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E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
61	New Hampshire Department of Energy Final Audit Report filed 08-12-22	<i>premarked</i>
62	New Hampshire Department of Energy Final Audit Report filed 01-13-23	<i>premarked</i>
63	Liberty Response to New Hampshire Department of Energy Recommendation Regarding Rate Case Expenses	<i>premarked</i>
64	RESERVED FOR UPDATED FILING (RE: Updated Settlement Agreement, with attachments) [04-20-23]	34

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P R O C E E D I N G

CHAIRMAN GOLDNER: Okay. Good morning, everyone. I'm Commissioner Goldner, Presiding Officer for today's hearing. I'm joined by Commissioner Simpson.

We're here this morning in Docket DG 20-105, in which the Commission docketed Liberty Utilities' 2020 rate case. The subject of this hearing is whether certain costs are recoverable by Liberty as rate case expenses.

First, let's take appearances, beginning with the Company.

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

CHAIRMAN GOLDNER: Very good. And the New Hampshire Department of Energy?

MR. DEXTER: Good morning. Paul Dexter, on behalf of the Department of Energy. I'm joined today by Karen Moran, from the Department's Audit Division.

CHAIRMAN GOLDNER: Very good. Okay.

Well, we received a late-filed Settlement last night. Without having much time

1 to review, the Commission will allow the parties
2 to present their Settlement, and why they believe
3 the Settlement is just and reasonable and serves
4 the public interest. We'd like the parties to
5 walk us through the Settlement, how they arrived
6 at the final figures, including the treatment of
7 interest.

8 Okay. So, next, I'll note that we've
9 marked as -- premarked for identification
10 Exhibits 61, 62, and 63. Do the parties plan to
11 introduce the Settlement and illustrative tariff
12 pages as exhibits?

13 MR. SHEEHAN: The Settlement Agreement,
14 with Attachment A, yes. Unfortunately, there's a
15 small error on the tariff pages. So, we can
16 discuss -- it included a rate that had changed in
17 a different docket. So, we can discuss it and
18 file a replacement this afternoon.

19 CHAIRMAN GOLDNER: Okay. Okay. And
20 would you propose that those would be "Exhibits
21 64" and "65", admit them as a single exhibit?
22 How would you want to do that?

23 MR. SHEEHAN: It's your preference.
24 I'm happy to combine the redline and clean as a

1 single document.

2 CHAIRMAN GOLDNER: Okay. Okay. So,
3 just for clarity, I think then let's assign the
4 Settlement as "64", and the illustrative tariff
5 pages as "Exhibit 65".

6 (**Exhibit 64** and **Exhibit 65** reserved.)

7 CHAIRMAN GOLDNER: Okay. A question
8 for you, Mr. Dexter.

9 Will you want to have your witness on
10 the stand today or were you planning on just
11 having Liberty, with Ms. Menard as the witness?

12 MR. DEXTER: Yes. The Department is
13 not planning on sponsoring any witnesses today.

14 CHAIRMAN GOLDNER: Okay. So, it would
15 just be Ms. Menard on the stand?

16 [*Atty. Dexter indicating in the*
17 *positive.*]

18 CHAIRMAN GOLDNER: Okay.

19 MR. DEXTER: That's my understanding,
20 yes.

21 CHAIRMAN GOLDNER: Okay. Thank you.

22 All right. Are there any other
23 preliminary matters, before we swear in the
24 witnesses -- or, witness? Anything else?

[WITNESS: Menard]

1 [No verbal response.]

2 CHAIRMAN GOLDNER: Okay. Ms. Menard,
3 you're invited to take the stand. Thank you.

4 And, Attorney Sheehan, when you're
5 ready.

6 MR. SHEEHAN: Thank you.

7 (Whereupon **ERICA L. MENARD** was duly
8 sworn by the Court Reporter.)

9 CHAIRMAN GOLDNER: Thank you.

10 **ERICA L. MENARD, SWORN**

11 **DIRECT EXAMINATION**

12 BY MR. SHEEHAN:

13 Q Ms. Menard, please introduce yourself and give us
14 your position with Liberty?

15 A My name is Erica Menard. And I am the Senior
16 Director of Rates and Regulatory Affairs for
17 Liberty Utilities. I'm employed by Liberty
18 Utilities Service Company, providing service to
19 EnergyNorth Natural Gas in this case.

