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1	Updated Direct Testimony of Deborah M. Gilbertson, Catherine A. McNamara, and David B. Simek, with Attachments and Proposed Tariff Pages {CONFIDENTIAL & PROPRIETARY}	<i>premarked</i>
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3	2021-2022 Winter Cost of Gas Model, Updated Response to PUC RR 1-1 {CONFIDENTIAL & PROPRIETARY}	<i>premarked</i>
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5	Excerpts from Responses to OCA Set 1 Data Requests	<i>premarked</i>
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EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
9	Energy Audit Division Audit of Winter 2020-2021 Reconciliation (10/13/21) and Addendum (10/20/21) (<i>redacted in full</i>) -- RDAF in Liberty-Keene from EnergyNorth	<i>premarked</i>
10	Energy Audit Division Audit of Winter 2020-21 Reconciliation (10/13/21) and Addendum (10/20/21) {CONFIDENTIAL & PROPRIETARY}	<i>premarked</i>
11	Liberty-Keene Petition as originally filed on 09-15-21 including testimony, schedules and attachments <i>[REDACTED - For PUBLIC Use]</i>	<i>premarked</i>
12	Liberty-Keene Petition as originally filed on 09-15-21, including testimony, schedules and attachments. {CONFIDENTIAL & PROPRIETARY}	<i>premarked</i>
13	Email string among various parties, including counsel for Department of Energy and counsel from Liberty (EnergyNorth) <i>[5 pages]</i>	<i>premarked</i>
14	DG 20-105, Hearing Exhibit 49	11
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P R O C E E D I N G

CHAIRWOMAN MARTIN: We're here this afternoon in Docket DG 21-132 for a hearing regarding the Liberty-Keene Division Winter Cost of Gas.

Let's start by taking appearances, Mr. Sheehan.

MR. SHEEHAN: Good afternoon. Mike Sheehan, for the Keene Division of Liberty Utilities (EnergyNorth Natural Gas). And with me is Ms. Kimball, from Keegan Werlin.

CHAIRWOMAN MARTIN: Welcome back.

MR. SHEEHAN: Thank you.

CHAIRWOMAN MARTIN: And Mr. Kreis.

MR. KREIS: Good afternoon. I'm Donald Kreis, the Consumer Advocate, here on behalf of the residential customers of this fine utility. With me today is Maureen Reno, our Director of Rates and Markets.

CHAIRWOMAN MARTIN: And also welcome back. And Ms. Schwarzer. Sorry, you're on mute.

MS. SCHWARZER: Good afternoon.

CHAIRWOMAN MARTIN: Oh, sorry. You're not on mute anymore. Go ahead.

1 MS. SCHWARZER: Thank you, Madam
2 Chairwoman. Good afternoon, Commissioners. Mary
3 Schwarzer, for the Department of Energy. And
4 with me is co-counsel Paul Dexter.

5 CHAIRWOMAN MARTIN: All right. Thank
6 you. And welcome back to the both of you as
7 well.

8 All right. We're all here to continue
9 with our cost of gas proceedings today. For this
10 one, I have Exhibits 1 through 13 prefiled and
11 premarked for identification.

12 Is there anything else for exhibits?

13 MR. SHEEHAN: Just one comment. It
14 looks like there was an inadvertent inclusion of
15 confidential material attached to one of the
16 exhibits. On Exhibit 8, contains, in the back of
17 it, some documents that I think is part of the
18 audit that are confidential. And I'd ask that it
19 not be admitted. And, in fact, Exhibit 8 is the
20 same as 6 and 7. So, I don't think there's any
21 harm in just removing Exhibit 8 from the list.

22 CHAIRWOMAN MARTIN: So, the entire
23 Exhibit 8 is just redundant to 6 and 7?

24 MR. SHEEHAN: Yes.

1 MS. SCHWARZER: And, I'm sorry. I'm
2 not following you. You may be correct, but --

3 MR. SHEEHAN: Yes. So, Exhibit 6 is
4 our responses to Energy Tech Session 1, which was
5 the last of my marked exhibits, and then Energy
6 marked Exhibit 7, the same thing. And that's
7 just in the fast back-and-forth of getting these
8 things filed.

9 And then, Exhibit 8 looks like it's
10 also the confidential Energy Set 1. I guess it
11 is marked as "confidential", maybe it's my bad.

12 CHAIRWOMAN MARTIN: So, it may be just
13 that it's the confidential version.

14 MR. SHEEHAN: Okay.

15 MS. SCHWARZER: Exhibit 6 was only
16 excerpts. And, so, I wasn't sure what was in the
17 excerpts at the time the list was put together.

