

1 **STATE OF NEW HAMPSHIRE**
2 **PUBLIC UTILITIES COMMISSION**

3 **July 13, 2021** - 9:32 a.m.
4 21 South Fruit Street
5 Suite 10
6 Concord, NH

7 *[Hearing also conducted via Webex]*

8 **RE: DG 20-105**
9 **LIBERTY UTILITIES (ENERGYNORTH NATURAL**
10 **GAS) CORP. d/b/a LIBERTY UTILITIES:**
11 **Request for Change in Rates.**
12 ***(Hearing regarding permanent rates)***

13 **PRESENT:** Chairwoman Dianne H. Martin, Presiding
14 Commissioner Daniel C. Goldner

15 Doreen Borden, Clerk
16 Corrine Lemay, PUC Hybrid Hearing Host

17 **APPEARANCES: Reptg. Liberty Utilities (EnergyNorth**
18 **Natural Gas) Corp. d/b/a Liberty**
19 **Utilities:**
20 Michael J. Sheehan, Esq.
21 Daniel P. Venora, Esq. (Keegan Werlin)

22 **Reptg. Residential Ratepayers:**
23 Donald M. Kreis, Esq., Consumer Adv.
24 Pradip Chattopadhyay, Asst. Cons. Adv.
 Al-Azad Iqbal, Finance Director
 Office of Consumer Advocate

Reptg. New Hampshire Dept. of Energy:
 Paul B. Dexter, Esq.
 (Regulatory Support Division)

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

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P R O C E E D I N G

1
2 CHAIRWOMAN MARTIN: All right. Good
3 morning, everyone. We're here this morning in
4 Docket DG 20-105, which is the Liberty Utilities
5 Corporation Request for a Change in Rates.

6 I just want to quickly put on the
7 record what we all just experienced, which was
8 that the Commission's central calendar was not
9 working for technological reasons. And there was
10 a server error, so that, if members of the public
11 had gone to that in order to access this, they
12 would not have been able to access the link.

13 In the interim, I confirmed that the
14 Order of Notice was posted in the virtual file
15 room for this docket, and that the link was
16 included in there and was active at all times
17 this morning.

18 I also checked with reception, and
19 confirmed that no phone calls from the members of
20 the public -- any members of the public have come
21 in indicating that there has been any attempt to
22 access by the public that was not successful.

23 And we awaited while the DoIT repaired
24 the server, and posted the link on the public

1 calendar as well. So, I believe with all of that
2 in place, we are sufficiently on notice to
3 everyone and access is reasonably provided. With
4 that, we will proceed to hear this matter.

5 My name is Dianne Martin. I am the
6 Chairwoman of the Public Utilities Commission.

7 Commissioner Goldner, would you
8 introduce yourself.

9 COMMISSIONER GOLDNER: Yes.
10 Commissioner Dan Goldner.

11 CHAIRWOMAN MARTIN: All right. Let's
12 take appearances. Starting with Mr. Sheehan.

13 MR. SHEEHAN: Good morning. Mike
14 Sheehan, for Liberty Utilities (EnergyNorth
15 Natural Gas) Corp.

16 CHAIRWOMAN MARTIN: Okay. Thank you.
17 And Mr. Kreis.

18 MR. KREIS: Good morning, everybody. I
19 am Donald Kreis, the Consumer Advocate. And, as
20 you all know, I am here on behalf of the
21 residential customers of this fine utility.

22 CHAIRWOMAN MARTIN: Thank you. And Mr.
23 Dexter.

24 MR. DEXTER: Good morning, Chairwoman

1 Martin. My name is Paul Dexter. I'm an attorney
2 for the New Hampshire Department of Energy.

3 CHAIRWOMAN MARTIN: Thank you. I'm
4 getting used to hearing that now, Mr. Dexter.

5 MR. DEXTER: My first appearance on
6 behalf of the DOE, and happy to do it.

7 CHAIRWOMAN MARTIN: Awesome. Okay.
8 Let's start with preliminary matters.

9 I have Exhibits 28 through 50 prefiled
10 and premarked for identification. Anything else
11 on exhibits that we need to discuss?

12 MR. SHEEHAN: Not from the Company.

13 CHAIRWOMAN MARTIN: And seeing no one
14 else, any other preliminary matters that we need
15 to address before we hear from witnesses?

16 MR. SHEEHAN: Madam Chairwoman, I filed
17 a Motion for Confidential Treatment of the
18 various discovery responses prior to the Granite
19 Bridge aspect of the hearing. There was no need
20 to refile it now. However, last night, counsel
21 for DOE, Mr. Dexter, contacted me as to one of
22 the documents that we had marked as
23 "confidential" that Mr. Dexter indicated was not
24 being treated confidentially in some other cases,

1 and it's related to certain financial reports, I
2 apologize, I just put the actual response aside.
3 But the gist of it is, I haven't had a chance to
4 confirm whether we will insist on confidentiality
5 or withdraw the request.

6 And my suggestion is you let -- give us
7 a few days to review the document, and I can make
8 an appropriate filing either to withdraw the
9 request as to that particular attachment or
10 inform the Commission that we still maintain
11 confidentiality and let the Commission decide one
12 way or the other.

13 CHAIRWOMAN MARTIN: Okay. Thank you,
14 Mr. Sheehan.

15 Mr. Dexter, do you want to be heard on
16 that for today's purposes?

17 MR. DEXTER: Yes. I just want to
18 provide the Commission a little more specifics.
19 In the Liberty's motion, at the bottom of Page 5,
20 there's a request to protect credit agency
21 reports, sorry, I want to get the exact language,
22 "credit reports and rating agency reports for
23 Liberty and its parent [company], which contain
24 competitively sensitive, copyright protected,

1 financial information." And there isn't any
2 other additional support for the request for
3 protection, other than the claim that it's
4 financial information.

5 In the ongoing Unitil rate case, Staff
6 of the PUC at the time asked Unitil for any
7 agreements or other arrangements with the various
8 credit reports and rating agencies that required
9 confidential treatment of this information, and
10 Unitil did not provide that, but instead withdrew
11 their request for protection.

12 And, while I don't have the specifics
13 in front of me right now, my understanding is
14 that, in the recent Eversource rate case, this
15 information was not protected.

16 So, on behalf of the DOE, I would like
17 consistent treatment between the companies. And,
18 absent a showing by Liberty Utilities that there
19 is a need to protect these credit reports and
20 rating agency reports, we would request that they
21 be public.

22 And I alerted Attorney Sheehan of this
23 yesterday -- late yesterday, and he agreed to
24 look into the matter further, as he indicated.

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 CHAIRWOMAN MARTIN: Okay. Thank you
2 for the clarification. So, it is different
3 treatment in other utilities' cases. I was
4 understanding Mr. Sheehan to be saying that that
5 same material was being treated as not
6 confidential in other Liberty Utilities cases,
7 but that's not the case. Is that right?

8 MR. SHEEHAN: Correct. And, to be
9 specific, it's Confidential Attachment
10 Staff 3-22. And the issue that we are
11 researching is, we asserted confidentiality
12 because the reports were copyright protected.
13 So, that's what we're chasing down is the source
14 of that. And, if, in fact, production in
15 discovery falls under that or not.

16 CHAIRWOMAN MARTIN: Mr. Sheehan, can
17 you make a further filing on that by Friday?

18 MR. SHEEHAN: Yes.

19 CHAIRWOMAN MARTIN: Okay. And then,
20 the other parties will have an opportunity to
21 respond, if necessary.

22 Okay. Thank you. Any other
23 preliminary issues?

24 MR. SHEEHAN: Not from the Company.

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 CHAIRWOMAN MARTIN: Okay. Other
2 parties?

3 *[No verbal response.]*

4 CHAIRWOMAN MARTIN: Seeing none. Let's
5 get the witnesses sworn in please, Mr. Patnaude.

6 (Whereupon **Steven E. Mullen,**
7 **David B. Simek, Heather M. Tebbetts,**
8 **Pradip K. Chattopadhyay, Al-Azad Iqbal,**
9 and **Donna H. Mullinax** were duly sworn
10 by the Court Reporter.)

11 CHAIRWOMAN MARTIN: Okay. How are we
12 proceeding with the panel today? Mr. Sheehan,
13 are you starting?

14 MR. SHEEHAN: Yes. My plan was to
15 introduce the three Company witnesses, have them
16 adopt their testimony, and then walk through the
17 Settlement Agreement at a high level, and then
18 allow DOE and OCA to do the same with their
19 witnesses, and ask whatever questions they want
20 of their witnesses. I'm not sure if Mr. Dexter
21 or Mr. Kreis plan any friendly cross of the
22 Company witnesses, but that would be fine, too,
23 and then we can turn it over to the
24 Commissioners.

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 CHAIRWOMAN MARTIN: Okay. Thank you.
2 Go ahead.

3 **STEVEN E. MULLEN, SWORN**

4 **DAVID B. SIMEK, SWORN**

5 **HEATHER M. TEBBETTS, SWORN**

6 **DIRECT EXAMINATION**

7 BY MR. SHEEHAN:

8 Q Mr. Mullen, please introduce yourself and state
9 your role with Liberty.

10 A (Mullen) Good morning. I'm Steven Mullen. I am
11 the Director of Rates and Regulatory Affairs for
12 Liberty Utilities Service Corp.

13 Q And, Mr. Mullen, did you participate in drafting
14 various pieces of testimony that have been marked
15 as exhibits for today's hearing?

16 A (Mullen) Yes, I did.

17 Q And I will list those. And I again ask you to
18 confirm if those are your pieces of testimony?
19 First is Exhibit 34, your direct testimony at the
20 outset of this case?

21 A (Mullen) Correct.

22 Q Next is Exhibits 44 and 45, which are the
23 redacted and confidential versions of your
24 rebuttal testimony with Mr. Clark and Mr. -- with

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 Mr. Clark?

2 A (Mullen) That's correct.

3 Q Then, it's Exhibit 46, which is another piece of
4 rebuttal testimony offered by just you. Is that
5 correct?

6 A (Mullen) Yes, it is.

7 Q And do you have any changes to those testimonies
8 that you wish to bring to the Commission's
9 attention today?

10 A (Mullen) I do not.

11 Q And do you adopt that testimony this morning?

12 A (Mullen) Yes.

13 Q Also in the record is Exhibit 49, titled
14 "Settlement Agreement on Permanent Rates", with
15 appendices. We'll get to the details of that in
16 a minute. But did you participate in the
17 discussions and drafting that resulted in that
18 document?

19 A (Mullen) Yes, I did.

20 Q And are you familiar with its terms?

21 A (Mullen) Yes, I am.

22 Q Thank you. Mr. Simek, please introduce yourself
23 and your position with Liberty.

24 A (Simek) I'm David Simek. And I am the Manager of

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 Rates and Regulatory Affairs.

2 Q And the same questions, Mr. Simek. You offered
3 testimony with Mr. Sosnick, marked as "Exhibit
4 29; with Ms. McNamara, marked as "Exhibit 30";
5 and with Mr. Sosnick again, rebuttal testimony,
6 marked as "Exhibit 43". Is that correct?

7 A (Simek) Yes, it is.

8 Q And do you have any changes to your testimony you
9 would like to bring to the Commission's attention
10 this morning?

11 A (Simek) I do not.

12 Q And do you adopt your testimony?

13 A (Simek) Yes.

14 Q And were you also involved in negotiations and
15 drafting of both the text and the many schedules
16 that appear as part of Exhibit 49, the Settlement
17 Agreement?

18 A (Simek) Yes, I was.

19 Q Ms. Tebbetts, please introduce yourself.

20 A (Tebbetts) Yes. My name is Heather Tebbetts.
21 And I am employed by Liberty Utilities Service
22 Corporation. And I'm the Manager of Rates and
23 Regulatory Affairs.

24 Q Ms. Tebbetts, did you draft or participate in the

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 drafting of the testimony, which was you, Mr.
2 Frost, and Mr. Mostone, marked as "Exhibit 33;
3 and rebuttal testimony with Mr. Frost and
4 Mr. Mostone, marked as "Exhibit 48?

5 A (Tebbetts) Yes.

6 Q And do you have any changes you'd like to bring
7 to the Commission's attention this morning?

8 A (Tebbetts) No.

9 Q And do you adopt your testimony this morning?

10 A (Tebbetts) Yes.

11 Q And did you -- were you also involved in the
12 discussions and drafting of the various documents
13 that are now comprised of Exhibit 49, the
14 Settlement Agreement?

15 A (Tebbetts) Yes.

16 Q Thank you. Mr. Mullen, let's just sort of take a
17 high-level walk through the Settlement Agreement,
18 and give a brief description of its many
19 components.

20 MR. SHEEHAN: And, Madam Chair, it may
21 not be usual, but I certainly would have no issue
22 if the Commission wants to interject as we go
23 through with questions, or we can simply walk
24 through it all, and have you come back later.

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 And we can do it either way.

2 CHAIRWOMAN MARTIN: Okay. Thank you.

3 I think we'll -- we'll possibly take you up on
4 that invitation, but we may wait till the end.
5 We'll see how it goes.

6 MR. SHEEHAN: Okay.

7 BY MR. SHEEHAN:

8 Q Mr. Mullen, the first couple pages are
9 preliminary, procedural of how we got here,
10 filing of the case, the various procedural steps,
11 and indicating what was requested, both in the
12 initial filing and in temporary rates.

13 Could you start off by giving us just a
14 brief description or a recap of at what happened
15 at the temporary rate stage last fall?

16 A (Mullen) Sure. At the temporary rate stage, and
17 I'll try to not get too bogged down in the
18 details, as we went through that part of the
19 proceeding, we ended up with a Settlement
20 Agreement that allowed for the Company to adjust
21 the revenue per customer amounts that are used as
22 part of the decoupling process. And what that
23 allowed us to do was, allowed us to retain more
24 of the revenue that we were currently billing to

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 customers without changing customer rates. So,
2 there was no rate increase at that time. But
3 what had happened was we adjusted the revenue per
4 customer amounts to allow for an increase in
5 revenue on the Company's books.

6 So, that was the first part of the
7 case, and that set the temporary rate level
8 effective October 1st of 2020.

9 Q So, financially, that is the foundation on which
10 this Permanent Settlement is built, is that
11 correct?

12 A (Mullen) Yes. That's the first part of it.
13 Correct.

14 Q And, so, for the rate component, any changes made
15 today are made to that number, the rates that
16 came out of the temporary rate process?

17 A (Mullen) Correct.

18 Q Okay. And can you tell us what the high-level
19 discussion was with decoupling? What was the
20 intend to do with the decoupling in this rate
21 case, given that it was approved in the last rate
22 case?

23 A (Mullen) What we did in this case was, in the
24 last case, which was DG 17-048, we first

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 implemented decoupling coming out of that case.
2 And we were the first utility in the state to
3 implement decoupling. So, we kind of knew going
4 into it that, you know, we may have to work
5 through some things as we go through this the
6 first time, which we did over the last couple of
7 years.

8 And, as we got to this case, and we'll
9 see as we go through the Settlement Agreement,
10 there's some what I'll call "fine-tuning" of the
11 process, and putting more words to certain
12 aspects of the decoupling mechanism and how the
13 calculations are done, to ensure that there's a
14 full understanding of everyone, in terms of what
15 the particulars are, in terms of how the
16 decoupling mechanism should work, how certain
17 calculations should be done.

18 So, there wasn't any wholesale changes
19 to the decoupling mechanism as part of this case.
20 It was more what I call "fine-tuning", and I
21 guess better describing certain aspects of the
22 various calculations and things that happened on
23 the Company's books with respect to decoupling.

24 Q And we certainly don't need to go into all the

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 nitty-gritty details. But is it fair to say
2 that, once the Parties had reached a basic
3 agreement on the larger pieces of the Settlement
4 Agreement, there was a substantial amount of time
5 between the Company and the OCA and Staff, now
6 DOE, in doing all that "fine-tuning" process that
7 results in the document we have in front of us
8 now?

9 A (Mullen) Yes. Because there are lots of aspects
10 to the decoupling mechanism, and the normal
11 weather adjustment, and how you set the revenue
12 per customer amounts. So, as we go through this,
13 it helps to, you know, kind of flesh those out a
14 little bit more, and make sure that everybody
15 understands what the words mean, and, you know,
16 what's really intended, and to put a little more
17 I'll call it "flesh on the bones" of certain
18 aspects of the decoupling.

19 Q So, turning to Exhibit 49, Page 4, and the Bates
20 page and the document page are the same through
21 the Settlement Agreement itself, the "Section 2.
22 Revenue Requirement", and that leads into Page 5,
23 with a chart with a bunch of numbers in it. Can
24 you just give us a high-level description of what

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 is being shown on Pages 4 and 5, with regards to
2 the revenue requirement?

3 A (Mullen) Yes. So, that basically goes through
4 the various pieces of where the distribution
5 revenue comes about. There's distribution --
6 there's the regular distribution rates. There's
7 part of the revenue that's collected through the
8 cost of gas, which I can discuss in a little bit.
9 And then, there's also we have some special
10 contracts. We have -- there will be some sort of
11 like lease revenue, for instance. We have a
12 training center in Concord that EnergyNorth owns.
13 Part of that is leased by our electric affiliate,
14 Granite State Electric. So, those revenues show
15 up as well.

16 So, when you get to the table on Page
17 5, that kind of breaks down where various pieces
18 of the revenue show up. For purposes of this
19 Settlement, what really relates to, for an
20 increase coming out as part of this Settlement,
21 is it's \$1.3 million above what was -- above the
22 revenue increase coming from the temporary rates
23 part of the proceeding.

