's next  
20 distribution rate case, parties to that  
21 proceeding may propose specific treatment of any  
22 carried balances remaining at that time."

23 The Company has not compiled a rate  
24 case at this time. So, it has not thought about

[WITNESS PANEL: Nawazelski|Demeris]

1 that strategically.

2 I think, logically, you would, with the  
3 outstanding balance at Prime Rate, we would try  
4 to propose a recovery of that balance over a  
5 timely period, whether that's through the RDAF  
6 itself, through a waiver, or through some other  
7 rate component, or through distribution rates.  
8 That's yet to be determined.

9 Q So, if, in this hypothetical, that 3.1 million is  
10 the carryforward, the Company's view, it's a  
11 question, but is the Company's view that that  
12 3.1 million would need to be recovered at some  
13 point in the future?

14 And what I mean by that is that, if the  
15 cap is 1.9 million, you know, the status quo, it  
16 would take multiple years to recover the full  
17 3.1. But the Company's view -- is the Company's  
18 view that that 3.1 million is recoverable, even  
19 if it takes a few years with the cap?

20 A (Nawazelski) That is correct.

21 CHAIRMAN GOLDNER: Okay. Thank you. I  
22 just wanted to make sure I understood the  
23 Company's perspective.

24 Commissioner Chattopadhyay, did you

[WITNESS PANEL: Nawazelski|Demeris]

1 have a follow-up?

2 CMSR. CHATTOPADHYAY: Yes. I just,  
3 not -- sorry, not necessarily about that. So, if  
4 you have further questions, you can continue, and  
5 I'll come back to something.

6 CHAIRMAN GOLDNER: Go ahead. Proceed,  
7 yes.

8 CMSR. CHATTOPADHYAY: Okay.

9 BY CMSR. CHATTOPADHYAY:

10 Q So, just to make sure I'm following this. There  
11 was no RDAF rate before this, correct?

12 A (Nawazelski) That is correct. This is the  
13 Company's inaugural RDAF.

14 Q So, for the winter period, the rates are going to  
15 be, which is what is already in place, interim,  
16 right?

17 A (Nawazelski) That is correct.

18 Q So, it is correct then, if you go to -- I think  
19 this should be Bates -- it should be Exhibit 2,  
20 and I'm looking at the Excel file, it's the first  
21 worksheet. I don't remember what Bates page that  
22 would be. But if you're there?

23 A (Nawazelski) I think I'm there.

24 Q Okay.

{DG 23-086} {02-29-24}

[WITNESS PANEL: Nawazelski|Demeris]

1 A (Nawazelski) Are you talking about Page 1, I'm  
2 assuming, the rate calculation?

3 Q Correct. "Page 1 of 14", I think?

4 A (Nawazelski) Yes.

5 Q Yes. So, the rates that show up in Excel Row 33,  
6 those are the rates that are in place right now?

7 A (Nawazelski) That is correct.

8 Q And all that's going to happen is, starting May,  
9 if this is what ends up happening, then those  
10 rates will be replaced with the rates that are  
11 showing up in Row 62, correct?

12 A (Nawazelski) That is correct.

13 Q So, it's really not "incremental" in that sense,  
14 it's just -- it's going to be those, the rates  
15 that are currently in place will be replaced by  
16 the rates that are in Line 62?

17 A (Nawazelski) That is correct.

18 CMSR. CHATTOPADHYAY: Thank you. I  
19 just wanted to get a clarification.

20 CHAIRMAN GOLDNER: Okay. Thank you. I  
21 think most of the questions are for the DOE at  
22 this point.

23 But we'll -- obviously, we'll go to  
24 redirect. And, then, Attorney Taylor if you

[WITNESS PANEL: Nawazelski|Demeris]

1 would like to bring the witness back after the  
2 DOE testimony, that would be -- that would be  
3 fine.

4 MR. TAYLOR: Okay. Yes. And just to  
5 be clear -- yes, just to be clear, the reason I  
6 would bring him back is not to do discovery or,  
7 you know, to -- as a rebuttal witness  
8 necessarily. But, because we had understood the  
9 scope to be limited, to the extent the scope  
10 changes, that's why we would bring him back.  
11 That's all.

12 I may have a question for him. If I  
13 could just confer with the folks behind me?

14 CHAIRMAN GOLDNER: Sure.

15 *[Atty. Taylor conferring with*  
16 *Mr. Goulding and Mr. Francoeur.]*

17 MR. TAYLOR: I had just a very brief  
18 redirect for Mr. Nawazelski.

19 **REDIRECT EXAMINATION**

20 BY MR. TAYLOR:

21 Q Mr. Nawazelski, are you familiar with the  
22 Company's Revenue Decoupling Adjustment Factor  
23 Tariff?

24 A (Nawazelski) Yes, I am.

[WITNESS PANEL: Nawazelski|Demeris]

1 Q Would you be able to pull that tariff up in front  
2 of you?

3 MR. TAYLOR: I apologize. We have not  
4 entered the tariff as an exhibit in this case.  
5 We typically don't do that, because it's the  
6 rules that govern.

7 But there is something that's relevant  
8 in the tariff that we'd like to get onto the  
9 record. So, with your permission, I'd like to  
10 ask Mr. Nawazelski about that?

11 CHAIRMAN GOLDNER: Please proceed.

12 WITNESS NAWAZELSKI: And, yes, I have  
13 that in front of me.

14 BY MR. TAYLOR:

15 Q Okay. If you could go to Section 8.0 of the  
16 tariff?

17 A (Nawazelski) I am there.

18 Q And this is "Revenue Decoupling Adjustment Cap"?  
19 Am I correct?

20 A (Nawazelski) Sorry. Yes.

21 Q And about halfway, maybe two-thirds of the way  
22 into that paragraph, it says "To the extent that  
23 the application of the RDA cap results in an RDA  
24 for a rate class group that is less than that

[WITNESS PANEL: Nawazelski|Demeris]

1 calculated in accordance with Section" --

2 MS. SCHWARZER: I apologize. I may be  
3 on the wrong page of the tariff. I'm on the  
4 electronic version of the tariff. Is there a  
5 page number or an Original Page or something,  
6 because I think I went to the wrong place?

