

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

April 18, 2016 - 1:32 p.m.
Concord, New Hampshire



ORIGINAL

RE: DE 16-346
LIBERTY UTILITIES (GRANITE STATE
ELECTRIC) CORP., D/B/A LIBERTY
UTILITIES ANNUAL RETAIL RATE
ADJUSTMENT

PRESENT:

Chairman Martin P. Honigberg,
Commissioner Robert R. Scott
Commissioner Kathryn M. Bailey

Sandy Deno, Clerk

APPEARANCES:

Reptg. Liberty Utilities, et al:
Michael J. Sheehan, Esq.

Reptg. Office of Consumer Advocate:
Nicholas Cicale, Esquire

Reptg. Commission Staff:
Paul B. Dexter, Esquire
Richard Chagnon - Electric Division
David Goyette - Electric Division

COURT REPORTER: SUSAN J. ROBIDAS, N.H. LCR NO. 44

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WITNESS PANEL: JOHN D. WARSHAW
 DAVID B. SIMEK

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P R O C E E D I N G S

CHAIRMAN HONIGBERG: Good afternoon. We're here this afternoon in Docket DE 16-346, which is Liberty Utilities (Granite State Electric), doing business as Liberty Utilities, Annual Retail Rate Adjustment filing. I will not read from the Order of Notice because no one wants to hear me do that. So let's take appearances and see who's here.

MR. SHEEHAN: Good afternoon. Mike Sheehan for Liberty Utilities. Present with me are the two witnesses who will testify, Dave Simek and John Warshaw.

MR. CICALÉ: Nicholas Cicale from the Office of Consumer Advocate on behalf of residential ratepayers.

MR. DEXTER: Appearing on behalf of Commission Staff, Paul Dexter. With me today are two analysts from the Electric Division, Richard Chagnon and David Goyette.

CHAIRMAN HONIGBERG: Welcome, Mr. Dexter.

MR. DEXTER: Thank you very much, Commissioner.

1 CHAIRMAN HONIGBERG: What do we need
2 to do before we get started, Mr. Sheehan?

3 MR. SHEEHAN: We had two exhibits to
4 mark. Exhibit 1 would be the original March 21
5 filing in this docket which contains the
6 testimony of Mr. Warshaw and Ms. Heather
7 Tebbetts with their attachments. And I propose
8 Exhibit 2 being the revised testimony we filed
9 last week, on April 14th. And there are no
10 confidentiality issues in this docket.

11 CHAIRMAN HONIGBERG: All right. So
12 No. 1 is the March 18th [sic] filing and No. 2
13 is the April 14th filing.

14 (Exhibits 1, 2 marked for
15 identification.)

16 MR. SHEEHAN: Correct. And
17 otherwise, we just have the two gentlemen to my
18 right to testify.

19 CHAIRMAN HONIGBERG: They should
20 probably come up to the witness stand.

21 Are there any other
22 preliminary matters we need to deal with?

23 (No verbal response)

24 CHAIRMAN HONIGBERG: All right. Mr.

1 Sheehan, while they're going up there, I will
2 tell you that one of the three of us took the
3 trouble to filter in the replacement pages in
4 the original filing. I don't think the other
5 two did. And so the two who didn't, it may
6 take the two of us a few seconds to catch up
7 with you if we're moving around, and we may
8 express some aggravation about that during the
9 course of the hearing.

10 MR. SHEEHAN: I would never do that.

11 (WHEREUPON, JOHN D. WARSHAW and
12 DAVID B. SIMEK were duly sworn and
13 cautioned by the Court Reporter.)

14 DIRECT EXAMINATION

15 BY MR. SHEEHAN:

16 Q. Mr. Warshaw, I'll start with you. Your name
17 and employer, please.

18 A. (Warshaw) My name is John D. Warshaw, and I'm
19 employed by Liberty Utilities Corp.

20 Q. In what capacity?

21 A. (Warshaw) I am the manager of Electric
22 Supply.

23 Q. And what involvement did you have with this
24 filing?

1 A. (Warshaw) I put together the forecast for
2 Liberty Utilities' transmission costs for the
3 year 2016.

4 Q. And that forecast was embodied in the
5 testimony that was filed in this matter?

6 A. (Warshaw) Yes.

7 Q. Do you have a copy of that testimony in front
8 of you?

9 A. (Warshaw) I do.

10 Q. And if I were to ask you the same questions
11 today that are in your testimony, would your
12 answers be the same?

13 A. (Warshaw) Yes.

14 Q. Do you have any revisions to that testimony?

15 A. (Warshaw) No.

16 Q. As I mentioned earlier, there were some
17 revised documents filed, as I understand it,
18 that did not involve your testimony; is that
19 correct?

20 A. (Warshaw) That's correct.

21 Q. Mr. Simek, your name and employer, please.

22 A. (Simek) David B. Simek, and my employer is
23 Liberty Utilities Services Corp.

24 Q. And how are you employed at Liberty?

1 A. (Simek) I am a lead utility analyst within
2 the regulatory group.

3 Q. The written testimony that was filed in this
4 matter was by Heather Tebbetts. I see that
5 you are not Heather Tebbetts. Did you review
6 Ms. Tebbetts' testimony?

7 A. (Simek) I did. I thoroughly reviewed the
8 testimony and adopted it. I also am the one
9 responsible for the revised pages within the
10 testimony.

11 Q. And if you were asked the questions that are
12 in Ms. Tebbetts' written testimony, would
13 your answers be the same? Let me back up.

14 Are there any other corrections or
15 adjustments to the testimony or the revision
16 that was filed last week?

17 A. (Simek) There is not.

18 Q. And if you were asked the same questions in
19 those documents, would your answers be the
20 same as appears in those documents?

21 A. (Simek) Yes.

22 MR. SHEEHAN: That's all I have.
23 They're available for cross-examination.

24 CHAIRMAN HONIGBERG: Mr. Cicale.

1 MR. CICALÉ: The Office of Consumer
2 Advocate does not have any questions at this
3 time.

4 CHAIRMAN HONIGBERG: Mr. Dexter.
5 Thank you, Mr. Chairman. I do have some
6 questions.

7 CROSS-EXAMINATION

8 BY MR. DEXTER:

9 Q. I'd like to start first with Mr. Warshaw, if
10 we could, and I'd like to direct your
11 attention, Mr. Warshaw, to the schedule
12 that's labeled JDW-1, Page 1, which is
13 Bates 18 in Exhibit 1. And in particular,
14 I'd like to direct your attention to the
15 biggest number on the page, which is
16 \$22,740,398. Is that right?

17 A. (Warshaw) Yes.

18 Q. And is it correct that this is the forecasted
19 amount of transmission expenses that the
20 Company seeks to collect in this, in the
21 rates proposed in this proceeding?

22 A. (Warshaw) Yes.

23 Q. And if I were to trace through to what were
24 Schedules HMT-1 where the rates are

1 developed, this number feeds directly into
2 those rates; is that correct?

3 A. (Warshaw) That's correct.

4 Q. Okay. So could you explain -- could you
5 state the forecasted period? In other words,
6 what period is this \$22,700,000? What period
7 does it cover?

8 A. (Warshaw) It covers the period January 1st,
9 2016, through December 31st, 2016.

10 Q. So, calendar year 2016.

11 A. (Warshaw) Yes.

12 Q. All right. And could you tell me how this
13 forecasted figure compared to the forecast
14 that was presented in the last proceeding?

15 A. (Warshaw) Yes. If you look at my Schedule
16 JDW-1, Page 2, which is on Bates Stamp 19,
17 you will see that in the previous filing
18 we -- I had forecasted the costs of the
19 expenses at a little over \$22,500,000, and
20 for this period I'm forecasting it at a
21 little over \$22,700,000. So the figures are
22 very close, yes.

23 Q. And could you state for the record what the
24 actual costs were for 2015?

1 A. (Warshaw) Yeah. I have them... the actual
2 costs for 2015 was \$20,900,947.

3 Q. Is that in one of your schedules in your
4 testimony?

5 A. (Warshaw) I don't believe so.

6 Q. Okay. Could you just repeat it, then, so I
7 can write it down?

8 A. (Warshaw) Okay. It's \$20,900,947.
9 2-0-9-0-0-9-4-7.

10 Q. Okay. And have you calculated the percentage
11 difference between the actual for 2015 and
12 the forecast for 2016?

13 A. (Warshaw) No, I have not.

14 Q. Could you do that now and tell us what that
15 increase is?

16 A. (Warshaw) Okay.

17 (Witness reviews document.)

18 A. (Warshaw) Approximately 9 percent.

19 Q. So if I understand, you're proposing a
20 9-percent increase in transmission costs
21 versus the actual costs for the last calendar
22 year.

23 A. (Warshaw) Correct.

24 Q. Now I want to talk a little bit about the

1 details that make up the 22.7 million, and
2 I'd like to direct your attention to JDW-2,
3 which is Bates Stamp 20.

4 Now, am I correct that, of the 22.7
5 million that's proposed to be collected,
6 approximately 16 -- I'm sorry -- 17 million
7 of that is detailed on this schedule? Is
8 that correct?