18 MR. SHEEHAN: Okay. And, if 8 is
19 marked "confidential", then I withdraw this whole
20 thing. And I apologize.

21 CHAIRWOMAN MARTIN: Okay. So, 8 is the
22 confidential version of Exhibit 7? Is that what
23 I'm understanding?

24 MR. SHEEHAN: Correct.

1 CHAIRWOMAN MARTIN: Okay. And we're
2 going to have all of the exhibits that were
3 previously marked.

4 MR. SHEEHAN: I apologize.

5 CHAIRWOMAN MARTIN: No worries.

6 Okay. Anything else for preliminary
7 issues, before we go to the witnesses?

8 Ms. Schwarzer.

9 MS. SCHWARZER: Madam Chairwoman, thank
10 you.

11 Energy marked the Settlement Agreement
12 in 20-105 in the prior cost of gas rate as
13 "Exhibit 24". We intended to include it here.
14 We would ask that it be included as "Exhibit 14"?

15 CHAIRWOMAN MARTIN: Okay. Can you say
16 it again what exhibit that is? What's contained
17 in the --

18 MS. SCHWARZER: Yes. It was
19 "Exhibit 24" in Docket 21-130. It is the
20 Settlement Agreement that was submitted, and
21 ultimately approved, in Liberty's most recent
22 rate case, Docket DG 20-105.

23 CHAIRWOMAN MARTIN: Okay. So, that
24 would be "Exhibit 14" in this case?

1 MS. SCHWARZER: Yes. Thank you.

2 CHAIRWOMAN MARTIN: And is there any
3 objection --

4 MR. DEXTER: Excuse me, Madam Chair?

5 CHAIRWOMAN MARTIN: Yes.

6 MR. DEXTER: I'm going to interrupt
7 before you ask for objections, because it's
8 actually "Exhibit 26" in the prior docket.

9 MS. SCHWARZER: Oh, excuse me.

10 CHAIRWOMAN MARTIN: Okay. Thank you
11 for the clarification.

12 MR. DEXTER: Sorry for the
13 interruption.

14 MS. SCHWARZER: Thank you. Energy made
15 a late filing in this docket of the witness list,
16 an exhibit list, as well as exhibits were due the
17 prior day. And I believe these were filed on the
18 22nd, in the morning.

19 So, we would ask the parties to waive
20 that late filing and -- agree to waive that late
21 filing, and ask the Commission to waive it as
22 well.

23 CHAIRWOMAN MARTIN: Okay. The late
24 filing is waived.

1 And I would like to hear from anyone
2 who objects to adding the Settlement Agreement
3 from 20-105 to this docket as "Exhibit 14"?

4 MR. SHEEHAN: I do not object. I'd
5 like to note, I got an email from Mr. Mullen, who
6 is in the participant -- or, the attendee list,
7 and he doesn't have sound or audio.

8 CHAIRWOMAN MARTIN: Okay.

9 MR. SHEEHAN: He's taking a second to
10 track that down.

11 CHAIRWOMAN MARTIN: Was he on earlier?
12 Let's go off the record.

13 *[Brief off-the-record discussion*
14 *ensued.]*

15 CHAIRWOMAN MARTIN: Okay. Let's go
16 back on the record please. And we were speaking
17 about Exhibit 14, the Settlement Agreement. I
18 understood, Mr. Sheehan, you had no objection.

19 Mr. Kreis?

20 MR. KREIS: No objection.

21 CHAIRWOMAN MARTIN: Okay. Thank you.
22 We will mark that is "Exhibit 14" in this docket.

23 Anything else, before we hear from the
24 witnesses?

1 *[No verbal response.]*

2 CHAIRWOMAN MARTIN: Okay. Then,
3 Mr. Patnaude, if you could swear in the witnesses
4 please. And --

5 MS. SCHWARZER: Madam Chair, you are
6 muted.

7 CHAIRWOMAN MARTIN: Can you hear me
8 now?

9 MS. SCHWARZER: No.

10 *[Brief off-the-record discussion*
11 *ensued.]*

12 CHAIRWOMAN MARTIN: Okay. Back on the
13 record.

14 And, as I said before, we were talking
15 about Exhibit 14, and noted that Mr. Sheehan had
16 not objected. And I asked Mr. Kreis if he had
17 any objection, and his response was that he did
18 not have any objection to admitting -- or, to
19 marking Exhibit 14. And, so, we will mark that
20 for identification, that Settlement Agreement in
21 20-105.

22 (The document, as described, was
23 herewith marked as **Exhibit 14** for
24 identification.)

1 CHAIRWOMAN MARTIN: And I asked if
2 there were any other issues we need to cover,
3 before we hear from the witnesses?

4 Oh, Ms. Schwarzer.

5 MS. SCHWARZER: Thank you, Madam
6 Chairwoman.

7 I don't want to rehash all the
8 extensive discussion we had with regard to
9 whether over-/under-calculations or proceedings
10 in this hearing should be found prudent or final.

