



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

Docket No. DG 20-105

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities
Distribution Service Rate Case

DIRECT TESTIMONY

OF

DAVID B. SIMEK

AND

KENNETH A. SOSNICK

July 31, 2020

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Attachment	Title
KAS-1	Sosnick Resume
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1 **I. INTRODUCTION AND BACKGROUND**

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

3 A. (DS) My name is David B. Simek. My business address is 15 Buttrick Road,
4 Londonderry, New Hampshire.

5 (KS) My name is Kenneth A. Sosnick. My business address is 200 State Street, 9th
6 Floor, Boston, Massachusetts.

7 **Q. By whom are you employed, and in what position?**

8 A. (DS) I am employed by Liberty Utilities Service Company (“Liberty”), which provides
9 services to Liberty Utilities (EnergyNorth Natural Gas) Corp. (“EnergyNorth” or the
10 “Company”). My title is Manager, Rates and Regulatory Affairs.

11 (KS) I am employed by FTI Consulting (“FTI”), which is a worldwide consulting firm
12 dedicated to helping organizations manage change, mitigate risk, and resolve
13 disputes. Our Power & Utilities practice brings these services to firms in regulated and
14 competitive energy industries. The services we provide our utility clients include expert
15 testimony, regulatory advice, support for strategic decision-making, and advice regarding
16 investments and capital allocation. Our team is comprised of former utility executives,
17 regulators, investors, and financial analysts that combine for hundreds of years of
18 experience in the regulated energy space. My title is Managing Director.

1 **Q. Mr. Simek, please describe your educational background and your business and**
2 **professional experience.**

3 A. I graduated from Ferris State University in 1993 with a Bachelor of Science in Finance. I
4 received a Master of Science in Finance from Walsh College in 2000. I also received a
5 Master of Business Administration from Walsh College in 2001. In 2006, I earned a
6 Graduate Certificate in Power Systems Management from Worcester Polytechnic
7 Institute. In August 2013, I joined Liberty as a Utility Analyst and I was promoted to
8 Manager, Rates and Regulatory Affairs in August 2017. Prior to my employment at
9 Liberty, I was employed by NSTAR Electric & Gas (“NSTAR”) as a Senior Analyst in
10 Energy Supply from 2008 to 2012. Prior to my position in Energy Supply at NSTAR, I
11 was a Senior Financial Analyst within the NSTAR Investment Planning group from 2004
12 to 2008.

13 **Q. Have you previously testified in regulatory proceedings before the New Hampshire**
14 **Public Utilities Commission (the “Commission”)?**

15 A. Yes, I have.

16 **Q. Mr. Sosnick, what are your responsibilities in your current position?**

17 A. As a member of the FTI Power & Utilities practice, my responsibilities include providing
18 advisory services that address the strategic, financial, reputational and regulatory needs of
19 energy and utility clients. My primary areas of focus are regulatory advisory, accounting,
20 civil litigation and financial analysis.

1 **Q. Please describe your educational background and your business and professional**
2 **experience.**

3 A. I have a Bachelor of Arts in Accounting from Indiana University of Pennsylvania in
4 Indiana, Pennsylvania. I have included my resumé as Attachment KAS-1.

5 **Q. What is the purpose of your testimony in this proceeding?**

6 A. The purpose of our testimony in this proceeding is to present the Company's overall
7 revenue requirement for permanent base distribution rates and the Company's requested
8 step increases. We are also filing separate testimony to present the Company's request
9 for a temporary rate increase in this proceeding.

10 **Q. Are you sponsoring any schedules as part of your direct testimony?**

11 A. Yes, we are sponsoring Attachment DBS/KAS-1, which includes the schedules listed
12 below, in accordance with PUC 1604.07 and 1604.08. In addition, as required by Order
13 No. 26,122 (April 27, 2018), which approved permanent rates for EnergyNorth in Docket
14 No. DG 17-048, the Company has consolidated its Keene Division ("Keene") into
15 EnergyNorth from a ratemaking and accounting perspective so that Keene customers will
16 be charged the same distribution rates as EnergyNorth's other customers.¹ Accordingly,
17 we present a combined revenue requirement analysis for EnergyNorth and Keene in
18 Attachment DBS/KAS-1 that includes the detailed schedules identified in Table 1, below:

¹ In Docket No. DG 19-161, the Secretarial Letter dated February 28, 2020, stated that Liberty should "include in its next initial rate case filing . . . a reduction to Liberty's proposed revenue requirement by 50 percent of any revenue shortfall for the first phase of the Keene CNG/LNG conversion." The testimony of Company witness Steven E. Mullen explains that the conversion of the Keene system from propane/air to CNG and LNG has not reached a phase where the concept of a revenue shortfall would come into effect.

1

Table 1. Revenue Requirements Schedules

Schedule RR-EN-1	Revenue Deficiency and Revenue Requirement
Schedule RR-EN-2	Operating Income Statement
Schedule RR-EN-2-1	Operating Income Statement – Detail
Schedule RR-EN-3	Summary of Adjustments
Schedule RR-EN-3-1 to RR-EN-3-10	Detailed Adjustment Schedules
Schedule RR-EN-4	Weighted Average Cost of Capital
Schedule RR-EN-5	Rate Base
Schedule RR-EN-5-1	Rate Base Quarterly Balances
Schedule RR-EN-5-2	Cash Working Capital

2

3 Additionally, Attachment DBS/KAS-2 presents a requested step increase in Schedule
4 Step for capital investments for calendar year 2020. Lastly, estimated rate case expenses
5 are presented in Attachment DBS/KAS-3 in Schedule RC-Rate Case Expense.

6 **Q. Please summarize the rate relief EnergyNorth is seeking in this proceeding.**

7 A. The Company is seeking to recover an annual revenue deficiency of \$13,497,250 based
8 on a rate base of \$356,411,727, which represents an 8.6% increase in total operating
9 revenue for EnergyNorth, based on a test year of the twelve months ending December 31,
10 2019 (the “Test Year”). Attachment DBS/KAS-1, Schedules RR-1 and RR-2 provide a
11 summary of the components of EnergyNorth’s cost of service and revenue requirements.
12 Schedule RR-EN-3 provides the proposed adjustments by EnergyNorth, Schedule 4
13 identifies its capital structure, and Schedule 5 provides its rate base.

14 **Q. Is the Company also requesting approval of step adjustments?**

15 A. Yes. In addition to recovery of the annual revenue deficiency, the Company seeks
16 approval for step adjustments in 2021, 2022, and 2023 to recover the cost of non-growth-

1 related post-test year plant additions through 2022. For the twelve-month period ending
2 December 31, 2020, the projected annual revenue requirement associated with plant
3 additions placed in service during 2020 is \$5,680,641 based on anticipated incremental
4 plant in service of \$37,628,371. The first annual step increase will begin upon
5 implementation of permanent rates in this proceeding, anticipated to occur August 1,
6 2021.

7 **Q. What is the primary driver of the Company's need for an increase in base**
8 **distribution rates?**

9 A. The primary driver of the Company's revenue deficiency and resulting need for an
10 increase in base distribution rates is the amount of capital the Company has invested
11 since the end of the test year in the Company's last rate case.² As shown in Attachment
12 DBS/KAS-1, Schedule RR-EN-2, the Company's earned return on rate base for the Test
13 Year was 4.46% for EnergyNorth. When known and measurable changes are reflected in
14 the income statement, those returns change to 4.71%.

15 Both of these returns are significantly below the weighted average cost of capital of
16 7.47% recommended by Company witness John Cochrane.³

17 **Q. How were the revenue requirement and revenue deficiency calculated?**

18 A. The Company's revenue requirement and revenue deficiency were calculated based on
19 the Company's financial results for the Test Year, excluding revenues and expenses

² The test year in Docket No. DG 17-048 was the 12 months ending December 31, 2016.

³ Cochrane Testimony, Exhibit No. JC-1

1 related to the Cost of Gas and the Local Delivery Adjustment Clause (“LDAC”), and
2 adjusted for known and measurable changes. The resulting Test Year net operating
3 income reflects normalized revenues at current rates, expenses, and net operating income
4 for ratemaking purposes, as summarized on Schedule RR-EN-2.

5 Pro forma net operating income was then compared to the Company’s operating income
6 requirement, which is the net operating income required to achieve a return of 7.47% on
7 the Company’s Test Year rate base. The difference between pro forma net operating
8 income and the required net operating income is equal to the after-tax net operating
9 income deficiency. The net operating income deficiency was then grossed-up for federal
10 and state income taxes to determine the revenue deficiency, as shown on Attachment
11 DBS/KAS-1, Schedule RR-EN-1.

12 **II. DEVELOPMENT OF THE DISTRIBUTION REVENUE REQUIREMENT**

13 **A. Rate Base**

14 **Q. What are the components of the Company’s rate base?**

15 A. The Company’s rate base is comprised of: (1) utility plant in service as of December 31,
16 2019, including the amount in Federal Energy Regulatory Commission (“FERC”)
17 Account No. 106, Completed Construction not Classified, net of accumulated
18 depreciation; (2) the five-quarter average balance in materials and supplies; (3) a
19 deduction for the five-quarter average balance of customer deposits; (4) cash working
20 capital; and (5) a deduction for accumulated deferred and excess accumulated deferred
21 income taxes. The rate base is measured as of December 31, 2019, to align with the

1 calculation of revenues and return on rate base. The rate base components are
2 summarized in Schedule RR-EN-5. As shown in those schedules, the Company's rate
3 base was calculated to be \$356,411,727.

4 **Q. Were any adjustments made to plant in service as of December 31, 2019?**

5 A. Yes. The amount of \$185,436 of gross plant in service was removed from Account No.
6 303.1 for decoupling IT capital charges over \$50,000. *See* Order No. 26,187 at 12-13
7 (Nov. 2, 2018). Additionally, \$41,208 of associated accumulated depreciation related to
8 the decoupling IT plant over \$50,000 was also removed from rate base. There were no
9 plant adjustments related to the Company's Cast Iron/Bare Steel ("CIBS") replacement
10 program. CIBS plant additions were separately reflected in the revenue requirement
11 analysis through an adjustment to Test Year revenues.

12 **Q. What information is provided in Schedule RR-EN-5-1?**

13 A. Schedule RR-EN-5-1 provides the five-quarter average in materials and supplies and
14 customer deposits for EnergyNorth.

15 **Q. What information is provided in Schedule RR-EN-5-2?**

16 A. Schedule RR-EN-5-2 provides the calculation of cash working capital. In that schedule,
17 we applied the cash working capital required days of 25.72 days to adjusted operations
18 and maintenance expenses.⁴ The Company's resulting cash working capital requirement
19 was \$3,004,115.

⁴ See the joint testimony of David Simek and Catherine McNamara.

1 **B. Net Operating Income**

2 **Q. Please summarize the results of EnergyNorth's distribution revenue requirement, as**
3 **presented in Schedule RR-EN-1.**

4 A. Schedule RR-EN-1 provides the requested distribution revenue increase and distribution
5 revenue requirement. As shown in that schedule, the revenue deficiency is \$13,497,250
6 based on an overall rate of return on a rate base of 7.47%. Schedules RR-EN-2 through
7 RR-EN-5 provide the support for the items presented on Schedule RR-1, including Test
8 Year net operating income and rate base.

9 **Q. What information is provided in Schedules RR-EN-2 and RR-EN-2-1?**

10 A. Schedule RR-EN-2 provides the revenues and expenses for EnergyNorth, including: (1)
11 Test Year amounts; (2) amounts that are excluded from the base distribution revenue
12 requirements such as Cost of Gas and LDAC revenues and expenses; (3) known and
13 measurable adjustments; and (4) the proposed revenue increase, including income tax
14 effects.

15 Schedule RR-EN-2-1 provides a more detailed income statement by FERC account, and
16 also provides information regarding labor amounts in each FERC account.

17 **Q. What known and measurable adjustments were made to EnergyNorth's Test Year**
18 **revenues and expenses to arrive at the Test Year net operating income?**

19 A. The following is a list of the adjustments for known and measurable changes in revenue
20 and expenses for EnergyNorth, along with the schedules in which the details are
21 provided:

1 **Table 2. Schedules Containing Adjustments to Test Year Net Operating Income**

Schedule RR-EN-3-1	Revenue adjustments
Schedule RR-EN-3-2	Salary and wage expense
Schedule RR-EN-3-3	Payroll tax expense
Schedule RR-EN-3-4	Pension and benefits expense
Schedule RR-EN-3-5	Depreciation
Schedule RR-EN-3-6	Amortization
Schedule RR-EN-3-7	Property taxes
Schedule RR-EN-3-8	Income tax expense –Historical Test Year
Schedule RR-EN-3-9	Income tax expense –adjustments
Schedule RR-EN-3-10	Other adjustments

2
3 **Q. What adjustments were made to revenues in Schedule RR-EN-3-1?**

4 A. EnergyNorth’s historical Test Year revenues (less Cost of Gas and Local Delivery
5 Adjustment Charge (“LDAC”) revenues) were adjusted: (1) to match the calculated
6 operating revenue presented in the testimony of Company Witness Matthew DeCoursey;⁵
7 (2) for historical customer count as required by Commission Order No. 26,122; (3)
8 Pelham Risk Sharing as supported by Company Witness Steven Mullen;⁶ (4) an
9 annualization adjustment for the updated CIBS rate that went into effect July 1, 2019; (5)
10 to remove revenues associated with the Granite Ridge and iNATGAS Special Contracts;
11 and (6) for calendar year and weather normalization billing unit adjustments.
12 Additionally, other non-recurring correcting entries related to Concord Steam and the
13 Lost Revenue Adjustment Mechanism were removed. The total adjustment to Test Year
14 revenue is \$1,427,588.

