STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

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RE **DE 16-383**
LIBERTY UTILITIES (GRANITE STATE ELECTRIC) CORP. d/b/a LIBERTY UTILITIES:
Request for Change in Rates.

PRESENT: Chairman Martin P. Honigberg, Presiding
Commissioner Kathryn M. Bailey

Sandy Deno, Clerk

APPEARANCES: **Reptg. Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities:**
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Clifton Below

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Amanda O. Noonan, Consumer Services...
Jay Dudley, Electric Division
Richard Chagnon, Electric Division

Court Reporter: Steven E. Patnaude, LCR No. 52

CERTIFIED ORIGINAL TRANSCRIPT

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9	Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities Distribution Service Rate Case (04-29-16)	premarked
10	Technical Statements of Steven E. Mullen, Howard S. Gorman, Timothy S. Lyons, and Heather M. Tebbetts, including attachments thereto (11-21-16)	premarked
11	Staff Direct Testimonies of R. Chagnon, L. Stachow, J. Cunningham, A. Noonan, A. Iqbal, J. Dudley, D. Mullinax, R. Woolridge, M. Cannata, and including attachments thereto (12-16-16)	premarked
12	OCA Direct Testimonies of S. Rubin, P. Chattopadhyay, J. Brennan, and including attachments thereto (12-16-16)	premarked
13	Staff corrected testimony of Michael D. Cannata and complete Table of Contents for Jay E. Dudley	premarked
14	OCA corrected testimony page of James Brennan	premarked
15	Staff Attachments to Direct Testimony of Jay E. Dudley	premarked
16	Staff corrections to testimony originally filed 12-16-16	premarked

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17	Liberty LED Corrections and Updates to 11-21-16 technical statements	premarked
18	Staff Supplemental Attachment to Testimony of Jay E. Dudley	premarked
19	Liberty Utilities Rebuttal Testimonies of S. Mullen & H. Gorman, S. Houghton-Fenton & S. Mullen, C. Brouillard/ T. Sanderson/G. Tremblay, M. Smith & S. Mullen, S. Mullen, H. Tebbetts & J. Simpson, C. Brouillard, R. Hevert, and including attachments thereto (02-03-17)	premarked
20	Stipulation and Settlement Agreement Regarding Permanent Rates (03-15-17)	premarked

P R O C E E D I N G

CHAIRMAN HONIGBERG: We're here this morning in Docket 16-383, which is Liberty Utilities (Granite State Electric) Corp.'s request for a change in rates. We have a Settlement that's been filed on permanent rates, which appears to be a comprehensive settlement. We're here for a hearing on the merits.

I'll note for the record Commissioner Scott is not here. He's recovering from minor surgery. I don't know that his participation will be necessary, but we'll address that, if we need to, at an appropriate time.

Before we go any further, let's take appearances.

MR. SHEEHAN: Good morning, Commissioners. Mike Sheehan, on behalf of Liberty Utilities (Granite State Electric) Corp. Present with me are many of the familiar faces to the Commission, and a few people in the back who actually do all the work that is reflected in what ultimately brings to you -- we bring to you today. Thank you.

MR. BELOW: Clifton Below, for the City of Lebanon.

MR. KREIS: I think I might be next. I'm D. Maurice Kreis, of the Office of the Consumer Advocate, here on behalf of residential utility customers. We have much of our team with us today: Pradip Chattopadhyay, the Assistant Consumer Advocate who is on the witness panel; James Brennan, who is our Director of Finance to my left; and to his left is our new staff attorney, Brian Buckley.

CHAIRMAN HONIGBERG: Welcome, Mr. Buckley.

MR. DEXTER: Paul Dexter and Suzanne Amidon, on behalf the Commission Staff. With me today, at the table, are Tom Frantz and Les Stachow, from the Electric Division, and on the witness panel are Jay Dudley, from the Electric Division, and Amanda Noonan, Director of the Consumer Affairs -- Consumer Services and External Affairs Department.

CHAIRMAN HONIGBERG: All right. Are there any preliminary matters that need to be dealt with? Mr. Sheehan.

MR. SHEEHAN: Thank you. There are three. The first is, we've prepared an Exhibit List that I have circulated. I think Sandy has a copy now. They're Exhibits 9 through 20, the first eight having been marked at the temporary rate hearing. 9 through 19 are the testimonies that have been filed in this docket, with various corrections and updates to the testimony. Exhibit 20 is the Settlement Agreement with attachments that's before you today. The parties have agreed that all of those exhibits may come in as full exhibits without the necessity of having go through the authentication process.

Second, I note that our electric union filed a petition to intervene in this docket, which was never acted on. Given the testimony -- proposed testimony had to do with the Training Center. Given the treatment of the Training Center in the Settlement, they have withdrawn their petition to intervene by email last night. I spoke to Mr. Simpson, and he apologizes for not making a more formal withdrawal, but he clearly expressed his intend to withdraw that petition and to come back, if necessary, if he wants to participate in the EnergyNorth rate case.

And, third, last night I electronically filed and this morning have paper copies of the Motion for Confidential Treatment. These address just a handful of discovery responses that are not introduced into evidence. It's simply the routine practice of asking that they be granted confidential treatment going forward, should anyone, after today, request under 91-A that those be produced. And I don't think any of the counsel objects to that motion.

CHAIRMAN HONIGBERG: All right. I don't think any of those need to be acted on.

Mr. Dexter.

MR. DEXTER: We have no objection to the Motion for Confidential Treatment.

CHAIRMAN HONIGBERG: All right. We're not going to deal with that right here, right now, but we'll take that up in the course of whatever order we issue as a result of this.

MR. SHEEHAN: And the last item is we

have the witnesses that the parties prepared to present the Settlement Agreement ready to go. Thank you.

CHAIRMAN HONIGBERG: We see them. They're already in place. So, with the panel in place, is it time to have the witnesses sworn in?

All right. Why don't we do that. Mr. Patnaude.

(Whereupon ***Steven E. Mullen***, ***Christian P. Brouillard***, ***Pradip K. Chattopadhyay***, ***Jay E. Dudley***, and ***Amanda O. Noonan*** were duly sworn by the Court Reporter.)

CHAIRMAN HONIGBERG: Mr. Sheehan.

MR. SHEEHAN: By agreement of the parties, we've asked Mr. Mullen to give us a brief walk-through of the Settlement Agreement. But, before that, I suppose we should have each of them identify themselves.

