



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

Docket No. DE 19-064

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities  
Distribution Service Rate Case

**DIRECT TESTIMONY**

**OF**

**PHILIP E. GREENE**

**AND**

**DAVID B. SIMEK**

April 30, 2019

THIS PAGE INTENTIONALLY LEFT BLANK

## TABLE OF CONTENTS

<b>I.</b>	<b>INTRODUCTION AND BACKGROUND .....</b>	<b>1</b>
<b>II.</b>	<b>CONDITIONS AGREED BY GRANITE STATE .....</b>	<b>6</b>
<b>III.</b>	<b>DEVELOPMENT OF THE DISTRIBUTION REVENUE REQUIREMENT .....</b>	<b>8</b>
	A. Rate Base .....	8
	B. Net Operating Income .....	10
	C. Weighted Average Cost of Capital .....	17
<b>IV.</b>	<b>STEP INCREASE.....</b>	<b>17</b>
<b>V.</b>	<b>RATE CASE EXPENSES .....</b>	<b>19</b>
<b>VI.</b>	<b>EFFECTIVE DATE.....</b>	<b>19</b>
<b>VII.</b>	<b>UPDATED SCHEDULES.....</b>	<b>20</b>
<b>VIII.</b>	<b>CONCLUSION .....</b>	<b>20</b>

## ATTACHMENTS

Attachment PEG/DBS-1	Revenue Requirement Schedules
Attachment PEG/DBS-2	Step Increase Revenue Requirement
Attachment PEG/DBS-3	Estimated Rate Case Expenses

1   **I.   INTRODUCTION AND BACKGROUND**

2   **Q.   Please state your names and business addresses.**

3   A.   (PEG) My name is Philip E. Greene. My business address is 15 Buttrick Road,  
4       Londonderry, New Hampshire.

5       (DBS) My name is David B. Simek. My business address is 15 Buttrick Road,  
6       Londonderry, New Hampshire.

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

8   A.   (PEG) I am a Senior Financial Regulatory Analyst for Liberty Utilities Service Corp.  
9       ("Liberty"), which provides service to Liberty Utilities (Granite State Electric) Corp.  
10      d/b/a Liberty Utilities ("Granite State" or "the Company"). My responsibilities include  
11      roles in Financial Planning and Analysis budgeting, financial reporting, capital planning  
12      support, and rate case revenue requirement support.

13      (DBS) I am employed by Liberty as Manager of Rates and Regulatory Affairs. I am  
14      responsible for rates and regulatory affairs for Granite State and EnergyNorth.

15   **Q.   Mr. Greene, please describe your educational background and your business and**  
16       **professional experience.**

17   A.   I graduated from the University of Massachusetts, Dartmouth, in 2001 with a Bachelor of  
18       Science in Accounting. I joined Liberty Utilities as a Senior Financial Regulatory  
19       Analyst in November 2017. Prior to my employment at Liberty Utilities I was employed  
20       by American Tower Corporation as a Program Manager in Strategic Real Estate from  
21       2016 to 2017, with a primary role of developing programs around tenant terminations and

1 asset divestitures. Prior to my position in Strategic Real Estate I was a Project Manager  
2 in Mergers & Acquisitions for American Tower from 2008 to 2016. My job  
3 responsibilities included financial and non-financial evaluation of opportunities to  
4 acquire tower and other revenue generating assets and project managing pre-acquisition  
5 diligence, closing, and integration activities. Prior to 2008 I held positions as Site  
6 Financial Supervisor and Site Financial Analyst in Land Management, also with  
7 American Tower Corporation. Before joining American Tower Corporation I held  
8 positions as Senior Staff Accountant and Staff Accountant with the Accounting Firm  
9 Bonanno, Savino & Davies, P.C. located in Needham, Massachusetts, from 2001 to 2004.

10 **Q. Mr. Simek, please describe your educational background and your business and**  
11 **professional experience.**

12 A. I graduated from Ferris State University in 1993 with a Bachelor of Science in Finance. I  
13 received a Master's of Science in Finance from Walsh College in 2000. I also received a  
14 Master's of Business Administration from Walsh College in 2001. In 2006, I earned a  
15 Graduate Certificate in Power Systems Management from Worcester Polytechnic  
16 Institute. In August of 2013, I joined Liberty as a Utility Analyst and I was promoted to a  
17 Regulatory Lead Utility Analyst in December 2014. Prior to my employment at Liberty,  
18 I was employed by NSTAR Electric & Gas ("NSTAR") as a Senior Analyst in Energy  
19 Supply from 2008 to 2012. Prior to my position in Energy Supply at NSTAR, I was a  
20 Senior Financial Analyst within the NSTAR Investment Planning group from 2004 to  
21 2008. Schedule RR-1

1   **Q.   Mr. Greene, have you previously testified in regulatory proceedings before the New**  
2       **Hampshire Public Utilities Commission (the “Commission”)?**

3   A.   No, I have not.

4   **Q.   Mr Simek, have you previously testified before the Commission?**

5   A.   Yes. I have testified before the Commission on numerous occasions.

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

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

11   **Q.   Are you sponsoring any schedules as part of your filing?**

12   A.   Yes, we are sponsoring Attachment PEG/DBS-1, which includes the schedules listed  
13      below, in accordance with Puc 1604.07 and 1604.08.

Schedule RR-1	Computation of Revenue Deficiency and Revenue Requirement
Schedule RR-2	Operating Income Statement
Schedule RR-2-1	Rate Base and Operating Income Statement Detail
Schedule RR-2-2	Flow-Through Items
Schedule RR-3	Summary of Adjustments
Schedule RR-4	Balance Sheets
Schedule RR-5	Rate Base
Schedule RR-5-1	Rate Base Quarterly Balances

Schedule RR-5-2	Materials & Supplies
Schedule RR-5-3	Cash Working Capital
Schedule RR-5-4	Rate Base Adjustments – Capital Additions
Schedule RR-5-5	Rate Base Adjustments – Plant-Related ADIT
Schedule RR-5-6	ADIT on Acquisition Date Assets
Schedule RR-6	Weighted Average Cost of Capital
Schedule RR-6-1	Historic Capital Structure and Capitalized Ratios

1 In addition, Attachment PEG/DBS-2 (Schedule Step) presents the requested step increase  
2 and the estimated rate case expenses are presented in Attachment PEG/DBS-3 (Schedule  
3 RC).

4 **Q. Has Granite State filed other material as required by Puc 1604.01?**

5 A. Yes. The material required by Puc 1604.01 is included with this filing in a separate  
6 volume.

7 **Q. Please summarize the rate relief Granite State is seeking in this proceeding.**

8 A. The Company is seeking to recover an annual revenue deficiency of \$5,683,102 based on  
9 a rate base of \$106,180,186, which represents a 5.58% increase in total operating  
10 revenue. Attachment PEG/DBS-1, Schedules RR-1 and RR-2, provide a summary of the  
11 different components of the Company's cost of service and revenue requirements.

12 In addition to the annual revenue deficiency, the Company also seeks approval for a step  
13 increase to recover an annual revenue deficiency of \$2,293,431 as calculated on  
14 Attachment PEG/DBS-2 (Schedule Step). The step increase reflects additional revenue



1 requirements based on anticipated incremental non-growth related plant in service of  
2 \$14,967,736 for the twelve-month period ending December 31, 2018. The step increase  
3 will become effective upon implementation of permanent rates in this proceeding,  
4 anticipated to occur in the first or second quarter of 2020.

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

7 A. As shown in Attachment PEG/DBS-1, Schedule RR-2, the Company's earned return on  
8 rate base for the Test Year was 6.11%. When known and measurable changes are  
9 reflected in the income statement, this return changes to 4.29%. Both those returns are  
10 significantly below the Company's requested weighted average cost of capital of 8.19%.  
11 The primary driver of the Company's rate of return and resulting need for an increase in  
12 base distribution rates is the amount of capital the Company has invested since the end of  
13 the test year in the Company's last rate case. As discussed in the joint testimony of Joel  
14 Rivera, Anthony Strabone, and Heather Tebbetts, the Company has invested \$36 million  
15 in its system since December 31, 2016, but has only been allowed to begin recovery of a  
16 small portion of that investment.

17 **Q. What approach did you use to determine the revenue requirement and revenue**  
18 **deficiency?**

19 A. The Company's revenue requirement and revenue deficiency were calculated based on  
20 the Company's financial results for the calendar year ended December 31, 2018 (i.e., the  
21 "Test Year"), then removing flow-through items (i.e. Purchased Power and Transmission

1 Wheeling revenue and expenses), adjusted for known and measurable changes Test Year.  
2 The resulting Test Year pro forma net operating income reflects normalized revenues at  
3 current rates, expenses and net operating income for ratemaking purposes, as presented in  
4 Schedule RR-2-1 and summarized on Schedule RR-2.

5 Pro forma net operating income was then compared to the Company's operating income  
6 requirement, which is the net operating income required to achieve a return of 8.19% on  
7 the Company's Test Year rate base. The difference between pro forma net operating  
8 income and the required net operating income is equal to the after-tax net operating  
9 income deficiency. The net operating income deficiency was then grossed-up for Federal  
10 and New Hampshire state income taxes to determine the revenue deficiency, as shown on  
11 Attachment PEG/DBS-1, Schedule RR-1.

12 **II. CONDITIONS AGREED BY GRANITE STATE**

13 **Q. Please describe the Company's ADIT liability commitment referenced in Order No.**  
14 **25,370 in Docket DG 11-040.**

15 A. In Order No. 25,370, the Commission approved the acquisition of the Company by  
16 Liberty Utilities. The Commission's order includes the following:

17 Liberty also commits to holding customers harmless for the  
18 elimination of the historical accumulated deferred income  
19 tax (ADIT) liabilities resulting from its election under 338(h)  
20 (10) of the Internal Revenue Service Code in accounting for  
21 its acquisition of Granite State common stock in this  
22 transaction. Further ratepayer protection is achieved by  
23 maintaining Proforma accounting for regulatory purposes to  
24 continue to provide ratepayers with the ratemaking benefit  
25 of Granite State's pre-acquisition ADIT balances until such

1 time as actual ADIT balances related to historical utility  
2 plant assets acquired equals or exceeds the levels that the  
3 Proforma ADIT would have been, absent the proposed  
4 transaction. The ADIT balances related to capital additions  
5 after the closing date are not affected by the section 338(h)  
6 (10) election and the treatment of these balances will not  
7 change for accounting and ratemaking purposes.

8 Order No. 25,370 at 31.

9 **Q. Did the Company take the 338(h) (10) election for tax purposes?**

10 A. Yes, the Company did take the 338(h) (10) election for tax purposes.

11 **Q. Did the Company hold customers harmless in the rate cases following the**  
12 **acquisition, Docket Nos. DE 13-063 and DE 16-383?**

13 A. Yes. In each of those cases, the Company held customers harmless by reducing rate base  
14 by approximately \$21,000,000, which represented what the then-current ADIT balance  
15 related to acquisition date assets (i.e., assets subject to the adjustment required by Order  
16 No. 25,370) would have been, absent the 338(h) (10) tax election.

17 **Q. How is the Company holding customers harmless, as required by Order No. 25,370,**  
18 **in the present case?**

19 A. The Company is including as a reduction to rate base the ADIT for the plant assets that  
20 existed at the time of acquisition as a reduction to rate base consistent with the schedule  
21 of balances agreed to as part of the Settlement Agreement in Docket No. DE 16-383. The  
22 agreed-upon ADIT amount for 2018 is \$21,000,000, which serves as a ratemaking  
23 adjustment to rate base. This amount is shown on Schedule RR-5-6, line 4 (as per the DE

1 16-383 Settlement Agreement, Attachment 7), and the ratemaking adjustment to rate base  
2 is reflected on Schedule RR-5-5, line 1.

3 **Q. Has the Company included any other adjustments related to DG 11-040?**

4 A. Yes. Consistent with commitments with respect to transition costs related to the  
5 acquisition, the Company has included adjustments for ratemaking purpose only related  
6 to the cost of certain transition-related assets. Those adjustments appear on Schedules  
7 RR-3-08 and RR-5-4.

