



Before the

PUBLIC UTILITIES COMMISSION
STATE OF NEW HAMPSHIRE

DG 23-067

Direct Testimony of
Faisal Deen Arif

October 20, 2023

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INTRODUCTION

Q1: Please state your name, occupation, and business address.

A1.1: My name is Faisal Deen Arif. I am employed by the New Hampshire Department of Energy as the Director of Gas in its Regulatory Support Division. My business address is 21 South Fruit Street, Suite 10, Concord, New Hampshire, 03301.

Q2: Please summarize your educational and professional experience.

A2: I am an economist by training. I have a Ph.D. in Economics with specialization in Regulatory Economics. I also have over 7.5 years of relevant professional experience in the field. For additional information, please see Attachment 1 (CV – Deen Arif)

Q3: What is the purpose of your testimony in this proceeding?

A3: My testimony is intended to:

- provide observations and recommendations on Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty (Liberty, Liberty Gas, or the Company) revised , agreed to, temporary rate increase of \$8,706,258 (hereafter referred to as \$8.7 million) in this current Docket No. [DG 23-067](#).

SUMMARY

Q4: Please state the issues you intend to explore in your testimony.

A4: In our testimony, we plan to provide the following:

- A summary of relevant features of the temporary rate increase amount of \$8.7 million in Liberty-Gas's current rate case; and
- DOE recommendation.

Q5: What is DOE's opinion on the proposed temporary rate amount?

A5: Based on the materials reviewed and the discussions held with the Company and the Office of the Consumer Advocate, the Department supports approval of an agreed upon temporary rate increase amount (of \$8.7 million). This amount was arrived at by making four changes to Liberty's original temporary rate request in this case of \$15,287,114, summarized as follows:

- Correction made to an error in original temporary rate filing in the accumulated depreciation calculation by the Company;
- Incorporation of the weighted average cost of capital (WACC) rate (of 6.96%) approved in Liberty's most recent rate case (DG 20-105) into the temporary rate amount calculation;
- Inclusion of approximately \$1.3 million in test year revenues from Gas Assistance Program (GAP); and

- 1 ▪ The removal of one-half of the plant investment associated with Liberty-Gas's recently
- 2 implemented Customer First/SAP software program.

3 Further details are provided on these issues in the Analysis section.

4

5 **Q6: Please summarize your recommendations on the identified issues.**

6 A6: In light of the discussions held and the agreement reached among the parties, the Department

7 supports the recommendation of the proposed temporary rate increase amount of \$8,706,258. The

8 Department understands that the difference between the temporary rates and the permanent rates

9 approved by the Commission at the end of this rate case proceeding will be subject to recoupment, as

10 provided for in RSA 378:29.

11

12 **ANALYSIS**

13 **Q7: Please identify the relevant facts related to the proposed temporary rate amount of \$8.7 million.**

14 A7: Having reviewed the materials related to the temporary rate relief request from Liberty Gas's

15 original submission in this docket DG 23-067, and having held discussions with the Company, the

16 Department notes the following concerning the derivation of the agreed upon proposed temporary

17 amount of \$8.7 million:

18 **a) Accumulated Depreciation Calculation:**

- 19 - During the discussion in one of the technical sessions, Liberty-Gas disclosed an error in the
- 20 calculation of accumulated depreciation in the original temporary rate calculation. The

1 accumulated depreciation amount included in the Company's original temporary rate
2 request was understated by approximately \$30.4 million.

- 3 - This error had a direct impact on the Company's originally calculated Rate Base of \$527.7
4 million, which went down to \$497.3 million¹ as a direct consequence.

5
6 **b) Application of Last Approved WACC:**

- 7 - In its original submission, Liberty-Gas used a Weighted Average Cost of Capital (WACC) of
8 7.10%. The WACC rate approved in DG 20-105 is 6.96%. In the revised Temporary Rate
9 model, this most recently approved WACC of 6.96% was incorporated.
- 10 - This adjustment had a direct impact on the Company's calculation of the Operating Income
11 Requirement amount of \$33.5 million as presented in the revised Temporary Rate model.

12
13 **c) Gas Assistance Program (GAP) Revenue:**

- 14 - Liberty-Gas's original temporary rate calculation did not include Gas Assistance Program
15 (GAP) revenues, related to the recovery of the discount it applies to rates for low-income
16 residential customers (R-4 rate class). Liberty collects this revenue via the Local Delivery
17 Adjustment Charges (LDAC). The parties agreed to include this revenue in the revised
18 calculation in the Temporary Rate model.
- 19 - This GAP revenue is calculated to be approximately \$1.3 million..