11 However, I do want to note that the
12 LDAC from the EnergyNorth docket, 21-130, is
13 applicable in this docket. And, so, Energy would
14 make the same arguments and the same requests,
15 and will file the same motion, if given
16 permission to do so, with regard to those issues,
17 in terms of finality and the 4 million taken out
18 of the LDAC -- or, excuse me, the 4 million
19 contested, the 2 million this year, that's
20 applicable to the LDAC in both of these dockets.

21 CHAIRWOMAN MARTIN: Okay. Thank you,
22 Ms. Schwarzer. Any response to that from other
23 counsel?

24 MR. SHEEHAN: Just to repeat that I

1 don't think it's necessary. That these are all
2 reconciling charges. And, if there were changes
3 that were necessary in the future, they could be
4 made.

5 CHAIRWOMAN MARTIN: Ms. Schwarzer.

6 MS. SCHWARZER: That goes to the heart
7 of the argument, Madam Chairwoman. Liberty takes
8 the position that there is no finality in
9 reconciling factors, and therefore that the
10 4 million should be pulled forward. But, as has
11 been argued in the motion in *limine*, some of us
12 take the position that finality attaches after
13 twelve months, when a reconciling factor is, in
14 fact, reconciled. And there's a dispute as to
15 whether errors that the Company may have made
16 should be paid for by the Company or by others.

17 And, so, without arguing the substance,
18 to the extent Liberty's counsel asserts there's
19 no issue, that's because of the -- he's begging
20 the question, that's the position he takes in the
21 underlying motion as well.

22 CHAIRWOMAN MARTIN: Ms. Schwarzer, and
23 for all of the other parties, if you could
24 file -- there's a plan to file a brief on this

1 issue in Docket DG 21-130, if you could file a
2 brief on that issue, or the same brief on the
3 issue, in this docket as well, by Wednesday,
4 close of business, that would be appreciated.

5 Okay. Anything else, Ms. Schwarzer?

6 MS. SCHWARZER: No thank you, Madam
7 Chairwoman.

8 CHAIRWOMAN MARTIN: Okay. Anything
9 else from anyone else?

10 [No verbal response.]

11 CHAIRWOMAN MARTIN: All right.

12 Mr. Patnaude, would you swear in the witnesses
13 please.

14 And, actually, before you do that,
15 Mr. Sheehan, can you just identify for the record
16 who will be the witnesses that you're calling?

17 MR. SHEEHAN: Sure. The three
18 witnesses who filed testimony, Catherine
19 McNamara, David Simek, and Deborah Gilbertson.

20 CHAIRWOMAN MARTIN: All right. Thank
21 you. Go ahead.

22 (Whereupon **Deborah M. Gilbertson,**
23 **Catherine A. McNamara,** and
24 **David B. Simek** were duly sworn by the

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 Court Reporter.)

2 CHAIRWOMAN MARTIN: Mr. Simek, I didn't
3 hear you. I don't know if your --

4 MR. SIMEK: I do.

5 CHAIRWOMAN MARTIN: Okay. Thank you
6 very much. Ms. Schwarzer?

7 MS. SCHWARZER: I'm sorry, Madam
8 Chairwoman.

9 There's a question of redlined filings
10 in this docket, as was the case in the prior
11 docket. Energy asked that redlined versions be
12 filed, and we would repeat that request here.

13 CHAIRWOMAN MARTIN: Okay. Why don't we
14 do -- address those issues after the witnesses
15 testify, unless you think it needs to be done
16 now? Okay.

17 MS. SCHWARZER: Nope. That's fine.
18 Thank you, Madam Chairwoman.

19 CHAIRWOMAN MARTIN: Go ahead,
20 Mr. Sheehan.

21 MR. SHEEHAN: Thank you.

22 **DEBORAH M. GILBERTSON, SWORN**

23 **CATHERINE A. McNAMARA, SWORN**

24 **DAVID B. SIMEK, SWORN**

[WITNESS PANEL: Gilbertson|McNamara|Simek]

DIRECT EXAMINATION

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BY MR. SHEEHAN:

Q Ms. Gilbertson, I'll begin with you. Could you please identify yourself and your title with the Company?

A (Gilbertson) Yes. My name is Deborah Gilbertson. I'm the Senior Manager of Energy Procurement for Liberty.

Q And, Ms. Gilbertson, did you prepare testimony in this docket that's been marked as "Exhibit 1", confidential, and Exhibit 2, redacted?

A (Gilbertson) Yes.

Q And it appears that your testimony was jointly filed with Ms. McNamara and Mr. Simek, is that right?

A (Gilbertson) That's correct.

Q And do you have any changes to your testimony you would like to bring to the Commission's attention now?

A (Gilbertson) No.