8 **III. DEVELOPMENT OF THE DISTRIBUTION REVENUE REQUIREMENT**

9 **A. Rate Base**

10 **Q. What are the components of the Company's rate base in this case?**

11 A. The Company's rate base is comprised of: (1) utility plant in service as of December 31,  
12 2018, including the amount in Federal Energy Regulatory Commission ("FERC")  
13 account 106, Completed Construction not Classified, net of accumulated depreciation; (2)  
14 the five-quarter average balance in materials and supplies; (3) a deduction for the five-  
15 quarter average balance of customer deposits; (4) cash working capital; and (5) a  
16 deduction for accumulated deferred income taxes. The rate base is measured as of  
17 December 31, 2018, to be in alignment with the calculation of revenues and return on rate  
18 base. The rate base components are summarized in Schedule RR-5. As shown in those  
19 schedules, the rate base was calculated to be \$106,180,186.

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

2 A. Schedule RR-5-1 presents the five-quarter average for Materials and Supplies and  
3 Customer Deposits.

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

5 A. Schedule RR-5-2 provides the five-quarter average in Materials and Supplies for the  
6 years 2016 through 2018 for comparison purposes.

7 **Q. What information is provided in Schedule RR-5-3?**

8 A. Schedule RR-5-3 provides the calculation of cash working capital. In that schedule, we  
9 applied the cash working capital required days of 25.53 days (see the separate testimony  
10 of Philip E. Greene) to adjusted operations and maintenance expenses. The resulting  
11 cash working capital requirement was \$2,507,796.

12 **Q. What information is provided in Schedule RR-5-4?**

13 A. Schedule RR-5-4 adjusts the rate base for commitments made in DG 11-040, the net book  
14 value of certain transition-related capital items were removed from rate base for  
15 ratemaking purposes only.

16 **Q. What information is provided in Schedule RR-5-5?**

17 A. Schedule RR-5-5 develops the ADIT adjustment as of December 31, 2018. The ADIT  
18 applicable to acquisition date assets is \$21,000,000, as discussed above. The schedule of  
19 annual ADIT amounts for the acquisition date assets as agreed in Docket No. DE 16-383  
20 is presented in Schedule RR-5-6. As calculated on Schedule RR-5-5, the ADIT

1 applicable to post-acquisition assets, based on the Company's books and records, is \$14.5  
2 million. The total ADIT is \$35.5 million.

3 **B. Net Operating Income**

4 **Q. Please summarize the results of Granite State's distribution revenue requirement,**  
5 **as presented in Schedule RR-1.**

6 A. Schedule RR-1 provides the requested distribution revenue increase and distribution  
7 revenue requirement. As shown in that schedule, the revenue deficiency is \$5,683,102  
8 based on an overall rate of return on a rate base of 8.19%. Schedules RR-2 through RR-5  
9 provide the support for the items presented on Schedule RR-1, including pro forma Test  
10 Year net operating income and rate base.

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

12 A. Schedule RR-2 provides details of the revenues and expenses of Granite State, including:  
13 (1) Test Year amounts; (2) amounts that are excluded from the base distribution revenue  
14 requirements such as cost of purchased power and transmission wheeling revenue and  
15 expenses; (3) known and measurable adjustments; and (4) the proposed revenue increase,  
16 including income tax effects. Schedule RR-2-1 provides a more detailed accounting to  
17 support the calculations on Schedule RR-2, as well as plant and rate base item balances,  
18 by FERC account.

19 **Q. What information is provided in Schedule RR-2-2?**

20 A. Schedule RR-2-2 presents the detail supporting the "Flow-Through Items" on Schedule  
21 RR-2-1. These items reflect the offsetting and elimination of purchased power revenue

1 and costs, offsetting and elimination of transmission wheeling revenue and costs, and  
2 elimination of the differences between purchase power revenue and costs and elimination  
3 of non-recurring revenue items.

4 **Q. What information is provided in Schedule RR-3?**

5 A. Schedule RR-3 presents a summary of the pro forma adjustments included in the  
6 distribution revenue requirement. Each adjustment is discussed below.

7 **Q. What known and measurable adjustment were made to Granite State Test Year**  
8 **revenues and expenses to arrive at pro forma Test Year net operating income?**

9 A. The following is a list of the adjustments for “known and measurable” changes in  
10 revenue and expenses for Granite State, along with the schedules in which details are  
11 provided:

Schedule RR-3-01	Adjustment 01 – Payroll Expense
Schedule RR-3-02	Adjustment 02 – Payroll Taxes
Schedule RR-3-03	Adjustment 03 – Pension and Benefits
Schedule RR-3-04	Adjustment 04 – Property and Liability Insurance
Schedule RR-3-05	Adjustment 05 – Adjustments Due to Tax Reform
Schedule RR-3-06	Adjustment 06 – Other Known and Measurable Changes
Schedule RR-3-07	Adjustment 07 – Intercompany Rent Expense
Schedule RR-3-08	Adjustment 08 – Depreciation Annualization and Rates
Schedule RR-3-09	Adjustment 09 – Depreciation Reserve Deficiency Amortization
Schedule RR-3-10	Adjustment 10 – Vegetation Management

Schedule RR-3-11 Adjustment 11 – Property Taxes

Schedule RR-3-12 Adjustment 12 – Injuries and Damages

Schedule RR-3-13 Adjustment 13 – Other Revenue

Schedule RR-3-14 Adjustment 14 – Adjustments to Normalize Distribution Revenue

Schedule RR-3-15 Adjustment 15 – Income Tax Expense – Test Year Actual

1 **Q. What adjustment were made to salary and wage expense in Schedule RR-3-01?**

2 A. Schedule RR-3-01 adjusts the historic Test Year payroll amounts that were charged to  
3 expense for known and measurable changes. The adjustment reflects the annual cost of  
4 the full complement of Granite State employees as of December 31, 2018, including  
5 wage increases and labor cost for vacancies during the Test Year as well as planned new  
6 hires in 2019. Based on those calculations and allocations, the pro forma salary and wage  
7 adjustment was \$947,257.

8 **Q. Please describe the adjustment for payroll tax expense shown in Schedule RR-3-02.**

9 A. Pro forma payroll taxes were determined in Schedule RR-3-02 by calculating the ratio of  
10 payroll taxes to gross payroll for the unadjusted historical Test Year, and then applying  
11 that ratio to pro forma salary and wages expense. That adjustment, therefore, aligned  
12 payroll taxes with payroll, and resulted in a pro forma payroll tax adjustment of  
13 \$148,639.



1 **Q. Please describe the adjustment for pension and benefits expense shown in Schedule**  
2 **RR-3-03.**

3 A. Benefits expense was adjusted to reflect the full complement of employees as of  
4 December 31, 2018, as well as known and measurable changes to benefits expenses  
5 based on Granite State's 2019 budgeted 401k employer cost, pension and salary related  
6 group benefits. The resulting pro forma pension and benefits adjustment is \$294,314.

7 **Q. Please describe the adjustment for property and liability insurance expense shown**  
8 **in Schedule RR-3-04.**

9 A. Schedule RR-3-04 presents the adjustment to property and liability insurance expense.  
10 Property and liability insurance expense reflects the cost of insurance that provides  
11 protection from casualty and other losses, and from other damages that the Company may  
12 incur in conducting its business, less the portion of such costs that are capitalized. The  
13 adjustment reflects known and measurable changes in insurance premiums, allocation of  
14 these premiums to Granite State, and capitalization of appropriate portions.

15 **Q. Please describe the adjustment for tax reform shown in Schedule RR-3-05.**

16 A. Schedule RR-3-05 presents the adjustment to include amortization of excess ADIT as a  
17 result of the Tax Cuts and Jobs Act (TCJA) enacted during the test year. This adjustment  
18 provides the effect of annual amortization of excess ADIT resulting from TCJA and the  
19 resulting return to customers in rates.

1 **Q. Please describe the adjustment for Other Known and Measurable changes in**  
2 **Schedule RR-3-06.**

3 A. Schedule RR-3-06 presents the adjustment for the following items:

- 4 • Maintenance of Overhead Lines: Adjustments to remove costs and adjustments  
5 recognized to expense in 2018 that were related to the prior period.
- 6 • Miscellaneous Distribution Expenses: Adjustment to remove costs recognized to  
7 expense in 2018 that were related to the prior period.
- 8 • Depreciation Expense: Adjustment to remove the amortization of excess  
9 depreciation expense that originated in Docket No. DE 13-063. This amortization  
10 period ends April 14, 2019.

11 **Q. Please describe the adjustment for Intercompany Rent Expense in Schedule RR-3-07.**

12 A. Schedule RR-3-07 presents the adjustment to normalize annual rent expense for the  
13 Granite State portion of rent for the headquarters in Londonderry and the Concord  
14 Training Center, based on rates as adjusted during the test year.

15 **Q. Please describe the adjustment for Depreciation Expense in Schedule RR-3-08.**

16 A. Depreciation factors for each FERC plant account were updated to reflect the  
17 depreciation factors developed in the depreciation study performed by Mr. Dane Watson  
18 of Alliance Consulting. Depreciation expense was annualized to reflect a full year of  
19 depreciation on plant additions in 2018 (including FERC account 106, Completed  
20 Construction not Classified). In addition, the annual depreciation expense was increased  
21 by \$233,300 as amortization of the accumulated depreciation reserve surplus calculated  
22 in the depreciation study performed by Alliance Consulting, along with the ratemaking

1 adjustment per DG 11-040 as reduction to amortization expense related to certain  
2 transition-related assets in the amount of (\$1,234,419).

3 **Q. Please describe the information contained on Schedule RR-3-09.**

4 A. Schedule RR-3-09 shows the amortization of the accumulated depreciation deficiency  
5 that is included in Schedule RR-3-08.

6 **Q. Please describe the adjustment related to Vegetation Management in Schedule RR-**  
7 **3-10.**

8 A. Schedule RR-3-10 captures the adjustment to recognize and recover the full annual  
9 amount of spending in Granite State's Vegetation Management program. The primary  
10 basis for the adjustment is the annual program spending during the year, increased by an  
11 additional \$400,000 for hazard tree removal (\$1.6 million over 4 years). The difference  
12 in the amounts referenced above and costs recognized during the test year results in an  
13 adjustment totaling \$799,252.

14 **Q. Please describe the adjustment related to property taxes in Schedule RR-3-11.**

15 A. Property taxes were adjusted to reflect the most recent property tax bills received by  
16 Granite State for each parcel of land on which it is taxed, as shown in Schedule RR-3-11.  
17 The Company receives two tax bills per year from most jurisdictions, with the second bill  
18 being representative of 50% of the amount due for the period July 1, 2018, through July  
19 1, 2019. The adjusted revenue requirement includes property tax equal to two times the  
20 second bill for each municipality.

1   **Q.   Please described the adjustments to injuries and damages in Schedule RR-3-12.**

2   A.   Adjustments made to injuries and damages in Schedule RR-3-12 include adjustments to  
3       remove one-time costs incurred during the test year.

4       The second adjustment was to Injuries and Damages to remove items with a long  
5       standing reserve in Accumulated Provision for Injuries and Damages, that related to cases  
6       prior to 2018 where it was determined a reserve is no longer needed. An entry was made  
7       during the test year to decrease the Accumulated Provision for Injuries and Damages and  
8       credit Injuries and Damages expenses to address these out of period expense reserve  
9       amounts.

10   **Q.   Please described the adjustments to other revenue in Schedule RR-3-13.**

11   A.   Schedule RR-3-13 adjusts the historic Test Year Other (non-distribution) Revenue,  
12       eliminating incentive revenue for energy efficiency programs which should not be  
13       included in distribution revenue.

14   **Q.   Please described the adjustments to normalize distribution revenue in Schedule RR-**  
15       **3-14.**

16   A.   Schedule RR-3-14 adjusts historic test year distribution revenue to the amount computed  
17       based on rates and Test Year billing units in effect at the end of the Test Year.

18   **Q.   Please described the adjustments for Income Tax Expense – Historic Test Year in**  
19       **Schedule RR-3-15.**

20   A.   Schedule RR-3-15 presents the calculation of Income Tax Expense – Historic Test Year,  
21       which computes income tax expense based on current statutory rates, including

1       synchronized interest expense based on the capital structure and cost of debt proposed by  
2       the Company in this proceeding.