7 WITNESS NAWAZELSKI: Are you in the  
8 Company's Revenue Decoupling Adjustment Clause  
9 Tariff specifically?

10 MS. SCHWARZER: I'm in what's posted on  
11 the website as the "Northern Utilities Tariff  
12 Number 12".

13 WITNESS NAWAZELSKI: Yes. So, you want  
14 to be looking at "First Revised Page 168",  
15 specifically "Section 8.0".

16 MS. SCHWARZER: First Revised Page 168.  
17 Okay, hold on. Thank you. First Revised  
18 Page 168, and I see "8.0".

19 Thank you very much.

20 WITNESS NAWAZELSKI: Yes.

21 BY MR. TAYLOR:

22 Q Sorry. I'll start over. It says "To the extent  
23 that the application of the RDA cap results in a  
24 RDA for a Rate Class Group that is less than that

[WITNESS PANEL: Nawazelski|Demeris]

1 calculated in accordance with Section 5.0, the  
2 difference shall be deferred and included in the  
3 RDAC calculation [reconciliation?] for recovery  
4 in the subsequent Adjustment Period."

5 Did I read that correctly?

6 A (Nawazelski) That is correct.

7 Q Okay. And can you explain to me what that means?

8 A (Nawazelski) Yes. So, that's saying that any  
9 deferred amount would be included in future RDAF  
10 reconciliation filings for subsequent recovery.

11 MR. TAYLOR: That's my only question.  
12 Thank you.

13 CHAIRMAN GOLDNER: Thank you.

14 Let's take a brief break for the court  
15 reporter. And let's return at 3:15, with DOE  
16 witnesses. Thank you.

17 The witnesses are excused from the  
18 Company. Thank you. Off the record.

19 *(Recess taken at 3:03 p.m., and the*  
20 *hearing reconvened at 3:19 p.m.)*

21 CHAIRMAN GOLDNER: Okay. We'll go back  
22 on the record. And, Mr. Patnaude, if you'd  
23 please swear in the witnesses.

24 *(Whereupon **FAISAL DEEN ARIF** and*

[WITNESS PANEL: Arif|Alam]

1                   **ASHRAFUL ALAM** were duly sworn by the  
2                   Court Reporter.)

3                   CHAIRMAN GOLDNER: Thank you. And,  
4                   Attorney Schwarzer, before you begin, I just,  
5                   from a Commission perspective, I'd like to  
6                   highlight that we have the record. We have lots  
7                   of exhibits. We've read through the record, we  
8                   understand the record.

9                   If you have anything to add to the  
10                  record with the testimony of the witnesses, we'd  
11                  be happy to hear it. But there's no need to  
12                  repeat anything in the record.

13                  So, with that preface, please proceed  
14                  with direct.

15                  MS. SCHWARZER: Thank you, Mr.  
16                  Chairman.

17                               **FAISAL DEEN ARIF, SWORN**

18                               **ASHRAFUL ALAM, SWORN**

19                               **DIRECT EXAMINATION**

20 BY MS. SCHWARZER:

21 Q       Would you each please state your name for the  
22       record?

23 A       (Alam) My name is Ashraful Alam.

24 A       (Arif) My name is Deen Arif.

[WITNESS PANEL: Arif|Alam]

1 Q And what are your positions with the Department  
2 please?

3 A (Alam) I am a Utility Analyst at the Department  
4 of Energy.

5 A (Arif) And I'm the Gas Director for the  
6 Department.

7 Q And have you each testified before the Commission  
8 previously?

9 A (Alam) I did.

10 A (Arif) I did.

11 Q And have you either directly prepared or  
12 supervised the preparation of the exhibits that  
13 are introduced in evidence here today by the  
14 Department?

15 A (Alam) I did.

16 A (Arif) I did.

17 Q And are there any changes or corrections you  
18 would like to make? And, Dr. Arif, I'll start  
19 with you?

20 A (Arif) Yes. In light of the information that's  
21 been clarified by the Chairman, thank you,  
22 chairman, we support what the Company has  
23 characterized, in terms of the requested  
24 recovery. Which is, if the math is correct, it's

[WITNESS PANEL: Arif|Alam]

1 1,218,252.

2 Q And, with regard to Exhibit 5 and 6, to the  
3 extent that there's a reference to the proposed  
4 decoupling year recovery amount of roughly 1.9  
5 million, you would correct today that that amount  
6 should be roughly 1.2 million, is that correct?

7 A (Arif) That is correct.

8 Q And, Mr. Alam, do you agree with that correction?

9 A (Alam) I agree.

10 Q With that exception, are there any other  
11 corrections that you wish to make today?

12 A (Arif) In terms of the -- the technical statement  
13 that we put out, and in the "Recommendation", the  
14 very last section, I believe there would be  
15 commensurate changes for the second bullet in  
16 that recommendation.

17 Q And how would you change that, if we go to  
18 Exhibit 6, on Bates Page 010?

19 A (Arif) Ten. So, as we were just talking, we were  
20 just clarifying, the first bullet would then be,  
21 instead of 1.8 or 1.9 million, roughly speaking,  
22 it would be 1.218 million.

23 And, with respect to the second bullet,  
24 where it says "collect up to 3.2, roughly

[WITNESS PANEL: Arif|Alam]

1 speaking, million", that would then come down to  
2 1.95 million.