9 A. (Warshaw) Yes.

10 Q. Okay. And am I also correct that, if I were
11 to look at Columns 2, 3, 4 and 5, that those
12 various components of the 16-1/2 million that
13 we're talking about on this page are derived
14 by taking approved, FERC-approved rates and
15 multiplying them by the load numbers in
16 Column 1? Is that basically how this sheet
17 works?

18 A. (Warshaw) Not really.

19 Q. Okay. Could you tell me how it works, then,
20 if it's -- I mean, if I look at Footnote
21 No. 2 and I look at Footnote No. 3 and I look
22 at footnote numbers -- well, they aren't
23 numbered -- but if I look at Footnote 6 and
24 7, it seems to me that you're taking load

1 numbers times a rate and getting those dollar
2 figures in Columns 2, 3, 4, 5. Is that not
3 correct?

4 A. (Warshaw) That is correct. But a couple of
5 those costs I had to derive my own rate based
6 on the costs that the Company, well,
7 experienced through its 2015 ISO billed.

8 Q. Okay, okay. But mechanically, that's how
9 this sheet works.

10 A. (Warshaw) Yes.

11 Q. It's Column 1 times a bunch of rates gets you
12 all the costs in Columns 2, 3, 4 and 5.

13 A. (Warshaw) Correct.

14 Q. Okay. And if we looked at Column 1 and the
15 rates, could you tell me how the -- I'm
16 sorry, the loads -- how these kilowatt loads
17 were derived?

18 A. (Warshaw) What I did is, for the previous two
19 years, 2014 and 2015, I looked at the peak
20 load, which was the billing quantity on the
21 transmission bill for two months. And to be
22 conservative, I picked the larger of the two
23 billing loads.

24 Q. And what do you mean by "conservative" in

1 this instance?

2 A. (Warshaw) Conservative, in the sense that it
3 would be capturing all of the costs that we
4 may experience.

5 Q. Okay. So, "conservative" in this instance
6 creates a bigger expense is what you're
7 saying than a less conservative method under
8 your definition.

9 A. (Warshaw) Correct.

10 Q. And is this the method that was used in the
11 case that was filed last year in this matter?

12 A. (Warshaw) Yes.

13 Q. Okay. Is the detail for these figures in
14 Column 1 provided anywhere in the filing? I
15 should say "are the details..."

16 A. (Warshaw) I actually don't think -- no.
17 Actually, I apologize. Yes, it is. It's on
18 Bates Stamp 24.

19 Q. And is that the first column with numbers on
20 Bates Stamp 24, Coincident Network Load that
21 we're talking about?

22 A. (Warshaw) Yes.

23 Q. Now, if you were to look at, for example, the
24 months of October and November, I don't

1 believe those numbers line up. Could you
2 verify that?

3 (Witness reviews document.)

4 A. (Warshaw) I can agree. Yes, they do not line
5 up.

6 Q. In other words, the numbers in Column 1 on
7 Bates Stamp 20, which is JDW-2 for October,
8 November and, in fact, January, don't appear
9 on that subsequent schedule that you were
10 just pointing to; is that right?

11 A. (Warshaw) That's correct.

12 Q. So, which would be the more accurate numbers?

13 A. (Warshaw) None of those numbers are accurate
14 to be perfectly -- it's purely a forecast of
15 what we have experienced in the past that our
16 load was at the time that the ISO-New England
17 system had its peak load. I don't have a way
18 of forecasting what our load will be at the
19 peak of the New England load.

20 Q. Well, let's go back a little bit, then,
21 because according to Footnote No. 1, I took
22 that footnote to mean that these are actual
23 numbers from the highest actual number in
24 either the period 2014 or 2015. Is that not

1 correct?

2 A. (Warshaw) No, those are correct. But I think
3 I believe I have an error in what numbers
4 were picked for a couple of those months --

5 Q. Okay.

6 A. (Warshaw) -- which is why it doesn't line up
7 with the schedule on Bates Stamp 24.

8 Q. Okay. And could you provide the actual
9 numbers?

10 CHAIRMAN HONIGBERG: What you mean is
11 you want a revised Bates Page 20 that actually
12 does what Mr. Warshaw thought he was going to
13 do? Is that what you're looking for?

14 MR. DEXTER: Well, it is. But I'm
15 still confused. We have two sets of numbers
16 here for load, and I don't think I've been able
17 to establish which ones are correct. And so
18 once I could establish which ones are correct,
19 then I think I would request what the
20 Commissioner suggests.

21 A. (Warshaw) The correct value should have been
22 the monthly peak in a month in either the
23 year 2015 or 2014, whichever one was higher.

24 Q. Right. And do those numbers appear on either

1 of these schedules?

2 A. (Warshaw) It does not appear on Schedule 20,
3 but it -- on Bates 20. But the values are on
4 Bates Stamp 24. Those are the actual billing
5 values, but they were not carried over to the
6 calculation on Bates Stamp 20.

7 MR. DEXTER: Well, given that we're
8 dealing with 16 out of the 22 million that's at
9 issue in this case, I think it would be
10 appropriate for the witness to recalculate
11 JDW-2, which is Bates Stamp 20, to reflect the
12 actual data, get the numbers right here on the
13 record.

14 CHAIRMAN HONIGBERG: Well, I think
15 that you need to get to the question with him.
16 I think you started to ask that question, the
17 question I thought you were asking, and now I
18 think you're ready to ask that question of him:
19 Will he do it?

20 MR. DEXTER: If the Bench will
21 entertain a request from the floor like this.
22 We didn't have a discovery period in this case
23 because it's sort of a compressed time frame,
24 so I apologize for not working this out ahead

1 of time.

2 CHAIRMAN HONIGBERG: No, understood.
3 You ask him the question. I have a feeling
4 you'll get an answer that you'll be satisfied
5 with.

6 MR. DEXTER: Okay. Well, I would ask
7 that the witness recalculate the schedule with
8 the correct -- using the correct data in
9 Column 1, given that the correct data appears
10 just three pages later.

11 CHAIRMAN HONIGBERG: Is that a --
12 treat that as a request, Mr. Warshaw. Do you
13 understand the request?

14 WITNESS WARSHAW: Yes, I do
15 understand the request. I will update that
16 schedule with the correct monthly values.

17 CHAIRMAN HONIGBERG: And how long do
18 you think that will take?

19 WITNESS WARSHAW: I should have that
20 done tomorrow.

21 CHAIRMAN HONIGBERG: Mr. Sheehan?

22 MR. SHEEHAN: We don't have a problem
23 with that. I think the request for rates in
24 this docket was to be in effect May 1. Is

1 that -- I think that's correct.

2 WITNESS SIMEK: Correct.

3 MR. SHEEHAN: And it seems like
4 that's sufficient time for the Commission to
5 get the new number and do its work. The
6 obvious follow-up question is what impact this
7 may have on the numbers. But that's what we'll
8 find out when we do this.

9 CHAIRMAN HONIGBERG: Yeah, but who
10 knows. Maybe there's some other changes that
11 need to be made. I don't know. We'll find
12 out.

13 MR. SHEEHAN: So, to be clear, we're
14 asking -- we're agreeing to submit a new Bates
15 Page 21 in light of numbers taken from Bates
16 Page 24.

17 CHAIRMAN HONIGBERG: I think it's
18 Bates Page -- new Page 20. And that, I
19 believe, will have effect elsewhere in the
20 document.

21 WITNESS SIMEK: Correct.

22 CHAIRMAN HONIGBERG: Commissioner
23 Bailey.

24 CMSR. BAILEY: Could I also ask, in

1 response to the same question, that you attest
2 to the accuracy of the actual billed numbers on
3 Bates Page 24?

4 WITNESS WARSHAW: Yes.

5 CMSR. BAILEY: Thank you.

6 (Exhibit 3 marked for identification.)

7 CHAIRMAN HONIGBERG: All right. We
8 got sidetracked, Mr. Dexter.

9 MR. DEXTER: Not at all.

10 BY MR. DEXTER:

11 Q. I wanted to go back to that same page, which
12 is Bates Page 20. And I know I asked this
13 question once. I just want to ask it again
14 because I expected a different answer,
15 frankly.

16 When you stated that you selected the
17 two highest -- I'm sorry -- for each month
18 you selected the highest value over two
19 years, and you said you did that same method
20 last year, isn't it correct that last year
21 you looked at a one-year period, not a
22 two-year period? And I have last year's
23 filing here. I don't have enough copies to
24 make it an exhibit, but I can read you the

1 corresponding footnote from last year's
2 filing if that's helpful. I'll show it to
3 counsel first, if that's appropriate.

4 CHAIRMAN HONIGBERG: Let's see if he
5 remembers first.

6 A. (Warshaw) I don't remember exactly what was
7 in that other filing.

8 CHAIRMAN HONIGBERG: All right. Mr.
9 Dexter, why don't you proceed.

10 MR. DEXTER: Okay. Well, I'd like to
11 show the witness the corresponding page from
12 last year and the first footnote and see if
13 that refreshes his memory.

14 (Mr. Dexter hands document to witness.)

15 BY MR. DEXTER:

16 Q. So, again, I'm talking about the first
17 footnote on that page, which is the
18 corresponding schedule from last year.

19 A. (Warshaw) Yes, I agree with that.

20 Q. Okay. So, could you explain again, then, why
21 this year you would change to selecting the
22 highest of the two years rather than just
23 using the one-year history like you did last
24 year?