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

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

5       A.     As shown in Schedule RR-6, Granite State's weighted average cost of capital is 8.19%  
6       percent, reflecting a capital structure comprised of 45% debt and 55% equity, and 5.97%  
7       cost of debt, and a 10% required return on equity. Information on the cost of capital is  
8       presented in the testimony of Mr. John Cochrane.

9       **IV.     STEP INCREASE**

10      **Q.     Is the Company proposing a step increase as part of this filing?**

11      A.     Yes. The Company is requesting that the Commission approve a step increase to reflect  
12      non-growth related capital additions to rate base through December 31, 2019. The step  
13      increase is structured to recover an annual revenue deficiency of \$2,293,431, which is the  
14      incremental revenue requirement based on capital additions of \$14,967,736 for the period  
15      of January 1 through December 31, 2019. The resulting rates from the step increase  
16      would go into effect concurrent with the permanent increase. The projects and associated  
17      estimated costs are shown in Attachment PEG/DBS-2.

18      **Q.     What is the purpose of the step increase?**

19      A.     The Company will be making significant capital investments during the pendency of this  
20      case. Thus, the Company is seeking a step increase for these capital investments because

1 without that increase, the Company would not have a reasonable opportunity to earn its  
2 allowed return immediately upon the conclusion of the case.

3 **Q. What are the components of the step increase revenue requirement?**

4 A. The revenue requirement for step increase-related capital consists of: (1) depreciation  
5 expense; (2) property taxes; (3) property insurance; and (4) a return on rate base.

6 **Q. How did you calculate step increase-related depreciation expense?**

7 A. Step increase-related depreciation expense was calculated by applying the depreciation  
8 rates developed by Mr. Dane Watson to the Step Increase capital expenditures by FERC  
9 account.

10 **Q. How did you calculate step increase-related property taxes and property insurance?**

11 A. First, we calculated the ratio of pro forma property taxes and property insurance to total  
12 plant in service, excluding step increase-related capital. We then applied that ratio to the  
13 step increase capital expenditures.

14 **Q. How did you determine step increase rate base and return on rate base?**

15 A. Step increase rate base was calculated as the total amount of capital expenditures less  
16 accumulated depreciation and accumulated deferred income taxes. We then applied a  
17 pre-tax cost of capital to the rate base to develop a pre-tax return on rate base.

1   **V.    RATE CASE EXPENSES**

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

4   A.    The Company proposes to recover the total cost associated with this rate case, which it  
5   currently estimates to be \$500,000, over a twelve-month period.

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

7   A.    The costs to be incurred for the rate case are incremental, external costs that are primarily  
8   for services such as outside consulting services and legal expense to assist with the  
9   preparation and presentation of this rate case, including the development of studies on  
10   various matters required to establish appropriate rates for the Company's customers. The  
11   Company obtained competitive bids for these services consistent with the Puc 1900 rules.  
12   Also included will be copying expense, the cost of legal notices, and the cost of the court  
13   reporter. A list of these outside services and their estimated costs are shown in  
14   Attachment PEG/DBS-3, Schedule RC.

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

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

18   **VI.   EFFECTIVE DATE**

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

20   A.    Consistent with the Commission's rules on the implementation of rate changes, the  
21   Company is proposing that rate changes be made effective for usage on and after July 1,

2019. However, we anticipate that the Commission will suspend the rates for investigation, so we are proposing temporary rates effective July 1, 2019, as described in our separate testimony.

**VII. UPDATED SCHEDULES**

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

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

**VIII. CONCLUSION**

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

A. Yes, it does



RR-1 **Liberty Utilities (Granite State Electric) Corp.**  
Final **Computation of Revenue Deficiency and Revenue Requirement**  
RR

Schedule RR-1

Line	Description	Reference	Amount
1	Rate Base	Schedule RR-5	106,180,186
2			
3	Target Rate of Return on Rate Base	Schedule RR-6	8.19%
4			
5	Operating income requirement	Line 1 X Line 3	8,696,157
6			
7	Operating income at present rates	Schedule RR-2	4,552,039
8			
9	Operating income deficiency	Line 5 - Line 7	4,144,118
10			
11	Gross-up Factor for Income tax	Line 21	1.3714
12			
13	Revenue deficiency	Line 9 X Line 11	5,683,102
14			
15	Increase in Income tax expense	Line 13 - Line 9	1,538,984
16			
17	<u>Gross-up factor for Income Taxes</u>		
18	Federal income tax rate		21.00%
19	New Hampshire state income tax rate		7.70%
20	Combined income tax rate	Line 18 + Line 19 - (Line 18 X Line 19)	27.08%
21	Total Gross-up Factor	1 / (1 - Line 20)	1.3714

RR-2 **Liberty Utilities (Granite State Electric) Corp.**  
Final **Operating Income Statement**  
RR **Historic Year With Known and Measurable Changes**

Schedule RR-2

<i>Source</i>		<i>RR-2-1</i>		<i>RR-2-1</i>	<i>RR-1</i>		<i>From FERC Form 1</i>			
Line	Account	Historic Year Ended Dec. 31, 2018	Flow- Through Items	Distribution Operating Income	Known and Measurable Adjustments	Pro Forma Test Year With Known and Measurable	Proposed Increase	Distribution Operating Income With Proposed Increase	Calendar Year 2017	Calendar Year 2016
1	Operating Revenue									
2	Distribution	62,464,872	(22,199,619)	40,265,253	(602,425)	39,662,828	5,683,102	45,345,930	61,848,017	51,970,200
3	Commodity	38,380,547	(38,380,547)	0	0	0		0	33,021,704	35,610,779
4	Other operating revenue	958,663	0	958,663	(192,548)	766,115		766,115	695,033	1,355,009
5		101,804,082	(60,580,166)	41,223,915	(794,973)	40,428,942	5,683,102	46,112,045	95,564,754	88,935,987
6										
7	Operating Expenses									
8	Purchased Power	38,378,791	(38,378,791)	0	0	0		0	31,482,221	31,227,569
9	Transmission Expenses	22,078,896	(22,078,896)	0	0	0		0	22,156,273	20,611,511
10	Distribution O&M	8,572,078	0	8,572,078	1,320,259	9,892,337		9,892,337	6,907,544	7,469,030
11	Customer Accounting	2,031,510	0	2,031,510	144,002	2,175,511		2,175,511	2,189,237	2,368,195
12	Customer Service & Info.	169,404	0	169,404	16,437	185,840		185,840	203,331	252,154
13	Administrative & General	7,064,028	0	7,064,028	551,874	7,615,902		7,615,902	6,695,493	7,885,948
14	Depreciation Expense	8,684,070	0	8,684,070	1,229,360	9,913,429		9,913,429	8,327,897	7,329,388
15	General Taxes	5,414,088	0	5,414,088	317,383	5,731,471		5,731,471	6,062,458	4,348,451
16	Income Taxes	2,797,514	0	2,797,514	(2,435,102)	362,412	1,538,984	1,901,396	5,955,725	2,152,815
17	Interest on Cust. Dep.	0	0	0	0	0		0		
18	Total Expenses	95,190,378	(60,457,687)	34,732,691	1,144,212	35,876,903	1,538,984	37,415,887	89,980,179	83,645,061
19										
20	Net operating income (loss)	6,613,704	(122,479)	6,491,225	(1,939,186)	4,552,039	4,144,118	8,696,157	5,584,575	5,290,926
21										
22	Rate Base			106,180,186		106,180,186		106,180,186		
23										
24	Rate of Return on Rate Base			6.11%		4.29%		8.19%		

RR-2-1 **Liberty Utilities (Granite State Electric) Corp.**

Final **Rate Base and Operating Income Statement- Detail**

RR **Historic Year Ended Dec. 31, 2018**

**Historic Year With Known and Measurable Changes**

Schedule RR-2-1

Source			RR-2-2		RR-3	At Current Rates	
Line	Account	Acct. No.	Historic Year Ended Dec. 31, 2018	Flow-Through Items	Distribution Operating Income	Known and Measurable Adjustments	Pro Forma Test Year With Known and Measurable
1	Intangible Assets						
2	Organization		24,808		24,808		24,808
3	Other Intangible assets		10,987,554		10,987,554 (A)	(5,978,536)	5,009,018
4	Total Intangible Plant		11,012,362	0	11,012,362	(5,978,536)	5,033,826
5							
6	Distribution Plant						
7	Land and land rights	360	1,672,947		1,672,947 (A)	0	1,672,947
8	Structures and improvements	361	1,965,160		1,965,160 (A)	0	1,965,160
9	Station equipment	362	28,894,637		28,894,637 (A)	1,861,412	30,756,049
10	Poles, towers and fixtures	364	40,575,975		40,575,975 (A)	1,091,070	41,667,046
11	Overhead conductors, devices	365	58,746,906		58,746,906 (A)	6,427,330	65,174,236
12	Underground conduit	366	6,674,970		6,674,970 (A)	273,408	6,948,378
13	Underground conductors, device	367	14,932,982		14,932,982 (A)	2,341,077	17,274,059
14	Line transformers	368	29,063,612		29,063,612 (A)	574,943	29,638,555
15	Services	369	10,437,741		10,437,741 (A)	1,196,471	11,634,212
16	Meters	370	3,507,367		3,507,367 (A)	181,121	3,688,487
17	Leased Prop on Customers' Prem	372	1,167,465		1,167,465 (A)	40,119	1,207,584
18	Street lighting, signal system	373	5,553,466		5,553,466 (A)	73,315	5,626,782
19	Total Distribution Plant		203,193,227	0	203,193,227	14,060,268	217,253,495
20							
21	General / Common Plant						
22	General plant		18,297,542		18,297,542 (A)	974,137	19,271,678
23	Total General / Common Plant		18,297,542	0	18,297,542	974,137	19,271,678
24	Total Plant in Service		232,503,131	0	232,503,131	9,055,869	241,559,000
25	(A) Distribution of In service not classified						
26	Accumulated Depreciation & Amortization						
27	Accumulated Depr & Amort	108	93,623,954		93,623,954	(5,408,816)	88,215,138
28	Total Accum. Depr. & Amort.		93,623,954	0	93,623,954	(5,408,816)	88,215,138
29							

RR-2-1 **Liberty Utilities (Granite State Electric) Corp.**

Final **Rate Base and Operating Income Statement- Detail**

RR **Historic Year Ended Dec. 31, 2018**

**Historic Year With Known and Measurable Changes**

Schedule RR-2-1

Source			RR-2-2		RR-3		At Current Rates	
Line	Account	Acct. No.	Historic Year Ended Dec. 31, 2018	Flow-Through Items	Distribution Operating Income	Known and Measurable Adjustments	Pro Forma Test Year With Known and Measurable	
30	Other Rate Base Items							
31	Materials and Supplies	154	1,877,163		1,877,163		1,877,163	
32	Plant in service, Not classified	106	15,227,964		15,227,964 (A)	(15,227,964)	0	
33	Accumulated Deferred FIT	ADIT	(14,944,899)		(14,944,899)		(14,944,899)	
34	Customer deposits	CustDep	(1,278,349)		(1,278,349)		(1,278,349)	
35	Total Other Rate Base Items		881,878	0	881,878	(15,227,964)	(14,346,085)	
36	Total Rate Base		139,761,056	0	139,761,056	(763,279)	138,997,777	
37								
38								
39	Purchased Power	555	38,378,791	(38,378,791)	0	0	0	
40								
41	Transmission- Open Access		592,856	(592,856)	0	0	0	
42	Elec Rev Wheeling		21,757,093	(21,757,093)	0	0	0	
43	Maint of Overhead lines-Labor		(271,053)	271,053	0	0	0	
44	Transmission Expenses-O&M		22,078,896	(22,078,896)	0	0	0	
45								
46	Distribution O&M							
47	Transmisison Other	570	4,926		4,926	639	5,565	
48	Supervision & Eng	580	1,499,505		1,499,505	183,298	1,682,803	
49	Load Dispatching	581	558,385		558,385	53,321	611,706	
50	Substations	582	129,660		129,660	10,728	140,388	
51	Overhead Lines	583	712,491		712,491	52,192	764,683	
52	Underground Lines	584	87,249		87,249	7,881	95,130	
53	Outdoor Lighting	585	88,997		88,997	6,540	95,537	
54	Electric Meters	586	234,938		234,938	22,508	257,446	
55	Customer Installation	587	149,677		149,677	8,024	157,701	
56	Misc Expenses	588	1,249,771		1,249,771	38,950	1,288,720	
57	Supervision & Eng	590	24,326		24,326	3,155	27,481	
58	Structures	591	72,857		72,857	8,045	80,902	
59	Substations	592	156,145		156,145	5,302	161,447	
60	Overhead Lines	593	3,081,104		3,081,104	896,916	3,978,019	
61	Underground Lines	594	71,684		71,684	1,564	73,248	
62	Line Transformers	595	49,039		49,039	3,029	52,067	