STEVEN E. MULLEN, SWORN

CHRISTIAN P. BROUILLARD, SWORN

PRADIP K. CHATTOPADHYAY, SWORN

JAY E. DUDLEY, SWORN

AMANDA O. NOONAN, SWORN

DIRECT EXAMINATION

BY MR. SHEEHAN:

Q. So, first, Mr. Mullen and Mr. Brouillard could introduce themselves on behalf of the Company.

A. (Mullen) My name Steven Mullen. I am the Manager of Rates and Regulatory for Liberty Utilities Service Corp., which provides services to Liberty Utilities (Granite State Electric) Corp. and Liberty Utilities (EnergyNorth Natural Gas) Corp.

A. (Brouillard) My name is Christian Brouillard. I'm the Director of Engineering, also for Liberty Utilities Service Corp. We provide electric and gas engineering services for Granite State Electric and for EnergyNorth.

A. (Dudley) My name is Jay Dudley, Utilities Analyst for New Hampshire Public Utilities Commission Electric Division.

A. (Noonan) Good morning. Amanda Noonan. I'm the Director of the Consumer Services and External Affairs Division at the Commission.

A. (Chattopadhyay) I am Pradip Chattopadhyay, with the Office of Consumer Advocate, and I'm the Assistant Consumer Advocate.

Q. Mr. Mullen, if you could put in front of you what's been marked as "Exhibit 20", the Stipulation and Settlement Agreement Regarding Permanent Rates that was filed, I believe, last week, and walk the Commission and the people present through the terms of the Settlement Agreement at a, say, 10,000 foot level.

A. (Mullen) I will try to stay at 10,000 feet. The terms of the Settlement, substantive terms basically begin on what's Bates 003 of Exhibit 20. Section II.A describes generally that the Parties have agreed to a permanent increase of $3.7 million on an annual basis effective May 1st of 2017. And that's based, in part, on using a capital structure consisting of 50 percent equity and 50 percent debt, with a 9.4 percent return on equity.

Moving on, there's a step increase that's described -- there are a few step increases described in Section B. The first of which deals with the revenue requirement associated with capital investments made by the Company during calendar year 2016. The calculation of that and the details behind it begin on Page -- on Page Bates 023, in Attachment 1. That goes through the -- well, all the capital projects that were placed into service by December 31st, 2016.

Turning to Bates 004 of Exhibit 20, Paragraph 2 discusses two additional step increases related to certain projects, related to our Pelham substation and our Charlestown substation. Additional information on those, in terms of dollar amounts, is on Bates 028 of the filing, in Attachment 2. Those particular projects we have estimated costs that are included right now. And, as part of the Agreement, when we come -- when it comes time for us, in May of 2018 and May of 2019 to seek to recover the costs associated with those investments, the costs will be limited to the estimated amounts that are in Attachment 2. And, to the extent that any costs exceed those values, then we can seek recovery of those costs in the next rate case. So, those step increases would be effective May 1 of 2018 for

2017 investments and May 1 of 2019 for 2018 investments.

Moving to Page 5, in Section C, as discussed earlier, the $3.75 million permit increase is effective with rates beginning May 1 of 2017. Also, there's a recoupment to temporary rates that's effective from May 1, 2017. That recoupment is calculated on Bates Page 029, which is Attachment -- make sure I got the right number here -- Attachment 3. And that basically just reconciles the difference between the permanent rates and the temporary rates, and then looking at the period of time involved, it was a 10-month period. So, that's just a simple calculation of comparing permanent rates to temporary rates, and then figuring out the annual increase that's factored into the rates that will be effective from May 1. Recoupment will be in place for a 20-month period, from May 1st of 2017 through December 31st of 2018.

On Page 6, in Section D, that discusses rate case expenses. The rate case expenses are detailed in Attachment 4, which is on Bates 030 of the filing. As it is, we're still getting invoices in. But the way that we've decided to approach this is that we had, at the time we filed the Settlement, based on the invoices that we had in place, we said we will start recovering 444,700 effective May 1. Those invoices are all subject to review by the Commission. And, to the extent that additional costs come in between following this Settlement and May 1st of 2018, those additional costs would be included for the remainder of the 20-month period for rate case expenses. The rate case expense recovery follows the recoupment recovery for the same period, the same 20-month period of May 1st, 2017 through December 31st, 2018.

On Page 7, Section E, "Cash Working Capital", historically, the transmission component -- the transmission costs in rates have not had a separate cash working capital component, and they have been included in distribution rate cases historically.

Going forward, there will be a -- we have removed the transmission costs from the cash working capital allowance that is calculated in a distribution rate case, and there will be a cash working capital allowance calculated in the retail transmission filing, and you should be seeing that later this week from the Company. And that's -- so, we'll recover the transmission-related cash working capital in that filing, rather than in distribution rates.

Section F discusses "Future Marginal Cost Studies". Essentially, what this says is that going forward there's going to be a meeting between the Company, Staff, and OCA, to discuss approaches to marginal cost studies before we make the next filing, to, you know, kind of try and iron out any differences going forward, and just have a general discussion about it before we make the filing.

Section G discusses "Rate Design". And what we've agreed to is that each rate class will get the same overall percentage increase in distribution revenues. For the rate classes, Rate D, D-10, G-3, T and V, we have set the Customer Charge at $14.50 per month, with the remainder of the distribution revenue increase figured then to the variable component.

Further, on Section D **[**Rate D**?]**, there's an agreement that the existing -- right now we have a blocked rate, with the first 250 kilowatt-hours are charged at a lower rate than the remaining kilowatt-hours. What we've agreed to is that, through a series of three steps, we will then get to a uniform rate for every kilowatt-hour. And we'll do that over the next three years, by taking one-third of the difference between the rates, and kind of just ratcheting them closer to each other until, by the third year, we end up with a uniform rate for all kilowatt-hours.

On Section 9 **[**Page 9**?]**, we discuss "Underground Services". And we have agreed to change our long-standing policy, where, historically, we have not owned single-phase underground services for residential customers. Going forward, we will develop a policy, we have to change our tariff, we have to change our Electric Service Connections booklet. So, we have to develop the policy, and we will work with Staff and OCA on this. We expect to make a new filing by September 30th of 2017 to implement this new policy. In doing so, what that's going to mean is we will incur some additional costs, we have to hire some people, and, you know, there will be additional materials and supplies that we'll have to acquire. But, by -- when we get to the May 1st, 2018 step increase, any costs that we have incurred by that time will be subject to review and will be allowed to be included in that request for a step increase.

What it basically does is that going forward we will own -- we will own those services, where, in the past, we have not. So, this, again, goes to something that was important to Staff related to other -- the policy for other electric utilities in the state. So, we will do that. It's, you know, it is a change for what we've had, because historically we have not, the customer owns that service.