20 Q And, Ms. Menard, were you involved in the
21 conversations over the last year or so relating
22 to the rate case expense issue that brings us
23 here today?

24 A Yes, I was.

[WITNESS: Menard]

1 Q And those conversations resulted in a Settlement
2 Agreement that we have presented to the
3 Commission today for approval, is that correct?

4 A That's correct.

5 Q It appears that maybe the best way to present
6 this to the Commission is to turn to Bates, in
7 the Settlement Agreement attachments, Bates
8 Page 010, is that correct?

9 A Yes. Sorry, I'm just trying to find the Bates
10 page number. Yes, I think that's the right page.

11 Q And at a high level, and we'll go through the
12 details, this document, going left to right, is
13 essentially a chronology of the various rate case
14 items that were discussed, audited, disputed, and
15 got resolved, is that fair?

16 A That is correct.

17 Q Why don't you walk us through this document with
18 that thought in mind, and give us the chronology
19 of what brings us here today?

20 A Sure. On Bates Page 010, we tried to lay out the
21 history of rate case expenses for this case.
22 Back in August of 2021, the Fall of 2021, which
23 was right at the end of the initial rate case,
24 there was an audit conducted on rate case

[WITNESS: Menard]

1 expenses. Column (a) show the expenses that were
2 in effect at the time that were audited, and post
3 that audit, there were some additional expenses
4 that came in. Because, at the time of the audit,
5 it was soon after the case, not all expenses had
6 been received by the Company. So, there is an
7 additional amount. You know, Column (a) was
8 about \$742,000, there was an additional \$107,000
9 that came in after that initial audit. And, so,
10 where we sit as of August 31st, 2022, was a total
11 of about \$848,000 of rate case expense.

12 In between, there was an order that
13 approved an amount for recovery of rate case
14 expense, and that amount was \$681,000, as shown
15 in Column (d), that addressed some, but not all,
16 of the rate case expense. So, there were some
17 that were considered "in dispute" at the time.

18 After that order, or sort of around
19 that time, a second audit was conducted on the
20 post -- post initial audit expenses. There was
21 an amount agreed upon that the Company removed
22 from the request for rate case expense, you see
23 that in Column (e), a little under \$6,000 that
24 was agreed upon.

[WITNESS: Menard]

1 And, so, then we get to Column (f),
2 which is what we're calling the "unresolved" or
3 the "disputed" amounts, which is about \$162,000.

4 The Company then engaged in some
5 discussion with the Department of Energy, and
6 came to an agreed upon amount to be recovered of
7 the \$162,000, and that amount is shown in Column
8 (g), which is roughly \$124,000.

9 Q Ms. Menard, part of the conversation, if you
10 will, was reduced to writing in a couple of
11 letters that DOE and the Company filed stating
12 our positions on those issues, is that correct?

13 A That is correct, yes.

14 Q And, to the extent there were arguments for and
15 against each of these items, those were
16 articulated in those letters, and those are
17 essentially the talking points, if you will, of
18 our disagreement on those issues?

19 A That is correct.

20 Q So, if the Commission wants some more detail on
21 why we thought one should be in and they thought
22 one should be out, it's in those filings?

23 A Yes.

24 Q So, after agreeing to the number, that \$123,000

[WITNESS: Menard]

1 number, what's the next step that's being
2 proposed here today?

3 A So, the next step is to propose a recovery
4 mechanism for the \$123,000. And the Company is
5 proposing to recover that through the LDAC
6 component. There is a component within -- sorry,
7 the LDAC rate. There's a component within the
8 LDAC, which is for rate case expense and
9 recoupment.

10 The LDAC is recovered over usually a
11 12-month period, beginning November 1st. The
12 Company is proposing to recover this, the amount
13 in Column (g), over -- between now and the end of
14 the LDAC period. Which is not the full 12
15 months, but it's, you know, an abbreviated period
16 to recover that over.