RR-2-1 **Liberty Utilities (Granite State Electric) Corp.**

Final **Rate Base and Operating Income Statement- Detail**

RR **Historic Year Ended Dec. 31, 2018**

**Historic Year With Known and Measurable Changes**

Schedule RR-2-1

Source			RR-2-2		RR-3	At Current Rates	
Line	Account	Acct. No.	Historic Year Ended Dec. 31, 2018	Flow-Through Items	Distribution Operating Income	Known and Measurable Adjustments	Pro Forma Test Year With Known and Measurable
63	Outdoor Lighting	596	145,926		145,926	11,913	157,838
64	Maint of meters	597	69,893		69,893	2,289	72,181
65	Main Misc Distr Plant	598	185,504		185,504	3,966	189,471
66	Total Distribution O&M		8,572,078	0	8,572,078	1,320,259	9,892,337
67							
68	Customer Accounting						
69	Supervision	901	181,262		181,262	23,509	204,771
70	Meter Reading	902	378,155		378,155	28,357	406,512
71	Customer Records & Collection	903	1,373,203		1,373,203	92,136	1,465,339
72	Uncollectible Accounts	904	244,477		244,477	0	244,477
73	Uncollectible Accounts- Commodity	904	(175,815)		(175,815)	0	(175,815)
74	Misc Expenses	905	30,228		30,228	0	30,228
75	Total Customer Accounting		2,031,510	0	2,031,510	144,002	2,175,511
76							
77	Customer Service & Information						
78	Cust Service-Supervision	907	426		426	55	481
79	Cust Assistance Expenses	908	32,314		32,314	6	32,320
80	Cust Service-Misc Expenses	910	136,663		136,663	16,375	153,039
81	Total Customer Service & Info.		169,404	0	169,404	16,437	185,840
82	Total Customer Accounts		2,200,913	0	2,200,913	160,438	2,361,352
83							
84	Administrative & General						
85	A&G-Salaries	920	2,053,610		2,053,610	253,566	2,307,176
86	A&G-Office Supplies	921	634,851		634,851	0	634,851
87	A&G-Transferred	922	(5,568,517)		(5,568,517)	0	(5,568,517)
88	A&G-Outside Services	923	869,617		869,617	0	869,617
89	Property Insurance	924	1,505,054		1,505,054	(10,689)	1,494,365
90	Injuries & Damages Insurance	925	750,028		750,028	22,647	772,675
91	Employee Pensions & Benefits	926	4,240,545		4,240,545	294,314	4,534,859
92	Regulatory Comm Expenses	928	453,765		453,765	0	453,765
93	A&G-Misc Expenses	930	7,142		7,142	0	7,142

RR-2-1 **Liberty Utilities (Granite State Electric) Corp.**

Final **Rate Base and Operating Income Statement- Detail**

RR **Historic Year Ended Dec. 31, 2018**

**Historic Year With Known and Measurable Changes**

Schedule RR-2-1

		<i>Source</i>	<i>RR-2-2</i>			<i>RR-3</i>	<i>At Current Rates</i>
Line	Account	Acct. No.	Historic Year Ended Dec. 31, 2018	Flow-Through Items	Distribution Operating Income	Known and Measurable Adjustments	Pro Forma Test Year With Known and Measurable
94	Rent	931	18,385		18,385	(7,964)	10,421
95	LU Costs	920LU	2,099,548		2,099,548	0	2,099,548
96	A&G Maint-General Plant-Elec	932	0		0	0	0
97	<i>Total Administrative &amp; General</i>		7,064,028	0	7,064,028	551,874	7,615,902
98	<i>Total O&amp;M Expense</i>		78,294,707	(60,457,687)	17,837,019	2,032,571	19,869,591
99			78,294,707				
100	<b>Depreciation Expense</b>						
101	Intangible assets	405	2,156,872		2,156,872	0	2,156,872
102	Distribution plant	403	6,167,294		6,167,294	1,229,360	7,396,653
103	Amortization expense- Regulatory	407	359,904		359,904	0	359,904
104	<i>Total Depreciation Expense</i>		8,684,070	0	8,684,070	1,229,360	9,913,429
105							
106	<b>General Taxes</b>						
107	Municipal tax	2.23%	4,673,568		4,673,568	168,744	4,842,312
108	Payroll tax		740,520		740,520	148,639	889,159
109	Other tax		0		0	0	0
110	Total General taxes		5,414,088	0	5,414,088	317,383	5,731,471
111							
112	<b>Income Taxes</b>						
113	FIT Expense		2,544,566		2,544,566	(2,340,922)	203,644
114	SIT Expense		252,948		252,948	(94,180)	158,768
115	Total Income Tax		2,797,514	0	2,797,514	(2,435,102)	362,412
116							
117	<b>Interest on Customer Deposits</b>		0		0	0	0
118							
119	<b>Total Expenses</b>		<b>95,190,378</b>	<b>(60,457,687)</b>	<b>34,732,691</b>	<b>1,144,212</b>	<b>35,876,903</b>
120							

RR-2-1 **Liberty Utilities (Granite State Electric) Corp.**

Final **Rate Base and Operating Income Statement- Detail**

RR **Historic Year Ended Dec. 31, 2018**

**Historic Year With Known and Measurable Changes**

Schedule RR-2-1

		<i>Source</i>	<i>RR-2-2</i>			<i>RR-3</i>	<i>At Current Rates</i>
Line	Account	Acct. No.	Historic Year Ended Dec. 31, 2018	Flow-Through Items	Distribution Operating Income	Known and Measurable Adjustments	Pro Forma Test Year With Known and Measurable
121	<b>Operating Revenue</b>						
122	Residential, Commercial, Lighting	440	62,827,628	(22,562,375)	40,265,253	(602,425)	39,662,828
123	Commodity revenue	Comm	38,380,547	(38,380,547)	0	0	0
124	Prov. For Refunds	449	(362,756)	362,756	0	0	0
125	Forfeited discounts		0		0	0	0
126	Misc. service revenue	451	633,217		633,217	(192,548)	440,669
127	Rent from Electric property	454	303,082		303,082	0	303,082
128	Other revenue	456	(143,536)		(143,536)	0	(143,536)
129	Sales for resale	447	165,899		165,899	0	165,899
130	<b>Total revenue</b>		<b>101,804,082</b>	<b>(60,580,166)</b>	<b>41,223,915</b>	<b>(794,973)</b>	<b>40,428,942</b>
131							
132	<b>Net operating income (loss)</b>		<b>6,613,704</b>	<b>(122,479)</b>	<b>6,491,225</b>	<b>(1,939,186)</b>	<b>4,552,039</b>
133							

Note: Differences between Revenue and Expense for flow-through items are timing differences.

The differences are normalized out so that Revenue and Expense for flow-through items offset completely.

RR-2-2 **Liberty Utilities (Granite State Electric) Corp.**  
Final **Flow Through Items**  
RR **Historic Year Ended Dec. 31, 2018**

Schedule RR-2-2		Expenses Debit (Credit)	Expenses Debit (Credit)	Revenue Debit (Credit)	Revenue Debit (Credit)	Revenue Debit (Credit)	Debit (Credit)	Revenue
Line	Description	Purchased Power Costs	Transmission Related Costs	Distribution Revenue	Energy Revenue	Provision for Refunds	Net Income	Total
1	Balance in TB	38,378,791	22,078,896	(62,827,628)	(38,380,547)	362,756		100,845,419
2								
3	<u>Reclass Provision for Refunds:</u>							
4	Commodity o/u	189,916				(189,916)	0	189,916
5	Commodity unbilled	(2,326,985)				2,326,985	0	(2,326,985)
6	Prior year reversal	2,061,386				(2,061,386)	0	2,061,386
7	REC revenue	(45,040)				45,040	0	(45,040)
			22,562,375			(22,562,375)		22,562,375
8	Transmission o/u - Cost - Scheduling		(592,856)			592,856	0	(592,856)
9	Transmission o/u - Trans Cost		(21,757,093)			21,757,093	0	(21,757,093)
10	Transmission o/u - CTS Stranded Costs Offset		271,053			(271,053)	0	271,053
11							0	0
12	Eliminate Commodity-related	(38,258,068)			38,380,547		(122,479)	(38,380,547)
13	Eliminate Transmission-related		(22,562,375)	22,562,375			0	(22,562,375)
14	<b>Total adjustments</b>	<b>(38,378,791)</b>	<b>(22,078,896)</b>	<b>22,562,375</b>	<b>38,380,547</b>	<b>(362,756)</b>	<b>(122,479)</b>	<b>(60,580,166)</b>
15	<i>Posted to RR-2-1</i>	<i>Line 39</i>	<i>Line 42</i>	<i>Line 122</i>	<i>Line 123</i>	<i>Line 124</i>		
16	Adjusted balance	0	0	(40,265,253)	0	(0)	(122,479)	40,265,253
17	Adjustment to Normalize Revenue							(602,425)
18	<b>Distribution revenue in Revenue requirement</b>							<b>39,662,828</b>



RR-3	Utilities (Granite State Electric) Corp.		<a href="#">Adjustment 01</a>	<a href="#">Adjustment 02</a>	<a href="#">Adjustment 03</a>	<a href="#">Adjustment 04</a>	<a href="#">Adjustment 05</a>	<a href="#">Adjustment 06</a>	<a href="#">Adjustment 07</a>	<a href="#">Adjustment 08</a>	<a href="#">Adjustment 10</a>	<a href="#">Adjustment 11</a>	<a href="#">Adjustment 12</a>	<a href="#">Adjustment 13</a>	<a href="#">Adjustment 14</a>	<a href="#">Adjustment 15</a>
Final	Summary of Adjustments															
RR	To Historic Year Ended Dec. 31, 2018	1,939,186	947,257	148,639	294,314	(10,689)	(196,018)	769,188	(7,964)	447,926	799,252	168,744	22,647	192,548	602,425	(2,239,084)
	Schedule RR-3															

Line	Account	Acct. No.	Total	Payroll Expense	Payroll Taxes	Pension and Benefits Expense	Property and Liability Insurance	Adjustments due to Tax Reform	Other Known and Measurable Changes	Intercompany Rent Expense	Depreciation Annualization and Rates	Vegetation Management	Property Taxes	Injuries & Damages	Other Revenue	Adjustments to Normalize Distribution Revenue	Income Tax Expense- Test Year Actual
1	Purchased Power	555	0	0													
2																	
3	Transmission- Open Access		0	0													
4	Elec Rev Wheeling-Elim		0	0													
5	Trans Maint-Substation-Trouble-Labor		0	0													
6	Maint of Overhead lines-Labor		0	0													
7	Transmission Expenses-O&M		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8																	
9	Distribution O&M																
10	Transmission Other	570	639	639													
11	Supervision & Eng	580	183,298	183,298													
12	Load Dispatching	581	53,321	53,321													
13	Substations	582	10,728	10,728													
14	Overhead Lines	583	52,192	52,192													
15	Underground Lines	584	7,881	7,881													
16	Outdoor Lighting	585	6,540	6,540													
17	Electric Meters	586	22,508	22,508													
18	Customer Installation	587	8,024	8,024													
19	Misc Expenses	588	38,950	38,950													
20	Supervision & Eng	590	3,155	3,155													
21	Structures	591	8,045	8,045													
22	Substations	592	5,302	5,302													
23	Overhead Lines	593	896,916	109,805					(12,142)			799,252					
24	Underground Lines	594	1,564	1,669					(104)								
25	Line Transformers	595	3,029	3,029													
26	Outdoor Lighting	596	11,913	11,913													
27	Maint of meters	597	2,289	2,289													
28	Main Misc Distr Plant	598	3,966	3,966													
29			1,320,259	533,253	0	0	0	0	(12,246)	0	0	799,252	0	0	0	0	0
30																	