Section I, at the bottom of Page 9, discusses the Reliability Enhancement Program and the Vegetation Management Program. Beginning in 2017, we are going to transition to a four-year trim cycle, rather than a five-year trim cycle. Along with that, as discussed on the top of Page 10, we will file additional reliability metrics to provide additional information in terms of the reliability of various circuits.

Also, in that REP/VMP, we have changed the amount included in base rates to "1.5 million", which has historically been "1.36 million" since the inception of the program. At the same time, we will also -- there is a targeted capital investment amount that had historically been a million dollars, and now that target is $1.5 million.

Section J discusses "Accrual Accounting". And what this is is basically the -- the accrual accounting for all our various reconciliations that are described in Section J has historically been done on a cash basis. And, for purposes of better matching revenues and expenses, it is appropriate to change everything to an accrual basis. So, if you get a cost that comes in at the end of the year, but you know it's there, you can accrue for it, it's something that actually applies to that particular year. But, under the cash basis, until you pay it, you can't include it. So, what this does is it just better matches the revenues and expenses for a particular year, more so than the cash basis, which is something that these reconciliations have historically been on a cash basis, for whatever reason, since they were initiated, but it just makes sense to transition to the accrual basis.

Section K discusses "Customer Service". Related to that, there are three metrics that have been agreed to. The first, at the bottom of Page -- that starts on the bottom of Page 10, is related to call answering. And that is an existing metric that we currently have, where, for Granite State, we are required to answer 80 percent of calls within 20 seconds. So, that's just a continuation of that.

The second has to do with the number of bills on hold. There's a minimal threshold pf

0.5 percent that, over an annual basis, we can't have any held longer than 30 calendar days. What a "bill on hold" is that, if a bill -- it's any bill that is held for -- that does not go out with the rest of the bills on a typical billing cycle. And that could be for various reasons. It could be something having to do with the customer meter read, that it might seem a little strange compared to typical meter reads, could be something related to a supplier issue, for whatever reason. So, there are -- there are -- we have certain day thresholds that are on Page 11, where we report them in various increments. And, so, we will track that and we will report that.

Section 3 relates to "customer satisfaction". There was, in the acquisition docket, where Granite State Electric was required -- was acquired by Liberty, there was a requirement that there be -- we achieve a 80 percent customer satisfaction level, otherwise we had to file an improvement plan. So, the most recent results for Granite State was, for 2016, was we achieved 79 percent, excluding price. So, what this does is this keeps the 80 percent level in place, but, instead of an improvement plan, there is a $1.00 per customer credit that would be applied. That $1.00 per customer credit applies to the other two metrics that I previously described, too. So, to the extent we look at things on an annual basis, and we have not met the metric, then we would be subject to crediting customers once a year a dollar a credit -- a dollar on a bill.

Section L relates to an "LED Tariff Provision". So, what we've done is we've allowed for -- we have rates and charges now set up for LED fixtures, and those are in addition to what we currently have for outdoor lighting, to allow for some additional alternatives. What we've also agreed to do is work with Staff, work with the City of Lebanon, and other municipalities who may be interested, to develop -- to develop a tariff that would allow some flexibility, in terms of whether municipalities, for instance, may want to install or the -- install and maintain the fixtures, and that may vary depending on the municipality and their -- on their capabilities. To the extent that that would happen, they would have to use contractors approved by the Company. But we will work with -- we will work with Staff and the municipalities and the City of Lebanon to work on implementing some additional tariff requirements that work for those other interested parties.

On Page 13, in Section M, this is really an accounting issue, related to an audit that was performed by the Liberty Consulting Group. We had costs on our books that were deferred. So, any time we have a deferral or a regulatory asset, we need to have something that says that it's, you know, allowed to be on the books and that we can start amortizing it. This is really something for external auditors to look at, as part of what we go through every year in terms of our external auditors.

Section N, "ADIT", which is "accumulated deferred income taxes". That relates to a tax election that was taken at the time of the acquisition, and it was discussed in DG 11-040. Specifically, it was Section 338(h)(10) of the Internal Revenue Code. And what that does is, at the date of acquisition, there was accumulated deferred income taxes on the books, and it's a significant credit and, therefore, a reduction to rate base. Due to that tax election, there was a step-up in the tax basis of assets. And what that did is it removed the existing accumulated deferred income taxes from the books.

In that acquisition, the Company agreed that it would hold customers harmless from that so they would still get the value of that credit going forward. So, what we've done here is, if you look on Page Bates 069, there is an agreed upon schedule of what the credit to rate base will be for the remaining period of time. We've come up with a schedule that is shorter than if we brought everything out to its existing life, which I think would have gone out to as far as 2074. What we've done is we've shorten the time period, but done it in a way that the customers get the same net present value. And we've provided a schedule here that, going forward, everybody knows what the numbers are going to be.

Section O, on Page 13, and on Bates 070, for Attachment 8, just provides the depreciation rates that will be used going forward. These are the same depreciation rates that were agreed to in the Company's last distribution rate case, which was DE 13-063, but we've put the same rates in here for purposes of ease of reference, so everybody knows what they are going forward.

Turning to Page 14, the next distribution rate case shall be no sooner than the calendar year 2018.

"Tariff Changes", in Attachment 9. Attachment 9 begins on Page 71, and goes through the remainder of Exhibit 20. A lot of that was reformatting and housekeeping changes. There were some additional inclusions, like, previously, the Company's tariff did not have any terms and conditions for competitive suppliers in there. So, we have added that section. In addition, there's changes related to the LED tariff that I've explained previously.

Section R relates to "Reporting Requirements", and this really has to do with changes in planned capital additions. And it could be whether something was either not planned and appeared -- excuse me -- and was installed during the year, or it's something that the costs have changed compared to what the initial budget was. So, what we've agreed to do, without going into all the details here, is provide certain documentation that we have related to the projects for Staff's review, so they can see, you know, what's been happening with some of these capital projects and, you know, why the costs have changed. You know, what caused this project to come up that was not originally in the budget?

And, finally, in Section III, which is on Pages 15 through 17, deals with "Exogenous Events". And this section is similar to one that's been in a number of recent rate cases, particularly those where there's a stay-out period. And what it does is it says that, to the extent that any exogenous event that exceeds a certain dollar threshold, and, for purposes of Liberty, the dollar threshold is $150,000, to the extent there are any changes related to state-initiated cost changes, federal-initiated cost changes, and the other items that are on Page 15 through 17. It says that the Company could either request a change related to that particular item, again, these are items for which are outside of the Company's control, or Staff or OCA could request that the rates be changed.