1 A. (Warshaw) I believe that it was a more
2 conservative approach to develop cost, and
3 this way you would move away from having a
4 impact on -- less of an impact of weather on
5 the forecast of the costs. By using only one
6 year, you end up -- you have the possibility
7 of biasing your costs due to the impact of
8 weather.

9 Q. I'm just going to retrieve that document.

10 Next I wanted to look at JDW-4, Page 1,
11 which is Bates 23. Again I wanted to look at
12 Column 1. If I understand the footnote for
13 Column 1, it indicates that these are all
14 actual figures for 2015; is that right?

15 A. (Warshaw) Correct.

16 Q. And this schedule calculates most of the
17 remaining \$5 million that's going to flow
18 into the \$22 million which is at issue in
19 this case; correct?

20 A. (Warshaw) Correct.

21 Q. Okay. I'd like you to look at the last
22 footnote on this sheet which talks about
23 Column 8. And there is no Column 8 on this
24 page, but the footnote talks about adjusting

1 the costs in Column 7 in relation to capital
2 investments.

3 Was there any adjustment made to the
4 figures on this sheet for capital
5 investments?

6 A. (Warshaw) No, there was not.

7 Q. And what's the -- what does the footnote mean
8 then?

9 A. (Warshaw) The footnote was left over from
10 the -- should have been deleted. It was from
11 the previous filing when there was a
12 significant uptick in the NEP costs from --
13 that we experienced from 2013 to 2014. And
14 the assumption was that that was based on
15 NEP's capital investments that were driving
16 the increase. And as a result, when we --
17 when I forecast the costs for 2015, I
18 utilized that increase, justifying that with
19 their impact of capital investment. We did
20 not see that uptick in costs for 2015, in
21 actual costs, so I did not do that adjustment
22 again.

23 Q. Do you recall, on either an absolute dollar
24 value or on a percentage dollar -- percentage

1 amount, what the nature of the uptick in
2 costs was?

3 A. (Warshaw) No, I do not.

4 Q. Okay. Well, I'd like you to turn to JDW-4,
5 Page 3 of 3, which is Bates 25. And this
6 schedule details the NEP capital investments.
7 Are these the same investments we were just
8 talking about?

9 A. (Warshaw) Yes.

10 Q. And would you agree that the figure for 2015
11 was \$69 million, rounded?

12 A. (Warshaw) Correct.

13 Q. And the figure for 2016 was \$48 million,
14 rounded?

15 A. (Warshaw) Correct.

16 Q. And would you agree that if you do the math,
17 this comes to a 30-percent decrease in
18 investments, 2015 versus 2016?

19 A. (Warshaw) I can agree to that.

20 Q. And would that 30-percent decrease be
21 significant enough to warrant the
22 reinstatement of footnote number -- the last
23 footnote on Bates 23, so that a decrease in
24 the NEP costs might be warranted in this case

1 due to this 30-percent decrease in
2 investments?

3 A. (Warshaw) No, it would not.

4 Q. And why is that?

5 A. (Warshaw) This is their investment plans with
6 the -- how that would actually result in the
7 annual costs for local -- the local network
8 service would depend upon how NEP was
9 factoring out the costs over the lifetime of
10 the assets that they're investing in.

11 Q. And how does that differ from the investments
12 that were set forth last time when the
13 adjustment was made for the uptick in costs?

14 A. (Warshaw) I don't have that analysis.

15 Q. Okay. Are these NEP costs that are -- I'm
16 sorry -- National Grid costs that are set
17 forth on Bates 25, are these system-wide, or
18 are these specific to Granite State?

19 A. (Warshaw) They are system-wide to NEP's
20 system.

21 Q. Okay. And why were they provided in this
22 case? What were they intended to
23 demonstrate?

24 A. (Warshaw) Intending to show that the change

1 in the method of forecasting NEP's -- the
2 cost of NEP local network service would not
3 experience the same level of increase as we
4 saw going from '13 to '14, and then not
5 seeing that cost going from '14 to '15.

6 Q. And the Schedule 21 charges which are set
7 forth on Bates 23, they're not related to
8 these investment costs at all?

9 A. (Warshaw) No. What those are, are the costs
10 that the Company was billed over the year
11 2015.

12 Q. But in the past, it was appropriate to adjust
13 them for capital investments made by NEP, but
14 in this case it's not appropriate? That's
15 your testimony?

16 A. (Warshaw) Yes. And that was because we
17 were -- I was trying to come up with a way of
18 explaining why the 2014 forecast -- actual
19 NEP costs were so much significantly higher
20 than what was forecast for 2014.

21 Q. So, in your testimony on Page 4, and again a
22 few pages later, you make a reference to a
23 FERC docket; it's No. EL 16-19 [sic]. And it
24 talks about the possibility of refunds

1 resulting from that case. I was wondering if
2 you could provide the Commission an update on
3 where that case stands and what the
4 likelihood of success is.

5 A. (Warshaw) The last information I had on that
6 is that there is a proposed -- let me get the
7 exact term.

8 (Witness reviews document.)

9 A. (Warshaw) Here we go. On that case, the
10 parties have come up with a proposed
11 methodology of actually providing an update
12 for the transmission formula rate, a
13 protocol. And that's a draft protocol.

14 Q. And when do you foresee this case wrapping
15 up, the FERC case?

16 A. (Warshaw) The intention of this case was to
17 be wrapped up within six months after the
18 FERC investigation was opened.

19 Q. And what date would that be?

20 A. (Warshaw) That would have been sometime in
21 June.

22 Q. 2016?

23 A. (Warshaw) Yes.

24 Q. So if there are any refunds or reductions

1 resulting from this FERC docket, how would
2 they be reflected in your transmission
3 charges?

4 A. (Warshaw) They would be reflected in the next
5 year's retail rate filing.

6 A. (Simek) And then would accrue interest as
7 well, the charges.

8 Q. Okay. I'd like to direct the next several
9 questions to the testimony of Ms. Tebbetts
10 which has been adopted by Mr. Simek. Is that
11 right?

12 A. (Simek) Correct.

13 Q. Okay. So I'd like you to refer to, if you
14 would, HMT-1, Page 1, which is Bates 43. Do
15 you have that in front of you?

16 A. (Simek) Yes, I do.

17 Q. Okay. So I just want to make sure I
18 understand what's going on in this case.

19 We know we're here to collect \$22.7
20 million in transmission costs. But the first
21 three columns in this schedule deal with
22 stranded costs; is that correct?

23 A. (Simek) Yes.

24 Q. So if I understand, we are setting two rates

1 in this case -- or the Company's proposed two
2 rates in this case: One for stranded costs
3 and one for transmission charges; correct?

4 A. (Simek) Correct.

5 Q. And just to demonstrate that, if we were to
6 take the stranded costs first and look at
7 Rate D, which is a residential rate, the
8 proposed stranded cost rate is \$0.00040; is
9 that right?

10 A. (Simek) Yes, it is.

11 Q. And if I were to flip to the back of your
12 exhibits and go to your last schedule, which
13 is Bates 54, and it's marked HMT-9, if I look
14 at the stranded cost charge for the proposed
15 rate, I find that same .0004; correct?

16 A. (Simek) Correct.

17 Q. And this schedule's been revised, I believe,
18 so we might have to look at the revised one.
19 But I think it's the same in both.

20 A. (Simek) Correct.

21 Q. And similarly, looking at the right-hand side
22 of the worksheet that's marked as "HMT-1,
23 Page 1 of 1," which is Bates 43, we have a
24 transmission charge, an adjustment -- a

1 transmission adjustment and RGGI refund,
2 another charge related to borderline sales,
3 and we net all those up in the last column.
4 Is that how this works?

5 A. (Simek) Correct.

6 Q. And if we look at Rate D again -- and again,
7 we probably have to go to the Revised
8 Bates 43 here. But if we go to Revised
9 Bates 43, these one, two, three, four
10 different transmission charges that are
11 totalled for Rate D equal \$.01340; is that
12 correct?

13 A. (Simek) Yes, it is.

14 Q. All right. And then, similarly, just to
15 complete this, if we were to flip to the back
16 page in your exhibits and we go to the
17 typical bill --

18 A. (Simek) Yeah, on Page 54.

19 Q. This is Page 54 Revised. And I look under
20 Transmission Charge, I see that same figure,
21 .01340; correct?

22 A. (Simek) Correct.

23 Q. So all the charges on HMT-1 ultimately find
24 their way onto the bill is all I'm trying to

1 demonstrate.

2 A. (Simek) Correct.

3 Q. Okay. And I just have one more general
4 question on this HMT-1, because the stranded
5 cost charges are subject to an adjustment
6 factor, and the transmission charges are
7 subject to an adjustment factor, and I just
8 want to talk about those for a moment or two.

9 Is it correct that the stranded cost
10 adjustment factor is a means of class
11 allocation -- in other words, so that the
12 facts of the stranded cost charge is factored
13 up or down to correspond to the various rate
14 classes?

15 A. (Simek) Yes.

16 Q. So it happens to all these -- most of them
17 happen to be zero in this case. But the idea
18 is that the net stranded cost charge is a
19 class-specific charge; is that correct?

20 A. (Simek) correct.

21 Q. Okay. And if we look at the transition --
22 the transmission adjustment factor, which is
23 Column E, this is not a class-allocation
24 charge; is that right?