Q And do you adopt your testimony as your sworn testimony at this hearing this afternoon?

A (Gilbertson) Yes.

Q And, as we discussed this morning, your role in

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 the testimony has to do with the fuel purchases
2 and the fuel prices. Is it fair to say that the
3 price of propane-air and CNG have increased
4 pretty substantially this summer and fall?

5 A (Gilbertson) Yes. That's true.

6 Q And, again, could you give us a high-level
7 description of some of the factors that you
8 believe contribute to those increased fuel
9 prices?

10 A (Gilbertson) Yes. Similar to natural gas, the
11 propane market has increased considerably since
12 last year. Some of the contributors to that are
13 the five-year domestic propane inventory lagging
14 behind the five-year averages, as well as an
15 uptick in exports out of the country, in response
16 to very high prices abroad, where producers are
17 taking advantage of those high prices in other
18 countries.

19 Q Ms. Gilbertson, is there -- was there a -- let me
20 back up. I'll strike that. Thank you.

21 Ms. McNamara, could you please
22 introduce yourself and your position with the
23 Company?

24 A (McNamara) I'm Catherine McNamara. I'm a Rates

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 Analyst in Rates and Regulatory Affairs for
2 Liberty.

3 Q And, Ms. McNamara, did you participate in
4 drafting the testimony and attachments that have
5 been marked as "Exhibits 1" and "2" in this
6 filing?

7 A (McNamara) I did.

8 Q And do you have any corrections to bring to the
9 Commission's attention this afternoon?

10 A (McNamara) No, I do not.

11 Q And do you adopt the written testimony as your
12 sworn testimony today?

13 A (McNamara) I do.

14 Q Ms. McNamara, the proposal in front of the
15 Commission is for cost of gas rates for Keene
16 customers. Could you give us what those rates
17 are for residential customers and what the bill
18 impacts are of those rates that are proposed over
19 this coming winter season?

20 A (McNamara) Sure. The final proposed cost of gas
21 rate is \$1.9868 per therm, and the bill impact --
22 the overall bill impact is \$468.77, or 56.5
23 percent. And that's for the Non-Fixed Price
24 Option.

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 Q And is there a Fixed Price Option for Keene
2 customers as well?

3 A (McNamara) Yes. The proposed Fixed Price Option
4 is 1.8944 [~~\$1.8941~~?] per therm. And the bill
5 impact for the FPO customer is \$414.88, or 49.4
6 percent.

7 Q We had a discussion about FPO rates this morning
8 in the EnergyNorth case. And here, again, the
9 FPO price is lower than the proposed Non-FPO
10 price. Is it the Company's position to honor the
11 FPO price as offered to customers this month?

12 A (McNamara) Correct.

13 Q Thank you.

14 A (McNamara) And I just have one -- sorry, I have
15 one correction.

16 Q Sure.

17 A (McNamara) The FPO rate, the FPO rate is \$1.8941
18 per therm.

19 Q Okay.

20 A (McNamara) And the bill --

21 Q And the -- go ahead.

22 A (McNamara) I was going to say "the bill impact
23 was correct."

24 Q Thank you. And the Keene cost of gas is a blend

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 of the pricing for both propane and CNG, is that
2 correct?

3 A (McNamara) That is correct.

4 Q And can you tell us, if we were to break them
5 out, which fuel had the higher and lower cost per
6 therm?

7 A (McNamara) Sure. CNG is actually pricing out
8 less than spot propane in this filing.

9 Q And that is different from last year, where CNG
10 was more expensive than propane, is that correct?

11 A (McNamara) That is correct.

12 Q Thank you. Ms. McNamara, can you confirm that
13 the LDAC charged to Keene customers is the same
14 that as that charged to EnergyNorth customers in
15 the DG 21-130 docket?

16 A (McNamara) Yes, I can.

17 Q Mr. Simek, please introduce yourself?

18 A (Simek) David Simek, Manager of Rates and
19 Regulatory Affairs.

20 Q Mr. Simek, did you also participate in the
21 testimony and schedules attached -- or, marked as
22 "Exhibits 1" and "2"?

23 A (Simek) Yes, I did.

24 Q And do you have any corrections you'd like to

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 bring to the Commission's attention?

2 A (Simek) I do not.

3 Q Do you adopt the written testimony as your sworn
4 testimony today?

5 A (Simek) I do.

6 Q This is for any of you to answer. And I think it
7 may be you, Mr. Simek. Can you confirm that the
8 LDAC that is being proposed here not only is the
9 same as that in the EnergyNorth case, but, as
10 we've discussed this morning, does not include
11 the so-called "R-4 dollars", 2 million per year
12 over two years, is that correct?