An example of an exogenous event, say, like a federally-initiated cost change, would be if federal income tax rates change. And that is something that's been getting a lot of discussion lately, who knows whether it's going to happen. But, to the extent that corporate tax rates change, and they reduce, then that would impact our expenses. And, therefore, to the extent that that change resulted in a change of more than 150,000, then there would be a potential for a change to rates prior to the stay-out period.

And, I believe that concludes my summary at the 10,000 foot level.

MR. SHEEHAN: Thank you, Mr. Mullen. With that, I have no further questions for our witnesses. And I believe all the other parties have agreed not to cross-examine witnesses. So, I guess it's for the Commissioners now. Or is that --

CHAIRMAN HONIGBERG: Well, I think it might be appropriate for Mr. Kreis and Mr. Dexter to --

MR. SHEEHAN: Sure.

CHAIRMAN HONIGBERG: -- just inquire of their witnesses, their views on all of this, briefly. But I hear you.

Mr. Kreis, why don't you go next.

MR. KREIS: Thank you. Obviously, my questions will be for Mr. Chattopadhyay.

BY MR. KREIS:

Q. Mr. Chattopadhyay, you filed testimony on behalf of the OCA in this proceeding, did you not?

A. (Chattopadhyay) Yes, I did.

Q. And that testimony is part of what has been

marked as "Exhibit 12", is it not?
A. (Chattopadhyay) That is correct.
Q. The subject of your testimony was the proposed cost of capital for Liberty Utilities?
A. (Chattopadhyay) To be more precise, I focused on the cost of equity.
Q. And could you just briefly compare your analysis in your testimony to the 9.4 percent return on equity reflected in the Settlement Agreement.
A. (Chattopadhyay) In my testimony, I had recommended a point estimate of 8.5 percent, and a range of 8.2 to 8.6 percent for the cost of equity. As the other parties, including the Company's witness, they, you know, they, too, did their analysis, and they recommended other numbers. So, for example, the Company's witness recommended 10.3 percent for the cost of equity. In terms of the number being "9.4 percent", it's a good compromise. It's also, in view of how the capital market has changed in the recent times, it's pretty reasonable, in my opinion.
Q. How have capital markets changed in recent

times, and for what reason?

A. (Chattopadhyay) Right after November 8th, the -- for example, the yield on 10-year Treasury bonds, they went up quite a bit compared to, for example, in October. And, even though the testimony that I provided in this case, I wrote it in December, so some of the change was already reflected there. Even now, if one takes a look at what happens over time, we would see that the yield on the Treasury bonds have gone up even further. May not be -- not a whole lot, but they still did.

And, generally speaking, what's going on is the -- with the Fed sort of increasing the interest rates, generally speaking, that expectation is already part of the, you know, it is internalized when people look at what the cost of equity is, and it's been slowly going up.

Q. Thank you. And just briefly, looking at Page 7 of the Settlement Agreement, just two quick questions about that.

The last paragraph of Section F of the Settlement Agreement says "The Company agrees to future discussions with the Staff and OCA regarding the appropriate methodology for marginal cost studies for future rate cases, including a possible generic docket on the topic." Would you agree with me that the reason that that sentence is in there is that our rate design witness had raised certain issues about the appropriate methodology for marginal cost studies?

A. (Chattopadhyay) That is correct.

Q. And we basically compromised and decided to treat those issues as not disputed here, provided that we could have some future conversations with the Company and the Staff about that?

A. (Chattopadhyay) That is correct.

Q. And, finally, in the next section of the Settlement Agreement, about rate design, the Settlement provides that "each rate class shall receive the same overall percentage increase to its share of distribution revenue." You would agree with me, presumably, that that is consistent with the recommendation of Mr. Rubin, our rate design witness?

A. (Chattopadhyay) Yes. And, to the extent that you have, in the Settlement Agreement, the phasing in of the flat rates over three years, that is an attempt to sort of reduce the rate shocks for residential customers, who have a low usage. So, that is really something that the OCA was also very interested in making sure it's implemented.

Q. And one last question, just to make things perfectly clear. On Page 14 of the Settlement Agreement, in Section P, it says "The test year for the Company's next general distribution rate case shall be no sooner than the 12-month period ending December 31st, 2018." Would you agree with me that what that means is, in light of the fad in some jurisdictions about future test years, what we're really talking about here is not having another rate case for this Company until after December 31st, 2018?

A. (Chattopadhyay) That is correct.

MR. KREIS: Thank you. Those are all the questions I have, Mr. Chairman.

CHAIRMAN HONIGBERG: Thank you, Mr. Kreis. We don't do fads here.

Mr. Dexter.

MR. DEXTER: Thank you. I'd like to start with Mr. Dudley.

BY MR. DEXTER:

Q. Mr. Dudley, could you describe for the Commission your responsibilities in this case.

A. (Dudley) Yes. As lead analyst in this case, I reviewed Liberty Utilities' testimony and data responses, and participated in the technical sessions held in November 2016 on the issues in this case. I also submitted direct testimony on the revenue requirements, focusing in on the capital investments made by Liberty in 2014 and 2015.

I was involved directly in developing Staff's overall positions, and have a general familiarity with the testimony of Staff's witnesses in this case. And, on behalf of Staff, I am sponsoring the global Settlement that's before you today.

Q. And, based on that involvement, do you find that the Settlement Agreement submitted today contains terms that will result in just and reasonable rates?

A. (Dudley) Yes, I do.

MR. DEXTER: Thank you. That's all I have for Mr. Dudley. I'd like to ask Ms. Noonan similar questions.

BY MR. DEXTER:

Q. Would you describe your responsibilities in this case please.

A. (Noonan) Certainly. As part of this case, I looked at the service levels that were provided to customers by Liberty Utilities, and addressed issues that were of concern based on what we saw, resulting in some of the provisions that Mr. Mullen described in the Settlement.

Q. And you're familiar with the -- you were involved in the Settlement, in the terms of the Settlement that deal with customer service, is that right?

A. (Noonan) Yes. I did participate in the various technical sessions and the settlement conferences to reach the agreement on that.

Q. And, based on your involvement in this case, do you find that the terms of the Settlement Agreement that deal with customer service issues are just and reasonable?

A. (Noonan) Yes, I do.

MR. DEXTER: Thank you. That's all I have, Commissioner.

CHAIRMAN HONIGBERG: Mr. Below, am I correct that you don't have any questions for the panel?

MR. BELOW: Correct.

CHAIRMAN HONIGBERG: All right. Commissioner Bailey.

CMSR. BAILEY: Thank you. Good morning.

WITNESS MULLEN: Good morning.