24 While I'm on Page 5, there's a couple

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 of -- there's a number that needs to change on
2 Page 5, and the same number on Page 6, and if I
3 could just direct you to those now. If you go to
4 the third line below the table on Page 5, there's
5 a number of "6,265,231". That should be --

6 CHAIRWOMAN MARTIN: Mr. Mullen?

7 WITNESS MULLEN: Yes.

8 CHAIRWOMAN MARTIN: I apologize for
9 interjecting. The Commission is having trouble
10 accessing the exhibits. So, we need to take a
11 recess until ten o'clock.

12 WITNESS MULLEN: Okay.

13 CHAIRWOMAN MARTIN: Thank you. Off the
14 record.

15 *(Recess taken at 9:51 a.m. and the*
16 *hearing resumed at 10:01 a.m.)*

17 CHAIRWOMAN MARTIN: Let's go back on
18 the record, and hope that's the last
19 technological issue today.

20 Mr. Mullen, could you please start over
21 with your discussion of Exhibit 49?

22 WITNESS MULLEN: Sure.

23 **BY THE WITNESS:**

24 A (Mullen) As Mr. Sheehan -- as Attorney Sheehan

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 mentioned, basically, we get to Section 2, which
2 starts on Page 4 of Exhibit 49. And that goes
3 through -- Pages 4 and 5 detail the settlement --
4 the increase that's coming out of this particular
5 Settlement Agreement.

6 The table on Page 5 goes through the
7 various components. And there's -- the
8 distribution revenue includes the revenue that
9 comes straight from distribution rates. There's
10 revenue that comes from indirect revenues through
11 the cost of gas, which I'll discuss a little bit
12 further. And there's also special contract
13 revenues, and things like leases that we have,
14 for instance, the training center that we have in
15 Concord, EnergyNorth owns that, and that is
16 leased, in part, to Granite State Electric. So,
17 those type of revenues all make up the total
18 distribution revenue.

19 The table on Page 5 kind of details the
20 various components of that. As soon as you get
21 to the table -- to the text below the table on
22 Page 5, that describes what's coming out of this
23 agreement is essentially an increase to
24 distribution revenues of \$1.3 million above what

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 was determined as the temporary part of the case.

2 In the third line of text below the
3 table on Page 5, there's a number that needs to
4 be corrected. There's a number that says
5 "6,265,231". That number should be "6,294,290",
6 which you will also see a couple of lines above
7 that. And that number is -- that "6,294,290" can
8 also be seen in the table on Lines 10 and 15.

9 For that \$1.3 million increase, we
10 agreed to break that into two components. One
11 component is an adjustment to distribution rates,
12 which actually is a \$600,000 decrease to
13 distribution rates. And the remaining \$1.9
14 million is an increase to the indirect cost of
15 gas revenue.

16 Although this is a distribution case,
17 you may wonder "Well, why does some of this have
18 to deal with the cost of gas?" EnergyNorth owns
19 some LNG and propane facilities on its system, in
20 various locations, Concord, Tilton, Manchester,
21 and Nashua. Some of those facilities serve a
22 dual purpose. Meaning that they provide a supply
23 function, but, in some cases, they also provide
24 pressure support. So, when we go through the

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1 case, we prepare what's called a "Functional Cost
2 of Service Study". And that kind of breaks that
3 down in terms of how much of the revenue is
4 associated -- with those plants, which are in our
5 rate base, how much of that revenue relates to
6 the supply portion?

7 So, as we went through this whole
8 proceeding, and we got to -- there really should
9 have been more revenue that comes from the
10 indirect cost of gas. So, here, there's a \$1.9
11 million that's going to be collected through the
12 cost of gas. That is really collected only
13 through the winter period. Currently, we have a
14 number that's coincidentally about \$1.9 million
15 that's in our tariff. It's a hard-wired number.
16 It's been in place for a number of years. This
17 will increase that to approximately \$3.9 million,
18 and that will start to be collected during the
19 winter period cost of gas that will take effect
20 beginning in November of this year.

21 CHAIRWOMAN MARTIN: Mr. Mullen?

22 WITNESS MULLEN: Yes.

23 CHAIRWOMAN MARTIN: I just want to
24 confirm my understanding of what you just said.

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1 BY CHAIRWOMAN MARTIN:

2 Q So, there are facilities that serve a dual
3 purpose. You did a Functional Cost of Service
4 Study that identified costs related to supply, in
5 the amount of 1.9 million, which is now being
6 added to the cost of gas. Is that right?

7 A (Mullen) The 1.9 will be added to what is
8 currently collected through the cost of gas.
9 There is currently a number of I think \$1.98
10 million, that's actually found in our tariff,
11 that was decided in a prior -- in an earlier
12 case. It's been in place for a number of years.

13 And, as we went through this case, and,
14 you know, looking at the amount of -- the amount
15 of, I don't want to say "time", but the amount of
16 function of those facilities that was used for
17 the supply portion, versus, say, pressure support
18 on the distribution system, then it became that a
19 lot -- that more of the -- more revenue would
20 need to be collected through the cost of gas,
21 rather than distribution rates.

22 Q Okay. So, I have the underlying understanding
23 correct, it's just being added to the prior
24 amount?

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1 A (Mullen) Correct. So, there was a \$1.98 million
2 or \$1.99 million, now we're adding another \$1.9
3 million to it.

4 CHAIRWOMAN MARTIN: Thank you.

5 **BY THE WITNESS:**

6 A (Mullen) And I think that that number does show
7 up elsewhere in the Settlement. Actually, what
8 will show up is, if you look on -- in the table,
9 on Line 17, the total indirect cost of gas
10 revenue will now be 3.893 million. And that's
11 the amount that will start to be recovered
12 through the cost of gas beginning in November of
13 this year.

14 BY MR. SHEEHAN:

15 Q So, Mr. Mullen, --

16 CHAIRWOMAN MARTIN: Thank you.

17 MR. SHEEHAN: Sorry.

18 BY MR. SHEEHAN:

19 Q And, you explained that there is a 1.3 million
20 overall increase allocated, as you just
21 described, 1.9 plus in the cost of gas, and a
22 600,000 minus to what was approved last fall.
23 So, that is -- is it fair to say that's the top
24 line revenue requirement change that is reflected

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1 in this Settlement Agreement?

2 A (Mullen) That is correct. As we scroll up, well,
3 I'm scrolling, as we move to Page 6, there's a --
4 the same correction needs to be made in Section
5 2.2, in the first line. The number "6,265,231"
6 should be "6,294,290".

7 Q Mr. Mullen, that change doesn't affect anything.
8 That is simply a leftover number that wasn't
9 updated through a revision to this document. Is
10 that fair?

11 A (Mullen) Yes. That's fair. In Section 2.2, what
12 you see is some of the items that are included in
13 the overall revenue requirement. And what this
14 does is it also provides some language that the
15 Accounting Department can use for audit purposes,
16 to show that certain amounts on the books will be
17 recovered over a certain period of time. One of
18 those, the first one has to do with a little over
19 a million dollars, related to a special contract
20 we have with the New Hampshire Department of
21 Administrative Services, with respect to the
22 installation of some temporary boilers, after
23 their prior service provider, Concord Steam
24 Corp., was winding down its business. That

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1 amount will be recovered over three years.

2 Also, --

3 CHAIRWOMAN MARTIN: I have questions on
4 that.

5 WITNESS MULLEN: Sure.

6 CHAIRWOMAN MARTIN: If you'd like to
7 take them now?

8 WITNESS MULLEN: Yes.

9 BY CHAIRWOMAN MARTIN:

10 Q So, that's 1,000,000 -- a little more than
11 \$1,000,000 total over three years. How was that
12 amount, the amount to be recovered, determined?

13 A (Mullen) We had a -- we had a special contract
14 with the Department of Administrative Services,
15 where there was a -- there was a certain dollar
16 amount that was put in that special contract,
17 that was going to be recovered through bills to
18 the Department of Administrative Services. I
19 think, originally, it was over 15 months, if
20 memory serves.

21 The way that that whole process worked
22 is that we kind of, "we" being EnergyNorth,
23 stepped in and arranged for some contractors to
24 work with the New Hampshire Department of

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1 Administrative Services to get the necessary
2 temporary boilers in place, so they would have
3 heat for the following winter for the facilities.
4 As things went through, and there were some scope
5 changes and some other complications that came
6 up, the costs ended up exceeding the special
7 contract price. Part of that amount that was
8 exceeded, the New Hampshire Department of
9 Administrative Services went back to the Governor
10 and Executive Council and got approval for that
11 recovery.

12 This is the remainder. That,
13 basically, we stepped in and, you know, tried to
14 facilitate things, but we weren't -- we weren't
15 controlling the project. So, this is the amount
16 where, basically, we, you know, were trying to do
17 the right thing and help out. And, so, this was
18 the amount that was remaining.

19 I'm trying to remember the docket
20 number for that, and I can't off the top of my
21 head. But part of that agreement also said that,
22 if costs went over, we could come back to try to,
23 you know, seek recovery. So, that's what that
24 million dollars is. It's basically the remainder

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1 of the excess costs above the special contract
2 and above what the Department of Administrative
3 Services got approval for additional to pay,
4 basically, through the -- by the Governor and
5 Executive Council.

6 MR. SHEEHAN: I can offer that it was
7 DG 17-035.

8 BY CHAIRWOMAN MARTIN:

9 Q Okay. So, I just want to be sure I'm clear.
10 There was a total overage or "exceedance", as you
11 called it, and some portion of that was -- there
12 was a reduction in that by DAS going to G&C to
13 make an additional payment. Was there any
14 further reduction on the Company's side related
15 to this or are you now seeking the full remainder
16 from the ratepayers?

17 A (Mullen) I believe that we, through negotiations,
18 we were able to talk to the contractor that was
19 involved, and they made -- and they made, you
20 know, I don't know, it was maybe \$100,000 or so
21 adjustment to that. But this is essentially, you
22 know, what remains from that.

23 You know, and it's not -- the Company
24 was not driving the project. We were just

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1 facilitating the contracts. And the way that
2 this all worked is, you know, we ended up getting
3 left with the -- getting left with the extra
4 dollars for, basically, trying to do the right
5 thing.

6 CHAIRWOMAN MARTIN: Okay. Thank you.
7 Go ahead.

8 **CONTINUED BY THE WITNESS:**

9 A (Mullen) Item Number (2), in Section 2.2, deals
10 with the treatment of excess accumulated deferred
11 income taxes that resulted from the 2017 Tax Cuts
12 and Jobs Act. As a result of that, a lot
13 changed. The federal tax rate decreased from 35
14 percent to 21 percent, and the utilities were
15 required to recalculate the deferred taxes and
16 find out how much now, if the tax rate was 21
17 percent, how much is excess, and that would have
18 to be flowed back to customers.

19 You'll see here that it's broken into
20 two pieces. We have protected property and
21 non-protected property. Protected property
22 basically deals with plant and equipment. And,
23 according to IRS rules, that has to be provided
24 back to customers no more quickly than it would

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1 otherwise have flowed through the deferred tax
2 calculations. So, what you see there, for 28.93
3 years, is the remaining life of the underlying
4 assets for the protected part.

5 The unprotected part deals with, for
6 EnergyNorth, deals with primarily things related
7 to environmental items and pension items. And
8 the environmental items typically have a life of
9 like 30 years, and the pension items are around
10 10 years. So, for purposes of agreement, we've
11 agreed to provide the non-protected portion over
12 a period of 20 years.

13 So, and again, the wording here will
14 also help for purposes of audit, when they, you
15 know, when they see, you know, what was approved,
16 and how we're flowing things back to customers.

17 Item (3) is a long hanger-on item from,
18 as you can see, from Docket DG 06-107. That was
19 when EnergyNorth and KeySpan merged. And, from
20 that case, there was an approved thing called
21 "costs to achieve the merger". In that agreement
22 in that proceeding, there was an allowance for
23 being able to recover the costs to achieve the
24 merger to the extent that certain savings were

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1 demonstrated. Related to that, there was also
2 interest related to that that was allowed.

3 And, over time, what had happened is,
4 there was this residual that ended up of being
5 about \$48,000 from that that had not been
6 included as part of the amortization, and it was
7 related to the interest on it. So, this really,
8 and it's a small item, but it allowed us to get
9 it off the books, and, over a three-year period,
10 and take care of that finally.

11 Item (4) deals with the depreciation
12 reserve imbalance. This stems from the prior
13 rate case proceeding, DG 17-048, where the
14 Company prepared a -- had a consultant prepare a
15 depreciation study. The result of that
16 depreciation study was that there was a
17 depreciation reserve imbalance, basically, a
18 shortfall, of a little under \$10 million, it was
19 \$9.9 million.

20 There was approval in that last
21 proceeding to recover that over six years, which
22 basically means that -- what the reserve
23 imbalance is is, when a consultant prepares a
24 depreciation study, they look at the depreciation

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1 reserve that's on the books of the company. And
2 then, when they go through, and they say "Here
3 are the lives that should be applied to the
4 various assets" -- "the various fixed asset
5 accounts", as well as how much net salvage rate
6 should be applied and cost of the removal. And
7 they come up and they say "Here's now, based on
8 our calculation, here's the theoretical reserve."
9 You compare that to the book reserve. And, to
10 the extent there's a difference, it could be a
11 surplus, it should be a deficiency, there's a
12 reserve imbalance. And, as I say, in the last
13 rate case, that approximately \$10 million was
14 allowed to be amortized into rates over a
15 six-year period.

16 Also, as part of 17-048, we were
17 required to prepare -- have a consultant prepare
18 a review of the status of that reserve imbalance
19 in this proceeding, to see if things were
20 tracking in the right direction. Because all
21 things being equal, if you have this reserve
22 imbalance, and you start amortizing it into rates
23 over a period of time, you would expect things to
24 go down. What happened when we did the study,

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1 and this was attached to my Exhibit 34, was that,
2 in fact, it had grown. And, so, our consultant
3 took a look at it and said "well, there's some
4 reasons for that. One of them might be cost of
5 removal; one is that some of the asset lives,
6 particularly for services and mains, may need to
7 be different."

8 And you'll see, in one of the sections
9 that comes up, what we've agreed to do with
10 respect to that, to prepare a new study. But
11 what Item (4) here, in Section 2.2, does, is it
12 allows us to keep that amortization going that
13 was approved in the last case, pending the
14 results of the next study that we will do, and
15 that's described in Section 3.2 that we will get
16 to.

17 And, then, Item (5) just basically says
18 that the increase -- the revenue requirement in
19 this case was computed using the cost of capital
20 provided in Section 4.

21 For purposes, if I go to Section 3, for
22 "Rate Base", there's a cash working capital
23 calculation of lead-lag days. What that's done
24 is that is what is used to calculate the cash

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1 working capital that's part of rate base. And
2 that looks at, you know, when we get revenues --
3 or, when we bill customers, how long it takes to
4 get revenues. And, when we get invoices, when we
5 pay them, when were the services provided. And,
6 so, it kind of looks at all the ins and outs of
7 that process. And it has, you know, lag days of
8 "25.72". There was no, you know, there was no --
9 that was not a controversial issue in this
10 proceeding.

11 CHAIRWOMAN MARTIN: Is that based on
12 the study, Mr. Mullen?

13 WITNESS MULLEN: Yes. The study was
14 included in the joint testimony of Mr. Simek and
15 Ms. McNamara. That's one of the exhibits.

16 CHAIRWOMAN MARTIN: Thank you.

17 **CONTINUED BY THE WITNESS:**

18 A (Mullen) Now, with respect to what I was talking
19 about for a depreciation study, and, in Section
20 3.2, this describes that we are -- the Company
21 has agreed to perform a study of the cost of
22 removal that is currently being applied to
23 projects. Historically, and this has been the
24 case for a number of years at the Company, even

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1 going back to prior ownership, there was a 10
2 percent cost of removal that was applied to
3 particular jobs, particularly those -- a lot of
4 them done by contractors.

5 So, one of the -- one of the
6 recommendations of our depreciation consultant
7 was that we do a study, to see if perhaps that 10
8 percent is too high. And, if so, that could --
9 that may be one of the reasons that our reserve
10 imbalance wasn't tracking the way that we
11 thought.

12 So, we have agreed to do a study, and
13 we're already in the process of doing it, looking
14 at 2021 capital projects, to determine -- look at
15 the actual details and say "Okay, how much of
16 this really relates to cost of removal." The
17 expectation is it's going to go down. The
18 results of that study will then be incorporated
19 into a new depreciation study that will be
20 performed using end of 2021 plant balances.

21 So, taking the result of that new
22 depreciation study, which will also look at the
23 lives and the retirement aspects of various plant
24 accounts, the results will all be combined into a

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1 new study, and the results of that study will be
2 taken into account at the time of what I'll refer
3 to as the "second step adjustment" that we'll
4 discuss in a little bit. So, that way we will
5 continue to amortize the deficiency from the last
6 proceeding, pending the results of this new
7 study, and all of that will be then readjusted at
8 the time of the second step adjustment.

9 Section 3.3 goes through, again, the
10 details related to the excess deferred income
11 taxes.

12 In Section 4, that begins on Page 8,
13 there's details related to the cost of capital.
14 We have agreed on a return on equity of 9.3
15 percent. And you can see, in Section 4.2, when
16 you take that, and we have a capital structure of
17 the 52 percent equity/48 percent debt, and, when
18 you put them all together, it becomes a weighted
19 cost of capital, after taxes, of "6.96 percent".

20 In Section 5, we have agreed to two
21 step adjustments, which basically relate to
22 non-growth related capital additions. The first
23 step adjustment relates to projects placed in
24 service during 2020. So, they're already in

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1 service now. The second step adjustment, which
2 will take effect on August 1st of 2022, would
3 relate to certain projects that -- certain
4 non-growth projects that are placed in service
5 during 2021.