13 A (Simek) Yes, it is.

14 Q Another question, if you could please confirm.
15 In the 20-105 rate case, there were some terms
16 governing how the Company should treat certain
17 CNG-related costs. Can someone please confirm
18 that the allocation of the demand charges for the
19 CNG contracts are allocated 75 percent to the
20 winter cost, and will be allocated 25 percent to
21 the summer cost next year?

22 A (Simek) Yes, I can confirm.

23 A (McNamara) Yes. That's correct.

24 Q Twice. Thank you. And that was a term in the --

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 a provision in the Settlement from the rate case,
2 is that correct?

3 A (Simek) Yes.

4 Q And another provision in the rate case Settlement
5 discussed how to recover or not recover the
6 difference in costs between propane and CNG. Is
7 it correct to say that one provision applied to
8 how the Company would recover the incrementally
9 more expensive CNG prior to this filing?

10 A (Simek) Yes.

11 Q And how was that to be done?

12 A (Simek) If the incremental difference -- excuse
13 me -- if the incremental difference is a cost, in
14 other words, if the CNG is higher, then the
15 Company can collect 50 percent of that
16 incremental difference going forward. If the
17 difference, as it is in this case, that the CNG
18 is lower, the Company can collect 100 percent of
19 that difference, up and to the accumulated costs
20 that we had had from prior periods.

21 Q So, if the cost imposed on the Company for the
22 more expensive CNG in the past was \$100, we can
23 recover all of the incrementally -- incremental
24 difference going forward, up to \$100, is that

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 what you mean?

2 A (Simek) Correct.

3 Q And then, what happens after that point? If, for
4 example, the CNG remained the more expensive
5 fuel?

6 A (Simek) Well, we would continue to track it. And
7 we would be able to address it in a future case.

8 Q Okay. And has that math been applied to this
9 case, i.e., that the past incremental differences
10 were shared appropriately, and the projected
11 incremental differences are being treated
12 correctly?

13 A (Simek) Yes, they are.

14 Q Can someone tell me if we know how many customers
15 have signed up for FPO this year?

16 A (Simek) We do. It's 127 customers, as of Friday.

17 Q And Keene customers have until when to sign up?

18 A (Simek) October 27th.

19 Q And do you have an idea of how that compares to
20 prior years?

21 A (Simek) Yes. Last year, we had 126 customers
22 signed up for the FPO.

23 Q Were the -- was the reconciliation of last
24 winter's costs audited by now the Energy Audit

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 Staff?

2 A (Simek) Yes, they were.

3 Q And can you give us a high-level description of
4 the results of that audit?

5 MS. SCHWARZER: Objection.

6 CHAIRWOMAN MARTIN: Go ahead.

7 MS. SCHWARZER: I'm sorry. Was the
8 question "has the updated audit" -- or, exclusive
9 of the LDAC?

10 MR. SHEEHAN: The question was "whether
11 the audit of the reconciliation of last winter's
12 cost of gas has been completed, the Keene cost of
13 gas?"

14 MS. SCHWARZER: Yes, I understand. But
15 doesn't the -- the Keene includes the LDAC?

16 MR. SHEEHAN: I don't know. We can ask
17 Mr. Simek.

18 CHAIRWOMAN MARTIN: Ms. Schwarzer, do
19 you maintain your objection?

20 MS. SCHWARZER: I withdraw the
21 objection.

22 CHAIRWOMAN MARTIN: All right. Thank
23 you. Go ahead.

24 BY MR. SHEEHAN:

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 Q So, first, Mr. Simek, did the Audit Division
2 complete its audit of the last year's -- the
3 reconciliation of last winter's cost of gas?

4 A (Simek) Yes, they did.

5 Q And does the Keene audit dive into the LDAC?

6 A (Simek) No.

7 Q And does the Audit Division audit the LDAC under
8 the umbrella of the EnergyNorth cost of gas?

9 A (Simek) Yes, it does.

10 Q Okay. And what were the findings, if any, of the
11 Keene, last winter's audit?

12 A (Simek) I have it up here. There was a -- there
13 was a numbering issue on one of those filings, on
14 one schedule. Not so much the numbers that were
15 used to calculate, just literally the line
16 item -- the line numbers on the side. And then,
17 there was also a difference of 285 therms that
18 were updated in a revised filing.

19 Ms. McNamara may be able to give a
20 little more additional detail on that.

21 A (McNamara) Yes. Dave is correct on his two
22 points. And the main file for the refileing is
23 that Audit requested more detail on the revenue
24 section of its operations, because it was a

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 little bit hard to understand with the two
2 separate orders from last winter. We had an
3 interim order, if you recall, from November, and
4 then a final order in December. So, it just
5 broke out the same revenues in more detail. The
6 actual balance was not different from one filing
7 to the other.

