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**I N D E X**

**PAGE NO.**

**WITNESS PANEL:            DAVID B. SIMEK  
                                 PRADIP CHATTOPADHYAY  
                                 JAYSON P. LAFLAMME**

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**E X H I B I T S**

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

1  
2 CHAIRMAN HONIGBERG: We're here this  
3 morning in Docket 17-048, which is Liberty  
4 Utilities (EnergyNorth Natural Gas) rate case.  
5 We're here on temporary rates. There is a  
6 Settlement on file.

7 Before we do anything else, let's  
8 take appearances.

9 MR. SHEEHAN: Good morning,  
10 Commissioners. Mike Sheehan, for Liberty  
11 Utilities (EnergyNorth Natural Gas).

12 MR. BUCKLEY: Good morning, Chairman  
13 Honigberg, Commissioner Bailey. My name is  
14 Brian Buckley. I'm a staff attorney with the  
15 Office of the Consumer Advocate. To my left is  
16 James Brennan, Director of Finance for the  
17 Office of the Consumer Advocate. And we are to  
18 represent the interests of residential  
19 ratepayers.

20 MR. DEXTER: Appearing on behalf of  
21 the Commission Staff, Paul Dexter and Alexander  
22 Speidel. And joining me today is Steve Frink,  
23 from the Gas & Water Division, and Jayson  
24 Laflamme is in the witness stand. He'll be

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1           testifying today.

2                         CHAIRMAN HONIGBERG: I'll note for  
3           the record that Commissioner Scott is not here  
4           today. He is in Connecticut. He may or may  
5           not be participating in this docket, depending  
6           on how things go.

7                         Any preliminary matters we need to  
8           deal with, before we take up the Settlement?

9                         Mr. Sheehan.

10                        MR. SHEEHAN: Thank you. We propose  
11           marking two exhibits today. The first, Exhibit  
12           1, would be the Testimony of Mr. Simek and Mr.  
13           Dane for Temporary Rates, with the attachments.  
14           They have been separately numbered Bates 001  
15           through about 093 or 094. And the second  
16           exhibit would be the Settlement Agreement  
17           itself that we filed about ten days ago.

18                        Other than that, we have a panel, and  
19           we propose each ask our respective witnesses  
20           questions about the Settlement.

21                                 (The documents, as described,  
22                                 were herewith marked as  
23                                 **Exhibit 1** and **Exhibit 2**,  
24                                 respectively, for

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1 identification.)

2 CHAIRMAN HONIGBERG: All right.

3 Anything else, before we have the witnesses

4 sworn in?

5 MR. DEXTER: Nothing further from

6 Staff.

7 CHAIRMAN HONIGBERG: All right. Mr.

8 Patnaude.

9 (Whereupon *David B. Simek,*

10 *Pradip Chattopadhyay,* and

11 *Jayson P. Laflamme* were duly

12 sworn by the Court Reporter.)

13 CHAIRMAN HONIGBERG: Mr. Sheehan.

14 **DAVID B. SIMEK, SWORN**

15 **PRADIP CHATTOPADHYAY, SWORN**

16 **JAYSON P. LAFLAMME, SWORN**

17 **DIRECT EXAMINATION**

18 BY MR. SHEEHAN:

19 Q. Good morning. Mr. Simek, excuse me, your name

20 and position with the Company please.

21 A. (Simek) David Simek. And I am a Lead Utility

22 Analyst.

23 Q. And were you involved in the preparation of

24 testimony filed in support of temporary rates?

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1 A. (Simek) Yes.

2 Q. And that is the document entitled the testimony  
3 of you and Mr. Dane, with attachments, that was  
4 filed along with all the other rate case  
5 filings, is that correct?