3 Q As the deferred amount?

4 A (Arif) As the deferred amount.

5 Q With those two notations, are there any other  
6 corrections you wish to make?

7 A (Arif) Not at this time.

8 Q While we're on the topic, Dr. Arif, do you know  
9 how it is that the Commission -- excuse me --  
10 that the Department initially thought the  
11 proposed recovery was 1.8, instead of 1.2?

12 A (Arif) Yes. We were looking at, if I refer to  
13 Exhibit 2 by the Company, on -- and I'm looking  
14 at the Excel version of it, with the first --  
15 very first tab, which reads as "P1. RDAF Rate  
16 Calculation", we were looking at, and I'm --  
17 again, there are two sections, Peak and Off-Peak.  
18 On the Peak side, we were looking at Line 6.  
19 And, again, also, for the Off-Peak, we were again  
20 looking at Line 6. Whereas the Company has  
21 rightly identified, and -- rather, my apologies,  
22 the Commission has identified, it is 8, Line 8, I  
23 believe, for both Peak and Off-Peak. That's the  
24 difference.

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[WITNESS PANEL: Arif|Alam]

1 Q Thank you. Do both of you --

2 CMSR. CHATTOPADHYAY: Can you -- sorry.

3 Can you repeat the reference again, Bates Page

4 or --

5 WITNESS ARIF: It's Exhibit 2.

6 CMSR. CHATTOPADHYAY: Okay.

7 WITNESS ARIF: And I'm looking at the  
8 Excel version that was submitted by the Company.

9 CMSR. CHATTOPADHYAY: Yes.

10 WITNESS ARIF: And it's --

11 CMSR. CHATTOPADHYAY: And which tab is  
12 it?

13 WITNESS ARIF: "P1. RDAF Rate  
14 Calculation".

15 CHAIRMAN GOLDNER: First tab.

16 CMSR. CHATTOPADHYAY: Okay. Thank you.

17 BY MS. SCHWARZER:

18 Q And you said "Line" -- you looked at Line 6, and  
19 you now believe "Line 8" is the correct line, is  
20 that correct?

21 A (Arif) That is correct.

22 Q Thank you. And do you both of you adopt your  
23 prefiled testimony, Exhibits 5 and 6, as well as  
24 responses to Northern's initial data requests, 7,

[WITNESS PANEL: Arif|Alam]

1 as if it were your sworn testimony here today?

2 A (Alam) I do.

3 A (Arif) I do.

4 Q Thank you. Dr. Arif, I would like to ask you  
5 questions now about our analysis, moving fairly  
6 quickly, to accommodate the Commission.

7 Is this the first time Northern has  
8 sought to recover any portion of its  
9 Revenue Decoupling Adjustment Factor?

10 *[Court reporter interruption, asking to*  
11 *slow down a little bit.]*

12 **BY THE WITNESS:**

13 A (Arif) Yes.

14 BY MS. SCHWARZER:

15 Q And this is the first time DOE has done an  
16 analysis for the Revenue Decoupling Mechanism and  
17 Revenue Decoupling Adjustment Factor as applied?

18 A (Arif) Yes.

19 Q Given the Settlement Agreement framework, does  
20 the Department anticipate providing a preliminary  
21 opinion on Northern's proposed cumulative and  
22 deferred RDAF recovery for each decoupling year,  
23 up to and including Northern's next rate case?

24 A (Arif) Yes.

[WITNESS PANEL: Arif|Alam]

1 MR. TAYLOR: Objection. It's an  
2 objection. That's outside the scope of the  
3 docket that's been defined by the Commission.

4 CHAIRMAN GOLDNER: Would you like to --  
5 would you like to rephrase the question, Attorney  
6 Schwarzer?

7 MS. SCHWARZER: Sure. Thank you, Mr.  
8 Chairman.

9 BY MS. SCHWARZER:

10 Q Dr. Arif, has the Department provided a  
11 preliminary opinion on Northern's proposed  
12 cumulative and deferred RDAF recovery in this  
13 docket?

14 A (Arif) Yes.

15 Q Can you please tell me what creates variations in  
16 the RDAF?

17 A (Arif) As the Department has indicated in its  
18 technical statement -- supplemental technical  
19 statement, in it's -- and as well as in its  
20 initial statement, both of them, marked as  
21 "Exhibit 5" and "6", in Department's view, three  
22 variables contribute to the RDAF request.  
23 Variations in commodity price or price per therm  
24 of gas, in this context; variation in the usage

[WITNESS PANEL: Arif|Alam]

1 per customer, between the test year 2020 and the  
2 subject Decoupling Year 1; and variations in the  
3 customer count, as is measured through equivalent  
4 bill calculation, a term that is mentioned in the  
5 tariff, but is not defined explicitly.

6 Q And did DOE do an analysis of the --

7 CHAIRMAN GOLDNER: I'm sorry, Attorney  
8 Schwarzer, just to correct myself.

9 What we're interested in understanding  
10 is, where the Department disagrees with the  
11 Company's calculation per the Settlement? And  
12 you might be going there. But I just want to  
13 make sure we're targeting the same question.

14 MS. SCHWARZER: Yes. That is the  
15 question, and my goal is to give you an answer to  
16 that. But there is a framework to that question.

17 CHAIRMAN GOLDNER: Okay.

18 MS. SCHWARZER: Thank you.

19 CHAIRMAN GOLDNER: Please proceed.

20 MS. SCHWARZER: Thank you.

21 BY MS. SCHWARZER:

22 Q And, Dr. Arif, did the Department do an analysis  
23 of these variables?

24 A (Arif) Yes, we did.

[WITNESS PANEL: Arif|Alam]

1 Q And could you please describe your analytical  
2 objective?

3 A (Arif) There have been a few. DOE performed its  
4 analysis. First, we evaluate the basic reason  
5 for establishing the decoupling framework. That  
6 is, whether and to what extent the Revenue  
7 Decoupling Mechanism, RDM, has corrected the  
8 misalignment between the Company's cost recovery  
9 and its proposed RDAF rates.