17 In addition, there was some discussion
18 around interest expense on rate case expenses.
19 And I'm going to get the rule, I don't have the
20 rule off the top of my head, but I'm sure
21 Mr. Sheehan can correct me. So, in the 1900
22 rules, there's a definition of what can and can't
23 be recovered through rate case expense, and
24 interest on rate case expense is not allowed.

[WITNESS: Menard]

1 And, so, the Company interprets that as the
2 interest on expenses that are incurred.

3 Once the amount is approved for
4 recovery, so, you take the amount that's approved
5 for recovery, you turn it into a rate, that rate
6 goes into effect, and there could be some,
7 because you forecast the rate out, there could be
8 some differences in the forecasts, you get
9 over-/under-recoveries of that rate.

10 So, in the Company's tariff, the rate,
11 the LDAC rate, allows for interest to be
12 calculated on the recovery mechanism. And that
13 is because it could be over-or under-collected,
14 and so you want to -- it's trying to account for
15 carrying charges, either back to customers or to
16 the Company, for the variance in the rate.

17 And, so, the Company's tariff defines
18 that. And, so, that's how the interest was
19 calculated on the LDAC component.

20 As part of the Settlement Agreement,
21 the Company is agreeing to remove that
22 calculation, and propose to make that in effect
23 as of June the 1st, or when this rate goes into
24 effect.

[WITNESS: Menard]

1 Q And is there a calculation of the proposed rate
2 in the Settlement Agreement?

3 A Yes, there is. However, -- I'll find it. On
4 Bates Page -- I don't have a Bates page on that.
5 Can you tell me what that is?

6 Q What schedule is it?

7 A It is Attachment A, Page 1.

8 Q Attachment A., Page 1, is Bates 007.

9 A Okay. On Bates 007, --

10 CHAIRMAN GOLDNER: And I'm sorry,
11 Ms. Menard, I must have a different version. Can
12 you refer to the pages, on something on the upper
13 right part? I don't have a Bates page on my
14 marking.

15 WITNESS MENARD: Okay. I don't either.
16 Attachment A --

17 MR. SHEEHAN: I'm sorry. It's the
18 first page after the signature lines. So, it's
19 the Page 8 of the *pdf*.

20 CHAIRMAN GOLDNER: Okay.

21 MR. SHEEHAN: Page 1 of 8.

22 WITNESS MENARD: Page 1 of 8.

23 CHAIRMAN GOLDNER: Okay.

24 **CONTINUED BY THE WITNESS:**

[WITNESS: Menard]

1 A This reflects -- this schedule right here
2 reflects the amount, on Line 6, the "Incremental
3 Rate Case Expense to Recover as of June 1st", the
4 \$123,000. What that does is it kind of layers it
5 into the current LDAC calculation for rate case
6 expense and recoupment. There's an amount, as of
7 May 31st, that is over-/under-collected, layer in
8 this additional incremental expense, "\$123,519",
9 projected. And, so, the sum of those two is the
10 "\$449,704", and recover that over the remaining
11 period, which is June 1st through October 31st of
12 2023. So, we have a forecasted throughput. And
13 we take the \$449,000 divided that throughput to
14 come up with the Rate Case Expense Factor, on
15 Line 11.

16 BY MR. SHEEHAN:

17 Q And I mentioned in the opening that the proposed
18 or illustrative tariff pages had a mistake on
19 them. Is the numbers you just -- are the numbers
20 you just read off correct?

21 A So that the Rate Case Expense Factor that you see
22 there, the "\$0.0111" per therm is correct.

23 On the tariff pages, there was an
24 incorrect number for one of the other LDAC

[WITNESS: Menard]

1 components, the Energy Efficiency component,
2 which then calculated the entire LDAC rate
3 differently than what it should be. So, we will
4 revise -- we will revise that -- we will revise
5 the LDAC rate to be "0.1180 cents" per
6 kilowatt-hour, as shown on -- I'll just get to
7 the schedule. It's on schedule -- Attachment B.

8 Q The very last page?

9 A Attachment B, Page 5. Or, you could --

10 Q It appears in several places?

11 A Yes. But Attachment B, Page 5. Instead of --
12 so, if we're looking at the Residential, the LDAC
13 line in that first section, it says "0.1153"
14 cents per therm; it would be "0.1180".