6 A. (Simek) Yes.

7 Q. And that's what we've marked as "Exhibit 1"  
8 this morning?

9 A. (Simek) Correct.

10 Q. If I were to ask you the same questions in that  
11 testimony, would your answers this morning be  
12 the same?

13 A. (Simek) Yes.

14 Q. And do you adopt that testimony here today?

15 A. (Simek) Yes.

16 Q. And were you also involved in the discussions  
17 that resulted in the Settlement Agreement that  
18 has been filed for review today on temporary  
19 rates?

20 A. (Simek) Yes, I was.

21 Q. And is that the document that's been marked as  
22 "Exhibit 2" this morning?

23 A. (Simek) Yes, it is.

24 Q. Could you give us just a brief outline summary

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1 of what the proposed settlement is?

2 A. (Simek) Sure. On April 28th, 2017, the Company  
3 filed a distribution rate case requesting to  
4 implement new permanent and temporary gas  
5 distribution rates. The Petition for Temporary  
6 Rates requested an increase in operating  
7 revenues of \$7,778,497 effective July 1st,  
8 2017.

9 Following a technical session and  
10 settlement conference on temporary rates, on  
11 May 26, 2017, the Company, Commission Staff,  
12 and Office of Consumer Advocate all agreed on a  
13 distribution service revenue increase of  
14 6,750,000, effective July 1, 2017.

15 If approved by the Commission, the  
16 proposed temporary revenue increase will be  
17 collected by applying a uniform increase of  
18 9.56 percent to all Liberty's current  
19 distribution rates and charges, and shall take  
20 effect for service rendered as of July 1, 2017.  
21 Any difference between distribution revenues at  
22 permanent rates and distribution revenues at  
23 temporary rates shall be reconciled as of  
24 July 1, 2017 through the date that permanent

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1 rates become effective.

2 Q. And, Mr. Simek, is it the Company's belief that  
3 this Settlement of the temporary rate request  
4 will result in just and reasonable rates?

5 A. (Simek) Yes.

6 MR. SHEEHAN: Thank you. I have no  
7 further questions for Mr. Simek.

8 CHAIRMAN HONIGBERG: Mr. Buckley.

9 BY MR. BUCKLEY:

10 Q. Mr. Chattopadhyay, please state your name for  
11 the record.

12 A. (Chattopadhyay) Pradip Chattopadhyay.

13 Q. And by who are you employed and what are your  
14 duties with that employer?

15 A. (Chattopadhyay) I'm with the Office of the  
16 Consumer Advocate, and I'm the Assistant  
17 Consumer Advocate.

18 Q. Did you participate in the process that  
19 resulted in the Settlement Agreement?

20 A. (Chattopadhyay) Yes, I did.

21 Q. And, judging from your experience in taking in  
22 temporary rate settlement agreements in the  
23 past, does this Settlement Agreement provide  
24 for just and reasonable rates and is it in the

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[WITNESS PANEL: Simek~Chattopadhyay~Laflamme]

1 public interest?

2 A. (Chattopadhyay) Yes, it does.

3 Q. Can you elaborate a bit on what leads you to  
4 that conclusion?

5 A. (Chattopadhyay) Yes. I mean, the very first  
6 fact, that the rates will be reconciled later  
7 to whatever the permanent rates end up being,  
8 gives us considerable comfort that this is in  
9 the direction of just and reasonable rates.

10 More importantly, for us, the real issues  
11 that we will be looking at later, like the  
12 decoupling proposal that the Company has or the  
13 rate design matters or the cost of capital as  
14 well, those are not -- they don't impact the  
15 rates here. So, going forward, we will have  
16 the opportunity to look at all of the other  
17 moving pieces much more carefully in the  
18 permanent rate phase.