⁵ DeCoursey Testimony, Exhibit No. MJD-1

⁶ Mullen Testimony, Exhibit No. SEM-2.

1 **Q. Please describe the adjustment for salary and wage expense shown in Schedule RR-**
2 **EN-3-2.**

3 A. The salary and wage expense adjustment reflects the annualized expense for the
4 employment of EnergyNorth employees as of December 31, 2019, including wage
5 increases, expected incentive compensation and overtime, and reflect historical
6 vacancies. If the Company had made any severance payments during 2019, which it did
7 not, they would be reflected here as well. Once the annualized salaries and wages for
8 2019 was calculated, a 3% cost of living adjustment for 2020 was applied. Because
9 many employees provide services to both EnergyNorth and Liberty Utilities (Granite
10 State Electric) Corp. (“Granite State”), each employee’s salary was allocated between
11 EnergyNorth and Granite State per the portion of their time spent dedicated to each
12 company. In addition, each employee’s salary was allocated to Operations and
13 Maintenance (“O&M”) expense to exclude the portion of their salary that is capitalized.
14 Finally, Schedule RR-EN-3-2 includes a calculation of the wage increase applicable to
15 regional labor charged to EnergyNorth. Based on those calculations and allocations, the
16 salary and wage adjustment is \$315,945.

17 **Q. Please describe the adjustment for historical vacancies.**

18 A. Commission Order No. 26,122 required EnergyNorth to consider in its payroll
19 calculation a representative level of vacancies. EnergyNorth averaged historical
20 vacancies for calendar years 2017–2019 and then adjusted the 2019 labor directly
21 charged to EnergyNorth downward by the difference between the average historical

1 vacancies and the amount of vacancies in 2019. This adjustment resulted in a removal of
2 \$211,691 of labor from the 2019 test year.

3 **Q. Please describe the adjustment for payroll tax expense shown in Schedule RR-EN-3-**
4 **3.**

5 A. Payroll taxes were determined in Schedule RR-EN-3-3 by calculating the ratio of payroll
6 taxes to gross payroll for the unadjusted Historical Test Year, and then applying that ratio
7 to the salary and wages expense. That adjustment aligned payroll taxes with gross
8 payroll and resulted in a payroll tax adjustment of \$382,609.

9 **Q. Please describe the adjustment for pension and benefits expense shown in Schedule-**
10 **RR-EN-3-4.**

11 A. The pension and benefits expense adjustment reflects the full employment of current
12 EnergyNorth employees as of December 31, 2019, as well as known and measurable
13 changes to benefits expense based on the latest health plan data. Specifically, the
14 Company matches employee 401(k) contributions at 5.38% of the test year portion of
15 salaries charged to operation and maintenance expenses, so 5.38% was applied to salaries
16 to derive the 401(k)-matching expense. The total adjustment for EnergyNorth healthcare
17 and 401(k) matching benefits was an increase of \$17,010, before consideration of
18 amounts that are capitalized. Pension and Other Post-Employment Benefits (“OPEB” or
19 “PBOP”) expense was adjusted to reflect the latest actuarial assumptions, resulting in a
20 decrease of \$680,094, also before capitalization of pension and OPEB expenses.

1 **Q. What adjustments described as “other” did you make?**

2 A. There are three expenses that have been labeled as “other” that need to be adjusted.
3 These expenses are Employee pensions and benefits – 401(k), ESPP Expense, and
4 Pension Plan Expenses. These “other” adjustments result in a decrease of \$64,108
5 before consideration of amounts that are capitalized.

6 **Q. What adjustment did you make to pension and benefits expense to reflect the**
7 **capitalization of pension and benefits?**

8 A. The Company capitalizes a portion of pension and benefits expenses. The Company’s
9 current capitalization rate is 34.40%. When the capitalization rate of 34.40% is applied
10 to the Company’s OPEB total expense, it results in a decrease in pension and benefits
11 expense of \$233,952, that amount being capitalized.

12 **Q. What adjustments were made to depreciation expense?**

13 A. Depreciation and amortization rates for each FERC plant account were calculated using
14 the depreciation rates that were approved in Docket No. DG 17-048. Included in total
15 depreciation expense is the annual amortization of the Account No. 403 portion of the
16 depreciation reserve shortfall that was determined in DG 17-048 and is currently being
17 amortized over a six-year period. Depreciation expense was annualized to reflect a full
18 year of depreciation on plant additions ending December 31, 2019 (including FERC
19 account 106, Completed Construction not Classified), as well as to remove a full year of
20 depreciation on plant retirements ending December 31, 2019. The adjustments, which
21 total \$1,836,152, are shown in Schedule RR-EN-3-5.

1 **Q. Has the status of the amortization of the depreciation reserve shortfall been**
2 **examined?**

3 A. Yes. As directed in Docket No. DG 19-161⁷ and consistent with the requirement in
4 Order No. 26,122, the Company engaged Management Applications Consulting, Inc. to
5 examine the status of the depreciation reserve imbalance to determine if any adjustments
6 were necessary to the amortization. As explained in the testimony of Company witness
7 Steven Mullen, the results of the review were that the reserve deficiency had actually
8 grown since the last rate case, from approximately \$10 million to \$16.4 million. The
9 consultant identified several factors that contributed to this result and recommended steps
10 to address the reserve imbalance going forward. The Company is not requesting any
11 adjustment to the depreciation reserve deficiency amortization having determined that the
12 best course of action is to follow the recommendations of its consultant and perform
13 additional analysis to determine if any internal policies need to be changed.

14 **Q. What adjustments were made to amortization expense?**

15 A. Four adjustments were made to historical Test Year amortization expense: first, a
16 combined reduction of \$162,343 related to the pro forma Cost to Achieve interest, the
17 removal of Costs to Achieve (amortization ends), the removal of Test Year Amortization
18 for Concord Steam, and the addition of New Concord Steam Amortization; second, an
19 increase of \$349,196 related to the proposed three-year amortization of the NHDAS
20 Special Contract amount of \$1,047,589 and discussed by Company witnesses William J.

⁷ The Secretarial Letter dated February 28, 2020 in Docket No. DG 19-161 stated that consistent with Order No. 26,122, “Liberty must also include in its next initial rate case filing . . . an analysis of Liberty's depreciation reserve imbalance (Order No. 26, 122 at 18).”

1 Clark and Mark R. Stevens;⁸ third, a decrease of \$1,297,126 for the annual amortization
2 of excess accumulated deferred income taxes; and fourth, similar to depreciation expense,
3 amortization of intangible plant was updated to reflect a full year of amortization, using
4 the amortization rates approved in DG 17-048 as adjusted for the Account No. 405
5 portion of the depreciation reserve imbalance adjustment previously discussed. This
6 results in a reduction to amortization expense of \$128,313. The amortization adjustments
7 result in a total decrease of \$1,238,585 and are shown on Schedule RR-3-6.

8 **Q. What adjustments were made to property taxes?**

9 A. Property taxes were adjusted to reflect the most recent property tax bills received by
10 EnergyNorth for each parcel of land on which it is taxed. This results in an increase to
11 the Test Year property taxes of \$443,281, as shown in Schedule RR-EN-3-7.

12 **Q. Please describe the adjustments to EnergyNorth's income tax expense.**

13 A. First, income tax expense was reduced in Schedule RR-EN-3-8 by \$522,835 to reflect the
14 difference between the income taxes recorded by EnergyNorth and what is calculated
15 under the statutory federal income tax rate of 21% and New Hampshire state tax rate of
16 7.70%. Second, an increase of \$128,718 was made in Schedule RR-EN-3-9 for the
17 income tax effect of the known and measurable adjustments made to revenue and O&M
18 expenses.

⁸ Clark and Stevens Testimony, Attachment WJC/MRS-2.

1 **Q. Please describe the adjustment for other items.**

2 A. An adjustment was made for the Commission’s annual assessment (“PUC Annual
3 Assessment”). The Test Year expense related to the PUC Annual Assessment and the
4 PUC Gas Pipeline Safety Assessment was adjusted downward by \$36,883 by utilizing the
5 Fiscal Year 2020 PUC Assessment.

6 **Q. Did you make any other adjustments to EnergyNorth’s revenue requirement?**

7 A. Yes. We made an adjustment to recognize a credit to the Concord Rental Expense of
8 \$42,637. Next, we adjusted EnergyNorth’s revenue requirement to remove Keene
9 production costs in the amount of \$214,380. The sum of all other adjustments is a
10 reduction of \$293,900 from the test year expenses.

11 **C. Weighted Average Cost of Capital**

12 **Q. What is the Company’s proposed rate of return for ratemaking purposes?**

13 A. EnergyNorth’s weighted average cost of capital is 7.47% percent, reflecting a capital
14 structure comprised of 49.85% debt and 50.15% equity, a 4.42% cost of debt, and a
15 10.51% requested return on equity, as described in Mr. Cochrane’s testimony.

16 **III. STEP INCREASES**

17 **Q. Please explain the Step Increase that relates to 2020 capital investments?**

18 A. The Company is requesting that the Commission approve a first Step Increase to reflect
19 additions to rate base through December 31, 2020. This Step Increase is structured to
20 recover an incremental revenue requirement of \$5,680,641 for EnergyNorth, which are
21 the incremental revenue requirements based on non-revenue producing capital additions

1 of \$37,628,371 for EnergyNorth for the period January 1 through December 31, 2020.

2 The resulting rates from the Step Increase would go into effect concurrent with the
3 permanent increase. The projects and associated estimated costs are shown in
4 Attachment DBS/KAS-2.

5 **Q. What is the purpose of Step Increases?**

6 A. The Company will continue to make capital investments each calendar year. Thus, the
7 Company is seeking multi-year Step Increases for the identified capital investments in
8 2020, 2021, and 2022. Without those increases, the Company would not have a
9 reasonable opportunity to earn its allowed return on equity. In addition, it is known and
10 measurable that these assets will be utilized in providing service to the Company's
11 customers at the conclusion of each calendar year.

12 **Q. What are the components of a Step Increase revenue requirement?**

13 A. The revenue requirement for the Step Increase capital consists of (1) return on rate base,
14 (2) depreciation expense, (3) property taxes, and (4) property insurance.

15 **Q. How do you determine Step Increase rate base and return on rate base?**

16 A. The Step Increase rate base is calculated as the total amount of capital expenditures less
17 accumulated depreciation and less accumulated deferred income taxes. A pre-tax cost of
18 capital is then calculated to apply to the Step Increase rate base to develop a pre-tax
19 return on rate base as shown in Exhibit DBS/KBS-2, page 1 line 40.

1 **Q. How do you calculate the Step Increase depreciation expense?**

2 A. The Step Increase depreciation expense is calculated by applying the depreciation rates
3 approved in DG 17-048 to the Step Increase capital expenditures by FERC account.

4 **Q. How do you calculate Step Increase property taxes?**

5 A. First, we calculate the ratio of property taxes to the total plant in service, excluding Step
6 Increase capital. We then apply that ratio to the Step Increase capital expenditures.

7 **Q. How do you calculate Step Increase property insurance?**

8 A. As we do for property taxes, we calculate the ratio of property insurance to the total plant
9 in service, excluding Step Increase capital. We then apply that ratio to the Step Increase
10 capital expenditures.

11 **IV. RATE CASE EXPENSES**

12 **Q. How does the Company propose to recover rate case expenses incurred in this
13 proceeding?**

14 A. The Company proposes to recover the total cost associated with this rate case through the
15 existing LDAC component that covers expenses related to rate cases, consistent with the
16 existing Company tariff provisions.

17 **Q. Please describe the nature of the rate case expenses.**

18 A. The costs incurred for the rate cases are incremental, external costs that are primarily for
19 services such as outside consulting services and legal services to assist with the
20 preparation and presentation of this rate case. This includes the development of studies
21 on various matters required to establish appropriate rates for the Company's customers.

1 The Company obtained competitive bids for these services consistent with the PUC 1900
2 rules. Also included will be copying expense, the cost of legal notices, and the cost of the
3 court reporter, among other costs. A list of these outside services and their estimated
4 costs are shown in Attachment DBS/KAS-3, Schedule RC.