20
21 **d) Adjustment to the Customer First/SAP Software Program Plant Investment:**

¹ For the purposes of settled temporary rate relief amount calculation, see also the discussion in the sub-section below that explains the agreement on plant investment reduction for Customer First/SAP software program that would further impact the rate base calculation as is presented in the temporary rate model.

- 1 - Through discussions, for the purposes of temporary rate relief calculation, the Company
2 agreed to remove one-half of the plant investment it undertook that is associated with its
3 recently implemented Customer First/SAP software program. This plant amount is
4 approximately \$30.4 million as of the end of 2022. The Department understands that the
5 one-half of that amount has been removed from Liberty Gas's rate base.
- 6 - As such, this further impacted the calculated Rate Base and lowered it from \$497.3 million
7 to \$482.2 million and, consequently, had an impact in the Operating Income Requirement
8 calculation.

10 RECOMMENDATION and CONCLUSION

11 **Q8: What does the Department recommend?**

12 A8: Subject to the Commission's review, the Department recommends the approval of the proposed
13 temporary rate amount of \$8,706,258.

15 **Q9: Does this conclude your testimony?**

16 A9: Yes.

- 1 [Attachment 1](#)
- 2 Curriculum Vitae of Dr. Faisal Deen Arif, Director, Gas Division, New Hampshire Department of Energy.

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SUMMARY

• **Education:** Ph.D. (Economics) with specialization in Industrial Organization (Regulatory Pricing, Behavior of Public Enterprise, Competition Policy and Market Analysis); International Trade

• **Highlights of relevant professional experience across federal departments:** Experience working as an Administrator supervising a team of policy and data analysts of various ranks. Experience working at the Competition Bureau of Canada (equivalent to the Federal Trade Commission's Bureau of Competition) as well as the Federal Department for Innovation, Science and Economic Development (ISED) where, among others, I worked on market price setting regulations & policy design

- Extensive work experience and knowledge of the regulated industry and applicable laws, rules and regulations related rate setting and general engineering, economic and account issues/concepts
- Extensive experience in providing strategic advice and recommendations to senior executives (including Ministers, Deputy Ministers (DMs), Assistant DMs) on complex policy & program issues and technical factors
- Extensive experience in supervising and providing training for professional and technical staff in the study, analysis, research and reporting of regulatory and policy issues
- Significant experience in supervising and leveraging large amount of market and administrative data to perform behavioral analyses of regulated industry, forecasting rates/prices, and to prepare reports and exhibits to aid investigations, analyses, and appearance as expert witness before the Competition Tribunal (equivalent to the Commission)
- Extensive experience in advising counsel during cross-examination; presenting and defending staff position at proceedings before the Competition Tribunal/Commission; preparing briefing products in drafting Commission/Tribunal orders on substantive and administrative matters
- Experience in conferring with other agency administrators on administrative matters and agency policies and procedures
- Extensive experience in representing the Department at public and legislative meetings, public comment sessions, open forum meetings on regulatory policy issues, and technical sessions
- Demonstrated ability and extensive experience in establishing and maintaining continuous contact with external (e.g., other levels of governments, utility representatives, and the public) and internal officials/stakeholders (e.g., other units within and across the Departments/Ministries)

• **Highlight of professional experience in academia:** Extensive academic knowledge of economics and financial principles and practices in the field of public utilities and experience working at the Department of Economics, University of Ottawa as a Part-time Professor of Economics where I taught the following courses

- Engineering Economics – focusing on the accounting, engineering and economic factors involved in rate structure determination
- Microeconomic Theory and Applications – focusing on the structure of markets and economic principles
- Introduction to Microeconomics – emphasizing economic principles and applications

• **Knowledge:**

- Knowledge of the mission, structure and operations of the New Hampshire Department of Energy
- Knowledge of the general jurisdiction and statutory and regulatory framework
- Knowledge and experience leading negotiations on substantive industry issues related to competition and regulatory policy (e.g., advising lawyers for appearance before the Competition Tribunal, participating in expert technical sessions and in settlement conferences with regulated companies)
- Extensive experience in preparing and leading cabinet and executive documents (Memorandum to Federal Cabinet, Federal Budget Proposals, Briefing Notes and Executive Dockets for the Commissioner, Policy Papers, Policy Briefs)

• **Linguistic profile:** Excellent oral and written communication skills in both English and French

• **Personal traits:** Good management and interpersonal skills; great ability to mobilize people to achieve results; able to create vision and strategy by exercising creative analytical thinking; able to do proactive risk management; reliable, flexible, adaptable; strong commitment to learning and upholding integrity and respect; sound judgment and values & ethics