19 So, I think, for the purpose of temporary  
20 rates, this is just and reasonable, what we  
21 have here.

22 MR. BUCKLEY: Thank you,  
23 Mr. Chattopadhyay. That's all for now.

24 CHAIRMAN HONIGBERG: Mr. Dexter.

[WITNESS PANEL: Simek~Chattopadhyay~Laflamme]

1 MR. DEXTER: Thank you.

2 BY MR. DEXTER:

3 Q. Mr. Laflamme, would you state your name and  
4 employer for the record please.

5 A. (Laflamme) My name is Jayson Laflamme. I am a  
6 member of the Staff of the Public Utilities  
7 Commission.

8 Q. And could you indicate your responsibilities in  
9 this case with respect to the proposed  
10 temporary rates?

11 A. (Laflamme) Yes. I am an analyst with the Gas &  
12 Water Division of the Public Utilities  
13 Commission. And, with respect to this filing,  
14 I reviewed the filing. I participated in  
15 propounding discovery to the Company with  
16 regard to their temporary rate request. I also  
17 participated in the formulation of the  
18 Settlement Agreement that's being presented  
19 today.

20 Q. And, in your opinion, do the rates proposed in  
21 the Settlement -- are the rates proposed in the  
22 Settlement just and reasonable?

23 A. (Laflamme) Yes.

24 MR. DEXTER: That's all I have.

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[WITNESS PANEL: Simek~Chattopadhyay~Laflamme]

1 Thank you.

2 CHAIRMAN HONIGBERG: Commissioner

3 Bailey.

4 BY CMSR. BAILEY:

5 Q. Just to be clear, the rates are just and  
6 reasonable on a temporary basis, because you  
7 haven't fully analyzed the entire proposal, is  
8 that correct?

9 A. (Laflamme) That's correct.

10 Q. So, this isn't a -- this isn't a floor under  
11 which you can't go, if you determine, in the  
12 analysis in permanent rates, that that's  
13 appropriate?

14 A. (Laflamme) That is correct.

15 Q. Okay. Mr. Simek, can we look at the rate  
16 impact?

17 A. (Simek) Sure.

18 Q. I understand that every rate element is going  
19 to go up 9.56 percent. But, in your schedules  
20 attached to the Settlement Agreement, I didn't  
21 see a change on July 1st?

22 A. (Simek) The schedules here --

23 Q. Hang on a second. It's Page -- say, Page 1 of  
24 4, in -- these aren't Bates stamped.

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1 A. (Simek) No. Page 1 of 4 of Attachment 2?

2 Q. Yes.

3 A. (Simek) Okay. These schedules are meant to  
4 look on an annual basis based on a November  
5 through October period, where the rates have  
6 already been approved for the entire 12 months.

7 Q. So, this is the existing rates?

8 A. (Simek) What we have here is, we're comparing  
9 approved rates to existing rates, correct.

10 Q. Oh. As if they were in effect for the whole  
11 entire 12-month period?

12 A. (Simek) Correct.

13 Q. Okay. So, walk me through, show me where a  
14 residential customer, what the difference in  
15 their bill will be?

16 A. (Simek) Sure. If you look at the third box, on  
17 the bottom, the "Difference" box, they're  
18 basically broken out between three sections.  
19 The first section is where the settled  
20 temporary rates are, the middle section shows  
21 what the already approved rates are, and then  
22 the bottom section shows the difference between  
23 the two.

24 And, if we go all the way over to the

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1 right of the "Difference" box, for the very  
2 first line it shows "\$50.03", that would be the  
3 total bill difference on an annual period for a  
4 residential heating customer if these rates  
5 were in effect for the full 12 months. So,  
6 it's \$50.03, or a 5.03 percent total bill  
7 increase.

8 Q. I'm not seeing those numbers. Sorry. They're  
9 very small.

10 A. (Simek) Sorry.

11 Q. I see it now. Thank you.

12 A. (Simek) You're welcome.

13 Q. Okay. The other question that I had is to  
14 confirm that temporary rates are in effect at  
15 existing rates in the Keene Division?

16 A. (Simek) Correct.

17 Q. So, although you're not changing them, if the  
18 ultimate decision is something different than  
19 you proposed, then Keene may have to -- the  
20 Keene Division customers may have to recoup the  
21 difference between temporary rates and  
22 permanent rates?