CMSR. BAILEY: I have several questions, just to clarify my understanding, in most cases, of the Settlement. And, so, whoever is best to answer, maybe more than one person can answer some of these questions, I'm completely open to that. And I apologize if I don't go in exact order, and I come back to things. Because I had some questions prepared, and then you summarized the Settlement, and that generated a few more questions.

WITNESS MULLEN: I was hoping it

would avoid some questions.

[Laughter.]

CMSR. BAILEY: Well, it clarified a few things. But I did read the Settlement Agreement. So, you know, I'm probably at the 5,000 foot level, where you were at the 30.

BY CMSR. BAILEY:

Q. On Bates Page 023, on Line 22, you apply a 10.72 percent return on rate base for these assets.

A. (Mullen) Correct.

Q. And, at the bottom of that page, you calculate a 7.64 percent weighted average cost of capital based on the 9.4 percent return on investment that you agreed to in your cost of debt?

A. (Mullen) Correct.

Q. And, then, you make a pre-tax calculation?

A. (Mullen) Yes. And let me -- the difference is, if we use the 7.64 percent, that would still need to be grossed up for taxes. So, the pre-tax weighted average cost of capital figures in that gross-up. So, it's the same -- if you were to come up with a revenue requirement based on the 7.64 percent, then we would have to multiply that by 1.655 percent to recover the income taxes associated with it. By calculating the pre-tax weighted average cost of capital of 10.72 percent, you do it all -- you take care of that in that one calculation.

Q. Okay. So, why did you use 7.78 percent, instead of 7.64 percent?

A. (Mullen) Where do you see the 7. --

Q. In "Pre-Tax WACC".

A. (Mullen) Oh. What that is is that is the cost of equity -- the weighted average cost of equity grossed up for taxes. So, that is the -- when you look at the 4.7, versus the 7.78, the 4.7, when you divide by the tax rate, gets you to the pre-tax weighted average number of 7.78.

Q. So, 4.7 divided by 1.655?

A. (Mullen) Divided by wouldn't be the -- it would be multiplied by 1.655.

Q. Okay. And you do the same thing for debt?

A. (Mullen) No, because debt has interest expense associated with it. The only thing on which there's additional taxes are the equity portion.

Q. Okay. All right. Thank you. Going to the reliability metrics on Page 10, by how much do you expect the metrics to improve by changing the trim cycle from five years to four years?

A. (Brouillard) Thank you. We haven't calculated exactly how much we expect that to improve on an annual basis. That's a difficult calculation to make, because it takes into account -- there are a number of factors at the moment, some of the feeders are coming off of a five-year trim cycle, some of them, due to the spot trim, have already been on, essentially, a *de facto* four-year trim cycle.

Going forward, what the Company has committed to do is to make the -- provide the metrics as stated here on a SAIDI, SAIFI, and otherwise basis, and build up a bit of a history going forward over a full -- a full two four-year trim cycle group, so that we can get a more accurate picture as to what that, you know, what that improvement is actually expected to be.

Q. And did you agree to this because the parties involved believed that the CAIDI and the SAIFI indices were not adequate under a five-year trim cycle?

A. (Brouillard) We believe that the opportunity was there to further improve the reliability performance and better manage our tree-related outage risk, both for, you know, "blue sky" type outages, small storms, and major storm performance. That the opportunity of going from a five-year cycle to the four-year cycle really, you know, really presented something, you know, something positive for our, you know, for our customers in those areas, given the -- given the history of tree-related outages that we've experienced.

Q. And have -- go ahead, Steve.

A. (Mullen) I was just going to add, related to looking at the reliability metrics and any potential, you know, increases in the performance, it's also a little tough to isolate just the impact of going from a five-year to a four-year cycle, because at the same time on parts of our system we're installing tree wire, we're putting in additional reclosers, we're putting in addition trip savers. So, those will also have reliability impacts as well.

So, I think, you know, if you try to just isolate the four-year versus five-year, it's hard to do it just in isolation. So, I just want to say those are other factors that will go into reliability performance that's reported each year.

Q. Well, I think reliability is very important, so don't take these questions wrong. But is there a point at which you can spend too much money on reliability? I mean, one of the things that we all are trying to do, I think, is to keep rates reasonable. And I'm just wondering how you decide whether the increased investment in tree trimming is worth the cost?

A. (Brouillard) Well, as Mr. Mullen was pointing out, it's a conglomeration of factors. We've reached a point where we're still gradually improving our five-year reliability indice performance on a year-on-year basis. We still feel that there is opportunity for good economic improvement as we go forward, with both the improvements to the veg. management cycle, as well as to our Reliability Enhancement Program initiatives.

At this point, from what we've seen, the outages in those areas that we've traditionally experienced tree-related outages or outages that can be prevented by the conversion of bare conductor to spacer cable is continuing. An example is our North Salem area, where, traditionally, we've seen either feeder lock-outs or major pole-top recloser operations. As an example, during the last storm, we didn't see any. This not only improves the reliability from a perspective of not seeing feeder lock-outs any longer, but also allows us to better manage our storm performance, manage that risk, and also better manage the crew complement that's required as we prepare for major storms.

So, the conclusion that we drew was that there's still forward opportunity to improve our reliability for the benefit of, you know, again, "blue sky", small storms, and major storms going forward. And it's the Company's opinion that we haven't hit that point in the curve yet, where we're putting more effort in for the benefit that we're getting out of these programs is.

Q. So, right now, you believe that, by spending more money on tree trimming and the other things that you discussed, you'll spend less money on storm restoration, perhaps?

A. (Brouillard) That's one of the -- that's one of the upsides to the initiatives in the veg. management and the REP area that we're seeing. And, again, we can better manage those, the crew resources. And as compared to, you know, say when the Company was first acquired in 2012, we have seen some incremental reduction in the amount of crews that we've had to reserve, say, during a major storm. It gives us more options as we prepare for these storms going forward.

Q. Okay. Thank you. On Page 11, Mr. Mullen, you did answer one of my questions about what causes a bill to be held. But is Liberty planning to implement a new customer service and billing system?

A. (Mullen) Yes, we are.
Q. Didn't you do that when you acquired the previous company?
A. (Mullen) Yes. Because we were not acquiring National Grid's system, so we had to put a new system in.
Q. So, why are you putting another new system in?
A. (Mullen) Well, as you look forward and as you grow and, I mean, as we grow as a company overall, you look at what you have, and you assess, you know, how things are working, and, you know, what improvements could be made. And, as we go forward, the Company has made a decision to implement a new system going forward, as we expect to get, you know, improved results from it.
Q. When do you expect to do that?
A. (Mullen) Right now, I believe the timetable is in the 2019 timeframe. Others in the Company have been spending a lot of time evaluating systems that are out there. But I believe that's the current schedule. With such a, you know, a large undertaking that it is, I mean, the planning continues for that. But I

believe, right now, that is the schedule.