• **Professional recognition:**

- Departmental merit awards: Department of Employment and Social Development (ESDC) Deputy Ministers' Award of Excellence (2019), Treasury Board of Canada Secretariat (TBS) Merit Award (2017); Competition Bureau Commissioner's Merit Award (2009)
- Branch merit award: ESDC Learning Branch Assistant Deputy Minister's Award of Excellence in Policy Design (2019)
- Other award: Divisional special recognition for contribution to Federal Budget on price gap policy initiative, ISED (2014)

• **Professional goal:** to apply my Economics background and professional administrative experience to be able to effectively contribute towards sound stewardship of resources and public utilities regulation and management practices

EDUCATION

- Ph.D., Economics, University of Ottawa, Ottawa, 2012 (duration 5 years)
 - Specialization in Industrial Organization (Regulatory Economics, Competition Policy and Markets)
 - Graduate courses (Ph.D. level), Economics, University of Guelph, 2004 (duration 1 year)
 - M.A., Economics, York University, Toronto, 2003 (duration 1.5 years)
-

EMPLOYMENT OVERVIEW

Director; Gas Division; New Hampshire Department of Energy (NHDOE) **June 2022 – to-date**

- Lead the Gas Division at the NHDOE
- Provide direction to analysts working on matters related to various gas dockets before the Department
- Represent Departmental positions on gas dockets before the NH Public Utilities Commission (NHPUC)
- Coordinate communications and workflows among the Department and the regulated utility companies in New Hampshire
- Represent/coordinate Departmental position on gas matters with other State (e.g., other New England States) and federal regulators (e.g., the Federal Energy Regulatory Commission, FERC)
- Provide input in developing the NH Energy Policy
- Assist Departmental Senior Management (e.g., the Commissioner, Deputy Commissioner, Director of Regulatory Division) in performing regulatory and administrative functions

Manager; Repayment Portfolio; Planning, Integrity and Repayment Division; Canada Student Loans Program; Employment and Social Development Canada (with commensurate responsibilities that of the U.S. Department of Labor and the Department of Health, Education and Welfare)

June 2018 – June 2022

- Led strategic policy agenda and managed the secretarial support activities for the Federal-Provincial-Territorial (FPT) Committee on Repayment and Designation of the Canada Student Loans portfolio
- Led policy design and program delivery components of the Repayment Assistance Plan (RAP)
- Led policy design and modernization initiative for the Educational Institution Designation Policy Framework
- Led the program design, delivery and accountability of the Annual Strategic Incentives Plan (put in place to incentivize the third-party Service Provider responsible for disbursement and collection of Canada Student Loans)

- Led and provided strategic policy and program support to integrated and non-integrated Provinces and Territories in administering governance function on the Service Provider contract
- Led a team of seven individuals including Policy and Data Analysts (EC-02 to EC-06) and Program Officers (PM-03 and PM-04)
- Set employee performance agreements (by creating vision and strategy to mobilize people and promote internal and external collaboration with partners and stakeholders for innovation and guiding change to achieve result), evaluated PAs at the year-end, ensured successful delivery of all work items for the team, hired new employees, and provided stewardship on financial responsibilities

Advisor/Economist, Pensions and Benefits Sector, Treasury Board Secretariat (with equivalent responsibilities that of the U.S. Department of Treasury)
April 2014 to June 2018

- Led the Government side (on behalf of the Treasury Board as the employer of the Federal Public Service) in working group negotiations and discussions with the Bargaining Agents (including PSAC, PIPSC, ACFO)
- Acted as the Lead Expert Advisor (plan & program design) to and an employer-side member of two Joint Committees (between TBS & Professional Institute of Public Service of Canada (PIPSC); and TBS & Public Service Alliance of Canada (PSAC))
- Authored briefing notes, executive decks and fact sheets (e.g. one- and two-pagers) to provide specific policy advice to the Deputy Minister (DM), ADM, Senior Directors, Directors and other members of the senior management team
- Penned policy papers, summary notes and briefing materials for senior officials
- Authored detailed report on regulatory policy gap analysis on employee benefits and services
- Wrote a series of data notes (and performed extensive data analyses) to design and support negotiation strategy
- Attended TBS inter-sectoral senior management team meetings as an expert advisor on policy issues related to employee benefits and human resources policy obligations
- Reviewed multiple Treasury Board Submissions and performed the challenge function from the TBS Policy Centre