1 A. (Simek) Correct.

2 Q. This is a reconciliation charge to collect
3 over- and under-recoveries; is that right?

4 A. (Simek) Yes.

5 Q. So, two different purposes for the factors.
6 I just wanted to point that out.

7 So, turning quickly to HMT-3, which is
8 Bates 45, this shows an under-recovery of
9 roughly \$2300; is that correct?

10 A. (Simek) Yes.

11 Q. Could you explain -- and this is an over- --
12 or this is an under-recovery; right?

13 A. (Simek) Correct.

14 Q. All right. Could you explain how it is that
15 this number is so close to zero, which I
16 think is the ultimate goal when you're
17 dealing with under- or over-recovery? How is
18 it that the under-recovery is such an
19 insignificant number?

20 A. (Simek) We are aware of approved rates, the
21 .0004 that we're going to be charged based on
22 the settlement -- or I'm sorry. It may not
23 have been a settlement. But it was based on
24 Docket No. DE 16-216. And so the .0004, we

1 knew that that was the rate that we're going
2 to be charged. And we also provide NEP on a
3 monthly basis what the kilowatt hour sales
4 were for the month. So they are billing off
5 of actual sales. So when they're billing off
6 of actual sales, and we're charging the
7 customers of course on the actual sales, the
8 variance is going to be extremely small.

9 Q. Very good. Did you say MEP or --

10 A. (Simek) I'm sorry. NEP.

11 Q. NEP, New England Power.

12 A. (Simek) Yes.

13 Q. Okay. Thank you.

14 And then, again, just quickly, if we
15 flip to the next pages, which are HMT-3,
16 Pages 2 and 3 of 3, where there's all sorts
17 of numbers --

18 A. (Simek) Yeah.

19 Q. -- this shows the detail of that over- and
20 under-recovery by class; is that correct?

21 A. (Simek) Yes.

22 Q. And a number of these rate classes -- for a
23 number of these rate classes, the revenues
24 and the expenses match exactly, and for some

1 of them they don't. Could you explain why
2 that is?

3 A. (Simek) Correct. If you look at --

4 Q. Just let me interrupt for a second, because I
5 may be going a little too fast.

6 But we're looking at Column B -- or I'm
7 looking at Columns B and C. Is that right?
8 That would show me the revenues and the
9 expenses?

10 A. (Simek) Yes, looking at Column B and C.

11 Q. For example, for Rate D, the numbers are all
12 exactly the same.

13 A. (Simek) Right. And what happens is we
14 calculate an adjustment factor, as you
15 pointed out earlier, and that adjustment
16 factor would be the only difference that is
17 between the revenue and the expense. So, if
18 there was an adjustment factor actually
19 needed, that would be the difference that's
20 between the revenue and expense that would be
21 applied to the revenue portion, and that
22 would be why there would be a difference in
23 Column D.

24 Q. Okay. All right. Thanks.

1 Now, in the similar proceeding last
2 year, and as referenced on your testimony
3 HMT-6, there was reference to the possibility
4 of buying out of the stranded costs. Do you
5 recall that discussion?

6 A. (Simek) I do.

7 Q. Okay. And in your testimony on Page 6, you
8 give two reasons why the buyout didn't occur.

9 But before I get into those, could you
10 explain what the nature of the buyout would
11 be? How would you envision the buyout of
12 these stranded costs? Would it be a
13 dollar-some figure, or how would that work?

14 A. (Simek) Yeah, I'm actually not the person who
15 would be involved in the negotiation for this
16 process. We have had some internal
17 discussions regarding what we would be
18 looking for. And of course, it would be a
19 financial buyout number based on the
20 remaining charges in the contract that again
21 was part of the stranded costs. So, part of
22 the docket number, again, 16-216, I believe
23 that these stranded costs run through 2020,
24 or it may be through 2022. And each year

1 those costs come down. So we have an idea --
2 and there's a formula in that contract of how
3 this over and under for them would be
4 calculated -- for "them," again, I mean New
5 England Power. So we are able to take that
6 number and use our own estimates going
7 forward, following the same formulas that are
8 in the docket, and be able to come up with
9 some sort of dollar value that we feel would
10 be fair in a buyout.

11 Q. And I happen to have Docket 16-216, at least
12 the filing that was made, in front of me. Do
13 you happen to have that in front of you?

14 A. (Simek) I do not.

15 Q. Okay. Well, do you have an idea of the
16 magnitude of the remaining stranded costs
17 that would be subject to the buyout?

18 A. (Simek) Only based on the conversation that
19 we had on Friday. I believe you pointed out
20 that it was about \$420,000.

21 Q. That's the best answer I've heard all day.
22 Thank you.

23 MR. DEXTER: Yeah, I'd like to
24 show -- I happen to have a copy of the filing

1 that was made by New England Power for Granite
2 State's stranded costs. And it indicates that
3 as of 2016, there's \$422,000 remaining to be
4 collected, and it results in this stranded cost
5 rate that we're talking about of .004 [sic].
6 And if we could use that as just a talking
7 point? Any objection from counsel?

8 CHAIRMAN HONIGBERG: Mr. Sheehan?

9 MR. SHEEHAN: Objection to what?

10 MR. DEXTER: Stipulating that the
11 remaining stranded costs is \$422,000.

12 MR. SHEEHAN: Oh, that's fine.

13 BY MR. DEXTER:

14 Q. So if we're talking about roughly \$422,000,
15 and this is an amount that you would pay out
16 to NEP over time, I think you indicated until
17 2020, and collected from your customers,
18 that's the current scenario; correct?

19 A. (Simek) Correct. I would just like to point
20 out that that \$422,000 I believe is based on
21 some future forecasts, that NEP may not be
22 using the same fuel values in that that we
23 would potentially use on our own.

24 Q. Oh, okay. I didn't understand that. So it's

1 a forecast. It's not a set-in-stone number.

2 A. (Simek) Correct. I believe so.

3 Q. So if the Company were to pursue a buyout, it
4 would be something other than receiving these
5 bills in from NEP over the next four or five
6 years and billing them out to your customers.

7 What form would it take? Would it be a
8 lump-sum payment? Is that what you'd
9 envision -- "you," meaning the Company?

10 A. (Simek) Again, I'm not the one who would be
11 doing these negotiations. It's above my pay
12 grade. But I would envision that at
13 approximately \$400,000 we would look at a
14 lump sum, yes.

15 Q. And do you know who was involved in the
16 discussions?

17 A. (Simek) I believe our vice-president of
18 finance may have been involved. I believe my
19 manager in regulatory was involved. I'm not
20 sure who the key people were at National Grid
21 who were involved.

22 Q. Do you know how often they met?

23 A. (Simek) I do not.

24 Q. Do you know if it was more than once?

1 A. (Simek) I do not.

2 Q. Do you know if it was face-to-face or by
3 telephone?

4 A. (Simek) I do not.

5 Q. So, as I understand it, in the last
6 Commission order in this corresponding docket
7 last year, you were encouraged to explore a
8 buyout. Do you know if these preliminary
9 discussions that you had rise to the level of
10 encouraging an exploration? Does it rise to
11 the level of exploring a buyout or --

12 MR. SHEEHAN: Objection. That's the
13 Commission's decision to make.

14 MR. DEXTER: I'll withdraw the
15 question.

16 BY MR. DEXTER:

17 Q. The second reason you gave for -- as a
18 complicating factor for the buyout would be
19 that the buyout would have to be approved by
20 FERC; is that correct?

21 A. (Simek) Yes.

22 Q. Is it correct that the .0004 stranded cost
23 charges that you presented in this proceeding
24 has to be approved by FERC also?

1 A. (Simek) I do not know that answer.

2 Q. Okay. I wanted to move to transmission, the
3 transmission charge, away from the stranded
4 cost charge for a moment, please.

5 Now, again, we talked about this
6 transmission adjustment factor in Column E,
7 which is an over- or under-reconciling
8 mechanism. This is implemented so that the
9 Company will collect the exact transmission
10 costs they incur rather than using some sort
11 of an estimate; is that true?

12 A. (Simek) Over time it would be calculated to
13 be the investment. It would be a complete
14 pass-through to the customer, correct.

15 Q. Right. Okay. Now I'd like you to turn to
16 HMT-5, please, which is Bates 50. And I
17 believe this is one that's been revised.

18 Now, there was an over-collection at the
19 end -- well, let me withdraw that question
20 and start again.

21 On Column A of this page, which is
22 HMT-5, the over- or under-recovery balance is
23 listed as zero, is that right, on this
24 schedule?

1 A. (Simek) Correct.

2 Q. But in fact, there was an over-recovery at
3 the end of last cycle; isn't that right?

4 A. (Simek) Yes.

5 Q. Then why would this figure be zero?

6 A. (Simek) Well, the figure was placed into the
7 Column B and spread out throughout the period
8 rather than calculated and shown in Column A.
9 The over or under -- yeah, the over or under
10 figure is included under Column B. This is
11 consistent with how these transmission
12 charges over and under have been reflected in
13 the past under the way that National Grid had
14 done these schedules. The Liberty way, and
15 going forward, would be to properly -- or
16 maybe "properly" is the wrong term -- to
17 reflect it differently, and it would be to
18 include it in Column A.