6 The list of those projects are detailed
7 in Appendices 1 and 2, and the calculations
8 associated with those, and are also in those
9 appendices that begin on Bates 027, and go
10 through Bates 031.

11 For the first step adjustment, if you
12 looked at -- if you look at the calculation on
13 Bates 029, you will see that, in the far right
14 column, the total, on Line 34, is over \$4.6
15 million. For purposes of this Agreement, we have
16 agreed to cap that adjustment at "\$4 million".
17 That \$4 million will take effect on August 1st of
18 2021, at the same time as the adjustment to
19 distribution rates that I was discussing earlier,
20 which was a slight decrease of \$600,000.

21 The second step adjustment, the details
22 of the projects are on Bates 030. There's a list
23 of the total. A calculation of the revenue
24 requirement comes to \$3.27 million. That's on

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1 Bates 031, on Line 34. And, for purposes of this
2 Agreement, we have agreed to cap the calculation
3 at "\$3.2 million" for that Agreement.

4 One thing that I will say, with respect
5 to these step adjustments, is we typically have a
6 component in step adjustments for increased
7 property taxes associated with the investments.
8 We do have them with these steps, but there's a
9 little twist, in that it only relates to state
10 property taxes. There's another component of
11 this Agreement that details with property tax
12 reconciliation and recovery, related to statutes
13 that were passed in the last few years, and we
14 will get to that. So, the step adjustments that
15 I just discussed only recover the state property
16 tax portion related to those capital investments.
17 And the remaining part of the property taxes are
18 dealt with, make sure I get to the right spot
19 here, in Section 6 of the Agreement.

20 BY MR. SHEEHAN:

21 Q And, Mr. Mullen, I'll give you a chance to take a
22 breath. The balance of Section 5 is really
23 talking about the process that we will follow to
24 implement the next step, of what needs to be

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1 filed, and, as you mentioned, the caps on the
2 recovery. Is that correct?

3 A (Mullen) Correct. There are certain documents
4 that we will file, and documents that we prepare
5 in accordance with our capital expenditure
6 policies. And we will provide those as part of
7 the whole -- as part of the review process, prior
8 to any adjustment being prepared. The
9 documentation for the 2020 capital projects was
10 already provided.

11 Q And this process roughly tracks what was approved
12 in the Granite State rate case last year. Is
13 that fair?

14 A (Mullen) That's correct.

15 Q And was followed in the step adjustments
16 following the rate case, including in a hearing
17 we had just a couple weeks ago?

18 A (Mullen) Yes. In Section 6, we discuss what we
19 refer to as a "Property Tax Adjustment
20 Mechanism". This refers to RSA 72:8, and is
21 really Sections d and e. This law was passed,
22 I'm trying to remember exactly when, but it took
23 effect with April 1st, 2020, the beginning of a
24 property tax year. That statute was really

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1 trying to align the property tax valuation
2 methods used by the State of New Hampshire, as
3 well as a few municipalities, because
4 municipalities and the state had differing ways
5 of valuing the property. And, so, what the
6 statute did was provided a five-year phase-in for
7 utilities to recover the differences in property
8 taxes that resulted from basically aligning the
9 methodologies that the municipalities and the
10 state were using for property tax valuation. The
11 five-year period kind of went in increments of
12 20 percent a year, to try and make it as a
13 gradual change, both for the municipalities and
14 for the utilities, in order to recover those
15 amounts.

16 So, in Section 6, we describe how the
17 mechanism would work. Essentially what it does
18 is it compares the amount that's currently
19 recovered in distribution rates against the
20 current tax bills. And the difference between
21 the two would then be -- would then be reconciled
22 and recovered.

23 So, this provides us to go back to the
24 effective date of the -- of the first property

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1 tax year of April 1st, 2020, through March 31st
2 of 2021, and compare the property tax bills to
3 what was recovered in rates. And, on Bates, get
4 the right page, on Bates 032, which is Appendix
5 3, provides a calculation of essentially what is
6 a little over \$8.9 million that's currently
7 recovered in rates. This section requires us to
8 make a filing by August 20th of this year for the
9 first property tax adjustment. This would be an
10 adjustment to distribution rates that would take
11 effect on November 1st of this year.

12 In future years, we will make the
13 adjustment effective May 1, which would coincide
14 with the changes -- the seasonal changes to the
15 cost of gas rate. But, considering the timing of
16 this year, we're doing it effective November 1.

17 Q Mr. Mullen, the property tax mechanism, as you
18 described, was one component of a legislation
19 that addressed more broadly the whole valuation
20 issue. And, as you say, this mechanism is
21 required by statute as of the 2020 effective tax
22 year. Is that correct?

23 A (Mullen) Correct. Part of the -- part of the
24 statute was, basically, requiring the Commission

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1 to implement some sort of methodology to
2 recover -- for the utilities to be able to
3 recover the difference.

4 Q And a similar mechanism was approved last fall in
5 the Eversource rate case, is that correct?

6 A (Mullen) Yes.

7 Q And the next section is Keene. And, as the
8 Commission is well aware, Keene has many twists
9 and turns. And is it fair to say the attempt
10 here was to take those already in various
11 Commission orders, and not change things, but try
12 to, as with the decoupling, refine and better
13 define, so all parties are on the same page going
14 forward?

15 A (Mullen) Yes. This really is a way to try and
16 memorialize certain things related to Keene.
17 Certain things that are in here actually relate
18 to things that have been discussed in cost of gas
19 proceedings. But, as part of trying to reach
20 agreement in this case, the parties felt that it
21 was good to try to put everything into one spot.
22 So, we have things here with respect to looking
23 at the incremental difference between CNG and
24 propane. So, there's this 7.1 deals with how we

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1 would go through that.

2 On Bates 033, which is Appendix 4,
3 there's a summary of the various differences in
4 incremental recovery versus things that weren't
5 recovered. But, when it all comes down to it,
6 you can see at the bottom, in the far right
7 column that says "(Refund)/Charge", the combined
8 total is a little over 1,600 bucks. What that
9 basically means -- although in two of the -- the
10 Winter and Summer for 2020 and 2021, those are
11 estimated amounts, they will still have to go
12 through the reconciliation process. But what
13 this basically does is, it says, for each, the
14 winter period and the summer periods, if these
15 numbers were to play out, in the next summer cost
16 of gas, we'd be able to recover "\$3,577", which
17 is the third line from the bottom. And, in the
18 next winter cost of gas, we would refund to
19 customers "\$1,000,964" [\$1,964?].

20 So, there's a lot of stuff, lot of ins
21 and outs here, but what comes out of the wash is
22 not really any large amounts. But what it does
23 is it provides a way for everybody to know how
24 the incremental costs will be treated going

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1 forward.

2 Q Mr. Mullen, the schedule you just referred has a
3 shaded section. And is it fair to say that, in
4 the actual filings those will be confidential,
5 but, in this sample document, those are just, you
6 know, plugged numbers, just to illustrate what
7 the impact of the change is. Correct?

8 A (Mullen) You're speaking of Appendix 5, on Bates
9 034?

10 CHAIRWOMAN MARTIN: Mr. Sheehan, you're
11 on mute.

12 MR. SHEEHAN: Thank you.

13 BY MR. SHEEHAN:

14 Q Bates 034 has various shaded numbers --

15 A (Mullen) Correct.

16 Q -- for CNG costs. And those are just, in effect,
17 plugged numbers to illustrate the calculation,
18 and that's why we haven't redacted them and gone
19 through the confidential process for this
20 document?

21 A (Mullen) Correct. This is just -- this is just
22 an illustration, as it says on the top of the
23 sheet. And, so, there's nothing confidential
24 with this. It just shows how the calculations

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1 will be done going forward.

2 Things related to the CNG price does
3 get confidential treatment, and that has in prior
4 cost of gas proceedings.

5 Q Mr. Mullen, you said this Keene section addresses
6 and tries to clarify prior Commission orders.
7 The Commission did issue an order just this week
8 on the past demand charges. Is it fair to say
9 that this section of the Settlement Agreement
10 does not attempt to resolve that issue as it was
11 just resolved separately in a Commission order?

12 A (Mullen) That is correct. You will see in
13 Section 7.1(b), there is a discussion of "demand
14 costs". But that only goes to the allocation of
15 those demand costs, in terms of how much should
16 be allocated to the winter period, which is "75
17 percent", and how much to the summer period.
18 That was also decided in a recent Commission
19 order. So, this just mirrors that.

20 CHAIRWOMAN MARTIN: Mr. Sheehan, you're
21 on mute again.

22 MR. SHEEHAN: Two for two. Thank you.

23 BY MR. SHEEHAN:

24 Q Section 7.2, entitled "Keene Expansion", again is

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1 not an attempt to change what the Commission has
2 already ordered with regard to what the Company
3 must do as it expands in Keene. But it's really
4 to help clarify some of the language used in
5 prior orders, and again to make sure that all
6 parties understands what the Company must do in
7 Keene. Is that fair?

8 A (Mullen) Yes. In some prior Commission orders
9 with respect to Keene, they implemented some
10 risk-sharing provisions with respect to future
11 expansion in Keene. And part of what's gone on
12 in Keene so far is that there's a marketplace,
13 called the "Monadnock Marketplace", where
14 customers were converted from propane to CNG,
15 because there were blower -- there was a blower
16 system on that part of the system, which was
17 called the "high pressure" part of the system,
18 that was troublesome. And we converted the
19 customers to CNG.

20 With respect to that, there's been some
21 plant investments that were put into rate base.
22 There's a provision in this Agreement, and if you
23 look on Bates 035, there's also a calculation of
24 the risk-sharing mechanism associated with what's

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1 been put in in what we call for "Phase 1" so far
2 of Keene. So, what this does is compares the
3 revenues to the revenue requirement associated
4 with that. And, to the extent that there's a
5 shortfall, then 50 percent of that the Company
6 absorbs. And that amount is roughly \$24,000 for
7 purposes of this proceeding.

8 As we go forward, there are additional
9 Phase 1 costs that are approximately \$700,000,
10 and that will be included as part of the second
11 step adjustment, which would take effect on
12 August 1st of 2022. But we will have to do the
13 same risk-sharing type of calculation, by
14 comparing the revenue requirement associated with
15 the Phase 1 investments with the revenue -- with
16 any additional revenues associated with hooking
17 up some more customers along the -- in close
18 proximity to the CNG part of the system.

19 Q And is it fair to say, in that regard, that what
20 the Parties have agreed to is that Phase 1 -- the
21 parameters around what Phase 1 consists of, and
22 those parameters could pick up a couple
23 additional customers, because they're more or
24 less on that system already?

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1 A (Mullen) Yes. And, if you go to Page 16 of
2 Exhibit 49, Section (d) on that page kind of puts
3 a little more definition about what consists of a
4 "phase", and, you know, to what extent we can
5 include new customers that are within certain
6 proximity of the CNG part of the system, and, you
7 know, what would be considered a "phase" if they
8 were beyond that. So, that provides a little
9 more -- a little more description, so everybody
10 can kind of get on the same page, because it was
11 unclear before what was meant by a "phase", and
12 different parties had different understandings of
13 what that meant.

14 Q And, at a high level, a phase -- a new customer
15 could be in an existing phase, if it takes
16 effectively a small amount to connect that new
17 customer. Whereas, if we're doing a large
18 investment to pick up a new customer, that would
19 be a new phase that would have to go through the
20 requirements for approval of a new phase?

21 A (Mullen) Yes. Moving to Section 8, which starts
22 at the bottom of Page 16, we received approval
23 around '16 or '17 to expand into Pelham. As part
24 of our expansion into Pelham, we had to install a

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1 take station in order to be able to serve the
2 customers. Given that there was a, you know, a
3 significant amount, I think it was over a million
4 dollars of capital investment related to that,
5 there was another risk-sharing provision put in
6 with respect to Pelham, and that would have been
7 in DG 16-852.

8 This provides the same sort of
9 calculation, like I just discussed with Keene,
10 where we compare the revenue requirement to the
11 revenue associated with customers that were
12 picked up in Keene. And, to the extent there was
13 any shortfall, then 50 percent of that, for
14 purposes of this rate case, the Company would
15 have to absorb.

16 As you can see, at the bottom of Page
17 16, that amount that's incorporated into the
18 results of this Settlement is a little under
19 \$62,000. One of the things that came up with
20 respect to that is, there's a large industrial
21 customer, who signed a service agreement back in
22 2016, that was intending to take service, and
23 they're still intending to take service, down in
24 Pelham. That has not happened yet. But the way

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1 that the Agreement was worded in 16-852 is that
2 you count anticipated revenue, and "anticipated
3 revenue" was defined to mean that if there was a
4 signed agreement to take service.

5 So, what we've agreed is, for purposes
6 of this case, the calculations that have resulted
7 in the 61,871 will be in place for this case.
8 And, at the time of -- let me refresh my memory
9 here. So, then, we will look at this again prior
10 to the next step adjustment. And, if that
11 customer has not yet taken service, then we will
12 adjust the risk-sharing mechanism at that time to
13 remove the anticipated revenue from that customer
14 from the calculations.

15 Q So, Mr. Mullen, the Section 8 essentially
16 implements provisions of the prior Settlement
17 Agreement and the order regarding Pelham?

18 A (Mullen) Yes, it does.

19 Q Is it fair to say the same is for Section 9, we
20 are -- they are implementing provisions of the
21 order from the last rate case?

22 A (Mullen) Yes. There's an adjustment of 301,747
23 that was calculated in a manner similar to what
24 was done in the DG 17-048 rate case. So, you

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1 know, what we've, you know, what that does is
2 that's a reduction to the revenue requirement
3 associated with that facility. And that will be
4 reviewed at the next, again, at the next
5 distribution rate case.

6 Q Section 10 states what is clear to all of us,
7 that we did not agree on Granite Bridge, and that
8 would be and has been litigated separately. Is
9 that correct?

10 A (Mullen) That's correct. And, as everyone is
11 aware, we had a day and a half of hearings, and
12 there's been briefs and reply briefs, and that is
13 in the Commission's hands.

14 Section 11, for "Rates and Rate
15 Design", again, there's a discussion on
16 decoupling, which, you know, goes through, again,
17 some more of the details, trying to clarify
18 things. I'm not going to go through that in
19 detail. Of course, if you have any questions, we
20 can go through that. But this is, again, to make
21 sure that Staff, or I should say the "DOE Staff"
22 now, the OCA, and Liberty, everybody is in the
23 same understanding of what's included, what's not
24 included, how some of the calculations work.

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 It's a -- you know, there's a lot to it.

2 The Section 11.2 just talks some more
3 about the indirect gas costs that we discussed
4 earlier.

5 One of the things that we did in
6 Section 11.3 is that we've agreed to keep the
7 customer charges for residential customers flat,
8 for the increases coming out of this proceeding
9 and for any step adjustment next year.

10 Section 12, we've agreed that the
11 earliest we can have our next test year would be
12 for the year ended December 31st, 2022.

13 And Section 13 is, you know, described
14 as "Other Issues". Section 13.1 deals with the
15 Parties getting together to take a look at the
16 list of reports that are currently being filed.
17 See if there's some way to either, you know,
18 adjust some of the due dates, see if things can
19 be consolidated, maybe decrease frequency, just
20 to try to keep some of the administrative work
21 under control on our end, on the receiving end as
22 well.

23 Q Additional components of that is the sorting out
24 the reports as to Commission Staff or DOE Staff,

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1 now that that has taken place?

2 A (Mullen) Yes. That's a fairly recent wrinkle
3 with respect to that. So, we will working
4 through that process as well. So, it's probably
5 an opportune time to go through the list of
6 reports, and, you know, see how that all applies.

7 CHAIRWOMAN MARTIN: Excuse me, I just
8 wanted to interject. I was going to actually ask
9 whether there would be any objection to that --
10 that component of the Settlement Agreement also
11 contemplating sort of that division between
12 Energy and the Commission, at least in what you
13 file back as a recommendation?

14 WITNESS MULLEN: I'd be all in favor of
15 that.

16 CHAIRWOMAN MARTIN: Excellent. Thank
17 you. I'll ask the same of the other parties as
18 well.

19 Mr. Dexter, do you have any objection
20 to that provision also including a breakout of
21 where those reports landed as part of the
22 reorganization?

23 MR. DEXTER: No objection.

24 CHAIRWOMAN MARTIN: Okay. And Mr.

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1 Kreis?

2 MR. KREIS: We have no objection as
3 well.

4 CHAIRWOMAN MARTIN: Okay. Thank you.

5 **CONTINUED BY THE WITNESS:**

6 A (Mullen) Section 13.2 just memorializes some of
7 the adjustments that were done here. And, so,
8 when we file -- we have to file the quarterly
9 report that basically calculates the Company's
10 earnings. So, this just memorializes these three
11 adjustments related to iNATGAS, Keene, and
12 Pelham, to ensure that those are reflected in
13 those quarterly reports, and so that way the
14 earnings reports will be calculated consistently
15 with what we've agreed to in this proceeding.

16 Section 14 deals -- is titled
17 "Recoupment", really deals with two things. One
18 is recovery of rate case expenses. You can see,
19 in Section 14.1, there's a number "\$856,864.64".
20 That's the current number as of now. There is a
21 schedule in the appendices, that is on Bates 047,
22 Appendix 9, that goes through the details of
23 those. One of the columns there has "Estimated
24 Additional Expenses". So, once the final

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1 invoices come in, that number will be trued up.

2 The rate case expenses and the
3 recoupment that I will talk about are done for
4 EnergyNorth through its LDAC component. That
5 changes on November 1st of each year. So, those
6 we will have to -- let's see, what's the date --
7 by August 1st, have to submit an updated
8 accounting of the rate case expenses. So, to the
9 extent that additional invoices are received by
10 then, we will update the amounts shown in
11 Appendix 9, and that will get reflected in the
12 LDAC proceeding. To the extent that any
13 adjustments are made, or need to be -- anything
14 needs to be updated, that will also be reviewed
15 as part of the LDAC proceeding.