10 And, secondly, to evaluate what factors  
11 are responsible for Northern's decoupling request  
12 of 4. -- approximately 4.3 million, in a  
13 statistical sense. Whether it is the customer  
14 growth, or the price per therm, or a significant  
15 fall in the usage per customer, or a combination  
16 thereof. Based on Northern's data and  
17 explanation from technical session held on  
18 November 30th, 2023, DOE developed statistical  
19 models in which it sheds light on these factors,  
20 and have provided all of those to the Commission  
21 and the Company.

22 Q And could you --

23 MR. TAYLOR: So, before we go any  
24 further, I object to the line of questioning, I

[WITNESS PANEL: Arif|Alam]

1 object to the testimony. The Commission has been  
2 clear. The question before the Commission today,  
3 and that the Department is supposed to be  
4 testifying to, is whether we did the calculation  
5 correctly, as it is in the Settlement.

6 The Department has said "Yes, we  
7 understand." But, then, we keep going down this  
8 road of "Here is why the whole framework  
9 shouldn't be the way that it is, and here's the  
10 statistical analysis that we did that undermines  
11 the whole thing and calls it all into question."

12 That is not what the Department  
13 wanted -- or, the Commission wanted. The  
14 Department has been told not to do this. And,  
15 so, I am going to object. And this is also on  
16 the record, as you indicated.

17 MS. SCHWARZER: With all due respect, I  
18 don't believe we've been told not to do this.  
19 The only way for us to provide insight into how  
20 we believe the Settlement Agreement provides for  
21 calculating an appropriate deferred amount is to  
22 provide the testimony that we're providing here  
23 today.

24 And I don't think it's appropriate to

[WITNESS PANEL: Arif|Alam]

1 foreclose the opportunity for the Department to  
2 speak to how it applies the Settlement Agreement.  
3 It's not a purely formulaic calculation. The  
4 Settlement Agreement itself adopts a revenue per  
5 coupling [customer?] model, that's essentially  
6 then augmented with additional provisions. And  
7 one of those provisions has to do with the  
8 paragraph -- the sentence that we keep repeating,  
9 which provides for "specific treatment of any  
10 carried balances in the next distribution rate  
11 case."

12 And there's an analysis that we have  
13 done that shows that there is a potential  
14 overcompensation of Northern with regard to the  
15 cumulative proposed recovery.

16 MR. TAYLOR: Well, that's an analysis  
17 that they should have done in the last rate case,  
18 and, then, in the next rate case, if they want to  
19 present all this, they can do that.

20 MS. SCHWARZER: This is the first --

21 MR. TAYLOR: It's not appropriate for  
22 here today.

23 MS. SCHWARZER: This is the --

24 MR. TAYLOR: But you've already heard

[WITNESS PANEL: Arif|Alam]

1 me on this. And I don't want to keep objecting,  
2 I realize it's very annoying. So, I don't want  
3 to have to keep objecting. But I really, really,  
4 very strongly oppose the way that this is going.

5 CHAIRMAN GOLDNER: So, Attorney  
6 Schwarzer, my point of view is that the Company  
7 has done the analysis. And I'm going to pull up  
8 the famous Exhibit 2. And I've heard the  
9 Department say that "it's not correct to say that  
10 the carryforward should be 3.189 million, rather  
11 that number should be 1.95 million."

12 MS. SCHWARZER: That is correct.

13 CHAIRMAN GOLDNER: So that we can cut  
14 to the chase, if you can just tell me how you  
15 calculated 1.95 million, that would be helpful.

16 And, then, again, we have the papers.  
17 So, I don't know that the Commission needs much  
18 more. I'm comfortable that I understand the  
19 filing, as does Commissioner Chattopadhyay.

20 But, if you would like to take an  
21 opportunity to explain your \$1.95 million number,  
22 and how you arrived there, we would be happy to  
23 hear that.

24 MS. SCHWARZER: Okay. Thank you, Mr.

[WITNESS PANEL: Arif|Alam]

1 Chairman.

2 BY MS. SCHWARZER:

3 Q Dr. Arif, you have heard the Chairman's question.  
4 Could you please explain, with reference to  
5 Exhibit 6, in a step-by-step manner, how it is  
6 that the Department arrived at its conclusions,  
7 preliminary conclusions?

8 MR. TAYLOR: So, again, I'll just  
9 object one more time. I believe that you were  
10 asking for him to refer to "Exhibit 2", not  
11 "Exhibit 6".

12 MS. SCHWARZER: Well, --

13 CHAIRMAN GOLDNER: That is --

14 MS. SCHWARZER: -- I don't feel, I  
15 mean, I believe the Department is entitled to an  
16 opportunity to explain why it is that we believe  
17 that the deferred amount is incorrect. And I  
18 appreciate that opportunity. I believe it would  
19 take five or ten minutes at most.

20 I don't think it's appropriate to  
21 confine us to a purely mathematical  
22 determination, because the Settlement Agreement  
23 itself is not purely math. It's not just  
24 formulaic. There are additional terms that were

[WITNESS PANEL: Arif|Alam]

1 written into that Settlement Agreement, and we  
2 stand on them.

3 CHAIRMAN GOLDNER: So, just to  
4 simplify. The question of the carryforward, is  
5 it only allowed until the next rate case? Or, is  
6 it allowed to, you know, to be calculated now,  
7 and moved into Year 2? That part's clear to the  
8 Commission. We'll issue an order and share with  
9 everyone our interpretation. But that part's  
10 clear. So, there's no need to argue that any  
11 further. We're covered on that one today.

12 I'm only asking about the calculation  
13 of the 3.1 million that the Company represents.  
14 And, if you disagree with the calculation, then I  
15 need to know -- we need to know where the Company  
16 calculated it incorrectly?