8 Q Thank you. And, last, we had a conversation this
9 morning in the EnergyNorth case about the cap for
10 the summer cost of gas. And, of course, is it
11 fair to say that's not at issue here because this
12 is only the winter cost of gas for Keene, is that
13 correct?

14 A (Simek) Correct.

15 MR. SHEEHAN: That's all I have. Thank
16 you.

17 CHAIRWOMAN MARTIN: All right. Thank
18 you, Mr. Sheehan. Mr. Kreis.

19 MR. KREIS: Thank you, Madam
20 Chairwoman. Just a few questions for these
21 distinguished witnesses.

22 **CROSS-EXAMINATION**

23 BY MR. KREIS:

24 Q Looking at Exhibit 1, on Bates Page 012, the

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 witnesses were asked "What are the primary
2 reasons for the change in rates?" And their
3 answer was "The main reason...is due to the
4 increase in supply costs because of market
5 futures."

6 Is there any sense in which the market
7 dynamics that bear on this case are any different
8 than the ones that were brought to bear on the
9 EnergyNorth case that was heard this morning?

10 A (Gilbertson) No. There is no difference.

11 Q Even though, obviously, Keene customers are
12 receiving a different service than the ones in
13 the EnergyNorth service territory?

14 A (Gilbertson) Right. But I think that, when
15 you're talking about futures, you're talking
16 about future pricing indices. And I believe
17 that's the same issue that we were talking about
18 in the EnergyNorth case, is just what these index
19 prices are going forward.

20 Am I answering the question?

21 Q Yes, you are. Thank you. I didn't mean to
22 interrupt you, though.

23 Okay. In the next to last line of that
24 answer, you mentioned that some of the price

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 increase is attributable to "FPO premium".

2 What's "FPO premium"?

3 A (Simek) The "FPO premium" is the two cent
4 difference that, for the original filing, the FPO
5 premium would be the two cent difference. That
6 gets added to make up for the option of being
7 able to be fixed for the six-month period.

8 Q And what is the difference between the "return on
9 inventory" and "interest", the last two factors
10 listed in that answer?

11 A (Simek) "Interest" is the amount that gets
12 applied at the prime rate on the over/under
13 balance monthly.

14 And the "return on inventory", just
15 give me one moment please, I think I have --
16 well, I'm getting confused with the EnergyNorth
17 case, where we actually have a schedule that
18 discusses the return on inventory.

19 Ms. McNamara, do you have a little more
20 information on that?

21 A (McNamara) So, my understanding is, and I believe
22 this is correct, is that the return on inventory
23 was approved a couple years ago, or within the
24 last couple of years, to collect carrying

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 charges, maybe, for the fuel that we have in
2 storage.

3 A (Simek) Yes, I'm sorry. That's exactly what the
4 definition is for the "return on inventory".

5 I was asking you, Ms. McNamara, if we
6 had a schedule that actually calculated that in
7 the model? And I'm not sure if --

8 A (McNamara) No, I don't believe it's calculated
9 separately in this model.

10 A (Simek) Okay.

11 A (McNamara) I'll double-check that.

12 Q Ready to move on?

13 A (Simek) Yes.

14 Q Okay. A quick question or two about the Propane
15 Purchasing Stabilization Plan that's mentioned on
16 Page 8 of Exhibit 1. You mentioned that it was
17 approved by the Commission back in a 2006 docket,
18 so that's quite a long time ago, and maybe you
19 just need to refresh my recollection. What's the
20 reason for the Propane Purchasing Stabilization
21 Plan?

22 A (Gilbertson) It's a hedging program. So, what it
23 does is, Keene doesn't have any storage. So,
24 this is kind of a way to take a certain amount of

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 the requirement and fix the price using summer
2 forward pricing. We have about, I mean, we have
3 700 gallons -- 700,000 gallons that we hedge each
4 year. And what we do, the premise is that you
5 buy -- you purchase in quantities over the summer
6 period, at future pricing using the summer
7 forward strip, as opposed to buying it in the
8 spot market. And the hope is that you're buying
9 it at a cheaper price.

10 Q And is that 700,000 gallons, is that fixed by the
11 order that you mentioned in DG 06-037 or does
12 that change from year to year?

13 A (Gilbertson) That I don't know. And I don't know
14 if Dave or Cathy knows.

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

16 Q And I guess one last question about that. So, I
17 thought, Ms. Gilbertson, that you said, I just
18 want to make sure I'm understanding you
19 correctly, that the reason for the Propane
20 Purchasing Stabilization Plan is because you
21 can't store propane. So, that would, I assume,
22 be the reason why you don't have any similar
23 stabilization plan for any of the other
24 commodities that you purchase, because you do

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 store natural gas supply?