RR-3	Utilities (Granite State Electric) Corp.		<a href="#">Adjustment 01</a>	<a href="#">Adjustment 02</a>	<a href="#">Adjustment 03</a>	<a href="#">Adjustment 04</a>	<a href="#">Adjustment 05</a>	<a href="#">Adjustment 06</a>	<a href="#">Adjustment 07</a>	<a href="#">Adjustment 08</a>	<a href="#">Adjustment 10</a>	<a href="#">Adjustment 11</a>	<a href="#">Adjustment 12</a>	<a href="#">Adjustment 13</a>	<a href="#">Adjustment 14</a>	<a href="#">Adjustment 15</a>
Final	Summary of Adjustments															
RR	To Historic Year Ended Dec. 31, 2018	1,939,186	947,257	148,639	294,314	(10,689)	(196,018)	769,188	(7,964)	447,926	799,252	168,744	22,647	192,548	602,425	(2,239,084)
	Schedule RR-3															

Line	Account	Acct. No.	Total	Payroll Expense	Payroll Taxes	Pension and Benefits Expense	Property and Liability Insurance	Adjustments due to Tax Reform	Other Known and Measurable Changes	Intercompany Rent Expense	Depreciation Annualization and Rates	Vegetation Management	Property Taxes	Injuries & Damages	Other Revenue	Adjustments to Normalize Distribution Revenue	Income Tax Expense- Test Year Actual
31	Customer Accounting																
32	Supervision	901	23,509	23,509													
33	Meter Reading	902	28,357	28,357													
34	Customer Records & Collection	903	92,136	92,136													
35	Uncollectible Accounts	904	0	0													
36	Uncollectible Accounts- Commodity	904	0	0													
37	Misc Expenses	905	0	0													
38	Total Customer Accounting		144,002	144,002	0	0	0	0	0	0	0	0	0	0	0	0	0
39																	
40	Customer Service & Informati																
41	Cust Service-Supervision	907	55	55													
42	Cust Assistance Expenses	908	6	6													
43	Cust Service-Misc Expenses	910	16,375	16,375													
44	Total Customer Service & Info.		16,437	16,437	0	0	0	0	0	0	0	0	0	0	0	0	0
45	Total Customer Accounts		160,438	160,438	0	0	0	0	0	0	0	0	0	0	0	0	0
46																	
47	Administrative & General																
48	A&G-Salaries	920	253,566	253,566								0					
49	A&G-Office Supplies	921	0	0													
50	A&G-Transferred	922	0	0								0					
51	A&G-Outside Services	923	0	0								0					
52	Property Insurance	924	(10,689)	0			(10,689)										
53	Injuries & Damages Insurance	925	22,647	0										22,647			
54	Employee Pensions & Benefits	926	294,314	0		294,314											
55	Regulatory Comm Expenses	928	0	0													
56	A&G-Misc Expenses	930	0	0													
57	Rent	931	(7,964)	0					(7,964)								
58	LU Costs	920LU	0	0													
59	A&G Maint-General Plant-Elec	932	0	0								0					
60	Total Administrative & General		551,874	253,566	0	294,314	(10,689)	0	0	(7,964)	0	0	0	22,647	0	0	0
61	Total O&M Expense		2,032,571	947,257	0	294,314	(10,689)	0	(12,246)	(7,964)	0	799,252	0	22,647	0	0	0
62																	

RR-3	Utilities (Granite State Electric) Corp.		<a href="#">Adjustment 01</a>	<a href="#">Adjustment 02</a>	<a href="#">Adjustment 03</a>	<a href="#">Adjustment 04</a>	<a href="#">Adjustment 05</a>	<a href="#">Adjustment 06</a>	<a href="#">Adjustment 07</a>	<a href="#">Adjustment 08</a>	<a href="#">Adjustment 10</a>	<a href="#">Adjustment 11</a>	<a href="#">Adjustment 12</a>	<a href="#">Adjustment 13</a>	<a href="#">Adjustment 14</a>	<a href="#">Adjustment 15</a>
Final	Summary of Adjustments															
RR	To Historic Year Ended Dec. 31, 2018	1,939,186	947,257	148,639	294,314	(10,689)	(196,018)	769,188	(7,964)	447,926	799,252	168,744	22,647	192,548	602,425	(2,239,084)
	Schedule RR-3															

Line	Account	Acct. No.	Total	Payroll Expense	Payroll Taxes	Pension and Benefits Expense	Property and Liability Insurance	Adjustments due to Tax Reform	Other Known and Measurable Changes	Intercompany Rent Expense	Depreciation Annualization and Rates	Vegetation Management	Property Taxes	Injuries & Damages	Other Revenue	Adjustments to Normalize Distribution Revenue	Income Tax Expense- Test Year Actual
63	Depreciation Expense																
64	Intangible assets	405	0														
65	Distribution plant	403	1,229,360						781,434		447,926						
66	Amortization expense- Regulatory	407	0														
67	Total Depreciation Expense		1,229,360	0	0	0	0	0	781,434	0	447,926	0	0	0	0	0	0
68																	
69	General Taxes																
70	Municipal tax		168,744										168,744				
71	Payroll tax		148,639		148,639												
72	Other tax		0														
73	Total General taxes		317,383	0	148,639	0	0	0	0	0	0	0	168,744	0	0	0	0
74																	
75	Income Taxes																
76	FIT Expense		(2,340,922)					(196,018)									(2,144,904)
77	SIT Expense		(94,180)														(94,180)
78	Total Income Tax		(2,435,102)	0	0	0	0	(196,018)	0	0	0	0	0	0	0	0	(2,239,084)
79																	
80	Interest on Customer Deposits		0														
81																	
82	Total Expenses		1,144,212	947,257	148,639	294,314	(10,689)	(196,018)	769,188	(7,964)	447,926	799,252	168,744	22,647	0	0	(2,239,084)
83																	
84	Operating Revenue																
85	Residential, Commercial, Lighting	440	(602,425)													(602,425)	
86	Commodity revenue	Comm	0														
87	Prov. For Refunds	449	0														
88	Forfeited discounts		0												0		
89	Misc. service revenue	451	(192,548)												(192,548)		
90	Rent from Electric property	454	0												0		
91	Other revenue	456	0												0		
92	Sales for resale	447	0												0		
93	Total revenue		(794,973)	0	0	0	0	0	0	0	0	0	0	0	(192,548)	(602,425)	0
94																	
95	Net operating income (loss)		(1,939,186)	(947,257)	(148,639)	(294,314)	10,689	196,018	(769,188)	7,964	(447,926)	(799,252)	(168,744)	(22,647)	(192,548)	(602,425)	2,239,084

RR-3-01 **Liberty Utilities (Granite State Electric) Corp.**

Final **Adjustments to Test Year**

AD **Adjustment 01**

**Payroll Expense**

Schedule RR-3-01

Line	Description	Total
1	Test Year LU NH Labor Charged to Granite State Electric - O&M	7,081,853
2	2019 Salary & Wage Increase - O&M <sup>(1)</sup>	3%
3	2019 Payroll Increase	212,456
4	Adjustment for pro rated increase (effective March)	(35,409)
5		
6	Test year LU Regional Allocated Labor (not included in test year labor)	474,230
7	2019 Salary & Wage Increase - O&M <sup>(1)</sup>	3%
8	2019 Payroll Increase on Regional Allocated Labor	14,227
9	Adjustment for pro rated increase (effective March)	(2,371)
10		
11	Adjustment for 2018 Vacancies and/or 2019 (incremental) Additions <sup>(1)</sup>	758,355
12		
13	Pro Forma LU NH Labor for 2019 Payroll Increase	8,029,110
14		
15	Test Year Labor Charged to Granite State Electric - O&M	7,081,853
16		
17	<b>Increase Due to Known and Measurable - O&amp;M Payroll</b>	<b>947,257</b>

RR-3-02 **Liberty Utilities (Granite State Electric) Corp.**

Final **Adjustments to Test Year**

AD **Adjustment 02**

**Payroll Taxes**

Schedule RR-3-02

Line	Description	Ref.	Amount
1	<b>Actual 2018</b>		
2	Salary charged to Operations	RR-3-01 Ln 15	7,081,853
3	Payroll Tax Expense	RR-2-1 Ln 108	740,520
4	% of Applicable Salary	Line 3 / Line 2	10.5%
5			
6	<b>Pro Forma</b>		
7	2019 Salary & Wage Increase(1)	RR-3-01 Ln 2	1,421,487
8			1,421,487
9			
10	Pro Forma Salary & Wages - O&M		8,503,340
11	<b>Payroll Taxes to O&amp;M</b>	Line 4 X Line 10	<b>889,159</b>
12	Test Year Expense- Account 408.4	Line 3	740,520
13	<b>Increase Due to Known and Measurable</b>	<i>To RR-3</i>	<b>148,639</b>

Note:

This adjustment aligns Payroll taxes with the Labor costs reflected on RR-3-01

RR-3-03 Liberty Utilities (Granite State Electric) Corp.

Final Adjustments to Test Year  
AD Adjustment 03  
Pension and Benefits Expense  
Schedule RR-3-03

Line	Description	Ref.	Amount
1			
2	2019 Budgeted Pension to GS	Rate year	1,049,440
3	2019 Budgeted OPEB to GS	Rate year	1,038,679
4	2019 Budgetd 401K to GS (employer cost)	Rate year	424,251
5	2019 Budgetd ESPP Expense to GS (employer cost)	Rate year	10,200
6	2019 Budgetd Opt-out Expense to GS(employer cost)	Rate year	13,200
7	<i>Salary-related Benefits <sup>(1)</sup></i>	Rate year toal	2,535,770
8			
9	<i>Salary-related Benefits Test Year</i>	Test year	2,431,507
10	<b>Pro Forma Increase - Salary-related Benefits</b>	Difference	<b>104,263</b>
11			
12	<i>2019 Budgeted Group Benefits (including medical)</i>	Rate year	1,999,089
13			
14	<i>Group Benefits Test Year</i>	Test year	1,809,038
15	<b>Pro Forma Increase - Salary-related Benefits</b>	Difference	<b>190,051</b>
16			
17	<b>Rate Year Expense - Account 926</b>	Total of rate year amounts	4,534,859
18	Test Year Expense - Account 926	Total of test year amounts	4,240,545
19	<b>Increase Due to Known and Measurable</b>	Calculated adjustment	<b>294,314 To RR-3</b>

(1) Rate year projected amounts under *Salary-related Benefits* based on the 2019 budgeted amounts in these expense categories; to be updated once forecasted data available from actuary.