19 Q. So if we were to get to the end of this rate
20 cycle that's approved as a result of this
21 proceeding, and there were an over- or
22 under-collection, next year we would expect
23 to see a positive or negative number in place
24 of that zero? Is that what you're saying?

1 A. (Simek) Exactly.

2 Q. Does either method result -- do both methods
3 result in the same result -- produce the same
4 result?

5 A. (Simek) They're slightly different, because
6 when we spread it out throughout the period
7 in Column B, interest is calculated over time
8 rather than beginning at the first month.

9 Q. And that can be having a positive or negative
10 impact on what you charge customers,
11 depending on whether you're over- or
12 under-recovered?

13 A. (Simek) Right. In this instance, it was an
14 under-recovery. So if we would have included
15 it at the beginning, the customers would have
16 been charged more interest and charged more
17 than the way we did do it, which was spread
18 it out over the period.

19 Q. Because as of October 14th you were
20 approximately 2.4 million, as I recall,
21 under-collected; is that right?

22 A. (Simek) I believe so, yes.

23 Q. Okay. And now, at the end of this case,
24 you're over \$10 million over-collected; is

1 that right?

2 A. (Simek) Right.

3 Q. Okay. That's what we're going to get to
4 next.

5 Okay. So if we could look at your
6 testimony on Page 8, please. This is Bates
7 36. You give three reasons for the current
8 over-recovery. Well, let me back up a little
9 bit.

10 On Line 17, you indicate that the
11 Company expects to recover \$8,125,852 by
12 April 30th, 2016, which is when the rate set
13 in this case would expire; is that correct?

14 A. (Simek) That number has been revised to
15 \$10,517,396. That's on Bates Page 036
16 Revised.

17 Q. Okay. \$10,517,396, that's the right number?

18 A. (Simek) Correct.

19 Q. Okay. And you give three reasons for this
20 projected over-recovery; is that correct?

21 A. (Simek) Correct.

22 Q. Okay. And the first one accounts for about
23 \$1.9 million of the over-recovery; is that
24 true?

1 A. (Simek) Correct.

2 Q. And what's that reason?

3 A. (Simek) The \$1.9 million that's shown on this
4 page is for actual costs in 2015, and it's
5 showing that's basically the actual costs
6 over what the estimated costs were for those
7 12 months. If you actually look at the 12
8 months that this filing was for, which was
9 May 2015 through April 2016, and take over --
10 or take into account the over-recovery based
11 on both cost estimates and the shortfall in
12 kilowatt hour sales, the over-recovery is
13 still close, which is approximately
14 \$2.1 million.

15 Q. So, costs came in lower than forecasted and
16 sales came in lower than forecasted; right?

17 A. (Simek) Correct.

18 Q. I want to skip to the third reason that you
19 give for the over-collection, and it has to
20 do with the deferral of the effectiveness of
21 the rates in this proceeding last year; is
22 that true?

23 A. (Simek) I'm sorry. Could you repeat the
24 question?

1 Q. Yes. I was going to skip to the third reason
2 in your testimony leading to the
3 over-collection.

4 A. (Simek) Oh, I'm sorry, the \$400,000?

5 Q. No, that was second reason. I was going to
6 skip that one and go to the third reason.

7 A. (Simek) Oh, okay. I'm sorry. Based on our
8 conversations that we had, the difference
9 between the 16 months and the 12 months?

10 Q. I'll provide you with a more exact reference.

11 A. (Simek) Okay. Thank you.

12 CHAIRMAN HONIGBERG: Are we on Page 9
13 of Ms. Tebbetts's testimony, original Bates
14 Page 37, which has not been revised as far as
15 we know?

16 MR. DEXTER: That's what I'm looking
17 for, and it's -- yeah, I was look for revised,
18 and that's why I had to take the time out.
19 Excuse me.

20 CHAIRMAN HONIGBERG: No, you actually
21 have to bounce back and forth between the
22 original and revised when you're -- 36, 37 and
23 38. And somehow I managed to do it up here,
24 but...

1 MR. DEXTER: Okay. Right.

2 BY MR. DEXTER:

3 Q. So what I'm looking at is Bates Page 37,
4 Line 2, where you give the third reason for
5 the over-recovery, and it begins with this
6 sentence, "Finally..." So could you just
7 read that sentence since I've confused us a
8 bit?

9 A. (Simek) "Finally, with the four-month delay
10 of implementation of the rate changes as
11 directed in Docket No. DE 14-340, the
12 additional four months of estimated costs
13 that would accrue over that four-month period
14 were included in the rate to be charged over
15 the 12-month recovery period."

16 Q. Okay. So, as I understand it, this time -- I
17 keep saying last year, but it was actually a
18 little longer than a year because of the rate
19 deferral -- there was a rate increase that
20 was proposed to take effect on January 1st,
21 2015; is that right?

22 A. (Simek) Yes.

23 Q. And based on the events of that proceeding,
24 that rate increase was postponed until

1 May 1st, 2015; is that correct?

2 A. (Simek) Yes.

3 Q. Okay. So, those rates that were going to go
4 up were put off. And why -- my question is:
5 Why wouldn't postponing a rate increase, all
6 other things being equal, result in an
7 under-recovery rather than a large
8 over-recovery?

9 A. (Simek) All that should -- with all else
10 being equal, the only difference should be
11 interest costs.

12 Q. Right. And yet, this deferral has resulted
13 apparently in approximately \$8 million of
14 over-recovery. And I guess I want to explore
15 how that happened. So I would ask you to
16 explain whether all other things were equal
17 in that situation.

18 A. (Simek) What happened in that situation was
19 that the Company had included 16 months of
20 costs in a rate that should have only
21 included 12 months of costs. So the rate was
22 inflated, and the rate went for 14 months at
23 an inflated rate. So we had a large
24 over-recovery of approximately \$8.5 million.

1 Q. So this is a rate that was calculated at the
2 very end of the last case; is that correct?

3 A. (Simek) Correct. We were asked to come up
4 with some proposals of how we could extend
5 the beginning rate from January 1, 2015, to
6 May 1st, 2015, and we came up with three
7 proposals. We presented them to Commission
8 Staff. Commission Staff reviewed formulas.
9 We all came to an agreement, and this was the
10 rate that was chosen.

11 Q. Okay. Well, I want to show you two
12 documents.

13 MR. DEXTER: And these aren't in the
14 record yet. They're from Docket 14-340. I'd
15 be happy to hand out copies, if that's
16 appropriate, Mr. Chairman. I don't know if
17 they need to be marked as exhibits. I just
18 want to use them for comparison purposes.

19 CHAIRMAN HONIGBERG: Without knowing
20 more, I don't know.

21 MR. DEXTER: Okay. Well, I'm going
22 to hand them out, and I guess I'll ask that
23 they be marked as Exhibit 3.

24 CHAIRMAN HONIGBERG: I think they're

1 going to be 4 because 3 is the Record Request
2 for Mr. Warshaw's updated calculations.

3 MR. DEXTER: Thank you.

4 So, the first document is a
5 spreadsheet entitled "Liberty Utilities."
6 It's Schedule HMT-11 from Docket 14-340, and
7 it's a typical bill analysis showing a
8 proposed impact on a residential customer of
9 1.4 percent.

10 (Counsel distributes document.)

11 (Exhibit 4 marked for identification.)

12 MR. DEXTER: And the next document I
13 want to distribute was marked as Exhibit 3 in
14 Docket 14-340. This again is a typical bill
15 comparison showing a 5-percent increase on a
16 typical residential bill. And this was --
17 these were -- well, I'll just hand it out now.

18 CHAIRMAN HONIGBERG: So this is going
19 to be 5?

20 MR. DEXTER: This is going to be
21 Exhibit 5.

22 (Exhibit 5 marked for identification.)

23 (Mr. Dexter distributes document.)

24 WITNESS SIMEK: Could I get a copy of

1 that, please?

2 MR. DEXTER: I'm sorry.

3 BY MR. DEXTER:

4 Q. So, looking at the document that's been
5 marked as Exhibit 4, would you agree that
6 this was the Company's filing in this
7 corresponding docket last year?

8 A. (Simek) The original filing, yes.

9 Q. Yes. And that was revised during the course
10 of that filing so that the actual percentage
11 increase to customers was going to be
12 somewhat less than the 1.4 percent listed
13 there; is that true?

14 A. (Simek) I believe you. I don't know.

15 Q. Okay. And then the document that's been
16 marked as Exhibit 5 is a two-page document,
17 and there are two scenarios on this document;
18 is that true? One on Page 1 and one on
19 Page 2; is that correct?

20 A. (Simek) Yes.

21 Q. And is it correct that the scenario on Page 1
22 proposes a transmission charge for a 12-month
23 period to go into effect May 1st, 2015, and
24 stay in effect for 12 months, ending on

1 April 30th, 2016?

2 A. (Simek) Yes.

3 Q. So, a 12-month rate?

4 A. (Simek) Yes.

5 Q. And is it correct that the scenario on Page 2
6 is a 7-month scenario, where the rates would
7 go into effect on May 1st --

8 A. (Simek) Yes.

9 Q. -- and end on December 31st, 2015?

10 A. (Simek) Yes. Sorry about that. Yes.

11 Q. And is it correct that the Commission's order
12 in the last case adopted Scenario 1, which is
13 laid out on -- what I'm calling "Scenario 1"
14 -- which is laid out on Page 1 of the
15 document that's marked as Exhibit 5 in this
16 proceeding?