Q. Can you tell me how much revenue is associated with $1.00 credit per customer? Like what's the penalty going to be, if you have to pay it?

A. (Mullen) Well, we have approximately 43,000 customers. So, it will be about $43,000.

Q. Can you give me an example of a state-initiated exogenous change that you have experienced in the last ten years?

A. (Mullen) In the last ten years, I mean, well, that could be anything, even if the state changes the Business Profits Tax rate. And I think there's been some discussion about that. I don't know of whether that's happening. There could be a change in some state law that somehow impacts the distribution side of the business. I'm escaping trying to come up with something in the last ten years.

But even, you know, over my experience of dealing with these exogenous event clauses for the various utilities, there have been relatively few of these exogenous events that have required a filing associated with them. But what it does is it does add a level of comfort for any company that's agreeing to a stay-out period of a particular time that, if something happens outside of their control, that there is a potential for relief once you get above a certain dollar impact.

Q. So, part of the settlement is that you've agreed not to file a rate case before you have completed the 2018 for the test year. So, that would be sometime in 2019?

A. (Mullen) Correct.

Q. Isn't there a law that you can't file a rate case within two years?

A. (Mullen) And this would not be two years.

Q. We'll, we're in 2017 right now.

A. (Mullen) And we filed in 2016.

Q. Oh, I see. So, you're measuring it from the date of filing?

A. (Mullen) I believe that's how the statute reads.

Q. Okay. Thank you.

A. (Mullen) Subject to check.

Q. It's just my memory too, and I don't remember exactly.

Let's talk a little bit about the marginal cost provision, on Page 7. This says that you "use the average costs presented in the marginal cost testimony". "Average cost of marginal costs" or did you use -- I don't understand what that means?

A. (Mullen) Well, what that means is that our consultant, when he was going through doing his marginal cost study, sometimes, based on particulars of particular costs, when you looked at his analysis, he, in some cases, had to take the average costs, because he was getting some results that seemed a little unusual.

Now, some of that could have been, when you're looking back over a period of time, related to the change in ownership and how maybe one company accounted for costs versus another one, there could be a variety of factors.

For purposes of this case, however, realistically, we talked about, you know, every customer class was getting the same uniform percentage of increase on distribution revenue. So, realistically speaking, for purposes of determining rates in this case, we've really taken a different method anyhow, and we've gone to this uniform percentage approach. So, really, what it does -- what this Settlement provision does, it says it was okay for us to do things the way that we did, but, going forward, we're going to have a discussion about, you know, marginal cost studies, and there's always the discussion between embedded costs and marginal costs, and what's the right thing to use.

So, practically speaking, for this case, with the method that we've used to change rates, it's really more on an agreed upon approach related to a uniform percentage.

Q. So, what you say is -- what you is said is that your consultant, who did a marginal cost study, used embedded costs when he thought that the marginal cost was not high enough?

A. (Mullen) He used average costs.

Q. Is that the same?

A. (Mullen) In particular -- in particular cases, he had to, but not always. Embedded costs are typically historic costs, whereas marginal costs are typically "what does it take to serve the next unit?"

Q. And what is "average"?

A. (Mullen) "Average" is he looked at historic, and he was saying "Okay, here's some average costs", associated when looking back at the historic numbers.

Q. Okay. I want to talk a little bit about the change to the flat rate in the energy charge.

A. (Mullen) Okay.

Q. Does the existing rate design, where it costs more to -- for kilowatt-hours over 250 provide an incentive for customers to use less energy?

A. (Mullen) Realistically, it really doesn't serve that purpose anymore, because there's not that many customers who use less than 250. The "250" goes back to the 1980s, and it was development of Lifeline rates, which was, at the time, there was a study that was done in terms of "what's essential service?" and "what types of things need to be done?"

So, really, and that was also at a time before the Electric Assistance Program existed. So, what it did was it assumed that, you know, those using less theoretically had lower income, and it provided a discount on that, on that first 250 kilowatt-hours. However, now, we also have the Electric Assistance Program, where qualifying low-income customers can get a discount on up to the first 750 kilowatt-hours on their bill.

So, this provision really wasn't serving the intended purpose anymore. And you could have situations now where say somebody owns like a vacation home, and they're only there a little period of the time, they actually get a discount on the first 250 kilowatt-hours. So, they get a discount on their usage, which really was not the intent of the Lifeline rate in the first place.

So, what we've agreed to do is, over time, make it so there's a uniform rate for all kilowatt-hours, and acknowledging the fact that low-income customers still can get a discount through the Electric Assistance Program on the first 750.

Q. How many customers would you -- do you know how many customers use 250 or less kilowatt-hours?

A. (Mullen) Give me a moment. Well, if my math is right, and I'm looking at Bates 041, which is part of Attachment 5 to Exhibit 20. If my math is right, 250 kilowatt-hours a month, times 12, will give me 3,000. So, if I was to look at, say, Line 13 of that schedule, and if you go all the way across to the "Customers in Ranges" column, granted this gets a little above 3,000 kilowatt-hours, but that has a number -- a cumulative customer count in the residential class of 6,950. So, that's rough justice. I mean, there are other time-of-use classes for residential customers that don't have as much in there, but that gives you a rough ballpark.
Q. Okay. Thanks. In the current tariff, the energy charge includes a rate element for Business Profits Tax of 0.057 cents per kilowatt-hour, and, in the proposed tariff, that is eliminated.
A. (Mullen) It is combined in the distribution rate.
Q. Okay.
A. (Mullen) That is a remnant from when the Business Profits Tax and Business Enterprise

Tax went into effect, oh, way back probably early 2000s or so. And it had always been shown separately. But it is really just now combined in distribution rates, because there was never any -- except for when it was first implemented, there haven't been separate filings related to the Business Profits Tax. So, it just made sense that, we were still showing it separately, just carrying it forward, but it didn't make sense to do that, because there was no separate mechanism to adjust it.

Q. And, if that changes, that could be an exogenous change, up or down, and so the distribution rate would change?

A. (Mullen) If it had an impact of more than $150,000.

Q. Yes. Okay. And there was also a credit that was eliminated.

A. (Mullen) Interruptible credits?

Q. No. "Energy Service Cost --

[Court reporter interruption.]

BY CMSR. BAILEY:

Q. "Energy Service Cost Reclassification

Adjustment".