2 A (Gilbertson) That is right.

3 MR. KREIS: Super. I think those are
4 my only questions.

5 CHAIRWOMAN MARTIN: All right. Thank
6 you, Mr. Kreis. Ms. Schwarzer.

7 MS. SCHWARZER: Thank you, Madam
8 Chairwoman.

9 BY MS. SCHWARZER:

10 Q Just asking the panel, I don't want to go into
11 the details of the fact that the 4 million was
12 removed from the prior docket. Can the panel
13 verify that the 4 million issue is removed from
14 this docket as well?

15 A (Simek) Yes.

16 A (McNamara) Yes.

17 Q And does that include a \$200,000 charge that was
18 initially going to be reallocated to Keene?

19 A (Simek) There was a \$200,000 production and
20 supply indirect cost that was not related to the
21 \$4 million issue at all. It was related to an
22 order that came out in the Settlement Agreement
23 in DG 20-105 that did get over to Keene, and it
24 is still there. That was identified by the

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 Company after we had filed the EnergyNorth case,
2 and prior to filing the Keene case. So, we did
3 include that 200,000 here.

4 Q So, you took it out of the EnergyNorth, and you
5 put it into the Keene? Or it was already
6 included in the Keene?

7 A (Simek) It was already included in the Keene,
8 correct.

9 Q Okay. Thank you. Does the current Keene cost of
10 gas include production costs?

11 A (Simek) Just the 200,000 that I had mentioned
12 there.

13 Q Is the panel aware that the other natural gas
14 utility in New Hampshire is not proposing
15 increased cost of gas rates from its initial
16 filing?

17 A (Simek) No.

18 Q And, in this docket, has anyone on the -- would
19 it be possible for Liberty-Keene to change its
20 tariff, so that it could make a comparison
21 between the FPO rate and market rates closer in
22 time than August?

23 A (Simek) For what purpose?

24 Q Well, for the purpose of having a less

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 disproportionate difference perhaps between the
2 FPO rate and the Non-FPO rate as has occurred in
3 both Liberty dockets this year.

4 A (Simek) Well, would that be a filing that we make
5 with the Commission to change that rate? How
6 would we be able to propose that rate to the
7 Commission prior to proposing it to customers for
8 the FPO?

9 Q Well, I don't think it would be prior to
10 proposing it to customers. I'm just wondering if
11 you'd considered, for the future, proposing a
12 change in your tariff that would allow you to
13 adjust the FPO rate at a time closer in time for
14 October 1st and farther in time from your
15 September filing?

16 A (Simek) Have we considered it? No. Could we
17 consider it? Yes.

18 Q And this is just a general question. Generally,
19 how are -- with regard to FPO and Non-FPO
20 customers, would you agree that every season one
21 of them picks sort of the beneficial rate and one
22 of them gets a less beneficial rate?

23 A (Simek) Yes.

24 Q And how are the over-collections or

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 under-collections, for the entity that doesn't
2 win on that coin toss, handled the next year?

3 A (Simek) There is a cumulative prior over- or
4 under-collection that becomes the beginning
5 balance of the following winter season's FPO --
6 I'm sorry, cost of gas calculation.

7 Q So, that over or under calculation, that becomes
8 spread among all ratepayers, is that correct?

9 A (Simek) All cost of gas customers, yes.

10 Q All cost of gas customers. Thank you for that
11 correction.

12 Can the Company provide an update on
13 the status of the CNG conversion?

14 A (Simek) Sure. Part of Technical Session Data
15 Requests, Energy TS 1-5, we had answered this. I
16 believe that would be in part of Exhibit 6. I
17 will read a couple lines from this response:
18 "The Company has recently received a Proposed
19 LNG/CNG Facility Preliminary Design Report from
20 Sanborn Head. And the Company has also completed
21 site specific reports on potential facility
22 locations and are in the process of assessing the
23 feasibility of a new propane-air facility. Upon
24 completion of the reviews for these various

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 options, the Company will construct a commodity
2 pricing scenario analysis to identify the most
3 competitive and viable solution. Preliminarily,
4 it appears an LNG/CNG facility could be located
5 on Production Avenue in Keene."

6 Q Do you have any update as to when in time that
7 might happen?

8 A (Simek) I do not.

9 Q If we could turn to your updated testimony, Bates
10 Page 007. I'm not sure which person was
11 answering this particular question. I just want
12 to point out, in response to the question about
13 "What prior incremental costs are included in
14 this filing?", initially, approximately 66,000
15 was included, and then there appears to be an
16 update filed, I guess October 19th, that says
17 "The Company has also included projected savings
18 for the Winter '21/'22 of approximately \$37,000,
19 which are included at 100 percent, as they do not
20 exceed 50 percent of the accumulated incremental
21 costs from prior periods."

22 A (Simek) Correct.

23 Q My understanding of calculating incremental costs
24 is that, at least in the past, the Company has

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 waited for actual figures upon which to base the
2 calculation of incremental costs that were
3 factored into that evaluation.