16 Section 14.3. This talks about the
17 recoupment of the \$1.3 million increase that was
18 agreed to for purposes of permanent rates, going
19 back to the date of temporary rates on October
20 1st, 2020. What this does is it makes it, since
21 those were temporary rates, this says, if the
22 permanent rates were in effect as of October 1st,
23 of 2020, what is the difference?

24 There's two components to that. Now,

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1 remember, the \$1.3 million was broken into two
2 pieces: Basically, a \$600,000 decrease to
3 distribution revenue and a \$1.9 million increase
4 to indirect cost of gas revenue. As shown on
5 Page 21, near the bottom of the page, you will
6 see the total estimated amount of recoupment to
7 distribution, there's a flow-back of 573 --
8 \$570,933.

9 There's an appendix that goes through
10 the calculation of that, which is Appendix 10,
11 which is on Bates 048 and 049. That takes a look
12 at our actual consumption during the period. The
13 last couple of months or so, of course, are
14 estimated at this time, and so that will also be
15 trued up as part of the LDAC proceeding.
16 Basically, it's a little bit less than the
17 \$600,000, because you have a 10-month period
18 instead of a twelve-month period. It's not an
19 annual number. It's the reconciliation period is
20 only October 1st through September 30th of --
21 excuse me -- July 31st of 2021.

22 And the second part of that recoupment
23 is related to the \$1.9 million of indirect cost
24 of gas revenue. And this is discussed in Section

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1 14.4, which is at the top of Page 22. That
2 number does not need to be computed using actual
3 sales, because, as discussed earlier, that's a
4 number that is in our tariff, it is a fixed
5 number, and it's only collected through the
6 winter period. So, during the period of October
7 1st of 2020 through July 31st of 2021, there was
8 one full winter period. So, this additional
9 amount to be recovered through the cost of gas is
10 going to be the same amount, the \$1.9 million, as
11 if it were in effect during the last winter
12 period.

13 And, finally, Section 15 just talks
14 about the effective date of permanent rates would
15 be August 1st of 2021.

16 BY MR. SHEEHAN:

17 Q Mr. Mullen, was there a -- one of the appendices
18 include a calculation, maybe Mr. Simek can answer
19 this, of the bill impacts of this Settlement
20 Agreement?

21 A (Mullen) Yes. Appendix 8, which is a multipage
22 appendix, a ten-page appendix, goes through by
23 various rate classes what the estimated -- what
24 the impacts are to customers in those classes, at

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1 various usage rates.

2 CHAIRWOMAN MARTIN: Mr. Mullen, can you
3 please give us the Bates page?

4 WITNESS MULLEN: That begins on Bates
5 Page 037.

6 BY MR. SHEEHAN:

7 Q And, Mr. Simek, could you speak to sort of the
8 bottom line of two things: What's the before and
9 after that's reflected in that document and
10 what's the residential amount?

11 A (Simek) Yes. Sorry about that earlier. It took
12 me a second to click off mute.

13 So, yes. Beginning on Bates 037, as
14 Mr. Mullen stated, this is for the Non-Heating
15 Residential customer, I'm going to actually ask
16 that we all switch over to the Bates Page 038,
17 which is the Residential Heating customer.

18 So, on Lines 1 through 9 there is kind
19 of a summary of the proposed rates and the
20 present rates, and the bill impacts of the
21 changes here related to what we're proposing in
22 this proceeding. And, so, it's taking those
23 rates, and then comparing it down at the
24 bottom -- or, in the middle, I should say here,

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1 for different therm levels. And it's showing
2 what the impact would be.

3 Q And the "Proposed Rates" is the permanent rate
4 changes that Mr. Mullen described, plus the step
5 adjustment rate change that's also within this
6 Agreement, is that correct?

7 A (Simek) That's correct. And, so, one thing I did
8 just want to point out here is that, for a
9 typical Residential Heating customer, the annual
10 increase, based on the rates that we are
11 proposing to go into effect August 1st, compared
12 to the rates that are in effect now, a typical
13 Heating customer would see an annual increase of
14 \$42.89, or a 4.3 percent increase.

15 Q Thank you. Anything else you wanted to add, Mr.
16 Mullen?

17 A (Mullen) Just in summary, you know, as people can
18 see, there's a lot of details, a lot of different
19 components to this. You know, we filed this in
20 July of last year. So, it's been a long process.
21 And, you know, I appreciate working with the
22 Consumer Advocate's Office and the Staff, now the
23 DOE, in terms of going through the various
24 details associated with this. Throughout it was,

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1 you know, I can say that it was a, you know, a
2 collegial and not adversarial process. And it
3 was very good to work through, even to the extent
4 we had differences on things, you know, I
5 appreciate all the hard work and time that people
6 put into this to get us to this point.

7 MR. SHEEHAN: And, with that,
8 Chairwoman, I have no further questions of the
9 Company witnesses.

10 CHAIRWOMAN MARTIN: Okay. Thank you.
11 Mr. Kreis or Mr. Dexter, who's next?

12 MR. KREIS: I'd be happy to go next, or
13 I'd be happy to have Mr. Dexter go next. Totally
14 up to the Commission.

15 CHAIRWOMAN MARTIN: Okay. Mr. Kreis,
16 go ahead then.

17 MR. KREIS: Thank you. I am not going
18 to take anywhere near as much time as my friends
19 from Liberty Utilities did, giving you that
20 interesting and detailed explanation of what we
21 all agreed to.

22 **PRADIP K. CHATTOPADHYAY, SWORN**

23 **AL-AZAD IQBAL, SWORN**

24 **DIRECT EXAMINATION**

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 BY MR. KREIS:

2 Q Let me start with Mr. Chattopadhyay. Mr.
3 Chattopadhyay, would you please identify yourself
4 for the record by name and title?

5 A (Chattopadhyay) Yes. I am Pradip Chattopadhyay.
6 And I am the Assistant Consumer Advocate.

7 Q And turning your attention to what has been
8 marked for identification as "Exhibit Number 38",
9 that document consists, does it not, of direct
10 testimony prepared by you and filed with the PUC
11 back on March 18th of this year? True?

12 A (Chattopadhyay) That is correct.

13 Q And would it be -- first of all, let me ask, do
14 you have any corrections to make to what appears
15 in Exhibit 38?

16 A (Chattopadhyay) No, I don't.

17 Q And is it fair to say that the contents of
18 Exhibit 38 reflect your views and recommendations
19 to the Commission as of that date, March 18th?

20 A (Chattopadhyay) That is correct.

21 Q And, so, with respect to your opinions and
22 recommendations as of that date, if I asked you
23 all of the questions that appear in Exhibit 38,
24 would the answers you give be the same as what is

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1 reflected in Exhibit 38?

2 A (Chattopadhyay) That is correct.

3 Q And, so, therefore, do you adopt Exhibit 38 as
4 your direct testimony in this proceeding?

5 A (Chattopadhyay) Yes, I do.

6 Q Thank you. Okay. Now, turning to Mr. Iqbal.
7 Mr. Iqbal, would you please identify yourself by
8 name and title for the record?

9 A (Iqbal) My name is Al-Azad Iqbal. And my title
10 is Economics/Finance Director of OCA.

11 Q And turning your attention to what has been
12 marked for identification as "Exhibit 39", that
13 document, does it not, consists of testimony that
14 you prepared and that we filed on March 18th of
15 this year in this docket?

16 A (Iqbal) Yes.

17 Q And just to make sure that the record -- well,
18 first of all, do you have any corrections to make
19 to that document?

20 A (Iqbal) No.

21 Q And just to make sure that we have a complete and
22 accurate record here, it's fair to say, is it
23 not, that you submitted that testimony just after
24 you joined the staff of the OCA, correct?

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1 A (Iqbal) Yes. Yes.

2 Q And, prior to joining the staff of the OCA, you
3 were previously a utility analyst with the Public
4 Utilities Commission, correct?

5 A (Iqbal) Yes.

6 Q And it would also be fair to say, would it not,
7 that a substantial amount of the work that you
8 undertook in order to form the opinions and
9 describe the analysis that's reflected in your
10 prefiled testimony, you undertook a lot of that
11 work while you were still employed by the PUC,
12 correct?

13 A (Iqbal) Yes.

14 Q And it would also be fair to say, would it not,
15 that the Staff of the PUC, which, of course, is
16 now the Staff of the Department of Energy, rather
17 graciously allowed us to essentially adopt the
18 work that you had undertaken at the PUC and file
19 it as the OCA's testimony in this docket?

20 A (Iqbal) Yes. I would add that it was a pleasant
21 experience for me during the transition, the OCA
22 and PUC Staff was very -- yes. Just appreciate,
23 from my perspective, as an analyst, it is
24 appreciated.

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1 Q Indeed. And, so, it would be fair to say,
2 would it not, that the analysis reflected in
3 Exhibit 9 [39?] reflects your opinion and
4 recommendations in this case as of March 18th?

5 A (Iqbal) Yes. The Exhibit 39, yes, that reflects
6 my opinions.

7 Q And, so, with respect to what were your opinions
8 on March 18th, if I asked you all of those
9 questions today on the stand, would your answers
10 be the same?

11 A (Iqbal) Yes.

12 Q And, so, therefore, do you adopt Exhibit 39 as
13 your direct testimony in this proceeding?

14 A (Iqbal) Yes.

15 MR. KREIS: Okay. I just have a few
16 questions on direct examination for Mr.
17 Chattopadhyay and Mr. Iqbal, just to highlight
18 some of the aspects of the Settlement Agreement
19 that were of particular importance and
20 significance to us.

21 BY MR. KREIS:

22 Q And let me start with Mr. Chattopadhyay. Looking
23 back on Exhibit 38, I note that the return on
24 equity you recommended to the Commission back

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1 then was "8.9 percent", and that compares to the
2 return on equity in the Settlement Agreement of
3 "9.3 percent".

4 Are you comfortable with having moved
5 from 8.9 percent to 9.3 percent? And, if so, can
6 you explain briefly why you are comfortable?

7 A (Chattopadhyay) Yes. First of all, I will point
8 out that I had also recommended that the range
9 that I'm comfortable with was between 8.8 percent
10 and 9 percent. So, it still holds true that the
11 second number, that is 9.3 percent, is higher
12 than what I had recommended in the range. But
13 this is a compromise, as all settlements
14 generally are, and we have looked at other
15 aspects of the Settlement, including rate design,
16 and that alone justifies, in my opinion, the
17 adjustment to the return on equity to 9.3
18 percent, as well as the slight accommodation for
19 a different capital structure. And, so, overall,
20 given all the pieces in the Settlement, I am very
21 comfortable with the number 9.3 percent.

22 I will also add that, like I typically
23 do, I just went back and to rerun my model, the
24 DCF model, that I did last week, end of last

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1 week. And what I found was the number that I
2 would have recommended, if I was doing my
3 analysis right now, provided you accept the
4 reality that the SNL data, I don't have access to
5 right now because of the transition that took
6 place, it came out to be only like 10 basis
7 points lower.

8 And I also would point out that the
9 treasury bond yield on 10-year, you know, they
10 remain around 1.36. I think that's what I
11 noticed yesterday, which is very similar to
12 where the average was last time. And also, in
13 fact, the volatility, there's a measure that
14 folks use to look at volatility, and it's called
15 "VIX", it's done by the Chicago Board of
16 Exchange, and that is around 16 right now. So,
17 any time you have a number that is higher than 12
18 and less than 20, it's considered pretty normal.
19 So, we are in a very normal situation already,
20 although we had the COVID complications
21 previously.

22 So, I would -- I am very comfortable
23 with the number 9.3 percent.

24 Q And just to highlight something I heard you say,

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1 part and parcel of that compromise number of 9.3
2 percent are the provisions in Section 4.2 of the
3 Settlement Agreement that, in essence, adopt a
4 slightly different capital structure for the
5 Company for ratemaking purposes than what the
6 actual capital structure of the Company is?

7 A (Chattopadhyay) That is correct.

8 Q I think that now I'm going to turn to Mr. Iqbal.
9 Mr. Iqbal, you heard, I assume, Mr. Mullen
10 discuss, at some considerable length, the
11 provisions of the Settlement Agreement that have
12 to do with depreciation, did you not?

13 A (Iqbal) Yes.

14 Q Are there any aspects of the way depreciation
15 issues are treated in the Settlement Agreement
16 that you would like to bring to the Commission's
17 attention as being particularly important from
18 the perspective of the interests of residential
19 customers?

20 A (Iqbal) Yes. Depreciation, as we know, that it
21 is a mix of science and art. If you look at how
22 it works, this is the allocation method, so, and
23 it depends on data, so every time -- every time
24 there is decision-making done by the consultant

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1 or the professionals in depreciation, they have
2 to use their experience and their knowledge on
3 that particular issue, and sometimes have to
4 adjust what the data is saying. Even when
5 they're using the data, they use -- apparently
6 they use the simulated plant record balance
7 method, which actually simulate the records for
8 the Company, because most of time the records are
9 not complete, because we know that some of these
10 assets, average life might be 60 years, but they
11 could be on the books for more than 100 years,
12 and that is the case for most of the utilities.

13 So, from that perspective, I think what
14 was done in the last depreciation study, and what
15 is done in this depreciation review, it is
16 consistent with the professional standard of any
17 depreciation professional -- profession. And,
18 based on the recommendation, particularly the
19 recommendation from the consultant, actually very
20 reasonable recommendation, and we approve, we
21 actually agreed with that, and that is reflected
22 on this Settlement.

23 And I think I will just stop there. If
24 there is any question about that, I can elaborate

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1 those on this issue.

2 Q Just to make sure that your answer is completely
3 clear. You just mentioned a "consultant". The
4 consultant you were talking about is the
5 utility's consultant, correct?

6 A (Iqbal) Yes.

7 Q Okay. Let's talk a little bit about decoupling.
8 You heard Mr. Mullen, I think it was, remind
9 everybody that this utility was actually the
10 first utility in New Hampshire to adopt a
11 decoupling mechanism. And, of course, we worked
12 very hard with Liberty in that rate case to
13 optimize the decoupling mechanism.

14 Would it be fair to say that the
15 decoupling mechanism that's described and adopted
16 in the Settlement Agreement is an improvement
17 over the decoupling mechanism that previously
18 applied to Liberty?

19 A (Iqbal) Yes. It is a huge improvement, in the
20 sense that, as Mr. Mullen mentioned that, in
21 substance, it is almost the same, but we improved
22 the methodology, and we actually wrote down every
23 details which could be used in the future, and
24 maybe it could be a model for other utilities,

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1 too.

2 Q So, in other words, if I understood you
3 correctly, overall, the approach to decoupling
4 remains the same. It's just that you got under
5 the hood, along with Ms. Shute of our staff, and
6 several people who work for now the DOE and
7 Liberty, and you folks really tuned up the engine
8 so that it works much, much better than it
9 previously did?

10 A (Iqbal) Exactly. And on that, you mentioned
11 Ms. Shute, and I would give a shout-out to her,
12 because she was instrumental, particularly with
13 going through the hard work to update the tariff,
14 particularly. And I have to give her, Ms. Shute,
15 a shout-out, because she will be leaving us end
16 of this month, and that is a loss for all of us
17 in this, in this hearing.

18 Q Indeed. I'm glad that's on the record. And that
19 does remind me that, unlike most settlement
20 agreements, there is full-blown tariff and set of
21 tariff provisions attached to this Settlement
22 Agreement that the parties have agreed to. And I
23 assume you would agree with me that a major
24 reason for that is the Parties' agreement that we

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 really do need to get the minute details of the
2 decoupling mechanism correctly, correct?

3 A (Iqbal) Yes. And we also addressed one of the
4 MEP, the Managed Expansion Program. That is a
5 small one, but important one. The tariff didn't
6 mention the percentage increase for MEP rates,
7 now the tariff has that number in there. So, it
8 was -- before it was based on the Settlement
9 Agreement on MEP, but it was not reflected in
10 tariff.

11 So, from my perspective, with the work
12 with all the parties together, this tariff is
13 more complete than ever.

14 Q Thank you. And just to sort of remind the
15 Commission, in your opinion, decoupling is an
16 appropriate mechanism for the Commission to
17 adopt, because it provides benefits both to the
18 utility's customers and to the utility's
19 shareholders, with respect to the effects of
20 variations in sales that primarily result from a
21 savings related to energy efficiency. Would all
22 of that be a fair statement?

23 A (Iqbal) That is a fair statement. I would say
24 that it's not only about energy efficiency. It

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 is actually any variation in the sales. So, the
2 whole idea is decoupling is decoupled from the
3 sales number to their allowed revenue number.
4 So, in that case, it is both ways. If the
5 Company -- Company sales number goes up, and the
6 revenue increased, the customer gets back the
7 extra revenue they are getting from their rates.
8 And the reverse is also true.

9 So, it is actually, yes, a balanced
10 approach for both customer and the Company.

11 MR. KREIS: Thank you. Now, turning
12 the Commission's attention to what's been marked
13 for identification as "Exhibit Number 40", that
14 consists of the Direct Testimony of Jerome
15 Mierzwa, who is a consultant who did some work
16 for the OCA in connection with this case. We
17 have not presented him here to testify, because
18 he did not participate in the negotiation of this
19 Settlement Agreement.

20 And, so, rather than have him adopt his
21 testimony on the stand, what I intend to ask the
22 Commission to do is simply to admit that as an
23 exhibit, give it the weight that it's due, and
24 look at, if the Commission is inclined. It's

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 simply a reflection of recommendations that he
2 happened to make back on March 18th.