15 Q And, Ms. Menard, if you scroll to the very bottom
16 of Attachment B, which is the redline of the same
17 page, the mistake was to change the --

18 A The Energy Efficiency component?

19 Q Correct.

20 A Yes.

21 Q That should not have been changed?

22 A Correct.

23 Q That should have been left alone?

24 A Correct. Yes. So, it should only be the Rate

[WITNESS: Menard]

1 Case Expense Factor that changes.

2 MR. SHEEHAN: Thank you. Those are the
3 questions I have.

4 CHAIRMAN GOLDNER: Okay. Thank you.
5 Mr. Dexter.

6 MR. DEXTER: Thank you, Mr. Chairman.
7 The Department does support the
8 Settlement, and doesn't intend to cross-examine
9 Ms. Menard. But I have a few questions, I just
10 want to make sure that I understand what we're
11 agreeing to, I'm pretty sure I do. But I just
12 want to make sure I understand this.

13 **CROSS-EXAMINATION**

14 BY MR. DEXTER:

15 Q So, Ms. Menard, I'm looking at the sheet that you
16 referenced early, and I don't have Bates numbers,
17 I apologize. So, I'm going to refer to it as
18 "Schedule 6, Page 1 of 4 Revised". Do you have
19 that in front of you? And the title is "Recovery
20 of Rate Case Expenses and Recoupment".

21 A Schedule 6, Page -- which one?

22 Q Page 1 of 4.

23 A Yes.

24 Q It's the schedule that you were talking about

[WITNESS: Menard]

1 earlier that develops the proposed RCE Factor.

2 A Yes.

3 Q Okay. Could you explain, at the top of page
4 there is mention of "recoupment", as well as
5 "rate case expenses"?

6 Let me ask you one question first.

7 We're not dealing with recoupment here, we're not
8 dealing with any change to the recoupment
9 calculation in this phase of this docket, would
10 you agree with that?

11 A Correct.

12 Q Okay.

13 A That the component itself is called "Recoupment
14 and Rate Case Expense Factor".

15 Q And it was -- it's that way in your tariff, and
16 it's been combined for some time, is that right?

17 A Yes. Yes. The recoupment has been fully
18 recovered at this point. So, this is really just
19 a rate case expense at this point.

20 Q Okay. Okay. So, Line 5 says "Remaining Balance
21 Recoupment/Rate Case Expenses...as of May 31st,
22 2023". There's a figure of \$326,000 there, do
23 you see that?

24 A Yes.

[WITNESS: Menard]

1 Q If I go two pages forward, I get to a sheet that
2 is called "Forecasted Recovery November 2022
3 through October 2023", it's Page 3 of 4. Do you
4 see that? Do you have that page?

5 A Yes.

6 Q And, if I go to the line "May 2023", I see a
7 under-collection, in Column (d), of "323,829"?
8 Do you see that?

9 A Correct.

10 Q In order to get the number that we just talked
11 about on the prior schedule, which is 326,000, I
12 have to take that number and add the last
13 interest amount over in Column (h), is that
14 right?

15 A Correct.

16 Q Okay. So, if I add those two together, that's
17 how I get to the "326,184"?

18 A Yes.

19 Q Okay. And, while we're on this schedule, which
20 is Page 3 of 3, the fact that the interest
21 amounts go to zero, from Line 10 through the end,
22 that's reflective of the clause in the Settlement
23 that says that the Company will no longer be
24 collecting interest on over-/under-recovered

[WITNESS: Menard]

1 balances for rate case expenses, right?

2 A That's correct.

3 Q Okay. And, if I were to go above those zeroes,
4 and see those monthly figures, you know, they're
5 in the two to three to four thousand dollar range
6 on this page, and going back to 2021 and 2022,
7 they're in the one to two to three thousand
8 dollar ranges. Those are all positive numbers,
9 is that right?

10 A Yes.

11 Q And, so, in fact, for this rate case, those
12 collections have always been under-collected,
13 and, therefore, subject to interest, right?