5 **Q. How does the Company account for rate case expenses?**

6 A. The Company defers for future recovery all costs associated with the case as they are
7 incurred during the proceeding.

8 **V. EFFECTIVE DATE**

9 **Q. What is the Company's proposal for the effective date of rates in this proceeding?**

10 A. Consistent with the Commission's rules on the implementation of rate changes, the
11 Company is proposing that rate changes be made effective for usage on and after August
12 1, 2021. However, we anticipate that the Commission will suspend the rates for
13 investigation, so we are proposing temporary rates effective October 1, 2020, as
14 described in our separate testimony.

15 **VI. UPDATED SCHEDULES**

16 **Q. Does the Company intend to update its schedules during the course of this
17 proceeding?**

18 A. Yes. At the end of the discovery period, schedules will be updated to reflect any new or
19 updated information that becomes available and will include any changes that are
20 identified throughout the discovery process.

1 **VII. CONCLUSION**

2 **Q. Does that conclude your testimony?**

3 **A. Yes.**

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Indiana University of
Pennsylvania

Ken Sosnick is a Managing Director at FTI Consulting and is based in Boston. Mr. Sosnick has more than 16 years of experience with electric utility, natural gas pipeline and crude/product pipeline industry matters before the Federal Regulatory Commission (FERC).

Prior to joining FTI, Mr. Sosnick spent over 5 years as a consultant extensively engaged in the natural gas, crude/product and electricity markets. His work included analysis of natural gas pipeline and crude/product pipeline cost of service rates, market-based rates, discounted and negotiated rates, incremental vs. rolled-in project costs, initial certificate rates, allocation of corporate overhead costs, master-limited partnership income taxes, throughput/system rate design quantities, fuel recovery mechanisms, NGA Section 5 rate complaints, Return on Equity calculations under the DCF/Risk Premium/CAPM/Expected Earnings methods, depreciation rate and negative salvage rate calculations, Asset Retirement Obligations, FERC Form 1 and 2 filing requirements as well as being proficient in the application of FERC's Uniform System of Accounts.

Mr. Sosnick served as a panelist for the Liquid Shippers Group in Docket No. RM15-19-000 seeking revisions to the FERC Form 6 Page 700 as well as addressing FERC's regulation of common carrier liquid pipelines including the review of liquid markets and specifically understanding product pipeline pro-rationing policies.

Mr. Sosnick has prepared expert testimony for proceedings at FERC as well as expert reports assessing and quantifying damages in civil litigation, conducted strategic analysis for a large energy company considering alternatives for its existing pipeline and storage portfolio. In addition, he conducted confidential buy-side valuations and assessments of regulated electric and natural gas utilities in the U.S.

Mr. Sosnick has also written a whitepapers, an example is discussing the regulatory and rate impacts of the Tax Cuts and Jobs Act on FERC regulated assets as well as a whitepaper on the impacts of FERC Orders in SFPP, LP Docket No. IS08-390 related to Master Limited Partnerships and other pass-through entities income tax allowance.

Mr. Sosnick spent 10 years at FERC in which he spent two years as an auditor in the Office of Enforcement, and 8 years as an expert witness and one of the lead technical staff negotiators on major electric utility proceedings, interstate natural gas pipeline and crude/product pipeline in the Office of Administrative Litigation.

Mr. Sosnick's insights were incorporated into the revision of the FERC Form 2 in Docket No. RM07-9-000, which led to the FERC-initiated Section 5 natural gas pipeline proceedings from 2009 to today.

Mr. Sosnick currently teaches an executive FERC Natural Gas 101 course for EUCI, and previously taught at the New Mexico State University Center for Public Utilities Practical and Regulatory Training for the Natural Gas Interstate Pipeline Industry specifically addressing FERC requirements for determining "Just and Reasonable" rates.

PROFESSIONAL EXPERIENCE

- *FTI Consulting*, Managing Director, Boston, MA, 2019 – Present
- *Concentric Energy Advisors*, Senior Project Manager, Marlborough MA, 2015 – 2019
- *MRW & Associates, LLC, Energy Consultants*, Senior Project Manager, Oakland, CA, 2013 – 2015
- *Federal Energy Regulatory Commission*, Energy Industry Analyst, Office of Administrative Litigation, Washington, D.C., 2005 – 2013
- *Federal Energy Regulatory Commission*, Auditor, Office of Enforcement, Washington, D.C., 2003 – 2005

SELECTED PROJECTS

Cost of Service: Natural Gas, Electric and Liquids Experience

Mr. Sosnick assists clients, state regulatory agencies, and other experts developing and refining cost of service models regarding rate base calculations, appropriate levels of operations and maintenance expenses, appropriate levels of directly assigned or allocated affiliated or parent company overhead costs, the application of cost allocation procedures in the allocation of costs between jurisdictional activities, between non-jurisdictional and jurisdictional activities or amongst separate jurisdictional systems.

Cost Allocation & Rate Design: Natural Gas, Electric and Liquids Experience

Mr. Sosnick assists clients, regulatory agencies, and other experts developing and refining cost allocation and rate design models.

Regulatory Policy & Strategic Analysis: Natural Gas and Electric Experience

Utilizing his background in accounting, regulatory affairs, and the nuances of the energy sector, Mr. Sosnick has helped clients ensure they are charging or paying appropriate rates, under terms and conditions that are just, reasonable and not unduly discriminatory or preferential. In addition, Mr. Sosnick helps clients develop safe, reliable and efficient energy infrastructure that serves the public interest.

Tariffs: *Natural Gas, Electric and Liquids Experience*

- Analyzed Open Access Transmission Tariff formula rates to verify conformity to FERC's Uniform System of Accounts and the structure of their formula had FERC's approval
- Participated in the review and refunding of Southern Company's RTO Development Costs that were collected erroneously through their Open Access Transmission Tariff, Unit Power Sales Agreements, and Transmission Service Agreements
- Confidential Client; Review of a SPP Member's ATRR to provide an opinion on the appropriateness of the inclusion of certain costs
- Confidential Client; Review of multiple entities RTO/ISO Formula Rates to ensure compliance with current FERC precedent
- Served the role of advisor to clients to internal FERC Trial Staff on settlements on FERC wholesale electric, liquid pipeline and natural gas pipelines Tariff matters

Negotiations: *Natural Gas, Electric and Liquids Experience*

- Coordinated Pre-filing Settlement negotiations on behalf of a firm storage customer in a state rate proceeding in the western US
- Facilitated the settlement of the refund amounts associated with the sale and related costs of the portion of the Kewaunee Nuclear Power Plant owned by Wisconsin Public Service Corp.
- California Independent System Operator Corporation, ER05-150: Reviewed the Utility Distribution Company Operating Agreement to ensure compliance with FERC precedent and coordinated with all parties to confirm understanding of commitments being filed
- PG&E, ER05-130: Reviewed the CASIO requirements and Western Interconnection Agreement as well as the FERC precedent to assist TPUD and PG&E to reach a settlement resolving the interconnection issue
- KO Transmission Company, Docket No. RP16-1097-000: Filed testimony on behalf of KO Transmission and served as the Rate Case Filing/Settlement Coordinator
- Served the role of lead FERC Trial Staff Technical Witness on settlements on FERC wholesale electric, liquid pipeline and natural gas pipelines related to cost of service and cost allocation and rate design

PRESENTATIONS

- Panelist EBA-Section 5 Perspectives, January 2018
- FC Intelligence-Natural Gas Impact, Transportation Options and Regulatory Oversight, May 2016

- Western States Association of Tax Administrators, four presentations between 2015 to 2017
- Panelist, “Will Fracking Change the Gas Pipeline Flows in Ways that Affect Rate Design and Cost Allocation?” EBA Mid-Year Meeting, November 2014
- Panelist at the FERC Commission Open Meeting for the Revisions to the FERC Form 2, Docket No. RM07-9-000, 2009

**Liberty Utilities (EnergyNorth)
Index to Revenue Requirement Schedules
Test Year Ended December 31, 2019**

Line	Title	Reference
1	<u>Summary Schedules</u>	
2	Index to Revenue Requirement Schedules	Index
3	Revenue Deficiency and Revenue Requirement	Schedule RR-1
4	Operating Income Statement - EnergyNorth	Schedule RR-EN-2
5	Operating Income Statement - Detail - EnergyNorth	Schedule RR-EN-2-1
6	Summary of Adjustments	Schedule RR-EN-3
7		
8		
9	<u>Adjustments - EnergyNorth</u>	
10	Adjustment 1 - Revenue Adjustments	Schedule RR-EN-3-1
11	Adjustment 2 - Salary and Wage Expense	Schedule RR-EN-3-2
12	Adjustment 3 - Payroll Tax Expense	Schedule RR-EN-3-3
13	Adjustment 4 - Pension and Benefits Expense	Schedule RR-EN-3-4
14	Adjustment 5 - Depreciation Expense	Schedule RR-EN-3-5
15	Adjustment 6 - Amortization Expense	Schedule RR-EN-3-6
16	Adjustment 7 - Property Tax	Schedule RR-EN-3-7
17	Adjustment 8 - Income Tax Expense - Historical Test Year	Schedule RR-EN-3-8
18	Adjustment 9 - Income Tax Expense - Pro Forma Test Year at Current Rates	Schedule RR-EN-3-9
19	Adjustment 10 - Other Adjustments	Schedule RR-EN-3-10
20		
21		
22	<u>Cost of Capital</u>	
23	Weighted Average Cost of Capital	Schedule RR-EN-4
24		
25	<u>Rate Base</u>	
26	Rate Base - EnergyNorth	Schedule RR-EN-5
27	Rate Base Quarterly Balances - EnergyNorth	Schedule RR-EN-5-1
28	Cash Working Capital - EnergyNorth	Schedule RR-EN-5-2
29		
30	<u>Step Increase</u>	
31	Step Increase - EnergyNorth	Schedule Step-EN
32		
33	<u>Rate Case Expense</u>	
34	Rate Case Expense	Schedule RC

Liberty Utilities (EnergyNorth)
Revenue Deficiency and Revenue Requirement
Test Year With Known and Measurable Changes

Line	Description	Reference	EnergyNorth
1	Rate Base	RR-5	\$ 356,411,727
2			
3	Target Rate of Return on Rate Base	RR-4	<u>7.47%</u>
4			
5	Operating Income Requirement	Line 1 X Line 3	\$ 26,623,956
6			
7	Operating Income at Present Rates	RR-2	<u>\$ 16,781,762</u>
8			
9	Operating Income Deficiency	Line 5 - Line 7	\$ 9,842,195
10			
11	Gross-up Factor for Additional Income Taxes	Line 19	<u>1.3714</u>
12			
13	Revenue Deficiency	Line 9 X Line 11	<u><u>\$ 13,497,250</u></u>
14			
15	<u>Gross-up Factor for Income Taxes</u>		
16	Federal Income Tax Rate		21.00%
17	New Hampshire State Income Tax Rate		7.70%
18	Combined Income Tax Rate	Line 16 + Line 17 - (Line 16 X Line 17)	27.08%
19	Gross-up Factor	1 / (1 - Line 18)	1.3714
20			
21	Additional Income Tax Required	Line 13 - Line 9	<u><u>\$ 3,655,055</u></u>
22			
23	Distribution Revenue at Present Rates	RR-2	\$ 85,789,234
24			
25	% Increase Needed	Line 13 / Line 23	15.73%
26			
27	Revenue with Increase	RR-2	\$ 99,286,484
28			
29	% Increase Needed - Total Revenue		8.60%

Liberty Utilities (EnergyNorth)
Operating Income Statement - EnergyNorth
Test Year With Known and Measurable Changes

Line Account	Source		RR-EN-3			RR-1		Distribution Operating Income with Proposed Increase
	Test Year Ended December 31, 2019	Cost of Gas & LDAC	Distribution Operating Income	Known and Measurable Adjustments	Test Year at Current Rates	Proposed Increase		
1 Revenue								
2 Operating Revenue	\$ 155,813,183	\$ (72,649,313)	\$ 83,163,870	\$ 1,427,588	\$ 84,591,458	\$ 13,497,250	\$ 98,088,708	
3 Other Revenue	1,197,776	-	1,197,776	-	1,197,776		1,197,776	
4	\$ 157,010,959	\$ (72,649,313)	\$ 84,361,646	\$ 1,427,588	\$ 85,789,234	\$ 13,497,250	\$ 99,286,484	
5								
6 Operating Expenses								
7 Operations and Maintenance - Gas	\$ 68,016,418	\$ (68,187,738)	\$ (171,320)	\$ (138,439)	\$ (309,759)		\$ (309,759)	
8 Operations and Maintenance - Distribution	14,187,750	-	14,187,750	182,041	14,369,791		14,369,791	
9 Customer Accounting	4,011,638	983,441	4,995,080	45,731	5,040,811		5,040,811	
10 Sales and New Business	663,477	-	663,477	11,141	674,618		674,618	
11 Administrative & General	8,719,450	-	8,719,450	(530,336)	8,189,114		8,189,114	
12 Depreciation and Amortization	25,339,396	(3,025,052)	22,314,344	597,567	22,911,910		22,911,910	
13 Taxes other than Income Taxes	14,030,617	-	14,030,617	784,558	14,815,175		14,815,175	
14 Income Taxes	3,709,928	-	3,709,928	(394,116)	3,315,812	3,655,055	6,970,867	
15	\$ 138,678,675	\$ (70,229,348)	\$ 68,449,327	\$ 558,145	\$ 69,007,472	\$ 3,655,055	\$ 72,662,528	
16								
17 Utility Net Income	\$ 18,332,284	\$ (2,419,965)	\$ 15,912,319	\$ 869,443	\$ 16,781,762	\$ 9,842,195	\$ 26,623,956	
18								
19 Rate Base			<u>\$ 356,411,727</u>		<u>\$ 356,411,727</u>		<u>\$ 356,411,727</u>	
20								
21 Rate of Return on Rate Base			4.46%		4.71%		7.47%	