A. (Mullen) Again, that's another remnant from an earlier period, and that had to go back to when the Company unbundled. And that was taking costs out of the distribution rate, when we had historically a bundled rate, then there was an amount to reclassify them to energy service, and that got tweaked over time. But, again, there's been no -- there's been no adjustment to that provision. So, it didn't make any sense to show that separately anymore, it just is all part of the distribution rate.

Q. Okay. Can you -- you talked a little bit about what happens with rate case expenses that you don't have bills for yet. Do you have any idea how much is outstanding?

A. (Mullen) Well, I know that, as of a day or two ago, instead of the 444,700, we were up to 469,900, that included some additional invoices from, I believe, one of our consultants, as well as some Staff consultants.

But, also, my understanding is that, to date, we have not received invoices from one of the Staff consultants, as well as the OCA

consultant. So, I don't have dollar amounts for those, as we speak.
Q. But that's all that's left?
A. (Mullen) That is all I'm aware of. I mean, whether there would be any other odds and ends coming in, other than what I just mentioned, that's possible. But, I mean, Mr. Patnaude will have a bill for today's hearing. So, that is also not included.
Q. Okay.
A. (Dudley) Commissioner Bailey, Staff is anticipating a bill from --

[Court reporter interruption.]

BY THE WITNESS:

A. (Dudley) Staff is anticipating a bill from Dr. Woolridge, who was Staff's consultant on ROE, of about 25,000.

BY CMSR. BAILEY:

Q. Okay. And does OCA, do you know?
A. (Chattopadhyay) I don't.
Q. Okay. On the change to the policy regarding the underground facilities, will customers who have installed and been owning and maintaining those underground facilities to date, will you

take ownership of those facilities or just the ones that are installed after the policy change?

A. (Brouillard) Our intent is to take ownership of those -- of those new ones going forward. And we show on our maps and records, at a point in time, as part of the follow-up activities that Mr. Mullen referenced, we'd show who owns what at the point in time when the tariff changes are made.

So, no, it wasn't our intent to take over ownership of any of the previous services.

Q. Don't you think that's going to be really confusing in the future?

A. (Brouillard) Well, that's why we're going to, you know, we're going to tabulate them on our maps and records, so, if there is an outage, we'll know who owns what going forward. That was one of the complicating factors that we had, we had discussed how to handle that particular aspect of the transition. And, you know, in the aggregate, it was felt that it was something we could manage going forward, albeit, you know, with some degree of challenge.

Q. That you could manage new installations?

A. (Brouillard) Well, the new ones are relatively easy to manage, because we'll own them going forward and we'll mark them as such. It's correct in that the -- you know, the challenge comes, you know, with the previous history of, you know, 50 plus years of, you know, of dealing with those that might, you know, that might fail on a going-forward basis.

Q. So, if one fails on a going-forward basis, and then has to be replaced, would you replace it --

A. (Brouillard) No.

Q. -- and then that customer would be in the new?

A. (Brouillard) No. It would be the customer's responsibility to replace that service. One of the -- you know, and an option may be, if the customer did not want to, then we would pick up the new service -- well, we would pick up the new service going forward on that and treat that as a new installation, in essence.

Q. So, effectively, if it fails, you're going to end up with replacing the old one, and then it will be new?

A. (Mullen) And, again, this is part of the discussions that we're going to have in developing this new policy. Because that wrinkle, you know, it was a little difficult because, for some of these existing ones, they could be direct buried or, you know, it's kind of hard to know exactly what you're getting into. So, you know, and it could be that the customer is responsible for having that dug up and we could replace it. But that will be some of the discussions that we have as we try to finalize this policy by September of this year with Staff and the OCA, to make sure that everybody is on the same page related to that.

Q. Okay. So, if I'm a customer in a new development, and the Town requires buried drops, then what am I, as a customer, responsible for, if there's no service there yet, a new service?

A. (Brouillard) Right. If it's a new service, then the customer would not be responsible for any of the -- any of the underground facilities that are being installed, albeit the provisions of the tariffs and the policies would apply to the developer putting in the development and to the customer, you know, at -- requesting the service. But we would put that service in as a new service, and we would own it and we would maintain it going forward.

Q. Okay.

A. (Mullen) But, to the extent that, say, I build a house, and I opt, on my own I want to have underground service, then I would be responsible for the excess cost of that service as compared to an overhead service. And I believe that's consistent with what the policy of other electric utilities in the state are.

Q. Sure. Yes. On the -- sorry, going back to the metrics. You said that the one requirement is 80 percent of calls have to be answered in 20 seconds. What was your performance for that metric in 2016?

A. (Mullen) We've been hitting that metric.

Q. Okay. Have you been hitting the other two that you may have to pay a penalty on?

A. (Mullen) The bills on hold is not an existing metric. So, that's new.

Q. Okay.
A. (Mullen) And the customer satisfaction, I believe I mentioned that the results of the last was 79 percent.
Q. Okay. I think this is my last question. But about the LED tariff, is the point of that to allow municipalities to do their own installation of LED street lighting, and then you'll serve -- I mean, are they prohibited from installing LED street lighting now?
A. (Mullen) I believe the answer to that is "yes", because, typically, you don't want to have anybody in particular just going out and working on by high-voltage lines. So, we need to have a policy in place and so there's some control over who does what, where, and what contractors they're using.
Q. Okay. So, this tariff provision would allow municipalities to hire a contractor that you are okay with to install LED lighting, and then they would pay whatever tariffed rate applies?
A. (Mullen) Yes. And, again, this is all subject to further discussion. But that is the intent, is to try to allow for some flexibility here.

Again, certain municipalities may have certain abilities, certain requirements that they want to do, and we want to try to work with the municipalities to come up with something in accordance with -- also working with Staff to work on something that works for everybody.

CMSR. BAILEY: Okay. I think that's all I have. Thank you.

CHAIRMAN HONIGBERG: Most of my questions have been answered. I have a couple of questions about the customer service provisions.

BY CHAIRMAN HONIGBERG:

Q. Are the potential penalties, set forth in Section K, are those cumulative, so the Company could be subject to three separate $1.00 dollar penalties?

A. (Mullen) Each metric is on its own. So, each is individual. It could be three separate.

Q. Ms. Noonan, this, I think, is for you. Are you satisfied that the Company has sufficient commitment, both monetarily and psychologically, to improving its customer service?

A. (Noonan) Yes.
Q. Thank you for that simple answer.
A. (Noonan) You're welcome.

CHAIRMAN HONIGBERG: That's all I had.

Do any of the counsel or Mr. Below have further questions for the witnesses?