17 MS. SCHWARZER: Are you asking if we  
18 disagree that the deferred amount should be 3.1  
19 or 1.95, just to ask us to illustrate why it  
20 should be 1.95? Or, are you asking, you know,  
21 purely on a calculator, if we type in 4.3, minus  
22 1.2, do we all agree that that calculator would  
23 show 3.1?

24 CHAIRMAN GOLDNER: Let's start with the

[WITNESS PANEL: Arif|Alam]

1 second question first.

2 MS. SCHWARZER: Okay.

3 BY MS. SCHWARZER:

4 Q Dr. Arif, do you agree that, in terms of the  
5 mathematical calculations Northern has performed,  
6 to show a 4.3 million cumulative RDAF  
7 requested -- ultimate requested recovery, and a  
8 1.2 figure to be collected in between November 1,  
9 2023, and October 31st, 2024, what would the  
10 strictly mathematical deferred amount then be?

11 A (Arif) It would be, if I understand it, sometimes  
12 I have a challenge with math, but, if I  
13 understand it correct, 4.3, minus 1.2, would lead  
14 to 3.1.

15 CHAIRMAN GOLDNER: So, Attorney  
16 Schwarzer, if I could just shorten the loop here.  
17 So, the question on the carryforward isn't the  
18 timing of the carryforward, to the Company's  
19 point. And I asked the question of the witness,  
20 is the Company entitled to 3.1 million  
21 eventually, forget about carryforwards and when  
22 it's recovered and so forth, is it entitled to  
23 that recovery of 3.1 million or not?

24 Because my reading, as I sit here, is

[WITNESS PANEL: Arif|Alam]

1           that the Settlement says that the Company's  
2           entitled to \$4.3 million of recovery, and there's  
3           some caps that help define over the time period  
4           over which that that amount is recovered.

5                        So, if you can help me with that,  
6           that's my understanding.

7                        MS. SCHWARZER: Okay. As a legal  
8           matter, I will say -- our legal opinion about the  
9           meaning of the Settlement is inconsistent with  
10          what the Commission has just stated. We believe  
11          that the sentence that refers to specific  
12          treatment to be recommended at the end, would be  
13          appropriate to alter the ultimate recovery of the  
14          deferred amounts, consistent with the framework  
15          set out in the Settlement, with regard to the  
16          purposes of the RDAF agreement. And that does  
17          not exclude recovery for new customers. I think  
18          Northern is mistaken in that respect. And I'm  
19          happy to ask my witness to explain more.

20                       We have not excluded all recovery for  
21          new customers at all. And we are not trying to  
22          adopt a total recovery RDAF model. We are  
23          standing on the language in the Settlement,  
24          and how we understand the revenue per

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[WITNESS PANEL: Arif|Alam]

1 coupling [customer?] model to apply in this  
2 docket.

3 CHAIRMAN GOLDNER: Okay. I'll provide  
4 some latitude to show me how you calculated the  
5 1.95. Please keep it brief, because I think we  
6 understand already.

7 MS. SCHWARZER: Thank you.

8 CHAIRMAN GOLDNER: But I'll allow some  
9 time to develop why you disagree with the 3.1.

10 But just please confine yourself to the  
11 Settlement calculations.

12 MS. SCHWARZER: Okay. Thank you very  
13 much. And this was a preliminary -- intended as  
14 a preliminary analysis.

15 BY MS. SCHWARZER:

16 Q Dr. Arif, could you please explain how it is the  
17 Department -- in the opinion of the Department  
18 that, rather than a 3.1 million deferred amount,  
19 the appropriate amount is 1.95 million?

20 A (Arif) Happy to. I'm open to more questions.  
21 But short answer would be, if you do, again, the  
22 straight math, 3.1, minus 1.15, what we have  
23 identified in the -- in bullet two, to be the  
24 amount, in Department's view, which is contrary

[WITNESS PANEL: Arif|Alam]

1 to the Settlement Agreement, and not -- which may  
2 overcompensate that amount, 1.15 million, may  
3 potentially overcompensate the Company.

4 So, we are strictly subtracting 3.1,  
5 minus 1.15, which leads us to 1.95 million.

6 Q Dr. Arif, did I understand you to say that "it is  
7 inconsistent with the Settlement Agreement"?

8 A (Arif) That is the understanding that --

9 Q That your calculation --

10 A (Arif) Within the framework of the Settlement  
11 Agreement.

12 Q "It is inconsistent" or "it is consistent", I  
13 couldn't --

14 A (Arif) Oh, my apologies. Yes, I meant to say  
15 "consistent".

16 Q Okay. So, could you just, in your opinion, 1.95  
17 deferred is consistent with the Settlement  
18 Agreement?

19 A (Arif) That is correct.

20 Q And could you please explain how you reached a  
21 figure of 1.15 million as potentially  
22 overcompensating the Company?

23 A (Arif) Happy to. This took us to -- so, that's,  
24 basically, I would provide a narrative

[WITNESS PANEL: Arif|Alam]

1 explanation of this. And happy to answer any  
2 quantitative analysis for that narrative  
3 explanation.

4 So, as Department understands it,  
5 excess capacity or planned redundancy, as  
6 exhibited by planning based on design day demand  
7 forecast, is a reality of the utility business  
8 model. That is, utilities carry planned  
9 redundancies, which also serve them well for them  
10 to meet their obligation to provide safe and  
11 reliable services. This planned redundancy is a  
12 part of utility's cost structure, which is  
13 manifested in terms of the differences between  
14 embedded costs and marginal costs. Roughly  
15 speaking, the "embedded cost" is the average  
16 cost. Whereas, the "marginal cost" is the cost  
17 of serving a marginal or last customer added to a  
18 utility's distribution system.