Liberty Utilities (EnergyNorth)
 Operating Income Statement - Detail - EnergyNorth
 Test Year With Known and Measurable Changes

Source

Line	Account	Account Number	Test Year Ended December 31, 2019	Cost of Gas & LDAC	RR-EN-3			RR-EN-3	
					Distribution Operating Income	Known and Measurable Adjustments	Test Year At Current Rates	Labor	Labor Pro Forma
1	OPERATION AND MAINTENANCE EXPENSES								
2	O&M - Gas Production								
3	Operation Supervision and Engineering	710	\$ 976,663	\$ -	\$ 976,663	\$ 20,392	\$ 997,056	\$ 944,645	\$ 965,037
4	Liquefied Petroleum Gas Expenses	717	-	-	-	-	-	-	-
5	Liquefied Petroleum Gas	728	-	-	-	-	-	-	-
6	Gas Mixing Expense	733	185,703	-	185,703	(114,984)	70,719	185,703	189,712
7	Miscellaneous Production Expenses	735	514,254	-	514,254	(43,853)	470,400	-	-
8	Maintenance of Production Equipment	742	119,531	-	119,531	-	119,531	-	-
9	Natural Gas City Gate Purchases	804	(713,592)	713,592	-	-	-	-	-
10	Other Gas Purchases	805	67,686,807	(67,686,807)	-	-	-	-	-
11	Gas Withdrawn from Storage	808	1,214,522	(1,214,522)	-	-	-	-	-
12	Operation Labor and Expenses	841	-	-	-	-	-	-	-
13	Other Expenses	846	(1,967,471)	-	(1,967,471)	6	(1,967,465)	263	269
14	Total O&M - Gas Production		\$ 68,016,418	\$ (68,187,738)	\$ (171,320)	\$ (138,439)	\$ (309,759)	\$ 1,130,611	\$ 1,155,018
15									
16	O&M - Distribution Expenses								
17	Measuring and Regulating Station Expenses (Transmission)	857	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18	Maintenance of Mains (Transmission)	863	-	-	-	-	-	-	-
19	Operation Supervision and Engineering	870	536,299	-	536,299	7,153	543,453	331,359	338,512
20	Distribution Load Dispatching	871	575,530	-	575,530	12,414	587,944	575,068	587,482
21	Mains Services Expenses	874	5,633,309	-	5,633,309	75,511	5,708,819	3,497,946	3,573,456
22	Measuring and Regulating Station Expenses - General	875	-	-	-	-	-	-	-
23	Measuring and Regulating Station Expenses - Industrial	876	-	-	-	-	-	-	-
24	Meter and House Regulator Expenses	878	1,118,308	-	1,118,308	22,429	1,140,737	1,038,978	1,061,406
25	Customer Installations Expenses	879	629,292	-	629,292	13,454	642,746	623,226	636,680
26	Other Expenses	880	1,717,919	-	1,717,919	18,651	1,736,570	864,000	882,651
27	Rents	881	10,618	-	10,618	-	10,618	-	-
28	Maintenance Supervision and Engineering	885	-	-	-	-	-	-	-
29	Maintenance of Structures and Improvements	886	147,555	-	147,555	2,592	150,147	120,051	122,643
30	Maintenance of Mains	887	2,660,338	-	2,660,338	17,605	2,677,943	815,525	833,130
31	Maintenance of Measuring and Regulating Station Expenses	889	-	-	-	-	-	-	-
32	Maintenance of Services	892	462,357	-	462,357	4,448	466,805	206,069	210,518
33	Maintenance of Meters and House Regulators	893	351,020	-	351,020	5,689	356,709	263,554	269,244
34	Maintenance of Other Equipment	894	345,205	-	345,205	2,095	347,300	97,049	99,144
35	Total O&M - Distribution		\$ 14,187,750	\$ -	\$ 14,187,750	\$ 182,041	\$ 14,369,791	\$ 8,432,825	\$ 8,614,866
36	Total O&M - Gas Production and Distribution		\$ 82,204,168	\$ (68,187,738)	\$ 14,016,431	\$ 43,601	\$ 14,060,032	\$ 9,563,437	\$ 9,769,884
37									
38	Customer Accounts Expenses								
39	Supervision	901	\$ 243,201	\$ -	\$ 243,201	\$ 5,250	\$ 248,451	\$ 243,201	\$ 248,451
40	Meter Reading Expenses	902	323,371	-	323,371	6,427	329,798	297,723	304,150
41	Customer Records and Collection Expenses	903	2,734,690	-	2,734,690	34,054	2,768,744	1,577,532	1,611,586
42	Uncollectible Accounts	904.0	1,680,770	-	1,680,770	-	1,680,770	-	-
43	Bad Debt Expense - Commodity	904.1	(983,441)	983,441	-	-	-	-	-
44	Miscellaneous Customer Accounts Expenses	905	13,047	-	13,047	-	13,047	-	-
45	Total Customer Accounting		\$ 4,011,638	\$ 983,441	\$ 4,995,080	\$ 45,731	\$ 5,040,811	\$ 2,118,456	\$ 2,164,187
46									
47	Customer Service and Informational & Sales Expenses								
48	Cust Assistance	908	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
49	Informational and Instructional Advertising Expenses	909	95,856	-	95,856	462	96,318	21,409	21,871
50	Cust Service Misc	910	15,180	-	15,180	-	15,180	-	-
51	Sales & Advertising	912	449,660	-	449,660	9,032	458,691	418,379	427,410
52	Advertising Expenses	913	26,484	-	26,484	-	26,484	-	-
53	Miscellaneous Sales Expenses	916	76,299	-	76,299	1,647	77,946	76,299	77,946
54	Total Customer Service and Informational & Sales Expenses		\$ 663,477	\$ -	\$ 663,477	\$ 11,141	\$ 674,618	\$ 516,086	\$ 527,227
55	Total Customer Accounts, Customer Service and Informational		\$ 4,675,116	\$ 983,441	\$ 5,658,557	\$ 56,872	\$ 5,715,429	\$ 2,634,542	\$ 2,691,414
56									
57	Administrative and General Expenses								
58	A&G Salaries	920.0	\$ 2,690,132	\$ -	\$ 2,690,132	\$ 52,626	\$ 2,742,757	\$ 2,437,821	\$ 2,490,446
59	A&G Salaries - LU Head Office	920.1	3,128,482	-	3,128,482	-	3,128,482	Allocated costs	-
60	Office Supplies and Expenses	921	2,214,501	-	2,214,501	(10,202)	2,204,299	-	-
61	Administrative Expenses Transferred	922.0	(13,438,703)	-	(13,438,703)	233,952	(13,204,750)	Allocated costs	-
62	LU Labor Allocations Capitalized	922.1	(2,935,673)	-	(2,935,673)	-	(2,935,673)	-	-
63	Outside Services Employed	923.0	1,038,455	-	1,038,455	-	1,038,455	-	-
64	Allocated LU Head Office	923.1	6,179,915	-	6,179,915	-	6,179,915	-	-
65	Property Insurance	924	51,523	-	51,523	-	51,523	-	-
66	Injuries and Damages	925	814,179	-	814,179	-	814,179	-	-
67	Employee Pensions and Benefits	926	7,987,623	-	7,987,623	(727,193)	7,260,431	-	-
68	Regulatory Commission Expenses	928	813,919	-	813,919	(36,883)	777,036	-	-
69	Miscellaneous General Expenses	930	1,146	-	1,146	-	1,146	-	-
70	Rents	931	173,951	-	173,951	(42,637)	131,314	-	-
71	Maintenance of General Plant	932	-	-	-	-	-	-	-
72	Total Administrative & General		\$ 8,719,450	\$ -	\$ 8,719,450	\$ (530,336)	\$ 8,189,114	\$ 2,437,821	\$ 2,490,446
73	Total Operation and Maintenance Expenses		\$ 95,598,734	\$ (67,204,296)	\$ 28,394,438	\$ (429,863)	\$ 27,964,575	\$ 14,635,799	\$ 14,951,744
74									

Liberty Utilities (EnergyNorth)
 Operating Income Statement - Detail - EnergyNorth
 Test Year With Known and Measurable Changes

Source

RR-EN-3

RR-EN-3

Line	Account	Account Number	Test Year Ended December 31, 2019	Cost of Gas & LDAC	Distribution Operating Income	Known and Measurable Adjustments	Test Year At Current Rates	Labor	Labor Pro Forma
75	DEPRECIATION AND AMORTIZATION EXPENSE								
76	Depreciation Expense	403	\$ 18,173,439	\$ -	\$ 18,173,439	\$ 1,836,152	\$ 20,009,591		
77	Amortization - Intangibles	405	3,435,643	-	3,435,643	(128,313)	3,307,330		
78	Regulatory Debits - Amortization of Regulatory Assets	407.3	705,261	-	705,261	186,853	892,115		
79	Regulatory Credits - Amortization of Regulatory Liabilities	407.4	3,025,052	(3,025,052)	-	(1,297,126)	(1,297,126)		
80	<i>Total Depreciation and Amortization Expense</i>		<u>\$ 25,339,396</u>	<u>\$ (3,025,052)</u>	<u>\$ 22,314,344</u>	<u>\$ 597,567</u>	<u>\$ 22,911,910</u>		
81									
82	TAXES OTHER THAN INCOME TAXES								
83	Taxes other than Income Taxes - Payroll Taxes	408	\$ 1,625,755	\$ -	\$ 1,625,755	\$ 382,609	\$ 2,008,364		
84	Taxes other than Income Taxes - Property Taxes	408	12,404,863	-	12,404,863	401,949	12,806,811		
85	<i>Total Taxes other than Income Taxes</i>		<u>\$ 14,030,617</u>	<u>\$ -</u>	<u>\$ 14,030,617</u>	<u>\$ 784,558</u>	<u>\$ 14,815,175</u>		
86									
87	FEDERAL / STATE INCOME TAXES								
88	Income Tax Expense	409-410	\$ 3,709,928	\$ -	\$ 3,709,928	\$ (394,116)	\$ 3,315,812		
89	<i>Subtotal - Income Tax</i>		<u>\$ 3,709,928</u>	<u>\$ -</u>	<u>\$ 3,709,928</u>	<u>\$ (394,116)</u>	<u>\$ 3,315,812</u>		
90									
91									
92									
93	TOTAL EXPENSES		<u>\$ 138,678,675</u>	<u>\$ (70,229,348)</u>	<u>\$ 68,449,327</u>	<u>\$ 558,145</u>	<u>\$ 69,007,472</u>	<u>\$ 14,635,799</u>	<u>\$ 14,951,744</u>
94									
95	REVENUES								
96	Operating Revenue		\$ 155,813,183	\$ (72,649,313)	\$ 83,163,870	\$ 1,427,588	\$ 84,591,458		
97	Other Revenue		1,197,776	-	1,197,776	-	1,197,776		
98	Total Revenue		<u>\$ 157,010,959</u>	<u>\$ (72,649,313)</u>	<u>\$ 84,361,646</u>	<u>\$ 1,427,588</u>	<u>\$ 85,789,234</u>		
99									
100	UTILITY NET INCOME		<u>\$ 18,332,284</u>	<u>\$ (2,419,965)</u>	<u>\$ 15,912,319</u>	<u>\$ 869,443</u>	<u>\$ 16,781,762</u>		
101									
102	TOTAL RATE BASE	RR-EN-5	<u>\$ 356,411,727</u>		<u>\$ 356,411,727</u>		<u>\$ 356,411,727</u>		
103									
104	Income Tax Rate		16.83%		18.91%		16.50%		
105									
106	Rate of Return		5.14%		4.46%		4.71%		

Liberty Utilities (Energy North)
Summary of Adjustments
Test Year Ended December 31, 2019