3 BY MR. KREIS:

4 Q But just want to ask Mr. Iqbal a couple of
5 questions that relate to the subjects that Mr.
6 Mierzwa discussed.

7 One is, Mr. Mierzwa recommended, and
8 this is, let me just make sure I have the right
9 page reference, this is on Bates Page -- Bates
10 023 of Exhibit 40. Mr. Mierzwa recommends that
11 "any increase or decrease which the Commission
12 determines is warranted in this proceeding be
13 distributed by adjusting the revenues to be
14 recovered from each rate class by the system
15 average increase or decrease." Is that, in fact,
16 the approach that the Settlement Agreement
17 adopts?

18 A (Iqbal) Yes. It does.

19 Q And then, farther down on that same page from
20 Exhibit 40, Mr. Mierzwa recommended "maintaining
21 EnergyNorth's current fixed Residential monthly
22 customer charges." Would it be fair to say or is
23 it correct to say that, in fact, what happens in
24 the Settlement Agreement is that, at least with

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 respect to Residential Heating customers, the
2 fixed monthly charge actually goes down slightly,
3 to \$15.39?

4 A (Iqbal) Yes.

5 Q And that's in comparison to a initial request
6 from the Company of \$17.99, if I'm not mistaken?

7 A (Iqbal) Yes. You're correct.

8 Q So, it's fair to say, not to boast, I suppose,
9 that the view of the OCA, as expressed in Mr.
10 Mierzwa's testimony, is, in fact, the approach
11 that the Settlement Agreement adopts to these
12 rate design and revenue -- or, cost allocation
13 issues that he discussed in his prefiled
14 testimony?

15 A (Iqbal) Yes, it does. And it also included --
16 the Settlement also included his recommendation
17 that customer charge would not be increased
18 between two rate cases for residential customers.

19 Q Yes. Thank you for reminding me of that.

20 So, just by way of conclusion, and I
21 guess this is a question for both Mr. Iqbal and
22 Mr. Chattopadhyay, each of you participated
23 actively in the discussions that led to the
24 finalization of this Settlement Agreement, true?

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 A (Iqbal) Yes.

2 A (Chattopadhyay) Yes.

3 Q And do you each of you recommend the terms of
4 this Settlement Agreement for approval by the
5 Commission as in the public interest and
6 resulting in just and reasonable rates?

7 A (Iqbal) Yes.

8 A (Chattopadhyay) I do. I do.

9 MR. KREIS: Thank you. Madam
10 Chairwoman, those are all the questions I have on
11 direct exam. And I have no friendly cross for
12 any of the other witnesses.

13 CHAIRWOMAN MARTIN: Thank you, Mr.
14 Kreis. Mr. Dexter.

15 MR. DEXTER: Thanks. I actually do
16 have two questions of friendly cross, and I'd
17 like to start with those while they're somewhat
18 fresh in the Commission's mind. And then, I have
19 a series of questions for Mrs. Mullinax.

20 **CROSS-EXAMINATION**

21 BY MR. DEXTER:

22 Q My first question of the Liberty witness, I want
23 to go back to something Mr. Simek said, because I
24 want to nail down the number he mentioned. We

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 were on Bates 039, which is the customer
2 impact -- one of the customer impact schedules.
3 And I think it's the one that deals with
4 Residential Heating customers. Although, as I
5 look at it, it seems to be Residential Low Income
6 Heating customers. So, maybe we were talking
7 about Bates 038. And Mr. Simek mentioned a
8 number of a \$42 per year increase for an average
9 Residential customer.

10 And I would ask Mr. Simek to just point
11 to us on one of those pages where the \$42 is? If
12 it is? And, if it's not, it's not.

13 A (Simek) Yes. What I was looking at was the
14 actual usage, I believe, of \$811 [811 therms?],
15 which is not actually shown on this sheet. So, I
16 did the calculation. And it was also comparing
17 to the rates that were in effect now, in July.
18 And it takes into account what the last approved
19 cost of gas rate was for April, for the winter,
20 and adds the adder related to the 1.9 million to
21 that April approved rate. So, it is a
22 calculation that is not shown on this sheet.

23 A (Mullen) If I could just add? First, I would
24 just want to clarify. Mr. Simek, you said

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 "\$811". You meant "811 therms" --

2 A (Simek) 811 therms. Correct.

3 A (Mullen) -- of annual use per year. And, just to
4 clarify, this was a calculation that Mr. Simek
5 did, to show the annual impact, which is
6 typically how we will look at the impacts for gas
7 customers, considering there's such seasonal
8 variation in their rates.

9 So, this was done similar to how it's
10 presented in cost of gas proceedings, just to
11 kind of put things in perspective when people
12 start thinking about it, because the numbers that
13 are on -- in Appendix 8 are done on a monthly
14 basis. So, what he did was a calculation, in
15 case the question came up about "what would be
16 the impact on an annual basis to an average
17 Residential Heating customer?"

18 Q Right. And that's why I brought this up, because
19 I'm just not following it. So, if I'm on Bates
20 038, which is entitled "Residential Heating
21 Customer". And I go down to the line -- second
22 to the last line in the chart in the middle of
23 the page, where it says "750 therms". And let's
24 assume that that's the average, rather than the

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 811.

2 And, if I go over about ten columns to
3 the right, I see "Change in Monthly Bill", and I
4 have dollars and percentages. And I see "\$43.37"
5 for the winter, and I see "\$22.89" for the
6 summer. I just don't see how, you know, any
7 variation on that could give me a \$42 increase
8 for the year? And that's why I raised the
9 question.

10 CHAIRWOMAN MARTIN: Mr. Dexter?

11 BY MR. DEXTER:

12 Q It seems to me that we're talking about more like
13 a monthly increase, rather than an annual
14 increase.

15 MR. DEXTER: Yes, Madam Chairwoman.
16 I'm sorry.

17 CHAIRWOMAN MARTIN: I would like to
18 ask, based on this discussion, that the Parties
19 submit a -- that we have a record request that
20 the Parties submit the calculation, so that we
21 can have confirmation that you're all on the same
22 page related to that and rely on it. Does that
23 make sense?

24 MR. DEXTER: That makes perfect sense

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 to me. But I wonder if Mr. Simek could address
2 the question that I just raised, and that might
3 clear things up.

4 CHAIRWOMAN MARTIN: Go ahead.

5 WITNESS SIMEK: Yes. I'm looking at
6 the actual calculation.

7 MR. SHEEHAN: While Mr. Simek is
8 looking, I understand the record request to be a
9 calculation showing the total residential bill
10 impact, the change of rates from today to the
11 proposed August 1, as we discussed, including
12 both the permanent rate change and the step
13 adjustment change, is that correct?

14 CHAIRWOMAN MARTIN: That's correct. I
15 think to Mr. Dexter's point, and also clarity on
16 what -- that applies to whether it's a monthly
17 bill impact or annual or what that is.

18 MR. SHEEHAN: Of course.

19 MR. DEXTER: And I'm happy to wait for
20 the record request. But I would also give
21 Mr. Simek the opportunity to respond now.
22 Whatever works for Liberty is fine with me.

23 WITNESS SIMEK: Well, I'll definitely
24 submit the record request. It is, like I said,

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 the number that I came up with was \$42.89, and
2 that was -- a majority of the usage is done in
3 the winter, and then with this skewed between the
4 winter and summer with the weighted average. But
5 I will go ahead and submit the request, so that
6 we can all, you know, be on the same page.

7 I would also like to point out, while
8 we're here, if we look at the top box, under the
9 "Present Rates", where we have the winter and
10 summer cost of gas rates there. The winter rate
11 that I used for my calculation is different than
12 the rate that was used here. I used the rate
13 that was the last winter rate that was in effect
14 in April of 2021. And, so, my present rate is
15 different than this one. And then, that also
16 changes what the proposed winter cost of gas rate
17 would be, because the proposed winter cost of gas
18 rate includes an adder to account for the 1.9
19 million.

20 So, when we do submit our record
21 request, our winter cost of gas rates, both for
22 the present and proposed, are different than what
23 you see on this page. And the rationale behind
24 that was that I used the rates that were in

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 effect for April of 2021 as the present rate for
2 the cost of gas rate, and then added that adder.

3 BY MR. DEXTER:

4 Q But, having said all that, do you have any reason
5 to doubt that the schedules that are included in
6 Appendix 8 aren't accurate or aren't
7 representative, given the parameters that are set
8 forth on Appendix 8?

9 A (Simek) Absolutely not. I just wanted to -- I
10 thought that, for this one month -- or, this one
11 annual comparison, that it would make sense to
12 use the last rate that was in effect in April for
13 the cost of gas for the winter.

14 A (Mullen) I can add that, you know, in preparation
15 for the hearing, Mr. Simek and I were discussing
16 how, you know, how things are typically
17 presented. And we said "well, if a question
18 comes up, in terms of what's the annual impact to
19 an average Residential Heating customer, could
20 you do the calculation for that?" And that's
21 what he did.

22 So, all this was just trying to really
23 supplement what's done in Appendix 8 here, which
24 is a lot of things done on monthly basis, and

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 it's done based on varying levels of monthly
2 usage. And he tried to put it into perspective
3 with respect to how things are typically
4 reviewed, say, in a cost of gas proceeding, when
5 we look at the annual impact. So, it's really,
6 again, a supplement to this as additional
7 information.

8 Q Okay. I'd like to --

9 CHAIRWOMAN MARTIN: Mr. Dexter?

10 MR. DEXTER: Oh, I'm sorry.

11 CHAIRWOMAN MARTIN: Before you move on,
12 are you comfortable with that approach? And I
13 also want to hear from Mr. Kreis, as to whether
14 that is an acceptable way to present that
15 information?

16 MR. DEXTER: Yes. I'm comfortable with
17 the record request that was asked. And, you
18 know, we'll review it. But don't expect that
19 it's going to show anything drastically different
20 than what's on Appendix 8, given the parameters,
21 as Mr. Simek just said.

22 CHAIRWOMAN MARTIN: Okay. And Mr.
23 Kreis?

24 MR. KREIS: I have the same opinion

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 that Mr. Dexter does.

2 CHAIRWOMAN MARTIN: Okay. Thank you.

3 Go ahead.

4 MR. DEXTER: Thanks.

5 BY MR. DEXTER:

6 Q The other issue I wanted to bring up, Mr. Mullen
7 talked about four items related to the revenue
8 requirement contained in the Settlement. They
9 were contained at Bates Page 006, Paragraph 2.2.
10 And he mentioned a number of times that it's
11 important to spell out these items in the
12 Settlement for auditing purposes or for the sake
13 of the auditors.

14 And I just wanted to ask Mr. Mullen if
15 he was referring to what up until recently was
16 the Commission Audit Staff or was he referring to
17 the Company's external auditors, or perhaps both?
18 And, if so, if he could elaborate why this
19 information would be important to spell out for
20 the external auditors.

21 A (Mullen) Well, it's actually both. And I will
22 add to that, the internal audit that we have at
23 the Company. So, there's auditors all over the
24 place. And I think, you know, having something

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 put in written form that gets approved, because,
2 typically, when you have something on the books
3 that's in a, say, a regulatory asset, there has
4 to be some sort of Commission ruling with respect
5 to a regulatory asset, to say how those things
6 are going to be recovered. Because that will be
7 one of the first things we ask, "Okay. Where did
8 you get approval to recover this?"

9 So, here's -- putting these,
10 memorializing these into text, and having an
11 order that would approve the Settlement
12 Agreement, would then be what the auditors could
13 then rely on and say "Okay. We understand where
14 the basis comes from for this recovery and this
15 recovery period."

16 Q And all of the various items in here, most of
17 which are amortizations, will be reflected on the
18 Company's books and records, as set forth in the
19 Settlement?

20 A (Mullen) Correct. Beginning August 1st, yes.

21 MR. DEXTER: Thank you. That's all I
22 had for the Liberty witnesses.

23 I would like to ask Donna Mullinax some
24 questions.

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

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DONNA H. MULLINAX, SWORN

DIRECT EXAMINATION

BY MR. DEXTER:

Q Beginning with asking her to state her name and her position?

A (Mullinax) My name is Donna Mullinax. And I am President of Blue Ridge Consulting Services, Inc.

Q And, Mrs. Mullinax, would you please describe your duties with respect to this rate proceeding?

A (Mullinax) Yes. I was a consultant to Staff. And I analyzed and provided expert witness testimony related to the revenue requirements in regards to the distribution base rates.

Q Sorry. And that testimony that you mentioned has been marked for identification purposes in this proceeding as "Exhibit 42", is that right?

A (Mullinax) Yes.

Q And when was that testimony prepared?

A (Mullinax) March of -- yes, March of 2021. Yes.

Q And was it prepared by you or under your direct supervision?

A (Mullinax) Yes.

Q Mrs. Mullinax, is the information that's contained in that testimony and exhibits accurate

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 to the best of your knowledge and belief?

2 A (Mullinax) It was as of March 18th, 2021, when it
3 was filed. I will say that there has been
4 additional information that's come forward,
5 either through testimony or discovery or during
6 the hearings, that could maybe have updated some
7 of that.

8 But, as of March 18th, yes, that was my
9 testimony. I'm very comfortable with it.

10 Q And would you have any corrections to make at
11 this time to that testimony?

12 A (Mullinax) No.

13 Q And do you adopt that testimony as your sworn
14 testimony in this proceeding?

15 A (Mullinax) Yes.

16 Q And, Mrs. Mullinax, with respect to the
17 Settlement that's been presented, is it correct
18 that, concerning revenue requirements, this
19 Settlement calls for a distribution rate
20 increase -- revenue increase of \$1.3 million?

21 A (Mullinax) Yes.

22 Q And that was the focus of your testimony in this
23 case, was it not, calculating the revenue
24 requirement, you did deficiency or sufficiency?

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 A (Mullinax) Yes. And as it was related to the
2 base distribution rates, yes.

3 Q And you brought in information from various Staff
4 witnesses, and made a recommendation back in
5 March, correct?

6 A (Mullinax) Yes.

7 Q And this revenue increase of 1.3 million is
8 different from what Staff recommended back in
9 March, and as you calculated in your Exhibit 42,
10 is that right?

11 A (Mullinax) Yes.

12 Q And are you -- and, in fact, back in March, the
13 Staff was recommending a decrease in revenues, to
14 the tune of about 2.2 million, is that your
15 recollection?

16 A (Mullinax) Yes. That's correct.

17 Q And are you comfortable with the Settlement
18 recommendation of a \$1.3 million increase?

19 A (Mullinax) Yes, I am.

20 Q As opposed to the \$2.2 million that was
21 calculated back in March?

22 A (Mullinax) Yes, I am.

23 Q And do you find that the terms of the Settlement,
24 with respect to the revenue requirement, are just

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 and reasonable?

2 A (Mullinax) Yes, I do.

3 Q Can you explain briefly some of the differences
4 between what was contained in Staff testimony,
5 versus what's contained in the Settlement, as it
6 pertains to revenue requirement?

7 A (Mullinax) Sure. Yes. If you start with the
8 Staff's recommended revenue sufficiency of 2.2
9 million, that would be a reduction, and you take
10 a look at -- and, in essence, it boils down to
11 three components: The impact of the cost of
12 capital, and that includes both the reduction in
13 ROE and the capital structure, that was about a
14 \$1.38 million change; the effect of the --
15 recognizing the non-protected EDIT, Staff had
16 recommended five years, the Settlement agreed to
17 twenty years. That was about a \$663,000 change;
18 and then the continuation of the amortization of
19 the depreciation reserve imbalance, that was
20 another 1.5 million. So, those were the major
21 components that made up the difference between
22 Staff number and what was finally in the
23 Settlement.

24 And then there was a number of other

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 unspecified adjustments that were acknowledged in
2 the final number, but not recognized within the
3 Settlement.

4 Q Sure. And the unspecified adjustments might go
5 into some confidential matters that are a result
6 of settlement negotiations. Would you agree with
7 that?

8 A (Mullinax) I would agree to that, yes.

9 Q But the three items that you mentioned, which
10 were fairly large items, are actually delineated
11 in the Settlement, in Paragraph 2.2, as Mr.
12 Mullen just discussed, and therefore are
13 appropriate for discussion in a public forum.
14 They're not subject to confidential treatment, as
15 you understand it, correct?

16 A (Mullinax) That's the way I understand it, yes.

17 MR. DEXTER: Okay. Thank you. That's
18 all the questions I have for the panel.

19 CHAIRWOMAN MARTIN: Thank you, Mr.
20 Dexter. Commissioner Goldner.

21 MR. PATNAUDE: Could we have a short
22 recess, if possible?

23 CHAIRWOMAN MARTIN: Why don't we take,
24 if folks aren't opposed to an early lunch, this

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 is probably a good time to take a lunch break.

2 We will return at 12:15. Off the record.

3 *(Lunch recess taken at 11:35 a.m. and*

4 *the hearing resumed at 12:20 p.m.)*

5 CHAIRWOMAN MARTIN: Okay. Let's go on
6 the record. Commissioner Goldner.

7 COMMISSIONER GOLDNER: Yes. Good
8 afternoon.

9 BY COMMISSIONER GOLDNER:

10 Q My first question is directed at the panel. Both
11 the Company and Staff testimony contained capital
12 structure figures that were within one percent of
13 a 50/50 split. The historical capital structure
14 has been about 50/50, yet the Settlement
15 Agreement contains 52 percent equity and 48
16 percent debt. Can the panel explain why this is
17 reasonable?

18 A (Mullen) Sure. Let me take the first shot at
19 that.

20 You know, through the -- as you can see
21 in the Settlement, there's lots of moving parts
22 here. And, you know, when it comes down to it,
23 you know, certain things are worth certain
24 dollars, and there's certain things that you'll

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 trade off for other things.