19 For the utility business model, since  
20 costs are generally incurred by blocks or chunks,  
21 embedded or average costs often serve as a better  
22 measure of costs than the marginal costs.

23 I would respectfully draw the  
24 Commission's attention to the discussion on this

[WITNESS PANEL: Arif|Alam]

1 topic in Amen and Taylor testimony in Northern's  
2 last rate case, in DG 21-104. Please see  
3 Exhibit 11, Page 36, Lines 11 to 21.

4 MR. TAYLOR: And, Commissioner, I  
5 will -- and I will -- I know you're giving them  
6 latitude just for the purposes of getting this on  
7 the record. I do object to all this coming into  
8 the record.

9 CHAIRMAN GOLDNER: Okay. And I don't  
10 know, we don't have the record before us, is  
11 there a filing in this docket relative to this?

12 MS. SCHWARZER: I believe the -- Mr.  
13 Chairman, I believe the supplemental testimony  
14 provides all of these statements. It's just,  
15 this is a more succinct narrative form of what is  
16 otherwise presented in statistical analysis in a  
17 somewhat more elongated fashion.

18 I believe the witness has just maybe  
19 three more minutes of --

20 WITNESS ARIF: Yes.

21 MS. SCHWARZER: -- statement to  
22 summarize what the longer statistical analysis,  
23 the implications of that analysis are, which are  
24 also included in Exhibit 5 and 6, but more

[WITNESS PANEL: Arif|Alam]

1           succinctly offered here.

2                       CHAIRMAN GOLDNER:   Okay.  I'll allow  
3           the completion of the narrative.  The Commission  
4           will give it the weight it deserves.

5                       And please proceed, Dr. Arif.

6                       WITNESS ARIF:   Thank you, Chairman  
7           Goldner.

8   **CONTINUED BY THE WITNESS:**

9   A       (Arif) The distinction between this embedded cost  
10          versus marginal cost implies that addition of one  
11          additional customer to the distribution network  
12          does not always imply the marginal cost is  
13          significantly higher.  In other words, with  
14          customer growth, addition of a marginal customer  
15          does not imply that the company has incurred the  
16          full extent of the cost to serve that additional  
17          customer.

18                      Yet, the revenue per customer, strictly  
19          in a mathematically sense, decoupling structure  
20          assumes that it does, and compensates the Company  
21          for the full extent of the recovery of that  
22          embedded cost, when the marginal cost could as  
23          well be simply zero.

24                      This way, this may create an

[WITNESS PANEL: Arif|Alam]

1           overcompensation situation, which has been the  
2           focus of Department's analysis, in light of the  
3           Settlement Agreement that Department -- and the  
4           framework of the Settlement Agreement that the  
5           Department signed on.

6 BY MS. SCHWARZER:

7 Q       And, Dr. Arif, has some of the recommended  
8       deferred amount include compensating Northern for  
9       new customers, an incremental cost of those  
10       customers?

11 A       (Arif) Short answer is "yes".

12                       MS. SCHWARZER: Thank you.

13                       CHAIRMAN GOLDNER: Thank you. Anything  
14       else, Attorney Schwarzer?

15                       MS. SCHWARZER: Thank you, Mr.  
16       Chairman. Nothing further.

17                       CHAIRMAN GOLDNER: Attorney Kreis?

18                       MR. KREIS: Nothing for me.

19                       CHAIRMAN GOLDNER: All right. Let's  
20       move to Commissioner questions -- oh. Well, I'm  
21       sorry. Let's move to Attorney Taylor.

22                       MR. TAYLOR: Good afternoon.

23                                       **CROSS-EXAMINATION**

24 BY MR. TAYLOR:

[WITNESS PANEL: Arif|Alam]

1 Q If you could refer to Exhibit 6, which is your  
2 supplemental technical statement?

3 A (Arif) I'm there.

4 Q Okay. And just the first paragraph, moving down,  
5 three lines from the bottom of the first  
6 paragraph, it says "Northern appears to have  
7 followed the calculation methodology as  
8 stipulated in the Settlement Agreement in DG  
9 21-104." Am I reading that correctly?

10 A (Arif) Yes.

11 MR. TAYLOR: I have no further  
12 questions.

13 CHAIRMAN GOLDNER: Okay. Thank you.

14 And, now, we'll move to Commissioner  
15 questions, beginning with Commissioner  
16 Chattopadhyay.

17 CMSR. CHATTOPADHYAY: Almost "good  
18 evening".

19 BY CMSR. CHATTOPADHYAY:

20 Q Let's go to the same exhibit, Exhibit 6. I want  
21 to make sure I have the right exhibit number.  
22 Yes, I think, and go to Bates Page 008.

23 A (Arif) I'm there.

24 Q 5.4, it says "Northern's authorized revenue in DG

[WITNESS PANEL: Arif|Alam]

1 21-104 was \$47,673,687." If the Commission  
2 agrees with your interpretation, you're  
3 essentially saying that Northern would be  
4 authorized to recover \$47,673,687, correct?

5 A (Arif) If I may, partially, yes, I would say.

6 Q But why is it "partial"? Because, if I do the  
7 calculation, the difference between the  
8 \$48 million amount, and the \$47 million amount  
9 that I just mentioned, is exactly, according to  
10 the dollar amount that you are saying should be  
11 not allowed, which is \$1,147,894?

12 A (Arif) Commissioner, respectfully, yes.  
13 Mathematically, that is true. But the reason --  
14 the very reason why I said it's "partially  
15 correct" is the very reason how we have crafted  
16 our recommendation, bullet point two. We said,  
17 the DOE, based on the record that we could amass  
18 and we could analyze and could understand, within  
19 the context of the Settlement Agreement framework  
20 that DOE signed on, allows a recovery,  
21 preliminary concluded recovery, subject to  
22 further consideration, up to that 1. -- 1.195  
23 million that we corrected.