	Adjustment 1	Adjustment 2	Adjustment 3	Adjustment 4	Adjustment 5	Adjustment 6	Adjustment 7	Adjustment 8	Adjustment 9	Adjustment 10
(869,443)	(1,427,588)	315,945	382,609	(493,240)	1,836,152	(1,238,585)	443,281	(522,835)	128,718	(293,900)

Line	Account	Account Number	Total	Revenue Adjustments	Salary and Wage Expense	Payroll Tax Expense	Pension and Benefits Expense	Depreciation Expense	Amortization Expense	Property Tax	Income Tax Expense - Historical Test Year	Income Tax Expense - Pro Forma Test Year at Current Rates	Other Adjustments	Historical Test Year Labor Expense	% Total Labor	
1	OPERATION AND MAINTENANCE EXPENSES															
2	O&M - Gas Production															
3	Operation Supervision and Engineering	710	\$ 20,392		\$ 20,392									\$ 944,645	6.45%	
4	Liquefied Petroleum Gas Expenses	717	-		-									-	0.00%	
5	Liquefied Petroleum Gas	728	-		-									-	0.00%	
6	Gas Mixing Expense	733	(114,984)		4,609								(118,993)	185,703	1.27%	
7	Miscellaneous Production Expenses	735	(43,853)		-								(43,853)	-	0.00%	
8	Maintenance of Production Equipment	742	-		-									-	0.00%	
9	Natural Gas City Gate Purchases	804	-		-									-	0.00%	
10	Other Gas Purchases	805	-		-									-	0.00%	
11	Gas Withdrawn from Storage	808	-		-									-	0.00%	
12	Operation Labor and Expenses	841	-		-									-	0.00%	
13	Other Expenses	846	6		6									363	0.00%	
14	Total O&M - Gas Production		\$ (138,439)	\$ -	\$ 24,407	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (162,846)	\$ 1,130,611	7.72%
15	O&M - Distribution Expenses															
17	Measuring and Regulating Station Expenses (Transmission)	857	\$ -		\$ -									\$ -	0.00%	
18	Maintenance of Mains (Transmission)	863	-		-									-	0.00%	
19	Operation Supervision and Engineering (Transmission)	870	7,153		7,153									331,359	2.26%	
20	Distribution Load Dispatching	871	12,414		12,414									575,068	3.93%	
21	Mains Services Expenses	874	75,511		75,511									3,497,946	23.90%	
22	Measuring and Regulating Station Expenses - General	875	-		-									-	0.00%	
23	Measuring and Regulating Station Expenses - Industrial	876	-		-									-	0.00%	
24	Meter and House Regulator Expenses	878	22,429		22,429									1,038,978	7.10%	
25	Customer Installations Expenses	879	13,454		13,454									623,226	4.26%	
26	Other Expenses	880	18,651		18,651									864,000	5.90%	
27	Rents	881	-		-									-	0.00%	
28	Maintenance Supervision and Engineering	885	-		-									-	0.00%	
29	Maintenance of Structures and Improvements	886	2,592		2,592									120,051	0.82%	
30	Maintenance of Mains	887	17,605		17,605									815,525	5.57%	
31	Maintenance of Measuring and Regulating Station Expenses	889	-		-									-	0.00%	
32	Maintenance of Services	892	4,448		4,448									206,069	1.41%	
33	Maintenance of Meters and House Regulators	893	5,689		5,689									283,554	1.90%	
34	Maintenance of Other Equipment	894	2,095		2,095									97,049	0.66%	
35	Total O&M - Distribution		182,041	\$ -	182,041	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	8,432,825	57.62%	
36	Total O&M - Gas Production and Distribution		\$ 43,601	\$ -	\$ 206,447	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (162,846)	\$ 9,563,437	65.34%
37	Customer Accounts Expenses															
39	Supervision	901	\$ 5,250		\$ 5,250									\$ 243,201	1.66%	
40	Meter Reading Expenses	902	6,427		6,427									297,723	2.03%	
41	Customer Records and Collection Expenses	903	34,054		34,054									1,577,532	10.78%	
42	Uncollectible Accounts	904.0	-		-									-	0.00%	
43	Bad Debt Expense - Commodity	904.1	-		-									-	0.00%	
44	Miscellaneous Customer Accounts Expenses	905	-		-									-	0.00%	
45	Total Customer Accounting		\$ 45,731	\$ -	\$ 45,731	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,118,456	14.47%	
46	Customer Service and Informational & Sales Expenses															
48	Cust Assistance	908	\$ -		\$ -									\$ -	0.00%	
49	Informational and Instructional Advertising Expenses	909	462		462									21,409	0.15%	
50	Cust Service Misc	910	-		-									-	0.00%	
51	Sales & Advertising	912	9,032		9,032									418,379	2.86%	
52	Advertising Expenses	913	-		-									-	0.00%	
53	Miscellaneous Sales Expenses	916	1,647		1,647									76,299	0.52%	
54	Total Customer Service and Informational & Sales Expenses		11,141	\$ -	11,141	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	516,086	3.53%	
55	Total Customer Accounts, Customer Service and Informational		\$ 56,872	\$ -	\$ 56,872	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,634,542	18.00%	
56	Administrative and General Expenses															
58	A&G Salaries	920.0	\$ 52,626		\$ 52,626									\$ 2,437,821	16.66%	
59	A&G Salaries - LU Head Office	920.1	-		-									-	0.00%	
60	Office Supplies and Expenses	921.0	(10,202)		-								(10,202)	-	0.00%	
61	Administrative Expenses Transferred	922.0	233,952		-		233,952							-	0.00%	
62	LU Labor Allocations Capitalized	922.1	-		-									-	0.00%	
63	Outside Services Employed	923.0	-		-									-	0.00%	
64	Allocated LU Head Office	923.1	-		-									-	0.00%	
65	Property Insurance	924	-		-									-	0.00%	
66	Injuries and Damages	925	-		-									-	0.00%	
67	Employee Pensions and Benefits	926	(727,193)		-		(727,193)							-	0.00%	
68	Regulatory Commission Expenses	928	(36,883)		-		-						(36,883)	-	0.00%	
69	Miscellaneous General Expenses	930	-		-									-	0.00%	
70	Rents	931	(42,637)		-		-						(42,637)	-	0.00%	
71	Maintenance of General Plant	932	-		-		-							-	0.00%	
72	Total Administrative & General		(530,336)	\$ -	\$ 52,626	\$ -	(493,240)	\$ -	\$ -	\$ -	\$ -	\$ -	(89,732)	2,437,821	16.66%	
73	Total Operation and Maintenance Expenses		\$ (429,863)	\$ -	\$ 315,945	\$ -	\$ (493,240)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (252,568)	\$ 14,635,799	100.00%	

Liberty Utilities (Energy North)
Summary of Adjustments
Test Year Ended December 31, 2019

	Adjustment 1	Adjustment 2	Adjustment 3	Adjustment 4	Adjustment 5	Adjustment 6	Adjustment 7	Adjustment 8	Adjustment 9	Adjustment 10
(869,443)	(1,427,588)	315,945	382,609	(493,240)	1,836,152	(1,238,585)	443,281	(522,835)	128,718	(293,900)

Line	Account	Account Number	Total	Revenue Adjustments	Salary and Wage Expense	Payroll Tax Expense	Pension and Benefits Expense	Depreciation Expense	Amortization Expense	Property Tax	Income Tax Expense - Historical Test Year	Income Tax Expense - Pro Forma Test Year at Current Rates	Other Adjustments	Historical Test Year Labor Expense	% Total Labor	
74	DEPRECIATION AND AMORTIZATION EXPENSE															
75	Depreciation Expense	403.0	\$ 1,836,152					\$ 1,836,152								
76	Amortization - Intangibles	405.0	(128,313)						(128,313)							
78	Regulatory Debits	407.3	186,853						186,853							
79	Regulatory Credits - Amortization of Regulatory Assets	407.4	(1,297,126)						(1,297,126)							
80	Total Depreciation and Amortization Expense		\$ 597,567	\$ -	\$ -	\$ -	\$ -	\$ 1,836,152	\$ (1,238,585)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
82	TAXES OTHER THAN INCOME TAXES															
83	Taxes other than Income Taxes - Payroll Taxes	408	\$ 382,609			\$ 382,609										
84	Taxes other than Income Taxes - Property Taxes	408	401,949							443,281				(41,332)		
85	Total Taxes other than Income Taxes		\$ 784,558	\$ -	\$ -	\$ 382,609	\$ -	\$ -	\$ -	\$ 443,281	\$ -	\$ -	\$ -	\$ (41,332)	\$ -	
87	FEDERAL/STATE INCOME TAXES															
88	Income Tax Expense		\$ (394,116)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (522,835)	\$ -	\$ 128,718	\$ -	\$ -	
91	TOTAL EXPENSES															
			\$ 558,145	\$ -	\$ 315,945	\$ 382,609	\$ (493,240)	\$ 1,836,152	\$ (1,238,585)	\$ 443,281	\$ (522,835)	\$ -	\$ 128,718	\$ (293,900)		
94	REVENUES															
95	Operating Revenue		\$ 1,427,588	\$ 1,427,588												
96	Other Revenue		-	-												
97	Total Revenue		\$ 1,427,588	\$ 1,427,588	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
98	UTILITY NET INCOME															
99			\$ 869,443	\$ 1,427,588	\$ (315,945)	\$ (382,609)	\$ 493,240	\$ (1,836,152)	\$ 1,238,585	\$ (443,281)	\$ 522,835	\$ -	\$ (128,718)	\$ 293,900		

Liberty Utilities (EnergyNorth)
 Adjustments to Test Year
 Adjustment 1
 Revenue Adjustments

Line	Description	Current Amounts (12/31/2019 Test Year)	Source/Notes
1	Operating Revenue	\$ 83,163,870	Trial Balance
2			
3	<u>Adjustments to Operating Revenue</u>		
4			
5	Granite Ridge Special Contract	\$ (776,312)	
6	iNATGAS Special Contract	(24,630)	
7	Allowed Base Revenue Adjustment to Test Year	(831,044)	
8	Customer Count Adjustment	734,227	Required by Commission Order No. 26,122
9	Pelham Risk Sharing Adjustment	64,583	Mullen Testimony
10	One-time correcting entry - ROR on Concord Steam Adjustment	(45,747)	DBS/KAS-1
11	One-time correcting entry - True-up on LRAM Adjustment	81,406	DBS/KAS-1
12	CIBS Revenue Adjustment	1,612,633	Required by Commission in Docket DG 20-049
13	End of Year Rate Adjustment	612,472	Input (Table 1 of DeCoursey Testimony)
14	Pro Forma Operating Revenue	\$ 84,591,458	
15			
16	Total Adjustment to Operating Revenues	<u>\$ 1,427,588</u>	

Liberty Utilities (EnergyNorth)
Adjustments to Test Year
Adjustment 2
Salary and Wage Expense

Line	Department	Total
1	Test Year LU NH Labor Charged to EnergyNorth	\$ 14,635,799
2	Less: vacancy adjustment	211,691
3	Net Test Year Labor Charged to EnergyNorth	\$ 14,424,108
4	2019 Salary & Wage Increase Annualization- O&M	3%
5	2019 Payroll Increase Annualization (not in test year, effective March 2019)	71,394
6	2019 LU NH Labor Charged to EnergyNorth Annualized	14,495,502
7		
8	2020 Salary & Wage Increase - O&M	434,865
9	Adjustment for pro rated increase (effective March 2020)	(72,478)
10	2020 Payroll Increase - O&M	\$ 362,388
11		
12	Test year LU Regional Allocated Labor (not included in test year labor)	\$ 3,128,482
13	2019 Salary & Wage Increase LU Regional	3%
14	2019 Salary & Wage Increase Annualization (not in test year)	15,261
15	2019 Salary & Wages Annualized	\$ 3,143,743
16		
17	2020 Salary & Wage Increase - O&M	94,312
18	Adjustment for pro rated increase (effective March 2020)	(15,719)
19	2020 Payroll Increase - O&M	\$ 78,594
20		
21	Pro Forma LU NH Labor for 2020 Payroll Increase	18,080,226
22		
23	Test Year Labor Charged to EnergyNorth	17,764,281
24		
25	Increase Due to Known and Measurable - Payroll	\$ 315,945

Liberty Utilities (EnergyNorth)
Adjustments to Test Year
Adjustment 3
Payroll Tax Expense

Line	Particulars	Reference	Expense (\$)
1	Unadjusted Test Year Labor Expense	<i>RR-EN-2-1</i>	\$ 14,635,799
2	Unadjusted Test Year Payroll Tax Expense	<i>RR-EN-2-1</i>	1,625,755
3	Payroll Tax Rate (%)		11.11%
4			
5	Adjusted Test Year Labor Expense		\$ 18,080,226
6	Payroll Tax Rate (%)		11.11%
7	Adjusted Payroll Tax Expense		2,008,364
8	Increase Due to Known and Measurable Payroll Tax Expense		\$ 382,609

Liberty Utilities (EnergyNorth)
Adjustments to Test Year
Adjustment 4
Pension and Benefits Expense