Mr. Kreis.

MR. KREIS: Mr. Chairman, I'm not sure I have any further questions, but I do want to clarify something that arose during the colloquy between Commissioner Bailey and Mr. Mullen about rate case expenses. My understanding about the Office of the Consumer Advocate is that our costs, in a proceeding like this, including the cost of the outside consultant we used as one of our witnesses, are recovered through our regular budget, which are then assessed routinely to all of the utilities.

I'm not aware of any. We do have a provision in our statute that allows us to go out and sign contracts with outside consultants and then assess them specially to utilities, but only if we get the Joint Fiscal Committee of the Legislature to approve that. We haven't done that in this case.

So, as far as I know, there are no plans by the OCA to send Liberty any bills for any consultants that we may have used in this case.

I will say, by way of clarity, though, that we do intend to send the utilities bills in connection with the consultants we used in the net metering docket. And there are provisions in the Unitil Settlement Agreement that talk about recovery of costs from the net metering and grid mod. proceedings.

There are no provisions about those costs in this Settlement Agreement. And, so, my position is that to the extent we have costs that would be recovered specially from utilities in connection with other proceedings, that would have to be handled in some other scenario other than in this case, in this Settlement Agreement.

I don't know if that's obvious or not. But, since it did come up in the conversation that Commissioner Bailey had with the witnesses, I wanted to make sure that I made clear that that is my understanding of how that works here.

CHAIRMAN HONIGBERG: I guess I'd ask, does anyone have a different understanding? And, if so, does it need to get resolved today or is it just a thing?

Mr. Sheehan.

MR. SHEEHAN: I don't need to resolve it.

MR. DEXTER: Staff does not have a different understanding. We understand it the way Mr. Kreis outlined it.

CHAIRMAN HONIGBERG: Okay. Thank you.

Mr. Sheehan, you look like you wanted to say something or add something?

MR. SHEEHAN: I was going to say "I have no further questions."

CHAIRMAN HONIGBERG: Oh. That's good.

Is there anything then we need to do before allowing the parties to sum up? You've already dealt with the exhibits, we don't need to do anything with those.

[No verbal response.]

CHAIRMAN HONIGBERG: All right. Why don't we have the panel stay where it is. And we'll go in order, Mr. Below, Mr. Kreis, Mr. Dexter, then Mr. Sheehan.

MR. BELOW: The City of Lebanon supports the Settlement Agreement. We appreciate the Liberty Utilities and Staff working with the City to accommodate a range of possibilities with regard to LED installations. The City currently has about 840 or 850 luminaires that it pays Liberty Utilities under existing rate schedules to mostly high pressure sodium, and we are interested in converting all those to LED.

I would just note that, in recent years, there's been some significant innovation with regard to street lighting. GE, for instance, did some development of what they call "Smart Street Lighting", which they have now fully commercialized, which, for instance, offers the possibility of equipping the street lights with a mesh network and built-in revenue-grade metering capability, such that you could have sort of almost infinite dimming capabilities. So, you could program some or all street lights to dim part of the way through the nights at different times and reflect that in your actual energy use. So -- and maybe can do a variety of other services that might be of interest to a municipality.

So, that is the kind of thing we'd like to explore with the Company, and perhaps bring back to Staff and the Commission for a future consideration. Thank you.

CHAIRMAN HONIGBERG: Mr. Kreis.

MR. KREIS: Thank you, Mr. Chairman. You know, this case puts me in the mind of something that Mark Twain said once. He said "When I was a boy of 14, my father was so ignorant I could hardly stand to have the old man around. When I got to be 21, I was astonished at how much the old man had learned in seven years."

Similarly, it's remarkable how much this utility has learned over the course of this rate case, when you consider the difference between the reasonable terms in the Settlement Agreement, versus the original proposal the Company filed back at the end of the April, and, as the Commission will recall, the highly contentious nature of the temporary rate phase of this proceeding.

Now, I know that's sort of a glib way of characterizing the way this case went, but it is true that this rate case has gone through quite an odyssey. There were some serious issues here that were hotly contested, discussed over endless hours, tons of discovery. And what we ended up here, I think, is a very reasonable resolution that reflects an acknowledgement of some of the special problems that this Company has had since it took over from National Grid, and the need to be vigilant about addressing them in the future, with respect to the Company's capital expenditures and its commitment to reliability.

I am very respectful of all the work that the Staff team put in on this case. They did a huge amount of very heavy lifting to get us where we are today. And I think that the public has been well served by their efforts.

The result of all of this are rates that we are confident are just and reasonable, and we therefore urge the Commission to accept the Settlement Agreement as it has been proposed by the Parties.

CHAIRMAN HONIGBERG: Thank you, Mr. Kreis. I think we'll reserve for another day a discussion of who was Mark Twain and who was his old man in your analogy.

MR. KREIS: I deliberately left that vague.

CHAIRMAN HONIGBERG: Mr. Dexter.

MR. DEXTER: Thank you, Mr. Chairman. Staff, too, urges adoption of the Settlement. Both of our witnesses have testified that they believe the results are just and reasonable. And, on the basis of that, we do recommend that the Commission approve the Settlement as filed.

I appreciate the OCA's kind words about Staff's efforts in this case. And I would likewise like to acknowledge the amount of effort that was put in by the Electric

Division and the Consumer Services and External Affairs Division. Thank you.

CHAIRMAN HONIGBERG: Thank you, Mr. Dexter. Mr. Sheehan.

MR. SHEEHAN: The Mark Twain quote I live by is "It's better to have people think you're a fool and remain silent than to open your mouth and remove all doubt." So, with that, I will be brief. Though, I think I murdered the quote.

The Commission's job, when reviewing a settlement agreement, is to look beneath its terms or behind its terms and determine whether the net result is a just and reasonable rate. And, as you've heard from all the counsel and from all the witnesses, this was a contested case, and sometimes the best results come out of hotly contested cases, where we push each other through the process. I think that's what happened here. And I do give credit to all involved. Although hotly contested, it was always done civilly and with good humor, and there were lots of laughs in this room as we were figuratively beating each other over the head.

So, I compliment everyone on the way this came out at the end. And we urge the Commission to approve the Settlement Agreement as filed. Thank you.

CHAIRMAN HONIGBERG: Thank you all. We appreciate all the hard work that everybody put into this. We can see from the change from the original filings, and the roughly 14 inches of papers that get boiled down to a 1-inch settlement, how difficult that can be.

So, we'll take this matter under advisement and issue an order as quickly as we can.

CMSR. BAILEY: Thank you.

(Whereupon the hearing was adjourned at 11:18 a.m.)