24 And the reason why we said so is

[WITNESS PANEL: Arif|Alam]

1 because, if it comes to light, beyond the current  
2 record that is available, and what we have made  
3 use of, that the Company may potentially have  
4 been undercompensated with that number, then DOE  
5 is willing, as a reasonable party to this whole  
6 Settlement Agreement, to accept that premise,  
7 which is why we said -- I said that that's  
8 "partially true".

9 Q Okay. So, are you saying that, if there is  
10 growth, then it's possible that the amount could  
11 be different from the dollar amount authorized in  
12 DG 21-104, provided you have evidence of it?

13 A (Arif) That is correct. Short answer is  
14 "correct". But I can substantiate it with more  
15 information, if you like?

16 Q No. I think I'm -- I'm just trying to understand  
17 your thinking.

18 Is it your position that the Company  
19 did not comply with the Settlement Agreement?

20 A (Arif) It is DOE's position that the Company have  
21 very narrowly interpreted the Settlement  
22 Agreement, which created the delta, if you like,  
23 between the views of the Company and that of the  
24 Department.

[WITNESS PANEL: Arif|Alam]

1 Q As far as the calculation of the RDAF is  
2 concerned, do you think, mathematically, it was  
3 done correctly?

4 A (Arif) In the strict sense of mathematics,  
5 without putting any regard to the decoupling  
6 framework, in general, yes.

7 Q Assume that the revenue requirement is exactly  
8 according to the one that was authorized in DG  
9 21-104. And that is all based on normalized  
10 weather and all of that, too. And, then, it's  
11 based on a calculation of the RPC, and it's  
12 multiplied by the number of customers at that  
13 time.

14 A (Arif) Uh-huh.

15 Q That leads to this amount, 47,673,687, correct?

16 A (Arif) Uh-huh.

17 Q Let's say, turns out, after a year, when it's  
18 time to look at RDAF, the weather was exactly at  
19 that level, meaning it was that assumption of  
20 normal weather, and you had the exact number of  
21 customers. And, in that case, the revenue  
22 requirement would be same as what the DG 21-104  
23 would have said, right?

24 A (Arif) Uh-huh.

{DG 23-086} {02-29-24}

[WITNESS PANEL: Arif|Alam]

1 Q Now, assume that there's a new customer that is  
2 joining the territory, and it has interconnection  
3 costs and all of that, but part of some of the  
4 tariff is that some of those costs are  
5 socialized, so that that customer comes in. And,  
6 with that extra customer, okay, this is just a  
7 hypothetical scenario, if you decide that it's  
8 still going to be allowing \$47,673,687 as the  
9 recovery amount, then adding that customer, would  
10 it be worthwhile for the utility?

11 A (Arif) I would argue "yes", under the Settlement  
12 Agreement. And I can explain, if you want me to?

13 Q Go ahead.

14 A (Arif) So, under your scenario, if I understand  
15 correctly, I apologize, I may seek some  
16 clarification from you. So, if everything as was  
17 conceived during the design stage of the  
18 decoupling framework, and at the implementation  
19 stage, like Decoupling Year 1, the decoupling  
20 revenue amount, with the revenue requirement of  
21 47, roughly speaking, million, would be zero  
22 without that additional -- of the marginal  
23 customer or the last customer added to the  
24 distribution system.

[WITNESS PANEL: Arif|Alam]

1 Did I get that correct, Commissioner?

2 Q First of all, when you add a customer, --

3 A (Arif) Right.

4 Q -- do you think there are at least some costs  
5 that the Company has to face additional?

6 A (Arif) Absolutely.

7 Q So, then, they need to recover that, right?

8 A (Arif) I believe that, under the Settlement  
9 Agreement, that was the reason why decoupling  
10 framework was set out. What I have been just  
11 saying that, for that marginal customer, it is  
12 appropriate for the Company to, and DOE has taken  
13 that position, that, to compensate the Company  
14 for the cost, so long as that's been demonstrated  
15 to the Commission, compensate the Company to the  
16 tune of that cost.

17 However, if the revenue earned from  
18 addition -- from that marginal customer is beyond  
19 that cost, it is, under the Settlement Agreement,  
20 not appropriate for the Company to seek it.

21 Q Were you there at the time the Settlement was  
22 signed?

23 A (Arif) I was not.

24 Q Do you think the Company needs to do a marginal

[WITNESS PANEL: Arif|Alam]

1 cost/embedded cost analysis every time they come  
2 back with a decoupling adjustment?

3 A (Arif) I think that that, I don't know whether it  
4 was envisioned at that point in time. But I  
5 think that that's onerous, that's my personal  
6 view. It's probably not appropriate. That's why  
7 DOE took an extensive look at the Company's last  
8 marginal cost study that was done.

9 Q So, going to your point about what is  
10 mathematically happening, you agree that,  
11 mathematically speaking, the amount that the  
12 Company has requested, that leads to a deferment  
13 of not the number that you are supporting, but  
14 the \$3.some million dollars?

15 A (Arif) That would be correct.

16 CMSR. CHATTOPADHYAY: Okay. I'm going  
17 to stop there. Thank you.

18 CHAIRMAN GOLDNER: I have nothing  
19 further for the Department witnesses. So, we can  
20 move to redirect.

21 MS. SCHWARZER: Nothing further from  
22 the Department. Thank you.

23 CHAIRMAN GOLDNER: Attorney Taylor, do  
24 you wish to recall your witness?

1 MR. TAYLOR: Could I take maybe just  
2 three minutes to step outside the room and confer  
3 with my team?

4 CHAIRMAN GOLDNER: Sure. Let me just  
5 check something here.

6 So, just in preparation for wrapping up  
7 today, do folks want to do a closing as well? Or  
8 are you satisfied with where we are now?