Economist/Policy Analyst, Strategic Policy Branch; Innovation, Science and Economic Development Canada (former Industry Canada – Equivalent to U.S. Department of Commerce)
April 2010 to April 2014

- Authored departmental budget proposal on the Government of Canada's Price Gap policy initiative, featured in the Federal Budget 2014
- Held the pen on two Memoranda to the Cabinet (MC) on modernization of the Investment Canada Act (the national security provisions) and the relevant executive decks on the subject
- Participated and represented ISED at multiple interdepartmental meetings

- Authored policy papers, issue notes, research papers, one- & two-page summary notes, stakeholder consultation reports and briefing notes for senior management (including Ministers, Deputy Minister (DM), ADMs, and DGs)
- Provided multiple written strategic advice and analyses to senior management on issues related to: international investment coming into Canada, marketplace competition, intellectual property rights and marketplace framework policy issues
- Prepared regulatory packages for publication in Canada Gazette Part II involving complex, technical issues pertaining to foreign investments coming into Canada, impacts on the markets and on regulatory pricing
- Coordinated Branch inputs for the Departmental Results Reports (DRR)
- Prepared Question Period cards for the Parliamentary Committees (i.e., for members of the House of Commons / Representatives) and coordinated dockets for the Minister
- Authored a number of analytical research papers and supported the implementation of the research projects under the Industry Canada-Canada Intellectual Property Office MOU
- Led the design of and organized the ISED Distinguished Speakers Series

Economist, Economic Policy and Enforcement Branch, Competition Bureau (with commensurate responsibilities that of the U.S. Department of Justice and the Federal Trade Commission)

July 2008-July 2009

- Analyzed regulatory pricing and utility policy, rate structures and design for the purpose of determining appropriate utility rates, rate structures and services, and enforcing market competition
- Prepared analyses of upstream & downstream market conditions and industry trends to make recommendations on appropriate product price structures and/or service changes
- Led negotiations on substantive industry issues in technical sessions and settlement conferences and coordinated internal and external consultations related to complex regulatory and anti-trust cases
- Conducted investigations and performed comprehensive, complicated and detailed research and analysis of past testimonies and exhibits submitted by regulated companies, and other parties, using information from various sources (such as written staff information requests, audits, prior Competition Tribunal orders, relevant publications and reviews of utility reports and tariffs emphasizing compliance with statutes, rules and Tribunal orders)
- Conferred with other executive personnel and administrators to develop policies and strategies to achieve policy and procedural goals and objectives and to meet statutory mandates
- Prepared lectures and presentations for national conferences and association meetings and institutes
- Assisted attorneys drafting proposals on remedial measures on complex regulatory and anti-trust cases to enforce regulations on behalf of the Competition Bureau
- Authored summary/opinion papers (i.e. briefing notes/memos summarizing the economic underpinning) on anti-trust issues related to regulatory pricing, mergers, dominance and abuse of market power, and civil matter cases
- Prepared written recommendations and provided oral briefings (as expert witness) to senior management on regulatory and competition issues (e.g., on market conditions and the state of

- competition, remedial propositions, supply planning and other accounting, financing and planning matters)
- Prepared analytical report on the Generic Drug Market Study, Phase II, jointly coordinated with the Legislative and Parliamentary Affairs Branch at the Competition Bureau
-

LEADERSHIP EXPERIENCE

- Co-Champion, Learning Branch Accessibility Committee
September 2019 – June 2022
 - Co-led the Accessibility Committee along with the DG, Canada Education Savings Program
 - Provided strategic direction on planning, design and delivery of various accessibility-related events throughout the year to raise workplace awareness
 - Co-Chair, Young Professionals' Network (YPN), Strategic Policy Sector, Industry Canada
2013-2014
 - Co-Chaired the Strategic Policy Sector-Young Professionals' Network
 - Coach young professionals and promote learning and career growth opportunities for them
 - Industry Canada Charitable Campaign Canvasser
2011-2012
 - Met with colleagues to raise awareness of the Government of Canada Workplace Charitable Campaign (GCWCC) and encouraged coworkers to donate
 - Created a culture of generosity and charity to support charitable causes.
 - Vice-President (Finances), Graduate Students' Association Étudiants Diplômes, University of Ottawa
2005-2007
 - Managed the uOttawa Graduate Students' Association's annual budget (an envelope of \$400,000 per annum)
 - Led GSAED's financial support programs for the University of Ottawa grad students
 - Led financial administration of GSAÉD
 - Modernized and streamlined the preparation and presentation of financial reports and update, provided to the Governing Council of GSAÉD
-