RR-3-04 **Liberty Utilities (Granite State Electric) Corp.**

Final **Adjustments to Test Year**

AD **Adjustment 04**

**Property and Liability Insurance**

Schedule RR-3-04

*Capitalization Rate Applied to US LABS Services for 2019*

32.08%

Line	Carrier	Policy # (Insurer)	Invoice Amount	Period Covered	GS Annual Premium	Capitalized	To Operations
1	Commercial General Liability (\$5M / \$15M limit)	Zurich	GLO 3792974-09	1,768,988	7/1/18-7/1/19	102,077	102,077
2	1st Excess (\$35M XS of \$5M)	AEGIS	XL5115706P	1,807,920	7/1/18-7/1/19	104,569	104,569
3	2nd Excess (\$25M XS of \$40M)	EIM	253966-18GL	533,224	7/1/18-7/1/19	30,648	30,648
4	3rd Excess (\$25M XS of \$65M)	AIG	CE 2424 0937	303,742	7/1/18-7/1/19	17,482	17,482
5	4th Excess (\$10M XS of \$90M)	Northbridge	CBC1949657	107,655	7/1/18-7/1/19	6,196	6,196
6	5th Excess (\$25M XS of \$100M)	Ironhorse	C444670518	165,387	7/1/18-7/1/19	9,519	9,519
7	6th Excess (\$25M XS of \$125M)	Liberty Mututal	1000099093-05	145,716	7/1/18-7/1/19	8,387	8,387
8	7th Excess (\$25M XS of \$150M)	OIL Casualty	U920742-0718	124,000	7/1/18-7/1/19	7,172	7,172
9	8th Excess (\$25M XS of \$175M)	AIG	CE 2424 0938	107,656	7/1/18-7/1/19	6,196	6,196
10	9th Excess (\$24M XS of \$200M)	Stewart 60%/Aviva 40%	CEX00086/ELP8 1828443	100,493	7/1/18-7/1/19	5,784	5,784
10	Fiduciary Liability	Chubb	8251-5554	16,200	6/1/18-4/1/19	868	278 589
11	1st Excess (\$10 XS of \$10M)	Royal & SunAllinace	9502329	9,355	6/1/18-4/1/19	501	501
12	2nd Excess (\$10M XS of \$20M)	Berkshire Hathaway	43-EPC-150875-02	6,748	6/1/18-4/1/19	361	361
13	Employment Practices	AIG	1508844	58,476	6/1/18-4/1/19	3,132	1,005 2,127
14	Crime	Liberty Mututal	CMTO300749015	27,529	6/1/18-6/1/19	1,474	1,474
15	Auto	Liberty Mututal	LS5-691-544580-05	680,762	7/1/18-7/1/19	21,722	6,969 14,754
16	Worker Comp	Liberty Mututal	LS5-691-544580-05	1,751,862	7/1/18-7/1/19	214,651	68,860 145,791
17	Property	FM Global 70%/	1031118	3,362,784	12/1/18-12/1/19	115,635	115,635
18	Cyber	Beazley	FSCEO1800638	121,781	4/1/18-4/1/19	6,933	6,933
19	1st Excess (\$10 XS of \$10M)	Brit	FSCEO1800638	69,415	4/1/18-4/1/19	3,952	3,952
20	Aon Brokerage Fee			535,694		30,283	30,283
21				<u>11,805,387</u>		<u>697,543</u>	<u>77,112 620,431</u>
22							
23	Storm Costs accrual charged to account 924						1,500,000
24							
25	Insurance costs, with Known and Measurable						2,120,431
26	Insurance cost, Historic Account 924 & 925						<u>2,131,120</u>
27	<b>Adjustment to Account 924</b>				<b>To RR-3</b>		<u><b>(10,689)</b></u>

RR-3-05 **Liberty Utilities (Granite State Electric) Corp.**

Final **Adjustments to Test Year**

AD **Adjustment 05**

**Adjustments due to Tax Reform**

Schedule RR-3-05

Line	Account	Description	Account	Amount
1				
2	Adjust for Amortization of Excess ADIT due to Tax Reform <sup>(1)</sup>	Adjustment to reduce Federal Income Tax Expense	409	(196,018)
3				
4	<b>Other Known and Measurable Changes</b>			<b><u>(196,018)</u></b>

(1) Annual amortization of excess ADIT as a result of tax reform; amortized over calculated weighted average remaining life of 20.87 years



RR-3-06 **Liberty Utilities (Granite State Electric) Corp.**

Final **Adjustments to Test Year**

AD **Adjustment 06**

**Other Known and Measurable Changes**

Schedule RR-3-06

Line	Account	Description	Account	Amount
1				
2	Maint of Overhead Lines	Remove adjustments to 2017 recorded 2018	593	8,914
3	Maint of Overhead Lines-Veg Mgmt-Labor	Remove adjustments to 2017 recorded 2018	593	2,564
4	Maint of Overhead Lines Labor	Remove adjustments to 2017 recorded 2018	593	(23,621)
5				
6	Misc Distribution expenses	Remove Out-of-period costs	594	(104)
7				
8	Depreciation Expense	Amortization ending 4/14/2019	403	781,434
9				
10	<b>Other Known and Measurable Changes</b>			<b><u>769,188</u></b>

RR-3-07 **Liberty Utilities (Granite State Electric) Corp.**

Final **Adjustments to Test Year**

AD **Adjustment 07**

**Intercompany Rent Expense**

Schedule RR-3-07

Line	Description	Amount
1	Rent Expense for Londonderry Office Facility at 2019 Adjusted Rates <sup>(1)</sup>	56,268
2	Rent Expense for Concord Training Facility at 2018 Adjusted Rates <sup>(2)</sup>	68,302
3		
4	Rent-Intercompany, with Known and Measurable	124,570
5	Rent-Intercompany, Historic Account 69-6125-9310	132,533
6		
7	<b>Adjustment to Rent-Intercompany</b>	<b>(7,964)</b>

(1) Londonderry office lease rate charged to Granite State effective January 1, 2019

(2) Concord Training Center lease rate charged to Granite State effective May 1, 2018 (rate will be adjusted May 2019)

RR-3-08 Liberty Utilities (Granite State Electric) Corp.

Final Adjustments to Test Year

AD Adjustment 08

Depreciation Annualization and Rates

Schedule RR-3-08

									Pro Forma
Line	Account	Acct. No.	Depreciation Rates	Balance Historic Year Ended Dec. 31, 2018	Account 106	Balance Historic Year Ended Dec. 31, 2018	Adjustments to Plant Balances	Balance Historic Year Ended Dec. 31, 2018	Depreciation Expense
1	<b>Intangible Assets</b>								
2	Organization	301		24,808		24,808		24,808	0
3	Other Intangible assets	303	20.00%	10,987,554		10,987,554	(10,987,554)	0	0
4	Other Intangible assets (3 yr life)	303	33.33%			0	320,288	320,288	106,752
5	Other Intangible assets (5 yr life)	303	20.00%			0	5,927,606	5,927,606	1,185,521
6	Other Intangible assets (10 yr life)	303	10.00%		193,559	193,559	5,152,610	5,346,170	534,617
7	<i>Total Intangible Assets</i>			<u>11,012,362</u>	<u>193,559</u>	<u>11,205,921</u>	<u>412,951</u>	<u>11,618,873</u>	<u>1,826,890</u>
8									
9	<b>Distribution Plant</b>								
10	Land and land rights	360		1,672,947	0	1,672,947		1,672,947	0
11	Structures and improvements	361	2.39%	1,965,160	0	1,965,160		1,965,160	46,967
12	Station equipment	362	3.00%	28,894,637	1,861,412	30,756,049		30,756,049	922,681
13	Poles, towers and fixtures	364	3.64%	40,575,975	1,091,070	41,667,046		41,667,046	1,516,680
14	Overhead conductors, devices	365	3.26%	58,746,906	6,427,330	65,174,236		65,174,236	2,124,680
15	Underground conduit	366	1.96%	6,674,970	273,408	6,948,378		6,948,378	136,188
16	Underground conductors, device	367	3.04%	14,932,982	2,341,077	17,274,059		17,274,059	525,131
17	Line transformers	368	3.51%	29,063,612	574,943	29,638,555		29,638,555	1,040,313
18	Services	369	3.89%	10,437,741	1,196,471	11,634,212		11,634,212	452,571
19	Meters	370	5.00%	3,507,367	181,121	3,688,487		3,688,487	184,424
20	Leased Prop on Customers' Prem	372	10.00%	1,167,465	40,119	1,207,584		1,207,584	120,758
21	Street lighting, signal system	373	3.67%	5,553,466	73,315	5,626,782		5,626,782	206,503
22	<i>Total Distribution Plant</i>			<u>203,193,227</u>	<u>14,060,268</u>	<u>217,253,495</u>	<u>0</u>	<u>217,253,495</u>	<u>7,276,899</u>
23									
24	<b>General Plant</b>								
25	Land	389		1,620,372		1,620,372		1,620,372	0
26	Structures and Improvements	390	1.62%	8,934,141	375,659	9,309,799	(59,621)	9,250,178	149,853
27	Office Furniture and Improvement	391	4.00%	847,122		847,122	(676,961)	170,161	6,806
28		391.1	20.00%				44,312	44,312	8,862
29		391.2	20.00%				279,318	279,318	55,864
30	Transportation Equipment	392	7.50%	2,730,590	384,144	3,114,734		3,114,734	233,605
31	Stores Equipment	393	3.33%	161,336	8,320	169,656		169,656	5,650
32	Tools Shop and Garage Equipmen	394	4.17%	317,359	63,547	380,905		380,905	15,884
33	Laboratory Equipment	395	3.03%	270,548	21,943	292,491		292,491	8,862
34	Power Equipment	396	6.00%	1,466,922	55,510	1,522,432		1,522,432	91,346
35	Communication Equipment	397	4.17%	1,828,418	36,544	1,864,962		1,864,962	77,769
36	Miscellaneous Equipment	398	10.00%	120,736	28,469	149,205		149,205	14,921
37	<i>Total General Plant</i>			<u>18,297,542</u>	<u>974,137</u>	<u>19,271,678</u>	<u>(412,952)</u>	<u>18,858,727</u>	<u>669,422</u>
38	<b>Total</b>			<u>232,503,131</u>	<u>15,227,964</u>	<u>247,731,095</u>	<u>(0)</u>	<u>247,731,094</u>	<u>9,773,211</u>
39	Depreciation Deficiency (Annual)								233,300
40	Ratemaking Adjustment per DG 11-040 (Acquisition)								(1,234,419)
41	Depreciation expense computed, Plant assets as of 12/31/2018								<u>8,772,092</u>
42	Depreciation expense recorded for Historic Year								<u>8,324,166</u>
43	<b>Depreciation expense adjustment</b>						<i>To RR-3</i>	<b>447,926</b>	

RR-3-09 **Liberty Utilities (Granite State Electric) Corp.**

Final **Adjustments to Test Year**

AD **Adjustment 09**

**Depreciation Reserve Deficiency Amortization**

Schedule RR-3-09

Line	Account	Source	Amount	
1	Accumulated Depreciation Historical Under Theoretical	DE 19-064	1,399,800	
2	Annual Debit to depreciation expense	DE 19-064	233,300	To RR-3-08
3	Monthly Debit to depreciation expense		19,442	
4	Amortization period- months		72	
5				
6	Effective date	07/01/2019		
7	Amortization through	12/31/2019	6.0	
8	Accumulated amortization of regulatory liability		116,650	
9	Balance remaining to credit to expense		1,283,150	
10	Trial balance amount		(227,928)	
11	Amortization ends		06/29/2025	
12				

RR-3-10 **Granite State Electric Company**

Final **Adjustments to Test Year**

RR **Adjustment 10**

**Vegetation Management**

Schedule RR-3-10

Line	Account	Description	Account	Amount
1	Adjustment for Annual Vegetation Management Expenses(1)	Adjust based on actual expenses - 2018		1,944,301
2				
3	Additional Adjustment for Hazard Tree Adjustment	Additional \$1.6m over 4 years (\$400k/y)		400,000
4				
5	Total REP/Vegetation Management			2,344,301
6				
7	Test Year Total Expense	Vegetation Management	593	1,545,049
8				
9	<b>VMP/REP Adjustment to Test Year</b>			<b>799,252</b>

(1) Adjustment in consideration for total actual Vegetation management expenses incurred during the test year