2 You know, when you come down to, you
3 know, using a capital structure that's a little
4 bit different than, say, what the actual is or
5 anything, of course, that's worth certain
6 dollars. And then, you know, and certain things
7 you give, you know, other things for that. You
8 know, there could have been a higher ROE and a
9 different capital structure that gets us to the
10 same place.

11 So, in the grand scheme of things, as
12 we went back and forth, in terms of, you know,
13 what worked for the various Parties, that is
14 where we ended up.

15 It's not, you know, it's in line with
16 some other, I believe, even if you look at the
17 Eversource case, it's in line with that. And I
18 believe it's also in line with our Granite State
19 Settlement that was in DE 19-064.

20 So, it's just part of the
21 give-and-take, as part of negotiations in the
22 Settlement, and come to a spot where everybody
23 agrees is reasonable.

24 Q Would anyone else on the panel like to comment?

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 A (Chattopadhyay) Yes. Pradip Chattopadhyay here.
2 I would, representing OCA, I would say that we
3 were focused on the number that you see with the
4 weighed cost of capital. It's the 6.96 percent
5 that shows up in the Bates Page 008 of the
6 Settlement, you know, Exhibit 49.

7 And it's pretty routine that you have
8 hypothetical capital structures that are used to
9 reach settlements. Largely what Mr. Mullen had
10 mentioned, you know, there are sort of two
11 levers. One of them is the capital structure
12 itself and what the ROE is, and we can play with
13 them. And, you know, given the other pieces of
14 the Settlement, the real question is whether that
15 is a just -- that is a reasonable thing to do.
16 And we thought it is.

17 Q If I could ask you a follow-up question. You, as
18 you highlighted earlier, you had determined there
19 was a reasonable range of 8.8 to 9 percent for
20 the return on equity. And you talked a little
21 bit before about, when you, I just want to go
22 back to my notes, when you ran it through your
23 models, and maybe updated your models, you could
24 get closer to the 9.3 percent.

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 Can you maybe share a little bit more
2 detail on why you're comfortable moving from
3 about 8.9 percent to 9.3 percent, in the context
4 of the capital structure, the return on equity
5 going to 52 percent, from 50, because they're
6 both going in the same direction?

7 A (Chattopadhyay) So, what I mentioned previously
8 was that my update, when I did the -- when I
9 recalculated the return on equity, as I would
10 have recommended if I was writing my testimony
11 right now, subject to some issues we are having
12 with data access, and I mentioned SNL, that is a
13 subscription that we rely on, and it's not
14 available anymore after, you know, the
15 restructuring of the utility land here, so --
16 regulation, rather. What I mentioned was it
17 actually went down. So, my calculation would
18 have given me more like 8.8 percent, okay?

19 But there are so many other aspects.
20 Even when you just simply focus on the return on
21 equity. So, you could be looking at other
22 models. And I was just simply sharing what I did
23 with the discounted cash flow model. And there
24 other models that I didn't rerun, because of data

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 limitations, like the one -- the primary one was
2 the SNL situation. But, even otherwise, I
3 usually don't rerun them, because this is a
4 package. We look at a lot of other things.

5 And, so, what I'm saying is, 9.3, given
6 the other major movers in the Settlement, and for
7 me, one of them is certainly the rate design
8 issue. We -- I remember right, you know, that's
9 something that I was very interested in
10 achieving. And, typically, we, in representing
11 residential ratepayers, we always try to keep
12 costs low for the residential ratepayers. And we
13 are particularly concerned about the monthly
14 charges. And, so, those elements went in the way
15 we would like it to.

16 And, so, overall, it's just, you know,
17 9.3 is a pretty reasonable number in my mind.
18 The other aspect is capital structure, I don't
19 usually worry too much about it, if it's going to
20 change a little bit. Because, if I look at my
21 proxy, they will have a certain average, and the
22 Company's witness will have some other average.
23 It's as long as you're between or pretty close to
24 50/50, that is given the other pieces I was just

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 sharing that, as OCA, we are quite comfortable
2 with it.

3 Q A question perhaps for Mr. Mullen, the cost of
4 capital, the long-term debt, what I would call
5 the "return on debt", is showing at 4.42 percent.
6 I didn't see any discussion on that in the
7 testimony, maybe I missed it.

8 Can you share, is that the actual cost
9 of debt for Liberty or is that part of the rate
10 design?

11 A (Mullen) That's the actual cost of debt for
12 existing long-term debt issuances that have
13 previously been approved by the Commission. Some
14 related to the acquisition, going back to 2012,
15 there's four different debt issuances. And I
16 believe one of those got refinanced since then,
17 and that had to get Commission approval as well.

18 Q Okay. It is something I would like to look more
19 at, and maybe in the spirit of a record request
20 is the best way to do this. Where, you know, if
21 you look at the debt markets today, I think
22 30-year T bills are running 2 percent, and I
23 think as Mr. Chattopadhyay mentioned earlier,
24 10-year T bills are running 1.3 or 1.4. And

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 realizing that these instruments were created
2 years ago, but looking at refinancing and this
3 kind of thing.

4 So, I think what I'd like to do is make
5 a record request for all of the debt instruments
6 at Liberty, to really look at that and see if
7 4.2 -- 4.42 is reasonable, from the ratepayer's
8 point of view.

9 Would you like to make any comments
10 prior to making a record request?

11 A (Mullen) You know, like I can say, these have all
12 been approved by the Commission previously. you
13 know, and we can certainly provide them, you
14 know, as part of a record request. I have to see
15 what they have in there for, you know, if there's
16 refinancing.

17 These are done through -- Liberty has
18 an affiliate, who goes out and gets a financing.
19 And these are intercompany loans, based on the
20 rate that our financing affiliate, Liberty
21 Utilities Co., is able to get out in the market.
22 You know, and again, when we -- any of these all
23 has to be -- go through the Commission approval
24 process.

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 So, you know, we can certainly provide
2 them. But, you know, I think some have -- some
3 originally had -- I think one had a five-year --
4 a five-year term, that one got refinanced I think
5 in 2017. I think one or two issuances had
6 ten-year terms, and one had a fifteen-year, or
7 two had a fifteen-year, I'd have to remember the
8 exact mix of the four.

9 But, you know, we can certainly provide
10 them and provide you with the information. But
11 this is really, you know, no different than, you
12 know, basically using the historic cost of debt,
13 unless there's, you know, some reason that it's
14 like way out of whack.

15 Q Right. Right. Fair. Yes. I'm just looking at,
16 in the context of OCA's testimony, we have a
17 fixed number in the cost of debt, 4.42, that's
18 your actual cost of debt. The return on equity
19 is more, 9.3, a lot of discussion went on there.
20 And you're basically moving the capital structure
21 50/50, 52/48, whatever it is, to sort of get to
22 the right weighted average cost of capital. So,
23 obviously, the return on debt is a critical
24 number in that calculation.

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 So, yes. I think it would be
2 instructive, I think, to just look at the debt
3 instruments, and see if, you know, see where that
4 stands. So, thank you for your comments on that.
5 A (Mullen) Yes. If I could just add, too, in terms
6 of the overall cost of capital and all that. I
7 mean, we had a, you know, expert file on our
8 behalf, too, and, of course, they came in higher
9 than where OCA or Staff had come in.

10 So, I think, you know, there's things
11 you just have to, you know, when you're looking
12 at this, in terms of that, you know, some of that
13 goes to the proxy group, some of that, you know,
14 in the capital structures that come out of the
15 proxy group. If I remember right, I think that
16 our witness's proxy group had actually a higher
17 equity component, if I remember correctly.

18 So, there's just some other data points
19 to take into account as you're considering all
20 this.

21 Q Yes. Thank you. Thank you. That's helpful.

22 A (Chattopadhyay) Can I --

23 Q Yes. Go ahead.

24 A (Chattopadhyay) Can I add a little bit more?

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 Everything that Mr. Mullen said about, like, this
2 is really just the OCA's testimony, there's other
3 parties to it, the Company itself, and then the
4 Staff, erstwhile the PUC, so they had their own,
5 I think Dr. Woolridge covered the cost of debt
6 issue a little bit more than I did. And it's
7 mainly because, you know, that is how typically I
8 look at cost of capital. And then, and it's just
9 my preference, that, you know, I kind of take the
10 embedded cost of debt as it is, as being fair,
11 it's a fair number to be used.

12 There is research out there, in fact,
13 when Dr. Gordon, who actually popularized the DCF
14 approach, he, in his book, he describes it, that,
15 really, if you are looking at the embedded cost
16 of debt, and you're doing it throughout the
17 history, like long run, then you are okay. You
18 don't need to worry about like what the true cost
19 of debt might be at any point in time.

20 Personally, I kind of prefer the way
21 you're thinking about it, that it should be
22 forward-looking. But this has been accepted as
23 an approach that is fair enough. And, if you
24 look at how the literature describes it, it's

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 more like there will be times, when we do the
2 forward-looking, you know, tweak, then there will
3 be times when you will be required to really give
4 a high return on debt, while the actual embedded
5 cost is pretty low.

6 So, there are other sides to it that
7 needs to be understood, in my opinion.

8 Q Thank you. Thank you. That's fair. And just
9 one more factual question, and maybe for Mr.
10 Mullen. You confirmed before that the return on
11 debt is 4.42 percent. In terms of the actual
12 capital structure at Liberty, is it 42 -- is it
13 48/52 or something different?

14 A (Mullen) I'd have to check to get you what it is
15 currently. I believe it's something closer to
16 50/50. But I'd have to take that subject to
17 check. I don't know offhand.

18 Q Okay. That's fine. We can make that a record
19 request. That's fine. Thank you.

20 And then, my last question is just,
21 when we were going back and doing our research
22 and trying to understand the revenue requirement,
23 going back, you know, a decade or so, it was
24 difficult at least for me to sort out the revenue

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 requirement sort of annually. And I realize
2 that, you know, sometimes changes are made
3 midyear and so forth.

4 So, I'd just like to make a record
5 request there, too, just to understand the
6 revenue requirement going back to, say, 2010,
7 just to document what that is. Because, if one
8 is judging if rates are just and reasonable, it's
9 important, I think, to have a firm grasp on the
10 history. So, I'd just like to make that as,
11 hopefully, a simple record request, just to have
12 that in the record.

13 COMMISSIONER GOLDNER: Any comments,
14 Attorney Dexter, from Staff?

15 MR. DEXTER: Well, we might be
16 channeling Attorney Sheehan here, but I'm not
17 sure I understand that last record request, in
18 terms of the revenue requirement since 2010.
19 So, --

20 WITNESS MULLEN: I was going to try to
21 ask to clarify that. Are you looking for
22 essentially what's the distribution revenue been,
23 the total distribution revenue been each one of
24 those years, and how it had changed?

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 COMMISSIONER GOLDNER: Yes, sir.

2 WITNESS MULLEN: Okay. Okay. Because
3 a lot of that goes along with, you know, how much
4 have the capital investments that have generated
5 some of that have gone along, too. Okay. Now, I
6 understand.

7 COMMISSIONER GOLDNER: Right. Yes.
8 It's just -- we were trying to sort through it,
9 and it was just complicated. So, I thought, just
10 for the record, we could maybe just make the
11 record request and put in the record.

12 Yes, Attorney Dexter. Do you have
13 any --

14 MR. DEXTER: Yes. So, as I understand
15 it then, you're looking for actual revenues on
16 the Company's books for the last ten years or so?

17 COMMISSIONER GOLDNER: No. Actually,
18 what I was looking for was the approved
19 distribution revenue requirement for Liberty.

20 MR. DEXTER: Okay. So, that would,
21 again, I'm trying to help here, I don't mean to
22 be getting in the way of Liberty, that would
23 involve going back to the various rate cases and
24 step adjustments, and try to trace that through

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 what the revenue requirement has been since about
2 2010.

3 COMMISSIONER GOLDNER: That's correct.
4 When we tried to do that in preparation for the
5 hearing, we ran into some challenges trying to
6 sort out all of the numbers. So, we just wanted
7 to make a record, and so it was clear to
8 everyone.

9 MR. SHEEHAN: May I chime in and offer
10 to make it from the time of acquisition forward?
11 Liberty was acquired in the Summer of 2012. So,
12 it might be easier for us to start there, rather
13 than our prior owner?

14 COMMISSIONER GOLDNER: Sure. Of
15 course. Thank you. Yes. That would be fine.
16 Summer of 2012 then. Okay.

17 All right. That's all I have.
18 Attorney Dexter, did you have anything else or
19 are you -- is Staff okay?

20 MR. DEXTER: No, I don't have anything
21 else. Except to point out that Staff, when we
22 were Staff of the PUC, we did retain the services
23 of Dr. Woolridge. His testimony is marked as
24 "Exhibit 41", I believe. I didn't bring

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 Mr. Woolridge here today. He was unable to
2 attend due to scheduling. But I'm not sure I
3 would have anyway, given that we have the
4 Settlement, and we have the testimony of
5 Dr. Chattopadhyay.

6 But I wanted to point out that we have
7 asked -- we've had marked Dr. Woolridge's
8 testimony, which does have a few pages on capital
9 structure and cost of debt. And we will be
10 asking that that be admitted into the record, as
11 Attorney Kreis mentioned earlier, for some
12 witnesses that aren't here today.

13 COMMISSIONER GOLDNER: Thank you.
14 That's all I have, Madam Chairwoman.

15 CHAIRWOMAN MARTIN: Okay.

16 BY CHAIRWOMAN MARTIN:

17 Q I'd like to go back to some earlier testimony
18 from OCA's witnesses related to -- well,
19 actually, it started with Liberty witnesses,
20 related to Section 7.1 and 7.2 of the Settlement
21 Agreement. I think Mr. Mullen characterized
22 those as "memorializing terms from other orders
23 and not making any substantive changes." I'd
24 like to hear from Energy Staff, your consultant,

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 or to the extent your consultant can't opine,
2 perhaps Mr. Dexter, and from OCA witnesses, as to
3 whether everyone agrees that this is truly a
4 reflection of a memorialization, and that there
5 are no substantive changes?

6 CHAIRWOMAN MARTIN: Mr. Dexter, do you
7 want to start? I'm not sure if Ms. Mullinax can
8 answer that.

9 MR. DEXTER: No. Ms. Mullinax was not
10 involved in the Keene discussions at all. Steve
11 Frink was, and he's since retired. So, I'm not
12 able to access him to have him answer the
13 question. But I will say this, and we're talking
14 about Keene, we're talking about Section 7,
15 Keene.

16 So, my understanding is, from various
17 cost of gas dockets that have been going on, that
18 there's been an ongoing question about whether or
19 not the CNG costs, in the event that they're
20 higher than the historical propane costs, should
21 be recovered from customers?

22 And this 7.1 sets forth how the
23 incremental CNG supply costs will be handled
24 going forward, and, as I understand it, results

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 in a savings -- I'm sorry, a sharing of the
2 incremental CNG costs.

3 And, so, in a sense, it's not changing
4 any orders that have happened in the past. But I
5 believe it sets a path going forward for handling
6 the incremental supply costs.

7 With respect to the expansion, there
8 has been -- there is a risk-sharing mechanism
9 that's been in place for a number of years for
10 expansion. And, as I understand Paragraph 7.2,
11 it adds some clarifications to that existing
12 risk-sharing mechanism. So, it's not an attempt
13 to change the risk or anything like that. But it
14 does attempt to address situations that were, I
15 guess in Staff's view, not clear in the prior
16 risk-sharing mechanism, and, in particular, you
17 know, allows the Company to add customers along
18 an existing line without that being a new phase
19 of expansion, and then falling into a phase of
20 risk-sharing that was set out in the -- in the
21 prior rate case.

22 But, essentially, I believe the Keene
23 expansion section refines, but does not change
24 the prior risk-sharing arrangements.

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 CHAIRWOMAN MARTIN: Two follow-up
2 questions to that. I assume Mr. Frink was
3 involved in the discussions related to this
4 Settlement Agreement until he departed?

5 MR. DEXTER: Yes, he was. And I don't
6 think anything in the Keene section changed after
7 he I'm going to use the word "retired".

8 CHAIRWOMAN MARTIN: And then, on the
9 incremental -- the recovery of one half of the
10 incrementally higher costs, I guess I need
11 further clarity following on your representation.
12 Was there an explicit approval previously that
13 the Company could recover one half of the
14 incrementally higher CNG supply costs, as
15 compared to the propane supply costs?

16 MR. DEXTER: I don't believe --

17 CHAIRWOMAN MARTIN: Or is this a new
18 provision?

19 MR. DEXTER: I don't believe that was
20 explicitly in any of the CNG orders. I think
21 that the issue had been pushed to the rate cases.

22 And I'd be happy to be corrected by the
23 other attorneys on the screen. But my
24 understanding is that that issue had been sort of

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 not decided in various cost of gas issues, but
2 was deferred to rate cases in those cost of gas
3 proceedings. And that this is the solution going
4 forward, if the Settlement is approved.

5 CHAIRWOMAN MARTIN: Okay. Thank you.
6 Mr. Kreis.

7 MR. KREIS: Yet again, I agree with
8 everything I heard Mr. Dexter say. I guess I
9 would say, in general, I don't object to Liberty
10 having characterized these provisions in the
11 Settlement as simply a, you know, an effectuation
12 or a restatement or an adoption of previously
13 approved terms and conditions relating to Keene.

14 But I think what happened here, there
15 was quite a bit of time spent on these issues
16 related to Keene as we were negotiating this
17 Agreement. And I think there was a conscious
18 effort to make sure that we were taking advantage
19 of -- we were taking advantage of Mr. Frink,
20 frankly, before he retired, so that we could
21 basically capture all of what he knew about how
22 this was all supposed to work out.