23 A. (Simek) Correct.

24 CMSR. BAILEY: Okay. Thank you.

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1 That's all I have.

2 CHAIRMAN HONIGBERG: This question is  
3 for Dr. Chattopadhyay and Mr. Laflamme.

4 BY CHAIRMAN HONIGBERG:

5 Q. Are you both satisfied that the Company's books  
6 and records show that they're currently under  
7 recovering their approved rate of return?

8 A. (Chattopadhyay) Yes.

9 A. (Laflamme) Yes.

10 CHAIRMAN HONIGBERG: All right. I  
11 have no further questions.

12 Mr. Sheehan or Mr. Dexter or  
13 Mr. Buckley, do you have any further questions  
14 for the witnesses?

15 MR. SHEEHAN: I do.

16 (Atty. Sheehan conferring with  
17 Mr. Mullen.)

18 MR. SHEEHAN: Okay. Just to clarify  
19 one point.

20 **REDIRECT EXAMINATION**

21 BY MR. SHEEHAN:

22 Q. On the Keene, if there is a change in the Keene  
23 rates, permanent rates some time from now, is  
24 it -- is it going to be reconciled back to

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[WITNESS PANEL: Simek~Chattopadhyay~Laflamme]

1 July 1 or would it just go into effect, say,  
2 Spring of '18, when the permanent rates go into  
3 effect?

4 A. (Simek) They would just go into effect when  
5 they're actually approved.

6 Q. So, there is no reconciliation back to July 1,  
7 because there are no temporary rates for Keene?

8 A. (Simek) For Keene, correct.

9 CMSR. BAILEY: No. That's the  
10 question I asked.

11 MR. SHEEHAN: And we understood there  
12 was a disconnect, which is why --

13 CMSR. BAILEY: Yes. I mean, if  
14 temporary rates are existing rates, then there  
15 is a reconciliation. And you're saying  
16 "there's no reconciliation"?

17 MR. SHEEHAN: Correct.

18 WITNESS SIMEK: I'm sorry. I  
19 misunderstood the question.

20 BY CMSR. BAILEY:

21 Q. Why is that reasonable?

22 A. (Simek) Well, for temporary rates at this  
23 point, we're just requesting the -- all the  
24 numbers that we presented were for only

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[WITNESS PANEL: Simek~Chattopadhyay~Laflamme]

1 EnergyNorth. So, we are only requesting  
2 EnergyNorth rates to be increased at the  
3 temporary rate range based on their books. We  
4 never -- we aren't including anything with  
5 Keene in this filing at all to increase the  
6 rates.

7 Q. Except you want to roll the Keene rates into  
8 the EnergyNorth rates, and that is an issue  
9 that will be adjudicated?

10 A. (Simek) Correct.

11 Q. So, Staff or OCA, have you thought about  
12 whether that's reasonable to not make the Keene  
13 rates temporary? Was that your understanding?

14 A. (Laflamme) Yes.

15 Q. That they were not temporary?

16 A. (Laflamme) Yes.

17 A. (Chattopadhyay) That is correct.

18 Q. Okay. And why is that reasonable?

19 A. (Chattopadhyay) The way I'm looking at it is we  
20 will be addressing that issue in the permanent  
21 rate phase carefully. So, --

22 Q. Well, I understand that you'll address it  
23 carefully. But, if it's wrong today, you can't  
24 reconcile it, if they're not set at temporary

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1 rates right now. But you're saying that  
2 they're not under earning. What if they're  
3 over earning?

4 A. (Laflamme) It's, from Staff's perspective,  
5 we're -- Staff is considering whether it's even  
6 just and reasonable to make -- to have the  
7 Keene rates rolled into the EnergyNorth rates.  
8 We haven't done the -- we haven't investigated  
9 that, that issue yet. So, from Staff's  
10 perspective, for temporary rate reasons, for  
11 purposes of temporary rates, we believe that it  
12 is best to -- just to maintain the current rate  
13 level for the Keene Division, until a  
14 determination is made whether it is even  
15 reasonable to roll the Keene rates into the  
16 EnergyNorth rates.