RR-3-11 **Liberty Utilities (Granite State Electric) Corp.**

Final **Adjustments to Test Year**

AD **Adjustment 11**

**Property Taxes**

Schedule RR-3-11

			Tax Year 2018		
Line	Municipality	Parcel	Installment #1	Installment #2	Total Due
1	Acworth	999-00000-999D	11,608	11,913	23,521
2	Alstead	999-UTIL-001	41,103	46,482	87,585
3	Bath	00	1,117	748	1,865
4	Canaan	00UTIL-00ELEC-000001	69,705	63,933	133,638
5	Charlestown	119-033	1,872	1,985	3,857
6	Charlestown	000-003	157,688	167,256	324,944
7	Charlestown	103-050	941	1,003	1,945
8	Charlestown	103-051	6	9	15
9	Charlestown	107-001	21	32	54
10	Cornish	000UTL - 000UTL - 00ELEC	2,181	2,318	4,499
11	Derry	11-100	2,106	2,706	4,812
12	Enfield	33-034	967	1,015	1,983
13	Enfield	UTL-001	85,489	85,859	171,348
14	Franconia	00UTIL-0ELECT-000004		130	130
15	Grafton	000UTL-00001-00000	844	900	1,744
16	Goffstown	2018-2-6739		199	199
17	Hanover	0-11	97,446	96,767	194,213
18	Hanover	23-1-1		5,093	5,093
19	Langdon	1-00000-0	19,320	15,908	35,228
20	Lebanon	103-14	52,374	54,680	107,054
21	Lebanon	105-105	1,914	2,011	3,925
22	Lebanon	116-4	51	55	106
23	Lebanon	117-17	754	793	1,547
24	Lebanon	6-1	2,991	3,142	6,133
25	Lebanon	999-2	357,279	375,211	732,490
26	Londonderry	7-34-1	8,463	8,594	17,057
27	Marlow	U7C	387	426	812
28	Monroe	000000-000002-000000	3,059	4,978	8,036
29	Orange	00UTLS-000GSE-000000	0	2,001	2,001
30	Pelham	0-14-3	101,168	166,841	268,009
31	Pelham	29-1-114-1-UBO	0	2,551	2,551
32	Plainfield	000233-000020-000000	24,321	29,005	53,326
33	Salem	67-9809	1,504	1,625	3,129
34	Salem	68-10101	240	261	501
35	Salem	68-10102	283	305	588
36	Salem	68-10103	152	164	316
37	Salem	89-1099	862	925	1,787
38	Salem	89-10115	996	1,075	2,071
39	Salem	114-10116	814	873	1,687
40	Salem	116-9915	12,833	13,782	26,615
41	Salem	116-9915-2	976	1,046	2,022
42	Salem	136-9903	1,466	1,582	3,048
43	Salem	157-9715	641,746	692,920	1,334,666
44	Springfield	0092-03	144	124	268
45	Surry	000UTL-000003-000GSE	1,492	1,505	2,997
46	Walpole	00UTIL-00UTIL-00001B	54,763	59,038	113,801
47	Walpole	00UTIL-00UTIL-00001A	17,481	18,514	35,995
48	Windham	00B-00000-02795	21,463	31,287	52,750
49	State of NH	NH DRA 1-2	220,793	220,793	441,586
50	State of NH	NH DRA 3-4	220,793	220,793	441,586
51			<b>2,243,977</b>	<b>2,421,156</b>	<b>4,665,133</b>
52	Property Tax % Assessed Value				
53					
54	<b>Pro Forma Property Tax Expense (Installment #2 X 2)</b>				
55	Property Tax expense, Test Year				
56	<b>Increase in Property tax expense</b>				
57					
					<b>4,842,312</b>
					<b>4,673,568</b>
					<b>168,744</b>

RR-3-12 **Liberty Utilities (Granite State Electric) Corp.**

Final **Adjustments to Test Year**

AD **Adjustment 12**

**Injuries & Damages**

Schedule RR-3-12

Line	Description	Source	Amount
1	<b>Adjustments to Injuries &amp; Damages</b>		
2	Remove test year costs for one-time charges to Injuries & Damages <sup>(1)</sup>		(93,689)
3	Reverse adjustment made to test year for entry to remove reserve for injuries & damages <sup>(2)</sup>		116,336
4			
5	<b>Adjustment to Injuries &amp; Damages</b>		<b>22,647</b>

(1) Adjustment to remove one-time costs charged to Injuries & Damages for costs associated with an incident that occurred during the test year.

(2) One-time adjustment made 12/31/2018 to remove items with reserve in Accumulated Provision for Injuries & Damages related to cases prior to 2018; determined reserve no longer needed. Entry 12/31/2018 to decrease Accumulated Provision for Injuries and Damages and credit Injuries & Damages expense.

RR-3-13 **Liberty Utilities (Granite State Electric) Corp.**

Final **Adjustments to Test Year**

AD **Adjustment 13**

**Other Revenue**

Schedule RR-3-13

Line	Description	Actual	Adjustment	Adjusted
1	Misc. service revenue	633,217	(a) (192,548)	440,669
2	Rent from Electric property	303,082	(b)	303,082
3	Other revenue	(143,536)	(c)	(143,536)
4	Sales for resale	165,899	(d)	165,899
5		<u>958,663</u>	<u>(192,548)</u>	<u>766,115</u>
6				
7				
8	(a) Remove incentive revenue for energy efficiency programs (\$146,573) and non-recurring charges to customers (\$45,975)			
9	(b) Pole attachment revenue			
10	(c) Represents CIAC and other revenue			
11	(d) Border sales revenue for the months of January thru December 2018			



RR-3-14 **Liberty Utilities (Granite State Electric) Corp.**

Final **Adjustments to Test Year**

AD **Adjustment 14**

**Adjustments to Normalize Distribution Revenue**

Schedule RR-3-14

Line	Description	Ref.	Amount	
1	Distribution revenue, Historic unadjusted	<a href="#">RR-2-1</a>	62,827,628	
2	Flow-through items	<a href="#">RR-2-2</a>	(22,562,375)	
3				
4	<b>Adjustment to Normalize Revenue <sup>(1)</sup></b>		<b>(602,425)</b>	
5			<b>(602,425)</b>	<a href="#">To RR-3</a>
6				
7	Distribution revenue, Historic adjusted		<u>39,662,828</u>	

(1) Adjustment to normalize revenue for test year based on rates in effect as of December 31, 2018

RR-3-15 **Liberty Utilities (Granite State Electric) Corp.**

Final **Adjustments to Test Year**

AD **Adjustment 15**

**Income Tax Expense- Test Year Actual**

Schedule RR-3-15

Line	Description	Reference	Amount
1	<b>Test Year Actual to Statutory Rates</b>		
2	Normalized Revenue	RR-2, line 5	40,428,942
3	Normalized Expenses, excluding income tax	RR-2, lines 8-15, line 17	35,514,491
4	Income (loss) before interest and taxes		4,914,451
5			
6	Rate base	RR-1	106,180,186
7	Debt Portion	RR-6	45.00%
8	Debt Component		47,781,084
9	Debt cost	RR-6	5.97%
10	Synchronized Interest expense		2,852,531
11	Pre-tax income, New Hampshire		2,061,920
12			
13	New Hampshire Business tax rate		7.70%
14	New Hampshire synchronized tax expense	Line 11 X Line 13	158,768
15	Pre-tax income, Federal	Line 11 - Line 14	1,903,153
16			
17	Federal statutory rate		21.00%
18	Federal synchronized tax expense	Line 15 X Line 17	399,662
19			
20	Total Income tax expense at Statutory rates	Line 14 + Line 18	558,430
21	Income tax expense (credit) recorded	RR-2, line 16	2,797,514
22	<b>Adjustment to Normalize Historic Test Year</b>		<b>(2,239,084)</b>
23			
24	Adjustment to New Hampshire		(94,180)
25	Adjustment to Federal		(2,144,904)
26	Total Adjustment		<b>(2,239,084)</b>
27			
28	This adjustment normalizes income tax expense in the Test Year to reflect statutory rates.		
29			

RR-4 **Liberty Utilities (Granite State Electric) Corp.**

Final **Balance Sheets**

RR **Historic Year Ended Dec. 31, 2018**

Schedule RR-4

Line	Description	Historic Year Ended Dec. 31, 2018	FERC Form 1	FERC Form 1
			Calendar Year Ending Dec. 31, 2017	Calendar Year Ending Dec. 31, 2016
1	<b>Assets</b>			
2	Utility plant	232,503,131	212,837,936	190,845,766
3	Depreciation reserve	(93,623,954)	(86,446,385)	(78,613,315)
4	Plant in service, Not classified	15,227,964	16,458,080	24,619,036
5	CWIP	3,907,980	4,595,976	2,852,953
6	Net Utility plant	158,015,121	147,445,606	139,704,440
7				
8	Other property & investments	32,086	32,086	32,086
9				
10	<b>Current assets</b>			
11	Cash	87,514	67,819	40,211
12	Accounts receivable	12,530,433	11,483,787	9,543,316
13	Due from affiliates	25,009,833	1,290,290	3,484,515
14	Materials and supplies	1,877,163	2,242,637	1,875,160
15	Prepayments	1,081,231	1,098,632	2,013,258
16	Accrued revenues and other	2,819,860	3,154,373	3,560,867
17	Total Current assets	43,406,034	19,337,538	20,517,328
18				
19	ADIT- Debits	328,131	539,321	481,514
20	Deferred Assets- Pension / OPEB	11,953,050	14,009,730	16,131,884
21	Deferred Assets- Storm	5,534,016	1,841,199	198,261
22	Other Assets	10,920,148	12,449,474	766,384
23	Total Other assets	28,735,344	28,839,723	17,578,042
24				
25	<b>Total Assets</b>	<b>230,188,585</b>	<b>195,654,953</b>	<b>177,831,896</b>
26				
27	<b>Capitalization &amp; Liabilities</b>			
28	<b>Capitalization</b>			
29	Common stock	82,024,903	82,024,903	82,024,903
30	Other Paid-in capital	17,000,000	17,000,000	17,000,000
31	Retained Earnings	(119,942)	(89,814)	(3,771,863)
32	Retained earnings- Current year	4,655,041		
33	Retained Earnings adjustments	160,041	(309,176)	(1,172,676)
34	Total Proprietary capital	103,720,043	98,625,913	94,080,365
35				
36	Long-term debt	15,000,000	15,000,000	15,000,000
37	Total Capitalization	118,720,043	113,625,913	109,080,365
38				
39	<b>Current &amp; accrued liabilities</b>			
40	Notes payable to Affiliates	17,000,000	17,000,000	17,000,000
41	Accounts payable	5,881,954	5,230,896	4,736,649
42	Due to affiliates	36,480,672	10,375,008	1,797,848
43	Customer deposits	1,278,349	1,203,236	782,605
44	Accrued expenses	14,081,662	13,630,967	13,810,884
45	Total Current & accrued liabilities	74,722,637	47,440,107	38,127,985
46				
47	ADIT- Credits	15,273,030	12,971,587	6,461,659
48	Deferred Assets- Pension / OPEB	14,699,662	15,838,509	19,262,131
49	Deferred Assets- Storm/ Other	6,545,285	4,769,235	3,108,962
	Plant removal	0	0	0
50	Other Non-current liabilities	227,928	1,009,362	1,790,796
51	Customer advances for construction	0	240	0
52	<b>Total Capitalization &amp; Liabilities</b>	<b>230,188,584</b>	<b>195,654,953</b>	<b>177,831,896</b>
53	Check	0	(0)	(0)

RR-5 **Liberty Utilities (Granite State Electric) Corp.**

Final **Rate Base**

RR **Balances at Dec. 31, 2018**

Schedule RR-5						
Line	Description	Balance Historic Year Ended Dec. 31, 2018	Ref.	Description	Adjustments	Pro Forma Rate Base
	<i>Source:</i>	<i>RR-2-1</i>				
1	Utility plant in service					
2	Utility plant	232,503,131	RR-5-4	In service Not	(6,172,095)	226,331,036
3	Depreciation reserve	(93,623,954)	RR-5-4	classified; Remove IT	5,408,816	(88,215,138)
4	Net Utility plant	<u>138,879,177</u>			<u>(763,279)</u>	<u>138,115,898</u>
5						
6	Materials and Supplies	1,877,163	RR-5-1	5 quarter avg	409,772	2,286,935
7	Cash Working Capital		RR-5-3	25.53 days	2,507,796	2,507,796
8	Plant in service, Not classified	15,227,964		Included on line 2	(15,227,964)	0
9	Accumulated Deferred FIT	(14,944,899)	RR-5-5	Computed	(20,581,891)	(35,526,790)
10	Customer deposits	(1,278,349)	RR-5-1	5 quarter avg	74,696	(1,203,653)
11	Other Rate Base items	<u>881,878</u>			<u>(32,817,590)</u>	<u>(31,935,712)</u>
12	<b>Rate Base</b>	<b><u>139,761,056</u></b>			<b><u>(33,580,869)</u></b>	<b><u>106,180,186</u></b>
13		<i>139,761,056</i>				<i>106,180,186</i>

RR-5-1 **Liberty Utilities (Granite State Electric) Corp.**  
Final **Rate Base Quarterly Balances**  
RR **Historic Year Ended Dec. 31, 2018**

Schedule RR-5-1

Line	Description	12/31/2017	03/31/2018	06/30/2018	09/30/2018	12/31/2018	5 Quarter Average
1	Materials and Supplies	2,242,637	1,932,010	2,938,134	2,444,732	1,877,163	2,286,935
2							
3	Customer deposits	(1,203,236)	(1,179,920)	(1,152,319)	(1,204,440)	(1,278,349)	(1,203,653)
4							