17 A. (Simek) I believe so, yes.

18 Q. Okay. So if we were to look at the
19 transmission charge, okay, on the bottom half
20 of this page that's labeled "Current Rates in
21 Effect," the transmission charge is .02116;
22 correct?

23 A. (Simek) Yes.

24 Q. So that would have been the rates that were

1 in effect when you went into the case last
2 year.

3 A. (Simek) Correct.

4 Q. And the idea of the deferral was to avoid
5 hitting the customers with this
6 1.4 percent -- or, actually, it was lower
7 than that. It was lowered during the course
8 of the proceeding to avoid hitting them with
9 that impact on January 1st; correct?

10 A. (Simek) Yes.

11 Q. And the rate that ended up being implemented,
12 which is shown on the top portion of
13 Exhibit 3, is .03557; is that true?

14 A. (Simek) I believe so, yes.

15 Q. Okay. And would you agree that that's almost
16 a 70-percent increase in the transmission
17 charge?

18 A. (Simek) Yes.

19 Q. Okay. So I know this rate was approved, but
20 I wanted to ask you: Was that an inadvertent
21 error? I just want to explore that big
22 increase. Could you explain for the
23 Commission how that happened?

24 A. (Simek) Yes. Obviously it was an inadvertent

1 error. I wasn't privy to every conversation
2 that went on in those couple days when we
3 worked on coming up with this rate between
4 Commission Staff and our group at Liberty.
5 But I believe at some point something got
6 mingled between the 16 months and the 12
7 months and the recovery period, and somewhere
8 along the line a change may not have been
9 made to accurately reflect it at 12 months.
10 So, again, it would have been an inadvertent
11 error to cause this over-recovery of 8.5,
12 approximately \$8.5 million.

13 Q. Okay. I wanted to talk just for a moment
14 about HMT-4, please. Am I correct that the
15 point of HMT-4 is to develop a transmission
16 charge that is class-specific, rate
17 class-specific?

18 A. (Simek) If we're looking at the transmission
19 portion that's charged directly to the
20 Company by the ISO, the answer would be yes.
21 If we're looking at the portion of -- oh, I'm
22 sorry. Yes, HMT-4 is class-specific.

23 Q. I should have been more specific. I'm
24 actually talking about HMT-4, Page 1 of 1,

1 which is Bates 48.

2 A. (Simek) Yes, it is.

3 Q. Okay. So the idea here is to come up with a
4 class-specific transmission charge.

5 A. (Simek) Correct.

6 Q. And again, we started this case by talking
7 about the \$22,700,000 that's at issue here.
8 That number appears right at the very top of
9 this schedule; correct?

10 A. (Simek) Yes.

11 Q. And so the over-recovery that we're talking
12 about is roughly \$10 million; correct?

13 A. (Simek) Yes.

14 Q. Okay. Now, the over-recovery is going to get
15 passed back, according to the factor that's
16 set forth on HMT-1, Column E, which is
17 Bates 43. We talked about this earlier;
18 correct?

19 A. (Simek) Correct.

20 Q. And that is not a class-specific factor; is
21 that true?

22 A. (Simek) Yes.

23 Q. So that would be one side effect of having a
24 large over- or under-recovery, is that you

1 lose some of the rate design specificity of
2 the transmission charge. Would you agree?

3 A. (Simek) Yes.

4 Q. I wanted to talk very briefly about Column F
5 on HMT-1, again Bates 43. This is the next
6 of the charges that feed into the
7 transmission charge.

8 Would you agree that this is roughly
9 one-tenth as large as the transmission
10 charge?

11 A. (Simek) In this period, yes.

12 Q. Okay. And the detail for this RGGI charge is
13 set forth on HMT-7; is that correct?

14 A. (Simek) Yes, which is a revised page.

15 Q. Which has been revised. Thank you. And if
16 I'm not mistaken, that's Bates 52; is that
17 true?

18 A. (Simek) Correct.

19 Q. Now, the RGGI rate that appears I guess two
20 thirds of the way down Bates 52, could you
21 indicate how that number is developed? And
22 if it's on this sheet here, if you could
23 point that out to me, that would be helpful.

24 A. (Simek) Which number is that?

1 Q. It's the actual rate \$.00206. There's no
2 line number, but the number that appears
3 right above the footnotes.

4 A. (Simek) Okay. That page has been revised.

5 Q. Okay. I'm going to find the revised one in
6 just a moment. Hold on.

7 (Pause in proceedings)

8 Q. So, revised is \$.00213.

9 A. (Simek) Correct.

10 Q. So what's the derivation of that number?

11 A. (Simek) The number 495,316 divided by the
12 remaining refund of 2,040,823.

13 Q. And lastly, turning towards the border sales
14 factor, which I understand in the upcoming --
15 in the updated filing has decreased to zero;
16 is that true?

17 A. (Simek) Yes.

18 Q. Is this item done, or will this -- will this
19 refund be -- will it come up again in the
20 future, or is this a one-time thing?

21 A. (Simek) A one-time thing.

22 Q. Okay.

23 (Staff counsel conferring)

24 MR. DEXTER: I don't have any further

1 questions.

2 CHAIRMAN HONIGBERG: I think we want
3 to immediately draw your and the witness's
4 attention to an issue with the answer that Mr.
5 Simek just gave you about how the rate was
6 derived on Bates 52 Revised.

7 I believe, Mr. Simek, you
8 testified that that rate of .00213 was
9 calculated by dividing one of the numbers
10 above it by the other, and that math does not
11 work.

12 WITNESS SIMEK: Yes, I'm sorry. If
13 you can bear with me for a moment, I think I
14 can back into the correct calculation.

15 CHAIRMAN HONIGBERG: Go ahead.

16 Just on the record, Mr.
17 Dexter, in case you wanted to follow up, we
18 just wanted to make sure that the information
19 out there was correct, because you may have
20 had more questions depending on what the real
21 answer is.

22 MR. DEXTER: I appreciate that.

23 WITNESS SIMEK: Okay. I'm sorry.

24 The correct calculation on Bates Page 052

1 Revised was to take the remaining refund of
2 2,040,823 and divide it by the projected
3 kilowatt hour sales, which you can see on Bates
4 Page 51 is 957,563,085 kilowatt hours.

5 MR. DEXTER: May I ask a follow-up?

6 CHAIRMAN HONIGBERG: You may. That's
7 why we did this.

8 MR. DEXTER: Thank you.

9 BY MR. DEXTER:

10 Q. What's the time period for the kilowatt hour
11 forecast?

12 A. May 2016 through April 2017.

13 MR. DEXTER: Thank you. That's all I
14 have.

15 CHAIRMAN HONIGBERG: Commissioner
16 Scott.

17 CMSR. SCOTT: Thank you.

18 INTERROGATORIES BY COMMISSIONER SCOTT:

19 Q. Good afternoon.

20 A. (Panel) Good afternoon.

21 Q. Again, whoever feels best qualified to answer
22 this, please do so. So, we already talked
23 about -- I'm interested in any differences in
24 methodology from this filing to past filings.

1 And I think we already discussed the
2 reconciliation has some extra months. I
3 think four months was discussed. It was
4 already discussed that the look-back went
5 back two years, the same month, if I
6 understood correctly, to mitigate weather
7 impacts. Certainly this last winter was very
8 warm. Are there other -- assuming those are
9 correct -- is that correct what I just said?

10 A. (Warshaw) Yes.

11 Q. Are there any other methodology differences
12 that we should be aware of compared to last
13 year?

14 A. (Warshaw) No.

15 A. (Simek) None in my exhibits either.

16 Q. Okay. Thank you.

17 I was curious. I know you don't have a
18 crystal ball. But where do you see the cost
19 of transmission that's reflected in rates in
20 the future? Do you see that continuing to go
21 up?

22 A. (Warshaw) All things being equal, yes.

23 Q. And why is that?

24 A. (Warshaw) There's been a significant program

1 by the transmission-owning participants in
2 New England to reinforce and upgrade the
3 transmission system to minimize any problems
4 with actually being able to move power from
5 one location to another and to be able to
6 serve all locations in New England without
7 having to have any significant congestion
8 costs or other costs that would be specific
9 to a very localized area.

10 Q. And again, I'm going to make you do public
11 math I think here. Can you give me a
12 ballpark of an average ratepayer, what
13 percentage of their bill is transmission?

14 A. (Simek) If we look at Bates Page 054
15 Revised --

16 Q. I'm there.

17 A. (Simek) -- we can see on this page that the
18 proposed bill would be \$8.71 for
19 transmission, based on a total bill of
20 \$110.98. So, I guess 6 percent or so.

21 Q. Thank you for that.

22 A. (Simek) You're welcome.

23 Q. Loaded question, but I'll ask it anyways.

24 So we started the filing with, I didn't

1 count the pages, 13, 18 pages of changes. We
2 talked about errors a fair amount today. Is
3 there something we should be doing
4 differently with the filings to mitigate
5 that? Is there a time issue or -- how can we
6 improve in the future?