14 A Yes.

15 Q Okay. And then, that will stop as of June 1st,
16 if the Settlement and the tariff is approved?

17 A Correct.

18 Q Okay. Thank you. The other thing I wanted to
19 point out, I think you covered this with
20 Mr. Sheehan, but I just want to make sure that
21 it's absolutely clear. I'm looking at Settlement
22 Attachment B, Page 11, this is the calculation of
23 the LDAC. And, just looking at the top block,
24 there's the "Residential Non-Heating". There's

[WITNESS: Menard]

1 about nine elements to the LDAC, it looks like,
2 that are listed there, correct?

3 A Correct.

4 Q Okay. The only one that we're dealing with in
5 this docket is the "Rate Case Expense Factor",
6 second one from the bottom, correct?

7 A Yes.

8 Q Okay. And the fact that the "Energy Efficiency
9 Charge", up on the first line, change was an
10 error, and that's going to be taken care of in
11 your corrected filing later today?

12 A Yes.

13 MR. DEXTER: Okay. Thanks. That's all
14 the questions I have.

15 MR. SHEEHAN: Mr. Chairman, there's one
16 topic I didn't cover, and I thought it would be
17 good to get it out before you started asking
18 questions, if I may?

19 CHAIRMAN GOLDNER: Of course.

20 MR. SHEEHAN: And, certainly, Mr.
21 Dexter can ask questions.

22 **DIRECT EXAMINATION (resumed)**

23 BY MR. SHEEHAN:

24 Q Ms. Menard, you referenced the rule that requires

[WITNESS: Menard]

1 or allows for recovery of interest. In fact,
2 it's a provision in our tariff that allows
3 interest on over- and under-collections within
4 the LDAC, is that correct?

5 A That's correct.

6 Q And that's what the Company relied on to apply
7 the interest, because -- it's not because it's
8 rate case expenses, because it's an over/under as
9 part of the LDAC?

10 A That's correct.

11 Q And, so, one of the requests we have today is, in
12 the proposed tariff language, is to change our
13 tariff, so that, going forward, that provision
14 isn't there anymore?

15 A That's correct.

16 MR. SHEEHAN: Okay. Thank you.

17 CHAIRMAN GOLDNER: Thank you. Mr.
18 Dexter, is there anything you'd like to --

19 MR. DEXTER: No. I was going to touch
20 on that in closing, but I appreciate the
21 clarification.

22 CHAIRMAN GOLDNER: Okay. Thank you.
23 Okay. We'll move to Commissioner questions,
24 beginning with Commissioner Simpson.

[WITNESS: Menard]

1 CMSR. SIMPSON: Thank you, Mr.
2 Chairman.

3 I know there's often language about
4 "late-filed settlements". But I was pleased to
5 see this one today. Appreciate all the work that
6 you folks put in.

7 MR. SHEEHAN: And apologies for it
8 being late. Just too many things on the pile.

9 BY CMSR. SIMPSON:

10 Q So, with the Energy Efficiency Charge change, I
11 was just a little bit confused about what you had
12 done in error. Looking at Attachment B, Page 11,
13 like, what did you change? What were you
14 thinking when you made that change?

15 A So, I used the initial model for our LDAC, when I
16 was calculating the rate case expense change.
17 And there was a leftover, if you recall, back,
18 when we initially filed the LDAC, there was some
19 change in the Energy Efficiency rate. And, so, I
20 had just picked up the old model, --

21 Q Uh-huh.

22 A -- and it flowed through. And I shouldn't have
23 done that.

24 Q Okay. With respect to the interest expenses,

[WITNESS: Menard]

1 that was something that we were prepared to talk
2 about today. Appreciate the resolution that
3 you've proposed.

4 Looking at Attachment A, Page 4 of 8,
5 the summary table, did you consider including
6 that figure in this presentation, because it had
7 been something that was in dispute previously?

8 When we came in, we expected to talk
9 about the interest figure. And, so, it was
10 confusing when I looked at this page and there
11 was no mention of it, either in the unresolved
12 amount or the incremental expense being left out.

13 A So, there's no interest in the disputed amount.

14 Q Uh-huh.

15 A It's in the over/under rate calculation. So,
16 there's nothing to resolve in terms of the rate
17 case expenses themselves.