23 I can tell you that the risk-sharing
24 mechanism was originally established in Order

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 Number 26,122, that was issued in 2018, that's at
2 Page 39. And then, it was clarified later in
3 July of 2019, in Order Number 26,274. So, those
4 things are already established and approved by
5 the Commission.

6 There are just several things here that
7 I think are clarified and made more -- we've
8 leached out a fair degree of uncertainty and
9 confusion about how this is all going to work.

10 Hope that was helpful.

11 CHAIRWOMAN MARTIN: That is. Thank
12 you.

13 Commissioner Goldner, did you have a
14 follow-up?

15 COMMISSIONER GOLDNER: Yes. Thank you,
16 Chairwoman. It could have waited till after you
17 were finished. But I did want to ask Mr. Dexter,
18 Attorney Dexter, a question.

19 In looking at the testimony of
20 Mr. Woolridge, I just want to make sure I
21 understand it correctly. If I look on -- if I
22 look on Page -- looks like Bates 005, it has the
23 table with the Staff recommended cost of capital.
24 And it reads "50.79% Total Debt", "49.21%

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 Equity", and then the cost rate of the debt is
2 "4.42%", same as all the other tables, and then
3 the cost rate for the common equity is "9.00%",
4 as opposed to 9.3 or 9.4.

5 I just want to make sure, is that the
6 right table to look at in Mr. Woolridge's
7 testimony.

8 MR. DEXTER: That was Staff's
9 recommendation, as a result of Mr. Woolridge's
10 testimony, yes.

11 COMMISSIONER GOLDNER: Okay. Thank
12 you. Thank you, Chairwoman.

13 MR. DEXTER: That's Table 2, on Page 5
14 of 95, I believe, just so I understand.

15 COMMISSIONER GOLDNER: Yes.

16 MR. DEXTER: Bates Page 008?

17 COMMISSIONER GOLDNER: Bates Page 008,
18 you're right. Yes.

19 MR. DEXTER: Okay.

20 COMMISSIONER GOLDNER: Thank you.
21 Table 2.

22 MR. DEXTER: Well, actually, I guess
23 it's Bates Page 008 of Exhibit 41.

24 COMMISSIONER GOLDNER: Yes.

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 MR. DEXTER: But it's Table 2, yes.
2 And a weighted cost of "6.67%".

3 COMMISSIONER GOLDNER: Yes.

4 MR. DEXTER: That is the
5 recommendation, yes.

6 COMMISSIONER GOLDNER: Yes. And I just
7 want to clarify. So, Staff agreed to the
8 Settlement Agreement, of course, obviously. This
9 was the recommendation that you had going into
10 the Settlement Agreement. And then, after the
11 discussion, you came out with the 52/48, 9.3, and
12 4.42. Right?

13 MR. DEXTER: Right. And I will say
14 that Mr. Woolridge was involved in the
15 discussions, not in the actual discussions with
16 the Company and the OCA. But we consulted with
17 Dr. Woolridge before we agreed to both the
18 capital structure and the cost rates.

19 COMMISSIONER GOLDNER: Okay. Can you
20 share any color on the changes, both in the cost
21 of equity rate going from 9 to 9.3, and the
22 capital structure moving from roughly 50/50 to
23 52/48?

24 MR. DEXTER: I don't recall a specific

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 discussion. And I'm not sure I'd be comfortable
2 disclosing them, even if I did recall them, given
3 that they were confidential settlement
4 discussions, as well as confidential discussions
5 between the consultant and the attorney. So, I'm
6 going to answer "no" to that.

7 However, I could take a record request,
8 if you think it's -- if it's helpful?

9 COMMISSIONER GOLDNER: I think it
10 would, Attorney Dexter. And the reason I say
11 that is, you referenced Mr. Woolridge's testimony
12 as representing that of Staff at the time. And,
13 when I look at the table, it's significantly
14 different from what was agreed to, and I don't
15 have a grasp for the reasons for the change.

16 So, I would appreciate that record
17 request.

18 MR. DEXTER: I will -- I will pose that
19 question to Dr. Woolridge and get you an answer.

20 COMMISSIONER GOLDNER: Thank you.

21 CHAIRWOMAN MARTIN: Mr. Dexter, can you
22 just recount to me what you have for the record
23 request, and we can make sure Mr. Goldner is in
24 agreement with it?

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 MR. DEXTER: Yes. What I was going to
2 ask Dr. Woolridge is to compare the Table 2 in
3 his testimony, at Bates Page 008 of Exhibit 41,
4 which was Staff's recommendation before
5 settlement, compare that to table that's
6 contained in the Settlement, and ask him to
7 explain the factors that would lead him to
8 conclude that the table contained in the
9 Settlement is just and reasonable, and to add
10 some information as to how we got from Table 2 to
11 the Settlement table.

12 That sound about right, Commissioner
13 Goldner?

14 COMMISSIONER GOLDNER: Yes. Thank you,
15 Attorney Dexter. Perfect. Thank you.

16 CHAIRWOMAN MARTIN: All set,
17 Commissioner Goldner?

18 COMMISSIONER GOLDNER: Yes.

19 CHAIRWOMAN MARTIN: Okay.

20 BY CHAIRWOMAN MARTIN:

21 Q Turning to Ms. Mullinax. At the beginning of
22 your testimony, when you were asked to confirm
23 your prior testimony, you mentioned that you had
24 received additional information in the interim

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 that could have updated your testimony.

2 Can you share what that information was
3 and how it would have resulted in a change in
4 your testimony, if any?

5 A (Mullinax) Yes. I really haven't done that
6 analysis. I just noted, during that process,
7 well, the Company filed rebuttal, and then during
8 the settlement talks, there was information going
9 back and forth. But I haven't really quantified
10 that. Other than looking at, from the standpoint
11 of what was in the Settlement, did that result in
12 just and reasonable rates?

13 Q Okay. So, the additional information was the
14 rebuttal testimony and other information you
15 heard during settlement discussions?

16 A (Mullinax) Yes.

17 Q And you can still confirm that the Settlement
18 Agreement, in your opinion, for the areas that
19 you covered, is just and reasonable?

20 A (Mullinax) Yes, I can.

21 Q Okay. The Settlement -- this can go to I guess
22 any panel witness who feels comfortable answering
23 it. The Settlement Agreement --

24 MR. DEXTER: Madam Chair, can I

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 interrupt?

2 CHAIRWOMAN MARTIN: Yes.

3 MR. DEXTER: And I'm sorry. I just
4 want to point out procedurally that, in addition
5 to the Company's rebuttal testimony, there was
6 discovery on that rebuttal testimony, and there
7 was one, if not two, technical sessions on that
8 discovery as well -- on that rebuttal testimony
9 as well. All of which Ms. Mullinax would have
10 been involved in.

11 I'm sorry to interrupt. But I just
12 wanted to add that.

13 CHAIRWOMAN MARTIN: No. Thank you. I
14 appreciate the clarity and completing the answer.

15 BY CHAIRWOMAN MARTIN:

16 Q There's a step increase for effect August 1,
17 2021. Can you, for the Commission's benefit, can
18 you walk through why we would have a step
19 increase that is effective at the same time
20 potentially as the full rate case? Essentially,
21 why is that being done as a separate?

22 A (Mullen) Sure. And this is something that's, you
23 know, that's fairly standard in rate cases, not
24 just for Liberty, but for other utilities over

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 the year.

2 That step increase relates to plant
3 that was already in service as of the end of
4 2020. So, it's already providing service to
5 customers. So, it's basically, and it's a
6 going-forward thing, and it's not involved in the
7 recoupment process that takes place back to
8 temporary rates. This is only a going-forward
9 issue.

10 But, since those investments are
11 already providing service to customers, you know,
12 there's already, you know, a little bit of a lag
13 until starting recovery of those in August, and
14 some were placed in service during 2020, some
15 towards, you know, some during the year, some at
16 the end of the year. So, what it does is, it
17 allows for the rate change to happen all at one
18 time, instead of doing a rate change, and then
19 another rate change after that.

20 Q Okay. Thank you. That makes sense. This would
21 be another Liberty question.

22 Can you turn to Appendix 2, Page 1, the
23 Capital Spending Plan for the Step 2 capital
24 projects. Can you just give the Commission some,

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 for want of a better term, "headlights" on those
2 projects for the next step?

3 A (Tebbetts) Yes, Chairwoman. I can do that. And
4 I just want to be clear, you said you're on
5 "Bates 030"?

6 Q I did not actually give you the Bates page, but I
7 can, if it's not clear. It was Appendix 2,
8 Page 1.

9 A (Tebbetts) Okay. Thank you. Okay. So, I'll
10 give you a rundown, an idea of what we're looking
11 at here.

12 So, you have your first set of projects
13 called "Leak Repairs". And, basically, that is
14 our main valves that need to be replaced when
15 leaks arise, and that happens ever so often. And
16 it's throughout our whole territory that we serve
17 here in New Hampshire.

18 The "LPP-City/State", that's leak-prone
19 pipe. And, really, that's made up of quite a few
20 projects. So, what we're trying to do here is
21 replace main for leak-prone pipe. It really
22 replaces aging infrastructure before it becomes a
23 pipeline safety issue. And, as I mentioned,
24 there's a few things involved in here. One of

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 the things is, where we -- our old CIBS projects
2 would be under this. So, we proactively go out
3 looking for these issues, and also there are
4 times when the cities and towns have to dig up
5 the roads, maybe there's going to be new sewer
6 lines or water lines or things happening that
7 they're going to be paving.

8 And, so, what we would do is we would
9 work with the cities and towns to determine what
10 that schedule is. And, if we know that there's
11 old pipe in that ground, we work with them to
12 remove our old pipe before they're going to pave
13 that year, and then install the new pipe, so that
14 they can now go pave, and it will be many years
15 again before we have to go in and replace our
16 pipe. And, so, that's a majority of those
17 projects. We'll work in the cities and towns,
18 and then replacing our main that's old. A lot of
19 it's bare steel or cast iron.

20 The "Aldyl-A Replacement", that is a
21 brand name of plastic pipe material that was
22 installed prior to 1989. And, basically, the
23 procurement of the material ceased in 1986, and
24 the shelf life is less than three years. So,

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 what we're trying to do is get rid of all of that
2 in the system.

3 "K Meter Replacement", so, this is a
4 combined pressure regulator and meter that isn't
5 manufactured anymore. And, essentially, what
6 happens is, they come up through a basement floor
7 of a building, which is not acceptable
8 construction practice today. And, so, to
9 mitigate that, we have to replace the whole
10 service and move the meter outside, to
11 accommodate the acceptable construction standards
12 of today.

13 The "Dresser Coupling Replacement",
14 that is a replacement of joints that tend to leak
15 during the winter months when contraction of
16 gaskets tends to occur.

17 And "Gas System Planning &
18 Reliability", this is -- what we're looking to do
19 here is handle the feeder pipelines that are not
20 necessarily attributable to a single customer
21 being added, but does provide reliability to
22 serve all the customers on that line.

23 You do see the "Gas Supply System
24 Enhancements" and "Customer First" line items on

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 here. They probably should have been taken off,
2 since they're zero, but they were part of our
3 original request that we had original
4 discussions.

5 So, do you have any questions?

6 A (Mullen) If I could just add?

7 A (Tebbetts) Sure.

8 A (Mullen) Those last two items are projects that
9 will be placed in service beginning in 2022.

10 A (Tebbetts) Uh-huh.

11 A (Mullen) So, this was originally from a schedule
12 that showed multiyear capital investments. So,
13 the projects on here are projects that will be
14 put in during 2021. So, as Ms. Tebbetts said,
15 those really could have been removed from this
16 schedule.

17 Q Okay. Thank you for that. My next question
18 relates to the global issues related to this
19 case.

20 We have before us the Settlement
21 Agreement, and then we have the open issue
22 related to Granite Bridge. This could be
23 answered probably by a witness, but perhaps
24 counsel would like to take it at the end.

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 I would like to here what impacts or
2 what position -- what impact on timing of
3 Commission orders would there be if there were
4 separate orders related to the Settlement
5 Agreement and Granite Bridge?

6 MR. SHEEHAN: I can take one. We
7 propose recovery of Granite Bridge costs through
8 the cost of gas. So, if the Commission were to
9 approve recovery of some or all those costs --

10 WITNESS MULLEN: If I could --

11 MR. SHEEHAN: Go ahead.

12 WITNESS MULLEN: Excuse me. If I could
13 just clarify that? The recovery was proposed
14 through the LDAC, which is included in the cost
15 of gas filing, but it's a separate rate
16 component. That would take effect November 1st.
17 Whereas, the rates coming out of this Settlement
18 Agreement would be effective August 1st. So, if
19 there were a separate order for Granite Bridge,
20 it wouldn't impact the rates that are to be
21 effective August 1st as a result of this
22 Agreement.

23 MR. SHEEHAN: That's why he's the
24 witness and not me. Thank you.

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 CHAIRWOMAN MARTIN: And that's why I
2 asked it sort of of witnesses and counsel,
3 because I think, from an implementation
4 standpoint, it probably needed witness testimony.
5 But, also, if counsel had a position on that, I
6 would certainly like to hear that at the end.

7 Mr. Dexter, I saw that you jumped in
8 there for a moment.

9 MR. DEXTER: I had my hand up because I
10 couldn't hear Attorney Sheehan. But I heard
11 Mr. Mullen's answer. And, so, I'm all set.

12 CHAIRWOMAN MARTIN: Same here.
13 Mr. Sheehan, did you have any part of that that
14 we didn't hear at the end that we need to hear?

15 MR. SHEEHAN: No. I'm all set. Thank
16 you.

17 CHAIRWOMAN MARTIN: Okay. Thank you.
18 Mr. Kreis, did you have any response to that?

19 MR. KREIS: Mr. Mullen's
20 characterization of what the recovery mechanism
21 would be and what the timing of it is is correct.
22 It has the virtue of being a very separate and
23 discrete little mechanism. And, so, you could
24 rule on the Settlement Agreement this afternoon,

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 if you wanted. And then, you could still mull
2 over how it is that you're going to agree with
3 the OCA's position for some considerable further
4 period of time, and then issue an order to that
5 effect.

6 CHAIRWOMAN MARTIN: Well, thank you for
7 that.

8 I think that may have answered all of
9 my questions. Let me just confirm.

10 (Short pause.)

11 CHAIRWOMAN MARTIN: Okay. Thank you to
12 everyone who did an excellent job testifying.
13 You have answered all of my questions in advance,
14 other than the ones that I just asked.

15 So, I will go back to Mr. Sheehan to
16 see if you have any redirect. I thought I'd just
17 check, before we do that, to see if Mr. Venora is
18 actually going to appear. I see that he joined
19 us or is he just observing?

20 MR. VENORA: Yes. Just for the record,
21 Dan Venora, from Keegan Werlin, appearing on
22 behalf of the Company. But otherwise deferring
23 to Mr. Sheehan today.

24 CHAIRWOMAN MARTIN: Okay. Thank you.

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 MR. VENORA: Thank you.

2 CHAIRWOMAN MARTIN: Mr. Sheehan?

3 MR. SHEEHAN: I just have one point to
4 cover with Mr. Simek.

5 **REDIRECT EXAMINATION**

6 BY MR. SHEEHAN:

7 Q We went over Bates Page 038 of the Settlement
8 Agreement. And there seems to be some confusion
9 of what that document shows. I would just like
10 to give Mr. Simek I think a chance to explain.

11 The point of confusion was Mr. Dexter
12 pointed out dollar impacts that were in the \$40
13 range, apparently by month, yet Mr. Simek
14 testified the annual change would be
15 approximately \$40.

16 So, Mr. Simek, if you could clarify
17 that apparent inconsistency, that would be great?

18 A (Simek) Sure. If we can all please go to Bates
19 Page 038 please of the Settlement Agreement. And
20 then, if we look at Line 34, which is what we
21 were discussing, which was the 750 therms per
22 month of use. If you go ahead and we just follow
23 along on that Line 34, we can see that, at
24 present rates, the winter total would be

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 "\$840.80", if we used 750 therms for that one
2 month. And then, if we scroll over a little
3 further, we can see that the proposed total at
4 the new rates would be "\$884.17". So, that
5 difference, which you scroll over a little
6 further, is "\$43.37".

7 So, what we're showing here on this
8 bill impact is that, for that one month, if you
9 use 750 therms in the winter, that that bill
10 impact would be the \$43.37.

11 Now, again, when we were discussing
12 what I calculated, which we're going to submit as
13 a record request, the annual impact, I was using
14 811 therms. And, of course, that 811 therms is
15 spread out throughout the whole twelve months, so
16 some in the summer, some in the winter,
17 approximately 85 percent or so of the sales is in
18 the winter. And that came out to \$40.89 for an
19 annual bill impact, or a 4.3 percent increase.

20 MR. SHEEHAN: Thank you, Mr. Simek.
21 That was all I have. And he's certainly
22 available, if there is any follow on that.

23 CHAIRWOMAN MARTIN: Okay. Mr. Dexter,
24 any redirect?

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 MR. DEXTER: Well, I'd like to ask Mr.
2 Simek a follow-up question, if that would be
3 okay?

4 WITNESS SIMEK: Sure.

5 MR. DEXTER: I think it may clear
6 things up.

7 CHAIRWOMAN MARTIN: Go ahead.

8 **RE-CROSS-EXAMINATION**

9 BY MR. DEXTER:

10 Q Mr. Simek, the 800 and, whatever it was you said,
11 811 therms, is that typical usage for a
12 residential customer for a month in the winter or
13 for a year?

14 A (Simek) A year. It's the annual typical usage
15 for a Heating customer for the year. It's 811
16 therms.

17 Q So, looking down at the line that I chose, the
18 750 therms per month, that's a bit of an outlier,
19 in other words, that must be a very high-use
20 residential atypical customer, would you agree
21 with that?