Line	Particulars	Source	Amount
1	Test Year ended 12/31/2019 Benefits Expense	RR-3-04WP	\$ 4,623,151
2	Adjustment to Benefits Expense		\$ 17,010
3			
4	Historical Test Year Pension & OPEB Expense	RR-3-04WP	\$ 3,300,364
5	Adjustment to Pension & OPEB Expense	RR-3-04WP	\$ (680,094)
6			
7	Historical Test Year Other Employee Benefits Expense	RR-3-04WP	\$ 64,108
8	Adjustment to Other Employee Benefits Expense		\$ (64,108)
9			
10			
11	Adjustment - Including Capitalized Portion of Pensions and OPEBs - To Account 926		\$ (727,193)
12			
13	Total	Ln 5	(680,094)
14	Capitalization Rate		34.40%
15			
16	Adjustment - Capitalized Portion - To Account 922		\$ 233,952
17			
18			
19	Adjustment to Rate Year Expense		\$ (493,240)
20			
21			

Liberty Utilities (EnergyNorth)
Adjustments to Test Year
Adjustment 5
Depreciation Expense

Line	Account	Account Number	Depreciation Rates	Plant in Service					Pro Forma Depreciation Expense	Accumulated Reserve					
				Balance 1/1/2019	Additions	Account 106	Balance 12/31/2019	Decoupling IT over \$50k		Balance (less IT) 12/31/2019	Accumulated Reserve as of 12/31/2019	Decoupling IT over \$50k	Accounts 1084 and 2420 by FERC Account	Adjusted Accumulated Reserve	
1	Franchises and Consents	302	0.00%	250,950	-	-	250,950	-	250,950	-	-	-	-	-	-
2	Capital Software	303.0	16.13%	16,411,722	989,181	-	-	-	-	-	-	-	-	-	-
3	Capital Software - 3 Years	303.1	33.33%	-	-	9,806	900,178	185,436	723,742	241,247	536,686	41,208	-	-	485,478
4	Capital Software - 5 Years	303.2	20.00%	-	-	141,332	13,103,294	-	13,103,294	2,620,659	10,753,219	-	-	-	10,753,219
5	Capital Software - 10 Years	303.4	10.00%	-	-	34,862	3,232,162	-	3,232,162	323,216	3,232,064	-	-	-	2,322,064
6	Subtotal - INTANGIBLE PLANT			\$ 16,662,672	\$ 989,181	\$ 186,000	\$ 17,495,584	\$ 185,436	\$ 17,310,148	\$ 3,185,122	\$ 13,601,969	\$ 41,208	\$ -	\$ -	\$ 13,560,761
7															
8	Land & Land Rights	304		\$ 97,504	\$ -	\$ -	\$ 97,504	\$ -	\$ 97,504	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9	Structures and Improvements	305	2.86%	815,122	37,045	-	852,167	-	852,167	24,372	280,124	-	-	-	280,124
10	Liquefied Petroleum Gas Equipment	311	2.86%	-	-	-	-	-	-	-	(35,647)	-	-	-	(35,647)
11	Gas Mixing Equipment	319	5.00%	336,984	31,360	-	368,345	-	368,345	18,417	241,392	-	-	-	241,392
12	Other Equipment - LNG	320.0	2.86%	294,148	21,422	-	315,570	-	315,570	9,025	(57,148)	-	-	-	(57,148)
13	Other Equipment	320.1	2.86%	3,478,111	0	-	3,478,111	-	3,478,111	99,474	1,389,131	-	-	-	1,389,131
14	Purification Equipment	361	2.86%	96,980	-	-	96,980	-	96,980	2,774	17,233	-	-	-	17,233
15	Other Equipment	363	2.86%	7,646	-	-	7,646	-	7,646	219	2,044	-	-	-	2,044
16	Subtotal - PRODUCTION PLANT			\$ 5,126,494	\$ 89,827	\$ -	\$ 5,216,322	\$ -	\$ 5,216,322	\$ 154,281	\$ 1,837,129	\$ -	\$ -	\$ -	\$ 1,837,129
17															
18	Land & Land Rights	364.1	0.00%	\$ 57,315	\$ -	\$ -	\$ 57,315	\$ -	\$ 57,315	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19	Structures and Improvements	364.2	2.86%	609,078	-	-	609,078	-	609,078	17,420	460,293	-	-	-	460,293
20	Other Equipment	364.8	5.26%	3,929,432	(33,412)	-	3,896,019	-	3,896,019	204,931	2,400,155	-	-	-	2,400,155
21	Subtotal LNG Terminating and Processing			\$ 4,595,825	\$ (33,412)	\$ -	\$ 4,562,412	\$ -	\$ 4,562,412	\$ 222,350	\$ 2,860,448	\$ -	\$ -	\$ -	\$ 2,860,448
22															
23	Land & Land Rights	365	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
24	Structures and Improvements	366.2	2.86%	-	-	-	-	-	-	-	(34,860)	-	-	-	(34,860)
25	Structures and Improv-Other	366.3	2.86%	-	-	-	-	-	-	-	(48,434)	-	-	-	(48,434)
26	Mains	367	1.92%	11,722,426	(11,827)	29,863	11,740,462	-	11,740,462	225,417	404,274	-	-	-	404,274
27	Measuring and Regulating Station Equipment	369	2.86%	115,257	22,924	-	138,182	-	138,182	3,952	(18,159)	-	-	-	(18,159)
28	Land & Land Rights	374	0.00%	357,903	-	-	357,903	-	357,903	-	-	-	-	-	-
29	Structures and Improvements	375	2.86%	99,272	1,590,024	-	1,689,296	-	1,689,296	48,314	213,309	-	-	-	213,309
30	T&D Mains - STL-PLST-CI-Mixed	376.0	1.92%	257,097,448	29,961,341	25,023,889	312,082,678	-	312,082,678	5,991,987	72,204,757	-	2,799,937	-	69,404,820
31	T&D Mains - OTH	376.1	1.92%	288	-	-	288	-	288	6	288	-	-	11	277
32	T&D Mains - PLST	376.2	1.92%	2,783,066	305,297	1,444,003	4,532,366	-	4,532,366	87,021	988,333	-	-	38,325	950,008
33	T&D Mains - CI	376.3	1.92%	6,137	-	-	6,137	-	6,137	118	6,137	-	-	238	5,899
34	T&D Mains - Valve > 4"	376.4	1.92%	7,061	-	-	7,061	-	7,061	136	904	-	-	38	946
35	Dist-Compressor station equipment	377	1.92%	-	2,246,186	-	2,246,186	-	2,246,186	43,127	192,723	-	-	-	192,723
36	Measuring and Regulating Station Equipment - General	378	2.86%	6,490,028	943,675	1,587	7,435,290	-	7,435,290	212,649	4,358,391	-	-	-	4,358,391
37	Dist-Measuring and regulating station equipment-CI	379	2.86%	1,883,503	3,411,244	-	5,294,746	-	5,294,746	151,430	1,321,095	-	-	-	1,321,095
38	T&D Gas Services - STL	380.0	3.55%	159,518,056	10,726,295	6,311,903	176,556,254	-	176,556,254	6,267,747	86,081,825	-	872,591	-	85,209,235
39	T&D Gas Services - OTH	380.1	3.55%	893,282	124,699	371,956	1,389,937	-	1,389,937	49,343	1,389,937	-	-	-	1,389,937
40	T&D Gas Services - PLST	380.2	3.55%	757,753	153,465	66,375	977,594	-	977,594	34,705	250,267	-	-	-	250,267
41	Meters	381.0	3.13%	13,446,533	(201,985)	1,550,680	14,795,228	-	14,795,228	463,091	4,544,359	-	919	-	4,543,440
42	Meters - Instrument	381.1	3.13%	276,522	-	-	276,522	-	276,522	8,655	113,499	-	-	-	113,499
43	Meters - ERTS	381.2	6.67%	6,073,154	(27,801)	-	6,045,353	-	6,045,353	403,225	2,744,146	-	-	-	2,744,146
44	Meter Installations	382	3.13%	18,597,177	-	7,464,547	26,061,724	-	26,061,724	815,732	4,122,684	-	-	-	4,122,684
45	Indust meas and reg station equip	385	2.86%	-	53,375	-	53,375	-	53,375	1,527	5,332	-	1,229	-	4,103
46	Other Equipment	387	5.26%	1,714,172	24,435	939,163	2,677,770	-	2,677,770	140,851	1,078,797	-	-	-	1,078,797
47	Subtotal - DISTRIBUTION PLANT			\$ 481,839,040	\$ 49,321,346	\$ 43,203,966	\$ 574,364,353	\$ -	\$ 574,364,353	\$ 14,949,031	\$ 178,681,730	\$ -	\$ -	\$ 3,713,289	\$ 174,968,441

Liberty Utilities (EnergyNorth)
Adjustments to Test Year
Adjustment 5
Depreciation Expense

Line	Account	Account Number	Depreciation Rates	Plant in Service					Pro Forma		Accumulated Reserve			
				Balance 1/1/2019	Additions	Account 106	Balance 12/31/2019	Decoupling IT over \$50k	Balance (less IT) 12/31/2019	Depreciation Expense	Accumulated Reserve as of 12/31/2019	Decoupling IT over \$50k	Accounts 1084 and 2420 by FERC Account	Adjusted Accumulated Reserve
48	Land & Land Rights	389	0.00%	\$ 174,525	\$ (53,036)	\$ -	\$ 121,489	\$ -	\$ 121,489	\$ -	\$ -	\$ -	\$ -	\$ -
50	Structures and Improvements	390.0	2.86%	18,958,404	2,605,825	1,068,183	22,632,412	-	22,632,412	647,287	5,559,722	-	26,833	5,532,889
51	Structures and Improvements- Boiler	390.1	2.86%	20,705	-	-	20,705	-	20,705	592	21,812	-	-	21,812
52	Structures and Improvements	390.2	2.86%	-	-	-	-	-	-	-	5,360	-	-	5,360
53	Office Furniture and Equipment	391.0	5.28%	357,246	176,299	102,823	636,368	-	636,368	33,600	119,886	-	-	119,886
54	Office Furniture and Equipment - Computers	391.1	10.00%	846,215	-	20,888	867,103	-	867,103	86,710	(403,214)	-	-	(403,214)
55	Office Furniture and Equipment - Laptop Computers	391.2	20.00%	834,476	44,256	20,888	899,621	-	899,621	179,924	440,849	-	-	440,849
56	Transportation Equipment - Auto	392.0	20.00%	5,380,959	1,102,627	1,230,529	7,714,115	-	7,714,115	1,542,823	3,451,477	-	-	3,451,477
57	Transportation Equipment - Truck	392.1	20.00%	170,840	(20,060)	-	150,780	-	150,780	30,156	150,780	-	-	150,780
58	Transportation Equipment - Van	392.2	20.00%	13,613	128,607	-	142,220	-	142,220	28,444	13,613	-	-	13,613
59	Transportation Equipment - Van	392.3	20.00%	-	-	-	-	-	-	-	34,070	-	-	34,070
60	Stores Equipment	393	3.33%	99,421	-	38,722	138,142	-	138,142	4,600	35,198	-	-	35,198
61	Tools, Shop, and Garage Equipment	394.0	5.26%	1,041,043	2,099,550	198,864	3,339,457	-	3,339,457	175,655	787,804	-	-	787,804
62	Tools, Shop, and Garage Equipment - CNG Station	394.1	5.26%	-	-	-	-	-	-	-	(33,749)	-	-	(33,749)
63	Power Operated Equipment <=12,000 lbs	396.0	20.00%	454,189	214,302	532,868	1,201,359	-	1,201,359	240,272	177,393	-	-	177,393
64	Power Operated Equipment >=12,000 lbs	396.1	20.00%	177,393	-	-	177,393	-	177,393	35,479	461,164	-	-	461,164
65	Power Operated Equipment <=12,000 lbs	396.2	20.00%	-	-	-	-	-	-	-	44,952	-	-	44,952
66	Communications Equipment	397	10.00%	507,407	165,492	219,503	892,402	-	892,402	89,240	433,204	-	-	433,204
67	Miscellaneous Equipment	398	6.67%	485,924	-	317,050	802,973	-	802,973	53,558	251,165	-	-	251,165
68	Subtotal - GENERAL PLANT			\$ 29,522,360	\$ 6,463,862	\$ 3,750,318	\$ 39,736,540	\$ -	\$ 39,736,540	\$ 3,148,341	\$ 11,551,486	\$ -	\$ 26,833	11,524,653
69														
70	TOTAL			\$ 537,746,391	\$ 56,830,804	\$ 47,140,284	\$ 641,375,210	\$ 185,436	\$ 641,189,774	\$ 21,659,125	\$ 208,532,762	\$ 41,208	\$ 3,740,121	\$ 204,751,433
71														
72	OPI-LAND RETAINED	121					13,665		Non-Rate Base					
73	OPI-STRUCTURES-RETAINED	121.1					133,284		Non-Rate Base		133,284			Not In Rate Base
74	PLANT HELD FOR FUTURE USE	105					852,305		Non-Rate Base					
75														
76	GRAND TOTAL			\$ 537,746,391	\$ 56,830,804	\$ 47,140,284	\$ 642,374,464	\$ 185,436	\$ 641,189,774	\$ 21,659,125	\$ 208,666,046	\$ 41,208	\$ 3,740,121	\$ 204,751,433
77														
78	Less: Amortization expense included above													
79	Depreciation Expense, as Calculated													
80	Depreciation Reserve Imbalance													
81	Amortization Period													
82	Depreciation Reserve Imbalance Adjustment Amortization (Account 403)													
83	Pro Forma Depreciation Expense													
84	Test Year Actual Depreciation Expense													
85	Adjustment to Depreciation Expense													\$ 1,836,152