18 Q Uh-huh.

19 A Those are purely what we've been invoiced and
20 what we've paid. So, there's not an additional
21 amount that we're recovering because we've been
22 carrying those expenses since 2019 or 2020.

23 Q Okay.

24 A The interest is really the calculation of any

[WITNESS: Menard]

1 over-/under-recovery of a rate that's put into
2 effect. So, there was nothing to address or
3 resolve on the schedule that listed out all of
4 the expenses. There's nothing to remove, nothing
5 to add there.

6 Q Uh-huh.

7 A It's really in the reconciliation of the rate.

8 Q Okay. Thank you. And then, looking at Column
9 (g), you know, some of the figures, like,
10 particularly "Legal Expenses", it was unclear
11 what the overall figure would be. And did you
12 just receive invoices over the last few months
13 from Keegan Werlin, for example, and that's what
14 you've presented here as the roughly 41,000?

15 A There were ongoing activities post -- post
16 settled rate case. There were some, if I recall,
17 there were disputes over step adjustments.

18 Q Uh-huh.

19 A And there were things that lingered on beyond --

20 Q Yes.

21 A -- the timing of when the rate case was actually
22 settled. And it had, I think, to do largely with
23 step adjustments that were part of that rate
24 case. So, those expenses came in after the audit

[WITNESS: Menard]

1 was done.

2 Q Okay.

3 A And, so, that's largely what those were.

4 Q And all those invoices you've provided to the
5 Department, like they have seen the overall --

6 A Yes.

7 Q -- evidence?

8 A Yes.

9 Q Okay. Great. So, then, what the -- what you and
10 the Department are proposing is the Concentric
11 costs, from your decoupling mechanism review;
12 Keegan Werlin, legal expenses; ScottMadden,
13 testimony support, and you've agreed to remove
14 the Management Applications Consulting costs?

15 A Yes.

16 CMSR. SIMPSON: Okay. And I would just
17 ask Mr. Dexter, you believe that all these would
18 be just and reasonable, in the public interest?

19 MR. DEXTER: Yes. I think, as part of
20 the Settlement, I do.

21 We laid out our reasons, as Mr. Sheehan
22 pointed out, in several filings with the
23 Department, why we were in a position to contest
24 them. We've reread the Liberty's letters and

[WITNESS: Menard]

1 arguments on that, and came to this Settlement,
2 of which the interest calculation is an important
3 part.

4 And, on balance, yes. I believe that
5 what's presented here is just and reasonable.

6 CMSR. SIMPSON: Thank you.

7 And then, my final question, I was a
8 little bit confused about whether the OCA signed
9 onto this. At the beginning of the Settlement,
10 it says that "the OCA" was a "Settling Party",
11 but then there's no signature on Page 6?

12 MR. SHEEHAN: I can address that. The
13 draft included them, and the OCA was copied on
14 all the back-and-forth.

15 CMSR. SIMPSON: Yes.

16 MR. SHEEHAN: And we received a message
17 from Mr. Kreis last night saying "I'm not going
18 to appear at the hearing tomorrow." So, I
19 removed him from the signature line, forgot to
20 remove him from the top. So, that was just an
21 oversight.

22 In fairness, Mr. Kreis did not say "I
23 support" or "I object to the Settlement". I
24 asked him that late last night and never got an

[WITNESS: Menard]

1 answer.

2 CMSR. SIMPSON: Uh-huh.

3 MR. SHEEHAN: But I interpret his
4 absence here as not taking a position. So,
5 that's how I would characterize it.

6 CMSR. SIMPSON: But you included him on
7 all the discussions, and --

8 MR. SHEEHAN: Yes.

9 CMSR. SIMPSON: -- provided all the
10 evidence to his office?

11 MR. SHEEHAN: The discussions were a
12 DOE/Liberty only conversation. But, once the
13 drafts started going, he was copied on all of
14 that.

15 CMSR. SIMPSON: Okay. Thank you.

16 I don't have any further questions, Mr.
17 Chairman. Thank you.

18 CHAIRMAN GOLDNER: Just for efficiency,
19 I'd like to, I know you're not on the stand, Mr.
20 Dexter, but just to ask you, if you're
21 comfortable sharing the Department's position
22 with regards to rate case expenses associated
23 with steps? Some of the prior filings indicated
24 that the Department was uncomfortable with rate

[WITNESS: Menard]

1 case expense recovery associated with steps. And
2 I'd like to understand the Department's position
3 on that.