22 A (Simek) Correct. That's why the whole range is
23 given there, kind of from zero, all the way
24 through.

[Mullen|Simek|Tebbetts|Chattopadhyay|Iqbal|Mullinax]

1 MR. DEXTER: Okay. Thank you. That
2 clears it up for me anyways. I appreciate that.

3 And, no, I don't have any redirect for
4 Mrs. Mullinax.

5 CHAIRWOMAN MARTIN: Thank you. That
6 helped for us as well, I think.

7 Mr. Kreis?

8 MR. KREIS: I have no redirect.

9 CHAIRWOMAN MARTIN: Okay. Thank you.
10 All right. Then, let's deal with the exhibits.
11 We have Exhibits 28 through 50, which were
12 prefiled. We'll strike ID on those, Exhibits 28
13 through 50, and admit them as full exhibits.
14 However, noting that Exhibits 40 and 41 are
15 prefiled testimony that has not been adopted,
16 and, as a result, will be documentary evidence
17 and give them any weight that they are due.

18 And we will hold the --

19 MR. SHEEHAN: Madam Chairman, that same
20 holds for some of the Liberty testimony, because
21 some of it was not adopted today. If you'd
22 like that?

23 CHAIRWOMAN MARTIN: Can you --

24 MR. SHEEHAN: Sure. 28, 31 and 32, 35,

1 36 and 37, 47.

2 CHAIRWOMAN MARTIN: I'm going to
3 restate that listing, including the prior ones,
4 to make sure we have them all: 28, 31, 32, 35,
5 36, 37, 40, 41, and 47, are prefiled testimony
6 that have not been adopted, and as a result will
7 be documentary evidence.

8 Do I have the list right now?

9 MR. DEXTER: Madam Chair, I would just
10 point out Exhibit 50, which is not testimony, but
11 its attachments of Mr. Frink. His testimony was
12 adopted at the Granite Bridge hearing, and two of
13 his attachments that were pertinent to Granite
14 Bridge were adopted. We held these back from
15 that hearing, because they had nothing to do with
16 Granite Bridge. So, I think those properly fall
17 into this category.

18 CHAIRWOMAN MARTIN: Thank you for that
19 clarification. I appreciate that, Mr. Dexter.
20 We will add Exhibit 50, the attachments, to that
21 list.

22 And we also have a number of record
23 requests at this point. We will hold the record
24 open for Exhibit 51, regarding the bill impacts;

1 Exhibit 52, for all the debt instruments at
2 Liberty; Exhibit 53, actual capital structure;
3 Exhibit 54, revenue requirement distribution back
4 to the Summer of 2012; Exhibit 55, a comparison
5 of the tables that was just requested by
6 Commissioner Goldner.

7 *(Exhibits 51 through 55 reserved for*
8 *record requests.)*

9 CHAIRWOMAN MARTIN: Anything else on
10 the record requests or exhibits that we need to
11 cover?

12 MR. SHEEHAN: As to 52, all debt
13 issuances, is that for current debt issuances?

14 CHAIRWOMAN MARTIN: I will let
15 Commissioner Goldner respond to that.

16 COMMISSIONER GOLDNER: Thank you. Yes.
17 Just the current debt issuances.

18 MR. SHEEHAN: Thank you.

19 CHAIRWOMAN MARTIN: And let's talk
20 about timing on those. I'm assuming that the
21 bill impact -- is there any reason any of those
22 cannot be submitted by Friday?

23 MR. SHEEHAN: From the Company's point
24 of view, I have the bill impact in front of me

1 now. So, I can actually file that this
2 afternoon. For the debt issuances, should be
3 also done today or tomorrow. Same with the
4 actual debt/equity ratio.

5 The only one that may take some
6 research, and I frankly don't know how long, is
7 to track the historic approved revenue
8 requirements. And some people may know what
9 effort that's going to take, we will certainly do
10 our best by Friday.

11 CHAIRWOMAN MARTIN: Okay. Let's put a
12 Friday deadline. And, if there's some reason you
13 can't make it, just file something letting us
14 know.

15 Mr. Dexter, Exhibit 55, any reason that
16 can't be in by Friday?

17 MR. DEXTER: I think, substantively, it
18 could be. I just don't know Dr. Woolridge's
19 schedule this week. I will impress upon him the
20 importance of trying to get that in by Friday.

21 CHAIRWOMAN MARTIN: Okay. And, if it
22 will not be in by Friday, if you can just file
23 something letting us know when to expect it, that
24 would be helpful.

1 MR. DEXTER: Yes. Certainly.

2 CHAIRWOMAN MARTIN: Okay. Then, let's
3 take closing arguments, starting with Mr. Kreis.

4 MR. KREIS: Thank you, Madam
5 Chairwoman.

6 I haven't prepared an elaborate
7 peroration urging you to adopt the Settlement
8 Agreement. But I can tell you a few things about
9 it.

10 One, it was the result of a lot of
11 work. All of the parties here worked very hard,
12 getting into some extremely detailed and
13 complicated regulatory issues. And, in
14 particular, the work that we've undertaken, and,
15 frankly, I think we, at the OCA, really -- we
16 really wielded the laboring oar when it comes to
17 this, the work that we undertook to get
18 decoupling right is something that we're very
19 proud of, and I think the Company and what is now
20 the DOE can also be proud of it.

21 As was established earlier, we haven't
22 really altered decoupling fundamentals, as they
23 were previously approved by the Commission, but
24 we have managed to fix the decoupling mechanism,

1 so that we think now that it operates correctly,
2 in relation to the other regulatory mechanisms
3 that it operates alongside. So, you know, here
4 we reset the Company's revenue requirement, and
5 we have the right mechanism in place now to
6 assure that rates are adjusted so that there is a
7 fair and symmetrical process of accounting for
8 changes in revenue that will benefit customers
9 and benefit shareholders alike.

10 You've already heard that, on matters
11 of rate design, the Settling Parties have
12 essentially adopted the OCA approach. I don't
13 think that it was a particularly contentious
14 aspect of this whole thing.

15 And I think that we have, with respect
16 to return -- or, cost of capital, I think we've
17 reached a very appropriate resolution. That's
18 often a very contentious and hard-fought issue.
19 But, here, I think the parties were all very
20 reasonable and accommodating. And I think that
21 the compromise proposal that we have before you
22 is worthy of your approval.

23 I listened carefully to the record
24 requests that the Commissioners made. And, maybe

1 in the Commission's order, you could correct me
2 if I'm wrong, but what I'm going to take home
3 from that is these are the sorts of things that
4 you would like to see us come forward with when
5 we present future settlement agreements to you,
6 so that you have the information that you need,
7 in the form that is most useful to you for
8 swiftly and easily determining that what we've
9 all agreed to is worthy of your approval. So,
10 that's what I'll be doing in the future.

11 Beyond that, I can just tell you that,
12 in the opinion of the Office of the Consumer
13 Advocate, the Settlement Agreement results in
14 just and reasonable rates. It puts this Company
15 on a firm footing for the years ahead, so that it
16 can continue to meet its service obligations by
17 making the investments that it needs to make in
18 order to be a good utility. And I, therefore,
19 earnestly recommend that you give this Settlement
20 Agreement your swift and enthusiastic approval.

21 CHAIRWOMAN MARTIN: Thank you, Mr.
22 Kreis. Mr. Dexter.

23 MR. DEXTER: Thank you, Madam
24 Chairwoman and Commissioner Goldner.

1 I guess I did 99 percent of the work on
2 this case as a Staff member. So, I feel like I'm
3 speaking for Staff of the PUC, but Staff of the
4 PUC no longer exists. So, I am speaking for the
5 DOE at this point. And I will state that our
6 positions are aligned with the former -- with
7 former Staff. And I was a Staff member when I
8 signed this Settlement. And, therefore, the
9 Department of Energy urges you to approve this
10 Settlement as presented to you, in its entirety,
11 as all settlements are presented.

12 But there are five or six elements of
13 this Settlement that I want to highlight that
14 were particularly important to the Staff of the
15 PUC and continue to be important.

16 One is, this Settlement solves the
17 issue of what to do with the new statute
18 concerning property taxes. I think it takes a
19 reasonable approach. I think it follows the
20 statute. I think it's workable. And I commend
21 the Company for doing a lot of work and figuring
22 out how that mechanism would work. The most
23 important part of the mechanism being "how much
24 property taxes are currently included in base

1 rates?" And that's documented nicely in one of
2 the attachments to the Settlement.

3 Secondly, I am pleased with the way
4 this Settlement deals with the depreciation and
5 the amortization of the depreciation reserve
6 deficiency or sufficiency. This was an item that
7 was litigated in the last case. The Staff was
8 originally opposed to continuing the amortization
9 that was approved in the last case. Through
10 Settlement, we agreed to the amortization. But
11 with the look -- with the second look that's
12 going to be coming in the next year, and an
13 ability to adjust that amortization with the
14 timing of the second step adjustment. That's
15 consistent with the Company's depreciation
16 consultant's recommendation. And we believe
17 that, rather than insisting that something be
18 done in this case, without the full information,
19 that study on cost of removal and average service
20 lives, and when we look at the reserve imbalance
21 over the next year as appropriate.

22 We are pleased with the resolution of
23 the Keene issues. We believe this will allow the
24 Company greater clarity in what to do with Keene.

1 We believe it will simplify some of the issues
2 that have come up in the cost of gas proceedings,
3 and at the same time protect the greater rate
4 paying class that doesn't live in Keene from
5 potential unjust subsidies that might have
6 otherwise occurred absent the risk-sharing
7 mechanism, given that the rates were consolidated
8 back in the last rate case, in 2017.

9 And we are supportive of the step
10 adjustment arrangement in this case. You will
11 notice that both of the step adjustments are
12 capped. So, there is control over what is spent.
13 The projects are listed, as Ms. Tebbetts went
14 through, for the 2021 investments. And, if you
15 look at that list, essentially it boils down to
16 pipe replacements. For years, Liberty Utilities
17 had a CIBS Program, Cast Iron and Bare Steel
18 Replacement Program, which was an interim
19 mechanism for cost recovery between rate cases.
20 That program no longer exists. These step
21 adjustments go a long way towards continuing the
22 purpose of the CIBS, but rolling it into more
23 traditional ratemaking mechanisms.

24 We are pleased with the stay-out

1 provision. Liberty Utilities won't be in for a
2 base rate increase until 2023.

3 We are pleased with how Granite Bridge
4 was handled. We were not going to come to an
5 agreement on Granite Bridge. And we appreciate
6 the efforts of all parties to put that aside and
7 allow the Commission to decide that on its own,
8 and making it separate from the rest of the case.

9 With respect to decoupling, I think
10 this case has highlighted how important
11 decoupling is, how complicated it is, and I
12 should say how important it is to understand it,
13 and how complicated it is. We came into this
14 case with a request for almost a \$14 million rate
15 increase. And, upon examination of the
16 decoupling mechanism in the temporary rate phase,
17 by Mr. Iqbal, when he was with the Staff, and now
18 with the OCA, we were able to adjust the
19 decoupling targets, and essentially alleviate the
20 need for about \$6 million of a rate increase that
21 was requested, by fixing or adjusting the
22 decoupling mechanism to what we believe it was
23 originally supposed to do.

24 So, this has, I think, been a lesson to

1 everyone, certainly to me, how complicated
2 decoupling is, and how it has to be looked at in
3 the context of -- traditional ratemaking under
4 decoupling is completely different than it was
5 before decoupling, and that's the lesson that I
6 learned from this case.

7 And, in addition to the efforts of Mr.
8 Iqbal, again, I would like to recognize the
9 efforts of Attorney Shute on the decoupling
10 mechanism and the changes to the tariffs that are
11 built in to the case -- that are built into the
12 tariff that's attached to the Settlement in this
13 case.

14 So, with that, our appreciation to all
15 the parties in the case, including the Company,
16 for bringing this Settlement to you, it being a
17 very, very complicated case, with many
18 complicated issues, and in time for
19 implementation within the traditional
20 twelve-month suspension period.

21 So, Department of Energy recommends
22 that you, the Commission, approve the Settlement
23 as filed.

24 CHAIRWOMAN MARTIN: Thank you, Mr.

1 Dexter. And Mr. Sheehan.

2 MR. SHEEHAN: Thank you.

3 Given that it's a Settlement Agreement,
4 and we are, the three of us, OCA, Staff/DOE, and
5 the Company are on the same page, what Mr. Kreis
6 and Mr. Dexter said I, obviously, wholeheartedly
7 support and agree with. And I don't need to
8 repeat those things, because I really do agree
9 with everything they said. I will highlight a
10 couple other things in a slightly different way
11 for you.

12 First, as far as the property tax
13 mechanism goes, I agree that this is probably the
14 best way to implement the statute. You will note
15 that Granite State filed a stand-alone docket to
16 create a property tax mechanism in 21-040, and
17 that was basically stalled while we worked
18 through this one. And what you will see in the
19 coming weeks or so is we will likely either
20 withdraw and refile or amend to ask you to
21 approve the exact same thing that we have in
22 front of you today for Granite State. And
23 because, again, it's the right way to do it.

24 As for decoupling, I also echo the

1 commendations of Mr. Iqbal, Ms. Shute, and Mr.
2 Simek, and a person you didn't hear from,
3 Mr. Bonner for the Company. The four of them
4 mostly rolled up their sleeves and spent
5 literally tens of hours going through all of this
6 stuff, and the goal was to get it right. There
7 was never disagreements or fights, it was getting
8 it right. And I think we all agree that we got
9 there.

10 Decoupling mechanisms are a priority
11 for Liberty national. We corporately think this
12 is the right thing to do, the right way for
13 utilities to go. And we're pleased that we are
14 improving it here. It's going into effect in
15 Granite State, it already has as of July 1st.
16 And we will certainly learn -- Granite State will
17 learn, too, has learned from all the work done on
18 the EnergyNorth side. They're slightly
19 different, but conceptually the same.

20 And a third piece that I'd like
21 emphasize is Keene. You can sort of divide the
22 Keene issues into a few buckets. And, at the
23 highest level, there have been a half dozen or so
24 orders on Keene. All of them taking issues

1 piecemeal, just because that's how they came up
2 in those various dockets. And what we really
3 tried to do here was put them all on the table,
4 and, as Mr. Dexter said, get it all sorted out so
5 we all know what we're doing. And, so, you'll
6 see there is a reference in the Settlement
7 Agreement to the primary Keene orders that I
8 think Mr. Kreis cited, the one that came out of
9 the last rate case, and I think it was a
10 rehearing order out on the last rate case, that
11 essentially set up the risk-sharing mechanism,
12 and the steps that we would have to go through
13 for each phase. We didn't change any of that,
14 and, in fact, we incorporated those orders into
15 the Settlement.

16 But I think it may be helpful to
17 understand the following: One issue in Keene was
18 the differential in CNG costs to propane. This
19 was not -- it was raised, but not decided, in
20 several cost of gas hearings. So, there is no
21 order out there on how that should be treated.
22 And, so, the Settlement Agreement gives the
23 Commission the opportunity to approve it. And it
24 does two things: It addresses what happens to

1 the differential price through November 1, and it
2 addresses how it should happen from that point
3 forward. And it is a sharing. When CNG is more
4 expensive than propane, there's a 50/50 sharing.
5 And, when CNG is less expensive than propane,
6 there's a sharing.

7 The Company obviously believes that,
8 and we'll put our disagreements aside for the
9 Settlement, but CNG/natural gas is the future of
10 Keene, and RNG as well, as you heard yesterday.
11 But this is a transition period, and we are
12 comfortable with the resolution that we have now
13 for the transition modes of propane and natural
14 gas.

15 The second bucket for Keene is the
16 demand charges, and you issued an order the other
17 day that resolved the demand charges issues
18 through September or October of 2019, when the
19 facility went live. Going forward, those demand
20 charges have been approved in rates. So, there's
21 no issue there. So that you can check that box
22 as having been resolved, and therefore did not
23 need to be addressed here.

24 And the last is what I just mentioned,

1 the third bucket is the risk-sharing/expansion
2 requirements. And what we did here was
3 incorporate the existing orders, and then add
4 some definitions and some clarity that will help
5 us going forward. And the intent was that none
6 of that would contradict was in prior orders, but
7 again to "put some meat on the bone", as I think
8 Mr. Mullen said.

9 So, that's -- those are sort of the
10 three big things that I'd like to emphasize, in
11 addition to echoing what Mr. Kreis and Mr. Dexter
12 said about everything. As you know, we had
13 hearing dates way back in March, I think, in this
14 case, and we kept pushing them off because we
15 were having these conversations. And,
16 thankfully, the schedule accommodated all of that
17 time, and here we are, still a couple weeks
18 before the end of the month, giving you a
19 Settlement Agreement.

20 So, for all these reasons discussed
21 today, we ask that you approve the Settlement
22 Agreement, as it results in just and reasonable
23 rates, and it prudently resolves the many
24 non-rate issues that are also incorporated.

1 Thank you.

2 CHAIRWOMAN MARTIN: Thank you,
3 Mr. Sheehan. Commissioner Goldner, do you have
4 any questions for counsel?

5 COMMISSIONER GOLDNER: No, I do not.

6 CHAIRWOMAN MARTIN: Okay. With that,
7 then we will close the record, other than for the
8 record requests, and thank everyone. Obviously,
9 this was a very significant effort on everyone's
10 part. And, so, we obviously appreciate that.
11 And we will take this under advisement and issue
12 an order as soon as we can.

13 Have a good rest of the day.

14 **(Whereupon the hearing was adjourned**
15 **at 1:26 p.m.)**

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