7 A. (Simek) The revised pages came about with me
8 reviewing the filing from the beginning in
9 order to be prepared for this hearing and to
10 adopt the testimony. We have communicated
11 the changes that need to be implemented for
12 the future so that these types of things will
13 not occur again, mainly with double-checking
14 of each other's work and all that on our
15 team. So I don't believe that anything needs
16 to be changed, nor do we need more time than
17 what we're in now. The only part that needed
18 to change, which we have already implemented,
19 was just an internal process of
20 double-checking work before we submit it to
21 the Commission for a filing.

22 Q. Thank you for that. And don't misunderstand
23 my question to mean that I don't want the
24 best, accurate data that you have when you

1 have it. So, thank you. That's all I have.

2 CHAIRMAN HONIGBERG: Commissioner
3 Bailey.

4 INTERROGATORIES BY COMMISSIONER BAILEY:

5 Q. So, in the original filing, the testimony was
6 that the Company had over-collected by
7 \$8 million.

8 A. (Simek) Correct.

9 Q. And you found another \$2 million that was
10 over-collected.

11 A. (Simek) Correct.

12 Q. And how did you find that?

13 A. (Simek) Again, in preparing for this hearing,
14 I went through all the formulas, all the
15 data. I was -- I had previously -- I work on
16 the gas side, and I'm familiar with a lot of
17 how this works in the regulatory arena to
18 begin with. And I used to be on the electric
19 side previously, so I was familiar with a lot
20 of the terms and how the data is supposed to
21 flow. And I just went through everything
22 line by line, and basically there was a
23 formula error that caused the \$2 million --

24 Q. Which formula was it in?

1 A. (Simek) It was in the transmission
2 adjustment. The portion that had to include
3 where we had 16 million in expenses and only
4 12 million -- I'm sorry -- 16 million worth
5 -- 16 months' worth of expense to be
6 collected over only 12 months, when it should
7 have been 12 months of expense to be included
8 over the 12 months. That four months of
9 additional expense did not incorporate all
10 the expense. That's where the additional
11 2 million came from.

12 Q. Okay. Mr. Dexter pointed out that when you
13 over-collect by class and you refund -- and
14 the refund is not class-specific, who
15 benefits from that? Which class?

16 A. (Simek) I believe residential would benefit
17 by that class -- by that structure because
18 the majority of the load would be under the
19 large commercial and industrial. But we're
20 giving the over or under, by the way -- so I
21 don't know if there's really a benefit. Just
22 in this case it was an over-collection. So I
23 believe that by flowing it that way,
24 residential customers would get an inflated

1 benefit of the over-collection.

2 Q. But commercial and industrial customers pay a
3 lower rate to begin with.

4 A. (Simek) Correct. But they aren't paying a
5 lower rate of the transmission portion
6 because those charges are getting allocated
7 based on their use.

8 Q. Okay. So the charge is the same for every
9 customer class?

10 A. (Simek) Correct. I'm sorry.

11 Q. The transmission charges --

12 A. (Simek) The over or under balance is the same
13 for every class. The actual transmission
14 charge is allocated based off of the
15 projected use.

16 Q. So the transmission rate for a commercial and
17 industrial customer is lower than the
18 transmission rate for a residential customer.

19 A. (Simek) I believe so, yes.

20 Q. Okay. Now, don't you have a cost of energy
21 filing coming up in the electric world?

22 A. (Warshaw) We do have a default service
23 filing. The current schedule is to issue the
24 RFP beginning of May, with bids coming in

1 early June, for an effective new rate for six
2 months beginning August 1st.

3 Q. So why don't you do the reconciliation in
4 that filing? Why did you make a separate
5 filing for this?

6 A. (Simek) That filing that you're discussing
7 has to do with November 1 rates; right?

8 A. (Warshaw) We don't have November 1 anymore.
9 We now have August 1st and February 1st
10 because we shifted our periods.

11 Q. (Simek) Obviously we can take this under
12 consideration to recommend doing a switch. I
13 know that part of the reason we switched to
14 begin with, going from January through
15 December, was at the request of the
16 Commissioners to not have the increase impact
17 in the winter because it's almost always an
18 increase based on transmission costs going
19 up.

20 A. (Warshaw) I'm sorry.

21 Q. Go ahead.

22 A. (Warshaw) Back when this all was going on, I
23 think it was December of 2014, we were
24 looking at a -- we had seen a substantial

1 increase in the default service rates that
2 the customers experienced. And the
3 Commission had decided to not put the
4 additional increase on the customers just
5 yet, but to push it off until May.

6 Q. Okay. What I'm thinking about is you have
7 the period from January through April that's
8 projected. And if you filed this later as a
9 reconciliation to your default service rate,
10 then that all would be known. Or does
11 that --

12 A. (Simek) We would still have -- if we stuck
13 with the same methodology, there would still
14 be some months of unknown that would be
15 projected, because this is May 1st rates
16 effective, filed in March. So, March and
17 April are unknown. If we did the same thing
18 for the default service, March and April
19 would be known, but from the time period of
20 when we file it to when they would be
21 effective in the next rate, there would still
22 be two months of unknown, if I understood
23 your question correctly.

24 Q. I guess I would ask you to work with Staff

1 and see if there's a better way to do this so
2 that -- and if there isn't a better way to do
3 it because, if you did it later, then the
4 increase would go in effect during the winter
5 months, then that would be the answer. But I
6 think it's worth thinking about to see if
7 there's a better way that you can do it and
8 maybe make a reconciliation filing with your
9 default service rates. Thank you. That's
10 all I have.

11 INTERROGATORIES BY CHAIRMAN HONIGBERG:

12 Q. I'm going to pick up there because -- Mr.
13 Warshaw and Mr. Simek, is your memory the
14 same as mine, that your reconciliations used
15 to coincide with the default rate change?
16 Correct? The January 1 effect used to be --
17 well, actually, it didn't, did it?

18 A. (Simek) No, it did not.

19 A. (Warsaw) It never did.

20 Q. But one of the reasons this was moved to the
21 spring for this one, as you said a minute
22 ago, had to do with the increase that the
23 Commission didn't want to put on at the same
24 time, as the winter rates were extremely

1 high; correct?

2 A. (Warshaw) Yes.

3 Q. And the rates generally are expected to go
4 down in the summer. So what would be an
5 increase was going to get put on at the same
6 time that other parts of the rate were
7 decreasing; correct?

8 A. (Warshaw) Yes.

9 Q. And so I think, as you think about it going
10 forward, it does make sense to see where
11 within the year this change or this
12 adjustment should be placed so that it is as
13 painless as possible for ratepayers. I think
14 that's where Commissioner Bailey was going.
15 Are we all agreed on that, at least
16 theoretically?

17 A. (Simek) Yes.

18 Q. I have a question for Mr. Warshaw regarding
19 the use of the greater number over two years
20 and your stated reason being that you were
21 trying to avoid extremes by doing it that
22 way. Is that -- did I understand you to say
23 that?

24 A. (Warshaw) Yes. Approximately, yes.

1 Q. I have to question the way of implementing a
2 change to accomplish that goal, because it
3 seems to me -- and correct me if I'm wrong --
4 that by doing it your way, you actually adopt
5 every high extreme by taking the greater
6 number of those two years, and that if you
7 were looking to avoid extremes, you would
8 start taking averages, rolling averages,
9 weighted averages, in some way to play out to
10 remove from your calculations extreme
11 situations. Am I missing something?

12 A. (Warshaw) No, that's also a reasonable way of
13 approaching it.

14 Q. It just seems like Mr. Dexter was going there
15 as well, that the way you did it, you ended
16 up with always taking the highest number if
17 you did, in fact, what you intended to do.
18 And I understand that that didn't happen yet.
19 But the record requests will fulfill that.

20 So, I think going forward, if that's the
21 overarching philosophy, you want to think
22 about how to do that, I think using averages,
23 rolling averages or weighted averages, to
24 make sure that you come up with that. Is

1 that something you'll take a look at?

2 A. (Warsaw) Oh, definitely.

3 Q. All right. I don't have any other questions.

4 CHAIRMAN HONIGBERG: Mr. Sheehan, do
5 you have any further questions for your
6 witnesses?

7 MR. SHEEHAN: I do. Thank you.

8 REDIRECT EXAMINATION

9 BY MR. SHEEHAN:

10 Q. First, Mr. Simek, all of the charges that are
11 involved in this filing are pass-through
12 charges; is that correct?

13 A. (Simek) Yes.

14 Q. They are bills that Liberty pays and receives
15 from the customers with no profit, if you
16 will, on behalf of the Company; is that
17 correct?

18 A. (Simek) Yes.

19 Q. And all of these charges, of course, are
20 subject to reconciliation, which is what
21 we're doing today.

22 A. (Simek) Correct.

23 Q. Taking up Commissioner Bailey's question
24 about timing and the Commissioner -- and the

1 Chairman's question, there may be a better
2 time to implement what will invariably be a
3 rate increase or transmission. But all of
4 these filings will have some element of
5 projections in them; is that correct?

6 A. (Simek) Yes.

7 Q. So you can never get -- although you have
8 some actuals looking back, you always have to
9 project into the future how you're going to
10 recover the over- or under-recovery; is that
11 correct?

12 A. (Simek) Yes, it is.

13 Q. And so at some level there's never a
14 hundred-percent known numbers for such a
15 proceeding as this; is that correct?