RR-5-2 **Liberty Utilities (Granite State Electric) Corp.**

Final **Materials & Supplies**

RR **Historic Year Ended Dec. 31, 2018**

Schedule RR-5-2

Line	Description	5-Quarter Average		
		Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
1	Materials & Supplies	2,286,935	2,204,141	1,954,718
2				
3				
4				
5	December 31 (prior year)	2,242,637	1,875,160	1,605,519
6	March 31	1,932,010	1,908,310	1,909,264
7	June 30	2,938,134	2,119,831	1,948,117
8	September 30	2,444,732	2,874,765	2,435,529
9	December 31 (this year)	1,877,163	2,242,637	1,875,160
10	Average	2,286,935	2,204,141	1,954,718

RR-5-3 **Liberty Utilities (Granite State Electric) Corp.**

Final **Cash Working Capital**

RR **Historic Year Ended Dec. 31, 2018**

Schedule RR-5-3

Line	Description	Reference	Pro Forma Test Year With Known and Measurable
1	Distribution, before adjustments	Schedule RR-2	34,732,691
2	Adjustments, before income tax	Schedule RR-2	3,579,314
3	Adjustment for income tax	Schedule RR-2	(2,435,102)
4			<u>35,876,903</u>
5			
6	Cash Working Capital Required- 25.53 days		<u>6.99%</u>
7	Cash Working Capital Required		<u><u>2,507,796</u></u>

RR-5-4 **Liberty Utilities (Granite State Electric) Corp.**  
Final **Rate Base Adjustments-Capital Additions**  
RR **Historic Year Ended Dec. 31, 2018**

Schedule RR-5-4

Line	Description	Reference	Cost	Book Depreciation		
				Rate	Expense	Accumulated
1	Ratemaking Adjustment per DG 11-040 (Acquisition)		(6,172,095)	20.00%	(1,234,419)	(5,408,816)
2						
3						
4	<b>Total Capital Additions</b>		<b>(\$6,172,095)</b>		<b>(\$1,234,419)</b>	<b>(\$5,408,816)</b>
5			<i>To RR-5</i>		<i>To RR-3-08</i>	<i>To RR-5</i>



RR-5-5 **Liberty Utilities (Granite State Electric) Corp.**

Final **Rate Base Adjustments- Plant-Related ADIT**

RR **Historic Year Ended Dec. 31, 2018**

Schedule RR-5-5

Line	Description	Notes	Federal	State	Combined
1	<b>ADIT on Acquisition Date Assets</b>	<i>RR-5-6</i>	<b>2018</b>		<b>\$21,000,000</b>
2					
3	<b>Post-Acquisition Capital Additions</b>	<b>Combined</b>	<b>Federal</b>	<b>State</b>	
4	Plant in Service 12/31/2015	232,503,131			
5	Plant in Service 7/1/2012 (Acquisition)	134,515,402			
6	Change in plant balances since Acquisition	97,987,729			
7					
8	For Additions Since Acquisition- ADIT per books				
9	Rate=	Basis Difference	21.00%	7.70%	
10	Property, Plant & Equipment	(73,072,293)	15,345,182	5,626,567	20,971,748
11	Goodwill	7,363,190	(1,546,270)	(566,966)	(2,113,236)
12	Cost of Removal	6,879,871	(1,444,773)	(529,750)	(1,974,523)
13					
14	NH Bonus depreciation:				
15	Bonus Tax depreciation	42,423,000		(3,266,571)	(3,266,571)
16	Additional regular depreciation	(11,810,013)		909,371	909,371
17	<b>ADIT Per Books at 12/31/2018 (Relates to Post-Acquisition Additions )</b>				<b>\$14,526,790</b>
18	<b>Total Accumulated Deferred Income Tax Adjustment to Rate Base, 12/31/2018</b>				<b>\$35,526,790</b>
19					

RR-5-5 **Liberty Utilities (Granite State Electric) Corp.**

Final **Rate Base Adjustments- Plant-Related ADIT**

RR **Historic Year Ended Dec. 31, 2018**

Schedule RR-5-5

Line	Description	Notes	Federal	State	Combined
	<b>Direct Calculation- ADIT on Additions Since Acquisition</b>				
	Book Depreciation		8,432,511	8,432,511	
	Tax Depreciation- Regular		12,625,221	24,435,234	
	Tax Depreciation- Bonus		42,423,000		
	Tax Depreciation- Total		55,048,221	24,435,234	
	Tax depreciation in excess of Book		46,615,709	16,002,723	
	Statutory Tax Rates		21.00%	7.70%	
	Tax effect at Statutory Rates		9,789,299	1,232,210	11,021,509
	Federal effect of State			7.70%	(258,764)
	Rate Base Deferred Tax at 12/31/2015 ( <i>ADIT related to Post-Acquisition Additions</i> )				<u>\$10,762,745</u>

RR-5-6 **Liberty Utilities (Granite State Electric) Corp.**  
Final **ADIT on Acquisition Date Assets**  
RR **As of December 31, 2018**  
Schedule RR-5-6

Line	Year	ADIT
1	2015	21,137
2	2016	21,137
3	2017	21,000
4	2018	21,000
5	2019	21,000
6	2020	21,000
7	2021	21,000
8	2022	21,000
9	2023	21,000
10	2024	21,000
11	2025	20,000
12	2026	19,000
13	2027	18,000
14	2028	17,000
15	2029	10,000
16	2030	10,929

*Adjustment to Accumulated Deferred Income Tax (ADIT) per DE 16-383 Settlement Agreement, Attachment 7*

RR-6 **Liberty Utilities (Granite State Electric) Corp.**  
Final **Weighted Average Cost of Capital**  
RR **Historic Year Ended Dec. 31, 2018**

Schedule RR-6

Line	Description	Refer-ence	Balance	Capital Structure	Weight	Cost of Capital	Weighted Cost of Capital
1	Common stock	RR-4	82,024,903	55.00%	55.00%	10.00%	5.50%
2	Long-term debt	RR-4	15,000,000	45.00%	45.00%	5.970%	2.69%
3	Long-term debt Affiliate	RR-4	17,000,000		14.91%		
4			<b>114,024,903</b>	100.00%	114.91%		<b>8.19%</b>

RR-6-1 **Liberty Utilities (Granite State Electric) Corp.**  
Final **Historical Capital Structure and Capitalization Ratios**  
RR **Historic Year Ended Dec. 31, 2018**

Schedule RR-6-1

Line	Description	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
1	Common stock	82,024,903	82,024,903	82,024,903
2	Retained earnings	21,535,099	16,910,186	13,228,137
3	Long-term debt	15,000,000	15,000,000	15,000,000
4	Long-term debt to affiliate	17,000,000	17,000,000	17,000,000
5		<b>135,560,002</b>	<b>130,935,089</b>	<b>127,253,040</b>
6				
7	Common stock	60.5%	62.6%	64.5%
8	Retained earnings	15.9%	12.9%	10.4%
9	Long-term debt	11.1%	11.5%	11.8%
10	Long-term debt to affiliate	12.5%	13.0%	13.4%
11		<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Step **Liberty Utilities (Granite State Electric) Corp.**  
Final **Step Adjustment- 2019 Capital Budget**  
RR

Schedule Step

Line	Description	Substation	Backup Batteries	OH Conductors	UG Conductors	Transformers	Meters	General	Telecom Equipment	Total
	<u>FERC Account</u>	<u>362</u>	<u>371</u>	<u>364</u>	<u>366</u>	<u>368</u>	<u>370</u>	<u>390</u>	<u>397</u>	
1	Deferred Tax Calculation									
2	Capital Spending	2,550,000	1,000,000	6,918,036	500,000	425,000	230,000	3,312,200	32,500	14,967,736
3										
4	Tax method	MACRS20	MACRS5	MACRS20	MACRS20	MACRS20	MACRS20	MACRS20	MACRS5	
5	Tax Depr. Rate, 20-year MACRS	3.75%	14.29%	3.75%	3.75%	3.75%	3.75%	3.75%	20.00%	
6										
7	Annual Tax Depreciation- Year 1	95,625	142,900	259,426	18,750	15,938	8,625	124,208	6,500	671,971
8										
9	Book Depreciation Rate- Year 1	3.00%	10.00%	3.64%	1.96%	3.51%	5.00%	1.62%	4.17%	
10	Annual Book Depreciation	76,500	100,000	251,817	9,800	14,918	11,500	53,658	1,355	519,547
11										
12	Tax over (under) Book	19,125	42,900	7,610	8,950	1,020	(2,875)	70,550	5,145	152,424
13	<b>Deferred Tax Balance @ 27.08%</b>	<u>5,179</u>	<u>11,617</u>	<u>2,061</u>	<u>2,424</u>	<u>276</u>	<u>(779)</u>	<u>19,105</u>	<u>1,393</u>	<u>41,277</u>
14										
15	<u>Rate Base Calculation</u>									
16	Plant in Service	2,550,000	1,000,000	6,918,036	500,000	425,000	230,000	3,312,200	32,500	14,967,736
17	Accumulated Depreciation	(76,500)	(100,000)	(251,817)	(9,800)	(14,918)	(11,500)	(53,658)	(1,355)	(519,547)
18	Deferred Tax Balance	(5,179)	(11,617)	(2,061)	(2,424)	(276)	779	(19,105)	(1,393)	(41,277)
19	<b>Rate Base</b>	<u>2,468,321</u>	<u>888,383</u>	<u>6,664,159</u>	<u>487,776</u>	<u>409,806</u>	<u>219,279</u>	<u>3,239,437</u>	<u>29,752</u>	<u>14,406,913</u>
20										
21	<u>Revenue Requirement Calculation</u>									
22	Return on Rate Base @ 10.23%	252,571	90,904	681,911	49,912	41,933	22,438	331,476	3,044	1,474,189
23	Depreciation Expense	76,500	100,000	251,817	9,800	14,918	11,500	53,658	1,355	519,547
24	Property Tax, Insurance @ 2.00%	51,058	20,023	138,518	10,011	8,510	4,605	66,319	651	299,695
25	<b>Annual Revenue Requirement</b>	<u>380,129</u>	<u>210,927</u>	<u>1,072,246</u>	<u>69,723</u>	<u>65,361</u>	<u>38,543</u>	<u>451,453</u>	<u>5,050</u>	<u>2,293,431</u>
26		<u><b>380,129</b></u>	<u><b>210,927</b></u>	<u><b>1,072,246</b></u>	<u><b>69,723</b></u>	<u><b>65,361</b></u>	<u><b>38,543</b></u>	<u><b>451,453</b></u>	<u><b>5,050</b></u>	<u><b>2,293,431</b></u>

Step **Liberty Utilities (Granite State Electric) Corp.**  
Final **Step Adjustment- 2019 Capital Budget**  
RR

Schedule Step

Line	Description	Substation	Backup Batteries	OH Conductors	UG Conductors	Transformers	Meters	General	Telecom Equipment	Total
27										
28	Rate of Return Calculation	Portion		After-Tax Cos	WACC			Pre-Tax		
29	Equity	55.0%		10.00%	5.50%			7.54%		
30	Debt	45.0%		5.97%	2.69%			2.69%		
31		100.0%			8.19%			10.23%		
32	Bad Debt adder									
33										
34	Municipal taxes									4,842,312
35	Injuries and Damage (Insurance expense)									1,494,365
36	Less: Storm Fund									(1,500,000)
37	Maintenance of General Plant									0
38										4,836,677
39	Plant at Cost									241,559,000
40	As % of Plant Cost									2.00%
41										
42	Total Distribution with Step									7,976,534
43	% of distribution									19.73%
44	% total revenue									7.90%

RC **Liberty Utilities (Granite State Electric) Corp.**  
Final **Rate Case Expenses**  
RR

Schedule RC

Line	Description	Vendor	Amount
1	Derpeciation Study	Alliance Consulting	52,339
2	Marginal Cost of Service	Concentric Energy Advisors	109,934
3	Decoupling	Concentric Energy Advisors	49,744
4	Rate Design / Rate Calculations	Concentric Energy Advisors	66,082
5	Cost of Capital	FTI Consulting	60,000
6	Miscellaneous (printing, legal notices, court reporter, Staff consultants, etc.)		161,901
7			<u>500,000</u>