9 MR. TAYLOR: My closing will be quite  
10 brief.

11 CHAIRMAN GOLDNER: Brief. A brief  
12 closing, everybody?

13 *[Multiple parties indicating in the*  
14 *positive.]*

15 CHAIRMAN GOLDNER: Okay. And, then, I  
16 need to disposition the exhibits.

17 So, my question would be, upon our  
18 return, if everyone is -- if it is acceptable to  
19 move Exhibits 1 through 16 onto the -- you know,  
20 as exhibits onto the record. So, if you could  
21 touch base with your team on that one, too, we  
22 can address that when we return.

23 MR. TAYLOR: I can tell you, I mean, in  
24 terms of "do I object to any of them coming into

1 the record?"

2 CHAIRMAN GOLDNER: Correct.

3 MR. TAYLOR: I think, understanding  
4 that the Commission will sort of give them the  
5 weight that the Commission feels that they should  
6 be afforded, I'm not going to object to any of  
7 them coming in.

8 CHAIRMAN GOLDNER: Okay. Thank you.

9 Okay. Very good. Let's just take a  
10 quick break, and return at 4:05.

11 *(Recess taken at 3:57 p.m., and the*  
12 *hearing reconvened at 4:07 p.m.)*

13 CHAIRMAN GOLDNER: All right. We're  
14 back on the record with Attorney Taylor.

15 MR. TAYLOR: Well, so, I appreciate you  
16 gave us the extra time. We spent it well. We do  
17 not need to bring Mr. Nawazelski back.

18 CHAIRMAN GOLDNER: All right. Thank  
19 you very much.

20 Okay. Having heard no objections to  
21 the proposed Hearing Exhibits 1 through 16, we'll  
22 strike ID on them and enter them into the record.

23 And let's move to closing, beginning  
24 with the Department.

1 MS. SCHWARZER: Thank you, Mr.  
2 Chairman.

3 The Department asks that any amount  
4 approved for deferral as a consequence of this  
5 docket be treated in a manner consistent with all  
6 of the Settlement Agreement's Paragraph 4.2.3  
7 provisions for the purposes of any recovery in  
8 the future.

9 And we also appreciate the attention  
10 the Commission has afforded to the Department's  
11 analysis at this hearing.

12 CHAIRMAN GOLDNER: Thank you very much.  
13 The Office of the Consumer Advocate?

14 MR. KREIS: Thank you very much, Mr.  
15 Chairman. Just give me one second here to get  
16 back to the right screen. Whoops. I'm almost  
17 there.

18 Okay. At the end of Exhibit -- well,  
19 on Bates Page 010 of Exhibit 6, the Department  
20 offers up two bullet points. The first one says  
21 "The Department continues to support Northern's  
22 capped RDAF ask that", that exhibit says "\$1.891  
23 million". They have adjusted that number down,  
24 based on the correction they made earlier. So,

1           they continue to support Northern's capped RDAF  
2           ask, I think it's about 1.2 million, "to be  
3           recovered through the ongoing 2023 Cost of Gas  
4           Season as consistent with the Settlement  
5           Agreement reviewed and approved by the Commission  
6           in Order 26,650."

7                        I don't think that's in dispute. And I  
8           think that is a determination that the Commission  
9           can and should make.

10                      As to everything else, and I have  
11           listened as carefully as I could to everything  
12           that transpired today, I've listened to the  
13           arguments made by both sides. I think all of the  
14           argument about the Settlement Agreement in the  
15           previous rate case is beside the point. Because  
16           a settlement agreement is not some sort of  
17           binding, contractual undertaking that everybody  
18           who signed it, or the successors to everybody who  
19           signed it, is obliged to continue to effectuate,  
20           because, if you do something other than that,  
21           you're breaching a contract. That's the way it  
22           works in a civil court; that's not the way it  
23           works here.

24                      What works here is, the Company's

1 tariff, Tariff 12, has the force and effect of  
2 law. And, so, the question about what needs to  
3 be deferred for future recovery is, I think, a  
4 question that should be answered by the language  
5 in the tariff. And, if the tariff favors the  
6 Company's position, the Company wins. If the  
7 tariff favors the Department's position, then,  
8 the Department wins.

9 That would be my advice to the  
10 Commission. Read the tariff and apply it.

11 That's all I have to say.

12 CHAIRMAN GOLDNER: Does the Consumer  
13 Advocate have any determination on who wins?

14 MR. KREIS: I respectfully decline to  
15 take a position on that question.

16 CHAIRMAN GOLDNER: All right. Very  
17 good.

18 And, finally, we'll hear from the  
19 Company.

20 MR. TAYLOR: Thank you, Commissioners.  
21 And you indulged me a very long opening  
22 statement, so I'll keep my closing brief.

23 You know, in short, obviously, you've  
24 heard our positions today. I think they're very

1 clear. We have a Settlement, the Commission  
2 approved that Settlement. The terms of that  
3 Settlement, to the Consumer Advocate's point, is  
4 memorialized in a tariff, and that's the -- we've  
5 made our filing pursuant to that. The tariff is  
6 quite clear what the calculation is, as were the  
7 order and the Settlement.

8 We have done all the calculations  
9 correctly, both the rate that goes into effect  
10 and the carryforward, that's going to carry  
11 forward into future years. And, so, the  
12 Commission should not disturb that.

13 I'm going to leave it at that. Thank  
14 you.

15 CHAIRMAN GOLDNER: All right. Thank  
16 you.

17 Is there anything else that we need to  
18 cover today?

19 *[No verbal response.]*

20 CHAIRMAN GOLDNER: Okay. Seeing  
21 none. I'll thank everyone, and, in particular,  
22 the witnesses today, all four witnesses. Thank  
23 you.

24 We'll take the matter under advisement.

1           And we are adjourned.

2                           *(Whereupon the hearing was adjourned*

3                           *at 4:12 p.m.)*

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