4 MR. DEXTER: Yes. As a general rule,
5 we believe that the 1900 rules cover the base
6 case expenses, not step adjustments. Now, I
7 understand there might be unusual circumstances
8 perhaps in some water cases, where there might be
9 warranted exceptions. But, generally speaking,
10 that's how we interpret the 1900 rules, number
11 one.

12 Number two, going way back to the
13 beginning of this case, the Settlement in the
14 underlying base rate case had an estimate of rate
15 case expenses, which were for the base case.
16 There was no discussion, back when we settled
17 this case, that the step adjustment-related rate
18 case expenses would be recovered.

19 So, in this instance, there is two
20 reasons why we objected to the Management
21 Applications' study, which was tied to the second
22 step adjustment.

23 CHAIRMAN GOLDNER: Okay. Thank you.
24 And I'll just follow up with Ms. Menard.

[WITNESS: Menard]

1 BY CHAIRMAN GOLDNER:

2 Q Is there anything in the Settlement, I'm looking
3 at the spreadsheet on Attachment A, Page 4 of 8,
4 or Schedule 6, 4 of 4, that big table, is there
5 anything on this table that represents any
6 expenses, rate case expenses, relative to steps?

7 A The base case did include, as part of the -- the
8 final number, it did roll in the -- I guess you
9 could call it the "first step". But it's kind of
10 resolving all issues to get to then the point
11 where you set rates into effect.

12 So, these costs, I guess it depends on
13 how you define "steps". This was a step
14 adjustment as part of the base case. There are
15 costs related to that.

16 The Management Application Consulting
17 cost was post case step adjustment that was
18 required as part of the Settlement Agreement to
19 do a revision to the depreciation study. So,
20 that's why that was initially included. We
21 agreed to forgo that.

22 Q Yes.

23 A So, if you define "steps" as "post settled rate
24 case", there are not costs associated with that.

[WITNESS: Menard]

1 But there is a step that is embedded in the base
2 case itself.

3 CHAIRMAN GOLDNER: Okay. Mr. Dexter,
4 I'd like to get your thoughts on that?

5 MR. DEXTER: Yes. Ms. Menard gave a
6 more complete answer than I did. I should --
7 when I said "there was no rate case expenses in
8 the original settlement", that's actually not
9 correct. This case, I believe, concluded with a
10 step adjustment concurrent with the base case,
11 which included investments in the year
12 immediately following the test year, which was
13 fairly typical. And those would have been
14 included in the original estimate, and those
15 were -- the first step was presented as part of
16 the base rate case. So, we did not have an
17 objection to that first step.

18 So, I think Ms. Menard is making an
19 important distinction.

20 CHAIRMAN GOLDNER: Okay. Very good.
21 That was a helpful clarification from both.
22 Thank you.

23 Okay. That's all the questions I have
24 relative to this issue.

[WITNESS: Menard]

1 I would like to just ask both parties,
2 if you're understanding that this concludes all
3 of the issues for this docket?

4 MR. SHEEHAN: We actually discussed
5 that right before the hearing started. And I
6 think we agree that it does.

7 CHAIRMAN GOLDNER: Okay.

8 MR. DEXTER: I believe we agree as
9 well.

10 CHAIRMAN GOLDNER: Well, that is good
11 news. Welcome news.

12 Okay. That is everything I have.
13 Commissioner Simpson, anything to follow up on?

14 CMSR. SIMPSON: No. This has been a
15 great discussion. Thank you.

16 CHAIRMAN GOLDNER: Yes. Thank you very
17 much.

18 Okay. Very good. The witness is
19 released. Thank you, Ms. Menard.

20 And, after Ms. Menard gets settled, we
21 can move to a closing. And I'll address the
22 exhibits after closings.

23 So, Mr. Dexter.

24 MR. DEXTER: Thank you. I sort of

1 jumped into my closing a little bit earlier in
2 response to a question from Commissioner Simpson.