Liberty Utilities (EnergyNorth)
Adjustments to Test Year
Adjustment 6
Amortization Expense

Line	Description	Reference	Amortization Expense
1	Adjustment 1: Account 1929-4073 - Amortization of Costs to Achieve		
2			
3	Amount in Historical Test Year	RR-EN-2-1	\$ 705,261
4	Remove Cost to Achieve		(195,850)
5	New Costs to Achieve		48,197
6	Proposed Cost to Achieve		3
7	Add New Cost to Achieve Amortization		<u>16,066</u>
8	Remove Test Year Amortization for Concord Steam		(500,658)
9	Add New Concord Steam Amortization		518,100
10	Adjustment		<u>\$ (162,343)</u>
11			
12	Adjustment 2: NHDAS Special Contract Amortization		
13	Total NHDAS Special Contract Amount		\$ 1,047,589
14	Proposed Amortization Period (Years)		3
15	Adjustment		<u>\$ 349,196</u>
16			
17	Adjustment to Test Year Account 407.3		<u>\$ 186,853</u>
18			
19	Adjustment 3: Amortization of Excess Accumulated Deferred Income Taxes (EADIT)		
20	Total EADIT (inclusive of gross-up)		\$ (37,525,847)
21	Weighted Average Remaining Life (years)		28.93
22	Total Amortization Due to Customers		<u>\$ (1,297,126)</u>
23			
24	Adjustment to Test Year Account 407.4		<u>\$ (1,297,126)</u>
25			
26	Adjustment 4: Account 8640-4050 - Amortization of Intangibles		
27	Annual Amortization Expense, as Calculated	RR-EN-3-5	<u>\$ 3,185,122</u>
28	Deprecation Reserve Imbalance (Account 405)		\$ 733,248
29	Amortization Period		6
30	Depreciation Reserve Impalance Amortization		<u>\$ 122,208</u>
31	Pro Forma Annual Amortization Expense		3,307,330
32	Historical Test Year Expense	RR-EN-2-1	3,435,643
33	Adjustment		<u>\$ (128,313)</u>
34			
35	Adjustment to Test Year Account 405.0		<u>\$ (128,313)</u>
36			
37	Total Adjustment		<u>\$ (1,238,585)</u>

Liberty Utilities (EnergyNorth)
Adjustments to Test Year
Adjustment 7
Property Tax

Line	Municipality	Parcel	Tax Year 2019		
			Installment #1	Installment #2	Total Due
1	Allenstown	0400-001	\$ 30,526	\$ 32,637	\$ 63,163
2	Amherst	002-033-008	48,942	47,884	96,826
3	Amherst	002-033-007	4,171	4,081	8,252
4	Auburn	000001/000001/000UTL	604	743	1,347
5	Bedford	1-1-A	45,894	59,286	105,180
6	Belmont	999-000-000-001	21,788	20,272	42,060
7	Berlin	000404-000051.0000L1	10,810	11,418	22,228
8	Boscawen	000099-000002-000000	10,906	12,263	23,169
9	Bow	0-9-99	71,941	78,266	150,207
10	Canterbury	000000-000002-000000	3,726	2,682	6,408
11	Derry	35-102	37,832	57,824	95,656
12	Franklin	000-001-00	44,651	47,057	91,709
13	Gilford	210-002.000	53	70	123
14	Gilford	210-003.000	49	67	116
15	Gilford	210-004.000	47	65	112
16	Gilford	210-005.000	49	67	116
17	Gilford	200-003.000	3,336	3,954	7,290
18	Goffstown	99-4-2	29,805	48,006	77,811
19	Goffstown	99-4-1	2,780	(478)	2,302
20	Hollis	056-027-001	2,647	2,614	5,261
21	Hooksett	0GAS-0001	148,146	139,528	287,674
22	Hooksett	0036-0041-0001	3,009	2,834	5,843
23	Hudson	100-006-000	191,528	179,829	371,357
24	Hudson	167-030-000	788	807	1,594
25	Hudson	167-029-000	752	770	1,522
26	Laconia	425/44/83/1	119,581	134,274	253,855
27	Litchfield	000UTL-000UTL-000001	10,892	11,171	22,063
28	Londonderry	81-7-0	221,407	232,117	453,524
29	Londonderry	81-14-0	19,889	19,464	39,353
30	Loudon	000070-000004-000000	112,584	121,342	233,926
31	Manchester	0999A-0075	992,725	1,031,464	2,024,189
32	Manchester	0752-0001	22,843	24,254	47,097
33	Manchester	0508-0002A	72	76	148
34	Manchester	0394-0004	310	329	639
35	Manchester	0471-0008	529	562	1,091
36	Merrimack	006D-3-000000-000000	180,814	180,650	361,464
37	Milford	036-183-000-000	884	690	1,575
38	Milford	055-007-000-000	56,819	63,292	120,111
39	Nashua	0039-00026	2,676	2,681	5,357
40	Nashua	0038-00063	88	93	181
41	Nashua	0038-00020	139	146	285
42	Nashua	0041-00011	1,122,729	1,037,077	2,159,806
43	Nashua	0000PC-00005	62,561	26,914	89,475
44	Northfield	000999-000001-000001	33,990	35,226	69,216
45	Pembroke	999-11	774,000	51,160	825,160
46	Sanborton	00.003.000.000	1,156	1,969	3,125
47	Tilton	000R23-000013-000000	110,104	108,282	218,386
48	Tilton	000R23-000014-000000	13,102	11,615	24,717

Liberty Utilities (EnergyNorth)
Adjustments to Test Year
Adjustment 7
Property Tax

Line	Municipality	Parcel	Tax Year 2019		
			Installment #1	Installment #2	Total Due
49	Concord	109/1/2	\$ 8,484	\$ 8,275	\$ 16,759
50	Concord	109/1/2	8,484	8,275	16,759
51	Concord	109/1/3	601	586	1,188
52	Concord	109/1/3	601	586	1,188
53	Concord	109/1/4	6,954	6,783	13,737
54	Concord	109/1/4	6,954	6,783	13,737
55	Concord	109/2/1	338	330	668
56	Concord	109/2/1	338	330	668
57	Concord	109/2/3	619	604	1,223
58	Concord	109/2/3	619	604	1,223
59	Concord	109/2/4	978	954	1,932
60	Concord	109/2/4	978	954	1,932
61	Concord	NO00/1/13	1,326	1,293	2,619
62	Concord	NO00/1/13	1,326	1,293	2,619
63	Concord	P000/1/6	228	236	464
64	Concord	P000/1/6	228	236	464
65	Concord	P000/1/3	30,567	37,111	67,678
66	Concord	P000/1/3	30,567	37,111	67,678
67	Concord	NO00/1/2	319,552	370,457	690,009
68	Concord	NO00/1/2	319,552	370,457	690,009
69	Concord	202Z/21	276	269	545
70	Concord	202Z/21	276	269	545
71	Concord	26/1/6	1,912	1,865	3,777
72	Concord	26/1/6	1,912	1,865	3,777
73	Concord	494Z/3	315	307	621
74	Concord	494Z/3	315	307	621
75	Concord	109/2/4/A	6	6	12
76	Concord	109/2/4/A	6	6	12
77	State of NH	TRUE UP		230,708	230,708
78	State of NH	NH DRA 1-2	605,067	605,067	1,210,134
79	State of NH	NH DRA 3-4	605,067	605,067	1,210,134
80	Keene	583038000001000	45,598	43,361	88,959
81	Keene	116039000000000	8,012	8,264	16,276
82	R&M REALTY	582014000000000	5,249	5,385	10,633
83	Keene Propane	047020020000	21,051	20,281	41,332
84	State of NH	NH DRA 1-2	3,858	3,858	7,716
85	State of NH	NH DRA 3-4	3,858	3,858	7,716
86	Total		\$ 6,616,745	\$ 6,231,399	\$ 12,848,143
87	Pro Forma Property Tax		\$ 12,848,143		
88	Less Amount for Non-Utility Property		-		
89	Property Tax expense, Test Year		\$ 12,404,863		
90	Increase (Decrease) in Property tax expense		\$ 443,281		

Liberty Utilities (EnergyNorth)
Adjustments to Test Year
Adjustment 8
Income Tax Expense - Historical Test Year

Line	Description	Reference	Amount
1	Test Year Actual to Statutory Rates		
2			
3	Normalized Revenue	RR-EN-2, line 4	\$ 84,361,646
4	Normalized Expenses, Excluding Income Tax	RR-EN-2, lines 7-13	64,739,399
5	Income (Loss) Before Taxes		\$ 19,622,247
6			
7	Rate Base	RR-1	\$ 356,411,727
8	Debt Portion	RR-4	49.85%
9	Debt Component		177,671,246
10	Debt Cost	RR-4	4.420%
11	Synchronized Interest Expense		7,853,069
12	Pre-Tax Income		\$ 11,769,178
13			
14	Combined Income Tax Rate	Line 20	27.08%
15	Income Tax Expense (Credit) at Statutory Rates		\$ 3,187,093
16	Income Tax Expense (Credit) Recorded		3,709,928
17	Adjustment to Normalize Historical Test Year		\$ (522,835)
18			
19	Federal Statutory Rate		21.00%
20	New Hampshire Business Tax Rate		7.70%
21	Combined Income Tax Rate		27.08%
22			
23	This adjustment normalizes income tax expense in the Test Year before adjustments to reflect statutory rates.		

Liberty Utilities (EnergyNorth)
Adjustments to Test Year
Adjustment 9
Income Tax Expense - Pro Forma Test Year at Current Rates

Line	Description	Reference	Adjustment Amount	Items with Tax Effects
1	<u>Adjustments to increase (decrease) taxable income:</u>			() = Lower income
2	Revenue Adjustments	RR-EN-3-1	\$ 1,427,588	\$ 1,427,588
3	Salary and Wage Expense	RR-EN-3-2	(315,945)	(315,945)
4	Payroll Tax Expense	RR-EN-3-3	(382,609)	(382,609)
5	Pension and Benefits Expense	RR-EN-3-4	493,240	493,240
6	Depreciation Expense	RR-EN-3-5	(1,836,152)	(1,836,152)
7	Amortization Expense	RR-EN-3-6	1,238,585	1,238,585
8	Property Tax	RR-EN-3-7	(443,281)	(443,281)
9	Income Tax Expense - Historical Test Year	RR-EN-3-8	522,835	
10	Income Tax Expense - Pro Forma Test Year at Current Rates	RR-EN-3-9	(128,718)	
11	Other Adjustments	RR-EN-3-10	293,900	293,900
12			<u>\$ 869,443</u>	<u>\$ 475,326</u>
13	Tax Rate			27.08%
14	Adjustment to Test Year at Current Rates			\$ 128,718
15				
16	This adjustment reflects income tax expense related to the Company's adjustments, computed at statutory rates.			