17 CMSR. BAILEY: Okay.

18 BY CHAIRMAN HONIGBERG:

19 Q. I think I understand that as well. But the  
20 Company's assertion is that the better rate  
21 structure is that the rates should be combined.  
22 That implies anyway that, in the Keene  
23 Division, they're over earning right now.  
24 Those rates are too high, while the EnergyNorth

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1 rates are too low. Doesn't that indicate that  
2 they should be reconciled at the end of the  
3 case?

4 If, at the end of the case, the Company  
5 ends up being correct. Staff and the OCA  
6 determine that, or we determine it over the  
7 objections of Staff and/or the OCA, shouldn't  
8 the Keene customers see the benefit of that and  
9 have those rates reconciled?

10 A. (Simek) Currently, the Keene Division is under  
11 earning. We actually lose money at Keene.

12 Q. That's right. That's right. Because you want  
13 to have the rest of the customers subsidize  
14 Keene, pejoratively, because they're under  
15 earning, that's right.

16 So, you're then continuing to give them a  
17 benefit by not having a temporary rate set,  
18 correct? I got it. I had myself upside down.

19 A. (Simek) Correct. Again, we weren't sure  
20 whether it would be approved, to be able to  
21 combine the rates together. So, at this point,  
22 we thought it might be premature.

23 Q. Yes. Clearly. I'm sure Staff told you  
24 immediately, and I know the issue came up in

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1 the prehearing conference. Yes, I can see why  
2 you would be concerned about that.

3 But talk me through why it still doesn't  
4 make sense to have this temporary rate  
5 reconcilable?

6 MR. SHEEHAN: If I could walk through  
7 a couple of questions with Mr. Simek?

8 BY MR. SHEEHAN:

9 Q. And starting with what you just said, Keene is  
10 currently under earning, correct?

11 A. (Simek) Yes.

12 Q. If we had proposed a temporary rate for Keene  
13 only, that would have been an increase in the  
14 Keene Division rate?

15 A. (Simek) Correct.

16 Q. In fact, we have proposed to roll Keene into  
17 EnergyNorth, which, under current numbers,  
18 would result in a decrease in Keene's rates?

19 A. (Simek) Correct.

20 Q. And, as the Chairman just said, that certainly  
21 raises an issue of a subsidy that will be  
22 addressed through the litigation of the  
23 permanent rate case, is that correct?

24 A. (Simek) Correct.

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1 Q. So, if the Commission decides not to include  
2 Keene in EnergyNorth, we will have then under  
3 earned for another six months, and could then  
4 address, if there is a permanent resolution,  
5 what an appropriate rate for Keene could be?

6 A. (Simek) Correct.

7 Q. And it most likely would be an increase, and  
8 the Company would just have forgone the  
9 reconciliation back to July 1 of '17?

10 A. (Simek) Correct.

11 Q. And we would hopefully start a new rate  
12 effective, say, March of 2018?

13 A. (Simek) Correct.

14 CHAIRMAN HONIGBERG: That all makes  
15 perfect sense, I think. I continue to suffer  
16 from NPT brain. I'm not sure if Commissioner  
17 Bailey has the same affliction.

18 Are there any other questions that  
19 Mr. Buckley or Mr. Dexter have for the panel,  
20 or the need to clarify anything that  
21 Commissioner Bailey and I have misunderstood  
22 this morning?

23 MR. DEXTER: I have no further  
24 questions.

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1 MR. BUCKLEY: No further questions,  
2 sir.

3 CHAIRMAN HONIGBERG: All right. Is  
4 there anything else we need to do before we  
5 adjourn and take this matter under advisement?

6 *[No verbal response.]*

7 CHAIRMAN HONIGBERG: Then, we will do  
8 that. Thank you all.

9 ***(Whereupon the hearing was***  
10 ***adjourned at 11:19 a.m.)***

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