3 But, basically, this Settlement
4 contains two elements: One, it resolves the
5 disputes regarding the remaining invoices. And I
6 believe it reaches a reasonable compromise on
7 those four remaining vendor costs. And,
8 secondly, and as I said very importantly to the
9 Department, it corrects what we saw as a conflict
10 between Liberty's tariff and the rate case
11 expense rules. So that now no longer will
12 interest accrue on what's called the
13 "over-/under-recovery of rate case expenses", but
14 I think the way it's set up will always be an
15 under-recovery, and therefore will always have
16 interest expense, at least that's the way it
17 looks from this case, because you're collecting
18 those costs over, you know, a period of time.
19 You're starting with a pot, and then collecting
20 it over a period of time.

21 So, we are pleased that Liberty agreed
22 to make this tariff change in this docket, and
23 not wait until the next rate case. That would
24 have delayed this discussion for, you know, a

1 number of months or, potentially, even years.
2 So, we believe that's an important part of the
3 Settlement.

4 And we urge the Commission to approve
5 the Settlement as it was presented.

6 CHAIRMAN GOLDNER: Thank you. And the
7 Company.

8 MR. SHEEHAN: I can say the same thing.
9 It was a conversation over disputed items. We
10 reached a resolution that we also think is a fair
11 way to solve these problems and close out this
12 docket. And we ask -- so, the request is to
13 approve the new LDAC factor, and approve the
14 language change in the tariff going forward.

15 Stop. New paragraph. I'd like to have
16 a conversation over exhibits, to make sure we get
17 them right. And, so, my -- first is to clarify
18 the numbering. And, second, I can offer to
19 refile everything, properly numbered, remove the
20 "OCA" from the opening paragraph of the
21 Settlement Agreement, and fix the Exhibit B, the
22 proposed tariff -- the illustrative tariff error.

23 And I can make that all one document.
24 If you give me a number, I can make a single

1 document, with Attachments A, B, and that will be
2 the Settlement Agreement, Exhibit X.

3 CHAIRMAN GOLDNER: We can do that. We
4 can make that "Exhibit 64".

5 *(Revised exhibit numbering with*
6 *regard to the Settlement Agreement*
7 *and Attachments earlier noted as*
8 ***"Exhibit 64"** and **"Exhibit 65"**, to now*
9 *be filed together as **"Exhibit 64"***
10 *only.)*

11 MR. SHEEHAN: Okay.

12 CHAIRMAN GOLDNER: Is that acceptable,
13 Mr. Dexter?

14 MR. DEXTER: Yes.

15 CHAIRMAN GOLDNER: Okay.

16 MR. SHEEHAN: Thank you. That's all we
17 have.

18 CHAIRMAN GOLDNER: Thank you.

19 Okay. So, we'll admit Exhibits 61, 62,
20 and 63. Attorney Sheehan, you'll file Exhibit 64
21 later today? Tomorrow?

22 MR. SHEEHAN: Yes. Probably by close
23 of business today.

24 CHAIRMAN GOLDNER: Close of business

1 today.

2 And then, since there are some
3 alterations, Attorney Dexter, would it be okay
4 if the Commission -- or, if the Department,
5 rather, filed any objections or concerns to that,
6 would you want a day or two or three, if there
7 are any concerns with the changes, because it
8 won't be exactly what we've seen today?

9 MR. DEXTER: By Monday would be nice.

10 CHAIRMAN GOLDNER: Okay. By Monday,
11 okay.

12 Okay. So, we'll -- so, just to
13 resummarize. The Company will file Exhibit 64,
14 with everything we've viewed today, with the
15 changes we've discussed, by close of business
16 today. And then, the Department, and I suppose
17 the OCA as well, if there's any objections to
18 those changes, they will file by Monday, close of
19 business on Monday.

20 Okay. Is there anything else that we
21 need to cover today?

22 MR. DEXTER: Nothing from the
23 Department.

24 MR. SHEEHAN: Nothing. Thank you.

1 CHAIRMAN GOLDNER: Okay. Seeing none.
2 Thank you, everyone. I'll thank everyone for
3 their time today. And we are adjourned.

4 ***(Whereupon the hearing was adjourned***
5 ***at 9:45 a.m.)***

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