Liberty Utilities (EnergyNorth)
Adjustments to Test Year
Adjustment 10
Other Adjustments

Line	Description	Account	Amount
1	Adjustment for PUC Annual Assessment		
2	Liberty Utilities (ENNG) - Gas		\$ 579,781
3	Liberty Utilities (ENNG) - IESR		149,295
4			
5	Liberty Utilities (ENNG) - GPSP		\$ 39,717
6	Liberty Utilities (ENNG) - PIESR		7,805
7	Regulatory Expenses- Test Year		(813,481)
8			
9			
10	Total PUC Annual Assessment Adjustment	Account 928	\$ (36,883)
11			
12	Adjustment for Concord Rental Expense Credit		
13	Test Year Concord Training Center Lease Credit		\$ (267,014)
14	Going forward Concord Traing Center Lease Credit		(309,651)
15			
16			
17	Total Concord Rental Expense Credit Adjustment	Account 931	\$ (42,637)
18			
19	Adjustment to Remove Keene Production Costs		
20	Keene Production Cost	Account 733	\$ (118,993)
21		Account 735	\$ (43,853)
22		Account 921	\$ (10,202)
23		Account 408	(41,332)
24			
25	Total Keene Production Cost Adjustment		\$ (214,380)

Liberty Utilities (EnergyNorth)
Weighted Average Cost of Capital
Test Year Ended December 31, 2019

Line	Description	Capital Structure	Cost of Capital	Weighted Cost of Capital	Tax Rate	Pre-Tax
1	Common Stock	50.15%	10.51%	5.27%	27.08%	7.23%
2	Long-Term Debt	<u>49.85%</u>	4.420%	<u>2.20%</u>		<u>2.20%</u>
3	Total	<u>100.00%</u>		<u>7.47%</u>		<u>9.43%</u>

Liberty Utilities (EnergyNorth)
Rate Base - EnergyNorth
Balances at December 31, 2019

Line	Description	Reference	Rate Base
1	Utility Plant (Balance at 12/31/2019)	RR-EN-3-5	\$ 641,189,774
2	Depreciation Allowance (Balance at 12/31/2019)	RR-EN-3-5	(204,751,433)
3	Net Utility Plant		<u>\$ 436,438,341</u>
4			
5	Materials and Supplies (Average of 5 Quarterly Balances)	RR-EN-5-1	\$ 5,936,060
6	Customer Deposits (Average of 5 Quarterly Balances)	RR-EN-5-1	(3,019,271)
7			
8	Cash Working Capital	RR-EN-5-2	\$ 3,004,115
9			
10	Deferred Tax Liability, Net (Balance at 12/31/2019)	RR-EN-5-WP1	\$ (58,583,670)
11			
12	Excess Accumulated Deferred Income Taxes (less gross-up)	RR-EN-5-WP1	\$ (27,363,848)
13			
14	Rate Base		<u><u>\$ 356,411,727</u></u>

Liberty Utilities (EnergyNorth)
Rate Base Quarterly Balances - EnergyNorth
Test Year Ended December 31, 2019

Line	Description	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	5 Quarter Average
1							
2	Materials and Supplies	\$ 5,281,934	\$ 5,460,957	\$ 6,220,835	6,712,826	6,003,746	\$ 5,936,060
3							
4							
5	Customer Deposits	\$(2,989,774)	\$(2,978,394)	\$(3,062,985)	(3,000,070)	(3,065,133)	\$(3,019,271)

**Liberty Utilities (EnergyNorth)
Cash Working Capital - EnergyNorth
Test Year Ended December 31, 2019**

Line	Description	Reference	Test Year Pro Forma
1	O&M Expenses		
2	Distribution, before Adjustments	RR-EN-2-1	\$ 68,449,327
3	Less: Depreciation and Amortization	RR-EN-2-1	(22,314,344)
4	Less: Deferred Income Taxes	RR-EN-2-1-WP	(3,483,997)
5	Known and Measurable Adjustments (excluding depreciation and amortization)	RR-EN-2-1	(39,421)
6			<u>\$ 42,611,565</u>
7			
8	Cash Working Capital Required - Days	25.72	<u>7.05%</u>
9			
10	Cash Working Capital Required		<u><u>\$ 3,004,115</u></u>

**Liberty Utilities (EnergyNorth)
Step Increase - EnergyNorth**

Line	Description	Misc. Intangible Plant - 3 yr	Misc. Intangible Plant - 5 yr	LNG Plant	Mains	Station Equipment	Mains	Meas. & Reg. Station Equip.	Services	Meters
	<i>FERC Account</i>	<i>303</i>	<i>303</i>	<i>320</i>	<i>367</i>	<i>369</i>	<i>376</i>	<i>378</i>	<i>380</i>	<i>381</i>
1	Capital Spending	\$ 382,500	\$ 839,457	\$ 100,000	\$ 26,047,414	\$ 350,000	\$ 500,000	\$ 130,000	\$ 1,313,000	\$ 1,880,000
2										
3	Deferred Tax Calculation									
4	Tax Method	MACRS15	MACRS15	MACRS20	MACRS20	MACRS20	MACRS20	MACRS20	MACRS20	MACRS20
5	Tax Depreciation Rate	5.00%	5.00%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
6										
7	Bonus Depreciation @ 0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8										
9	Tax Basis	\$ 382,500	\$ 839,457	\$ 100,000	\$ 26,047,414	\$ 350,000	\$ 500,000	\$ 130,000	\$ 1,313,000	\$ 1,880,000
10	MACRS Depreciation	\$ 19,125	\$ 41,973	\$ 3,750	\$ 976,778	\$ 13,125	\$ 18,750	\$ 4,875	\$ 49,238	\$ 70,500
11										
12	Tax Depreciation - Federal	\$ 19,125	\$ 41,973	\$ 3,750	\$ 976,778	\$ 13,125	\$ 18,750	\$ 4,875	\$ 49,238	\$ 70,500
13	Tax Depreciation - State	\$ 19,125	\$ 41,973	\$ 3,750	\$ 976,778	\$ 13,125	\$ 18,750	\$ 4,875	\$ 49,238	\$ 70,500
14										
15	Book Depreciation Rate	33.00%	20.00%	2.86%	1.92%	2.86%	1.92%	2.86%	3.55%	3.13%
16	Book Depreciation	\$ 126,225	\$ 167,891	\$ 2,860	\$ 500,110	\$ 10,010	\$ 9,600	\$ 3,718	\$ 46,612	\$ 58,844
17										
18	Tax over (under) Book - Federal	\$ (107,100)	\$ (125,919)	\$ 890	\$ 476,668	\$ 3,115	\$ 9,150	\$ 1,157	\$ 2,626	\$ 11,656
19	Tax over (under) Book - State	\$ (107,100)	\$ (125,919)	\$ 890	\$ 476,668	\$ 3,115	\$ 9,150	\$ 1,157	\$ 2,626	\$ 11,656
20	Deferred Taxes - Federal @ 19.38%	(20,759)	(24,407)	173	92,392	604	1,774	224	509	2,259
21	Deferred Taxes - State @ 7.70%	(8,247)	(9,696)	69	36,703	240	705	89	202	898
22	Deferred Tax Balance @ 0.00%	\$ (29,006)	\$ (34,103)	\$ 241	\$ 129,096	\$ 844	\$ 2,478	\$ 313	\$ 711	\$ 3,157
23										
24	Rate Base Calculation									
25	Plant in Service	\$ 382,500	\$ 839,457	\$ 100,000	\$ 26,047,414	\$ 350,000	\$ 500,000	\$ 130,000	\$ 1,313,000	\$ 1,880,000
26	Accumulated Depreciation	(126,225)	(167,891)	(2,860)	(500,110)	(10,010)	(9,600)	(3,718)	(46,612)	(58,844)
27	Deferred Tax Balance	29,006	34,103	(241)	(129,096)	(844)	(2,478)	(313)	(711)	(3,157)
28	Rate Base	\$ 285,281	\$ 705,668	\$ 96,899	\$ 25,418,207	\$ 339,146	\$ 487,922	\$ 125,969	\$ 1,265,677	\$ 1,817,999
29										
30	Revenue Requirement Calculation									
31	Return on Rate Base @ 9.43%	\$ 26,902	\$ 66,545	\$ 9,138	\$ 2,396,937	\$ 31,982	\$ 46,011	\$ 11,879	\$ 119,353	\$ 171,437
32	Depreciation Expense	126,225	167,891	2,860	500,110	10,010	9,600	3,718	46,612	58,844
33	Property Tax @ 2.14%			2,140	557,456	7,491	10,701	2,782		
34	Insurance @ 0.14%			139	36,144	486	694	180	1,822	2,609
35	Annual Revenue Requirement	\$ 153,127	\$ 234,436	\$ 14,276	\$ 3,490,647	\$ 49,968	\$ 67,006	\$ 18,559	\$ 167,787	\$ 232,890

Rate of Return Calculation			
	Portion	After-Tax Cost	Pre-Tax WACC
Equity	50.2%	10.51%	7.23%
Debt	49.9%	4.420%	2.20%
	100.0%		9.43%

Description	Amount	Reference
Property taxes (Account 408-P)	\$ 12,848,143	RR-StepWP2
Property insurance (Account 924)		RR-EN-2-1 \$ 51,523
Injuries and Damage (Casualty Insurance) (Account 925)		RR-EN-2-1 814,179
	<u>\$ 12,848,143</u>	<u>\$ 865,702</u>
Plant at Cost	\$ 600,336,257	RR-Step-EN-WP2 \$ 623,879,626
As % of Plant Cost	2.14%	0.14%

**Liberty Utilities (EnergyNorth)
Step Increase - EnergyNorth**

Line	Description	Structures and Improvements	Office Equipment	Vehicles	Tools	Communication Equipment	Miscellaneous Equipment	Total
	<i>FERC Account</i>	<i>390</i>	<i>391</i>	<i>392</i>	<i>394</i>	<i>397</i>	<i>398</i>	
1	Capital Spending	\$ 810,000	\$ 2,025,000	\$ 2,861,000	\$ 315,000	\$ 60,000	\$ 15,000	\$ 37,628,371
2								
3	<u>Deferred Tax Calculation</u>							
4	Tax Method	MACRS39	MACRS7	MACRS5	MACRS7	MACRS7	MACRS8	
5	Tax Depreciation Rate	1.28%	14.29%	20.00%	14.29%	14.29%	14.29%	
6								
7	Bonus Depreciation @ 0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8								
9	Tax Basis	\$ 810,000	\$ 2,025,000	\$ 2,861,000	\$ 315,000	\$ 60,000	\$ 15,000	\$ 37,628,371
10	MACRS Depreciation	\$ 10,385	\$ 289,286	\$ 572,200	\$ 45,000	\$ 8,571	\$ 2,143	\$ 2,125,698
11								
12	Tax Depreciation - Federal	\$ 10,385	\$ 289,286	\$ 572,200	\$ 45,000	\$ 8,571	\$ 2,143	\$ 2,125,698
13	Tax Depreciation - State	\$ 10,385	\$ 289,286	\$ 572,200	\$ 45,000	\$ 8,571	\$ 2,143	
14								
15	Book Depreciation Rate	2.86%	5.28%	20.00%	5.26%	10.00%	6.67%	
16	Book Depreciation	\$ 23,166	\$ 106,920	\$ 572,200	\$ 16,569	\$ 6,000	\$ 1,001	\$ 1,651,726
17								
18	Tax over (under) Book - Federal	\$ (12,781)	\$ 182,366	\$ -	\$ 28,431	\$ 2,571	\$ 1,142	\$ 473,972
19	Tax over (under) Book - State	\$ (12,781)	\$ 182,366	\$ -	\$ 28,431	\$ 2,571	\$ 1,142	\$ 473,972
20	Deferred Taxes - Federal @ 19.38%	(2,477)	35,348	-	5,511	498	221	91,870
21	Deferred Taxes - State @ 7.70%	(984)	14,042	-	2,189	198	88	36,496
22	Deferred Tax Balance @ 0.00%	\$ (3,462)	\$ 49,390	\$ -	\$ 7,700	\$ 696	\$ 309	\$ 127,360
23								
24	<u>Rate Base Calculation</u>							
25	Plant in Service	\$ 810,000	\$ 2,025,000	\$ 2,861,000	\$ 315,000	\$ 60,000	\$ 15,000	\$ 37,628,371
26	Accumulated Depreciation	(23,166)	(106,920)	(572,200)	(16,569)	(6,000)	(1,001)	(1,651,726)
27	Deferred Tax Balance	3,462	(49,390)	0	(7,700)	(696)	(309)	(128,366)
28	Rate Base	\$ 790,296	\$ 1,868,690	\$ 2,288,800	\$ 290,731	\$ 53,304	\$ 13,690	\$ 35,848,279
29								
30	<u>Revenue Requirement Calculation</u>							
31	Return on Rate Base @ 9.43%	\$ 74,525	\$ 176,217	\$ 215,834	\$ 27,416	\$ 5,027	\$ 1,291	\$ 3,380,493
32	Depreciation Expense	23,166	106,920	572,200	16,569	6,000	1,001	1,651,726
33	Property Tax @ 2.14%	17,335						597,905
34	Insurance @ 0.14%	1,124	2,810	3,970	437	83	21	50,518
35	Annual Revenue Requirement	\$ 116,150	\$ 285,947	\$ 792,004	\$ 44,422	\$ 11,110	\$ 2,312	\$ 5,680,641
36								
37								
38								
39								
40								
41								
42								
43								
44								
45								
46								
47								
48								

Liberty Utilities (EnergyNorth)
Rate Case Expense
Test Year Ended December 31, 2019

Line	Description	Vendor	Amount
1	Revenue Requirement		
2	Marginal Cost Study		
3	Rate Design/Rate Calculations	FTI Consulting	386,000
4	Decoupling/Effects on EE		
5	Functional Cost Study		
6	Cost of Capital		
7	Legal Services	Keegan Werlin	360,000
8	Depreciation Reserve Review	Management Applications Consulting	35,000
9	Miscellaneous (printing, legal notices, court reporter, Staff/OCA consultants, etc.)		319,000
10	Total		<u>\$ 1,100,000</u>