16 A. (Simek) That's correct.

17 Q. The formula error that you found -- two
18 questions: First is the error that resulted
19 in the large over-collection, and second is
20 the formula error.

21 Focusing on the first, the error that
22 resulted in the over-collection, that is
23 embedded in Scenario 1 that counsel showed
24 you, which is now marked as Exhibit 5; is

1 that correct?

2 A. (Simek) Correct.

3 Q. And that was a document prepared after the
4 hearing last December to figure out a way to
5 make these rates go in effect in May of 2015
6 [sic]?

7 A. (Simek) Correct.

8 Q. And as you testified, that was discussed
9 among Staff, the OCA and the Company to come
10 up with a way to implement what the
11 Commission wanted to happen; is that correct?

12 A. (Simek) Correct. There were several
13 discussions between Commission Staff and
14 members at Liberty to come up with a way that
15 we thought was the best, most accurate,
16 appropriate way to move forward, by moving
17 the begin date to May.

18 Q. And the document that was filed and what's
19 been marked as Exhibit 5 here, and was
20 Exhibit 3 in the prior docket, was filed
21 after the hearing to provide the numbers on
22 which the Commission could issue its order in
23 the prior case.

24 A. (Simek) Correct.

1 Q. All right. Commissioner Scott asked you
2 about any further changes. I think there was
3 one more that you had mentioned, and that was
4 with regard to the over/under beginning
5 balance. You said the Company would be doing
6 that slightly differently going forward; is
7 that correct?

8 A. (Simek) Correct.

9 Q. And that was Bates 50.

10 A. (Simek) Correct.

11 Q. And the other error that resulted in a change
12 in the filing -- let me back up.

13 The amended filing that the Company made
14 flowed from the other error that you said you
15 discovered in reviewing this case; is that
16 correct?

17 A. (Simek) Yes.

18 Q. And again, that was a formula error; correct?

19 A. (Simek) Yes.

20 Q. A single formula error.

21 A. (Simek) Correct.

22 Q. And there was a lot of new pages because that
23 formula carried out through many of the
24 numbers in this case.

1 A. (Simek) Correct.

2 Q. And last, Mr. Warshaw, you've been asked to
3 recalculate the average that we just spoke
4 about. And presumably that will result in a
5 different number than is in the filing today;
6 is that correct?

7 A. (Warshaw) Yes.

8 Q. And will that number also have a
9 flow-through, if you will, to many other
10 numbers in this filing?

11 A. (Warshaw) Yes.

12 Q. Thank you.

13 MR. SHEEHAN: That's all I have.
14 Thank you.

15 CHAIRMAN HONIGBERG: All right. If
16 we have nothing else for the witnesses -- I
17 guess before I excuse you, I just want to
18 clarify something that you just said, Mr.
19 Sheehan.

20 We have a record request
21 that's going to be Exhibit 3, which is going
22 to be the revised version of one of the
23 tables. I don't remember which it is. And
24 that, as you say, will have effects

1 throughout the filing. Is it then your
2 intention to update all of the numbers
3 associated with the filing, depending on how
4 the exhibit changes things?

5 MR. SHEEHAN: I was going to address
6 that in closing. But that was going to be my
7 suggestion, subject to input, that we take the
8 amended filing you have in front of you now,
9 except all those changes, and then have a
10 second amended filing that will show whatever
11 changes flows from Mr. Warshaw's change.

12 CHAIRMAN HONIGBERG: So is that -- do
13 we want to make that all Exhibit 3, or is
14 Exhibit 3 going to be limited to a very
15 specific change, and then there will be maybe
16 another exhibit that will be the revised other
17 documents?

18 MR. SHEEHAN: I'm open. Probably the
19 cleanest way is to file a revised Exhibit 3, if
20 that's -- no, it's not Exhibit 3 -- whatever
21 Mr. Warshaw's schedule is, identify that as a
22 single document -- right, it's reserved as
23 Exhibit 3. I'm sorry. So you'll have a single
24 paper that will show that change, and then

1 submit as whatever we're up to now, Exhibit 6,
2 a filing with -- a new filing showing how the
3 changes flow through the rest of the schedules.

4 CHAIRMAN HONIGBERG: All right. Mr.
5 Warshaw, you understand, and Mr. Simek, you
6 understand what's going to be happening with
7 the record request that is Exhibit 3 and
8 Exhibit 6?

9 A. (Simek) I do.

10 A. (Warshaw) I do.

11 CHAIRMAN HONIGBERG: And Mr. Dexter
12 and Mr. Cicale, do you have any problems with
13 what Mr. Sheehan just outlined?

14 MR. CICALÉ: Not at all.

15 MR. DEXTER: I don't, but I -- sorry.
16 I don't, but I would want to point out that
17 JDW-2, which is the one that had the load
18 figures, is a two-page schedule. And the load
19 figures that were shown to be incorrect for
20 three months appear on both pages. So both
21 pages would have to be updated. I don't know
22 if that was clear earlier. I just wanted to
23 point that out.

24 CHAIRMAN HONIGBERG: Understood. One

1 was the source document, and then the other was
2 carrying those numbers forward. Right.

3 MR. DEXTER: No, that's actually not
4 it. The source document I don't believe needs
5 to be updated. That was Bates Page 24. And I
6 think the witness testified that those were the
7 correct numbers. But they were carried forward
8 to both pages of JDW-2, one having to do with
9 ISO Section 2 charges and the other having to
10 do with ISO administrative charges.

11 CHAIRMAN HONIGBERG: Understood. I
12 think that's right.

13 Mr. Warshaw, that's correct;
14 is it not?

15 WITNESS WARSHAW: Yes, but I would
16 also have to update JDW-1 because that is the
17 summary of the results of what comes out of
18 JDW-2.

19 CHAIRMAN HONIGBERG: Okay. So there
20 will be a record request for Exhibit 3. That's
21 going to be one small document, small-ish
22 document, and then a revised filing that
23 carries through all of the changes, and that
24 will be Exhibit 6; is that correct?

1 MR. SHEEHAN: That's correct.

2 (Exhibit 6 marked for identification.)

3 CHAIRMAN HONIGBERG: All right.

4 MR. SHEEHAN: And one last question.

5 Would the Commission prefer that we also update
6 all the testimony or just file revised
7 schedules? Probably be cleaner to have updated
8 testimony so there's a single place --

9 CHAIRMAN HONIGBERG: I think that's
10 right.

11 MR. SHEEHAN: Okay. We'll do that.

12 CHAIRMAN HONIGBERG: All right. Now
13 we'll excuse the witnesses. But you can stay
14 where you are 'cause we won't be long as we let
15 the parties sum up.

16 Mr. Cicale.

17 CLOSING STATEMENTS

18 MR. CICALE: The Office of Consumer
19 Advocate stands in support of the adjustment.
20 The Office believes it is in the public
21 interest. The Company has shown an
22 over-recovery in excess of \$10 million. The
23 Office of Consumer Advocate has been very
24 active in FERC Docket EL 16-019, participating

1 as a settlement party. That FERC docket is
2 probably a long way off from settlement.
3 Parties are still working on a protocol for the
4 regional network service, local network
5 service, and the actual formula rate is Phase 2
6 of that FERC docket. And so that formula rate
7 may not be agreed to by the settling parties
8 until the conclusion of the summer. Whatever
9 deduction on the formula rate that may be
10 achieved through that docket will result in
11 more -- it would result in more refunds to
12 residential customers, and thus, the Company
13 would incur another over-recovery based on
14 these rates. So the Office is very optimistic
15 in regards to the transmission charges, and
16 residential customers are looking at a
17 deduction of \$12 on their bills for this
18 upcoming billing period based on this.

19 So, once, again, the Office
20 stands in support and thanks the Company for
21 correcting their calculations and is
22 interested to see how these new calculations
23 affect the filing.

24 CHAIRMAN HONIGBERG: Mr. Dexter.

1 MR. DEXTER: Thank you, Mr. Chairman.
2 Ultimately, Staff supports the approval of the
3 rates as filed as just and reasonable with the
4 corrections that are going to be coming forth
5 in Exhibit 6.

6 CHAIRMAN HONIGBERG: Mr. Sheehan.

7 MR. SHEEHAN: Thank you. The Company
8 will file the documents that we just discussed
9 to fix the one item left for discussion, and we
10 will file those tomorrow or the next day.
11 Otherwise, the Commission's filing was largely
12 done as has been done in the past. The
13 calculations have been done as in the past and
14 approved in the past. And we believe the
15 testimony as revised provides sufficient
16 support for the Commission to order new rates
17 as of May 1 to reflect these pass-through
18 charges going forward for the next 12 months.
19 Thank you.

20 CHAIRMAN HONIGBERG: All right.
21 Thank you all.

22 Oh, I forgot to strike I.D.,
23 didn't I. Strike I.D. on Exhibits 1, 2, 4
24 and 5, and 3 and 6 will come in within the

1 next couple days.

2 And with that we will adjourn.

3 Thank you all.

4 (Proceedings concluded at 3:10 p.m.)

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**ANNUAL RETAIL RATE ADJUSTMENT - April 18, 2016
DE 16-346 LIBERTIES UTILITIES (GSEC), D/B/A LIBERTY UTILITIES**

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