4 A (Simek) That's correct.

5 Q Do you agree?

6 A (Simek) Yes.

7 Q And --

8 A (Simek) We are following the order that came out
9 in DG 20-105, which was outlined in the
10 Settlement Agreement of how to handle these
11 incremental costs.

12 Q Well, I'm going to defer further questions to my
13 co-counsel. But are you -- do you continue to
14 track actual and projected incremental savings?

15 A (Simek) Yes.

16 Q Is there an environmental -- someone to speak to
17 an environmental audit, the environmental
18 remediation audit?

19 A (Simek) I'm sorry. The environmental remediation
20 would have been handled in EnergyNorth, as part
21 of the LDAC.

22 Q Okay. And that flows through here?

23 A (Simek) Correct.

24 MS. SCHWARZER: I'm going to turn to my

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 co-counsel, who has some questions, I believe, on
2 the impact of the Settlement Agreement reached in
3 20-105 to this cost of gas.

4 MR. DEXTER: Thank you. Madam Chair,
5 may I continue?

6 CHAIRWOMAN MARTIN: Yes. Go right
7 ahead.

8 MR. DEXTER: Thanks.

9 BY MR. DEXTER:

10 Q So, I wanted to refer Exhibit 14 in this case,
11 which is the Settlement from the rate case, DG
12 20-105. And I want to look at roughly Page 7 or
13 so, there's a section on Keene issues. And,
14 basically, what I want to do is ask the witnesses
15 to demonstrate, in detail, how the provisions of
16 the rate case settlement regarding Keene
17 conversion to CNG are reflected in the filing
18 that's been made today.

19 So, I want to start on -- it's actually
20 Page 13 of the Settlement. And there's a bold
21 section, "Section 7. CNG Conversion" -- "Keene
22 Conversion to CNG". And there's a Paragraph 7.1.
23 And I would ask the witness if they would confirm
24 that that paragraph talks about the incrementally

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 higher CNG costs looking backwards from October
2 31st, 2021? Is that what that paragraph covers?

3 A (Simek) Just give me one moment here. You said
4 it was on "Page 13"?

5 Q Yes. I actually have three page numbers, and
6 they're all "13" on this page. Four page
7 numbers, and they're all "13". And it's Section
8 7.1. Well, "Section 7" is in bold.

9 A (Simek) Okay. And your question was, for 7.1, is
10 that related to prior costs?

11 Q Yes. That's looking backwards, correct, at the
12 past incremental differences?

13 A (Simek) Correct.

14 Q Correct. Okay. Good. And 7.1, Section 7.1
15 refers, at the end there, to an "Appendix 4" in
16 the Settlement as an example of the calculation
17 that was agreed to in the Settlement. Would you
18 agree with that?

19 A (Simek) Yes.

20 Q And Appendix 4 is Bates 033 of this document,
21 correct?

22 A (Simek) Correct.

23 Q Okay. So, I have now turned to Bates 033, and
24 which is "Appendix 4". And I'd like for you to

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 point out to me what number on this schedule is
2 getting transferred into the pending cost of gas
3 filing that we're talking about today?

4 A (McNamara) Dave, I might be able to start on
5 that.

6 A (Simek) Thank you.

7 A (McNamara) Say that again?

8 A (Simek) I said "Thank you."

9 A (McNamara) Oh. You're welcome. So, the first
10 line included for the incremental costs is the
11 "Winter of 2019-20", it's actually a charge to
12 customers for \$66,299. And that's shown on
13 Schedule O of the filing as well. And then --

14 Q Okay. So, -- go ahead.

15 A (McNamara) Go ahead. No, we can finish with this
16 one.

17 Q Go ahead.

18 A (McNamara) So, then, for the Winter of 2021,
19 Appendix 4 of the Settlement Agreement shows that
20 it would be a refund of \$68,263, and the Company
21 has recorded a refund to customers of \$22,008.
22 And the difference -- the reason for the
23 difference between those two schedules is that
24 on -- in the Settlement Agreement, Winter 2021

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 was -- included estimates for I believe it was
2 two months, but definitely included estimates.
3 And what we filed in Schedule O is what the
4 actual costs were.

5 Q Okay. Well, I'm going to break that down a
6 little bit, because I can only handle these one
7 at a time.

8 CHAIRWOMAN MARTIN: Mr. Dexter?

9 MR. DEXTER: Yes.

10 CHAIRWOMAN MARTIN: I'm going to
11 interrupt. I just want to ask Ms. McNamara to
12 repeat the actual number?

13 WITNESS McNAMARA: Sure. It's
14 "\$22,008".

15 CHAIRWOMAN MARTIN: Thank you.

16 WITNESS McNAMARA: And that is a refund
17 to the customers.

18 BY MR. DEXTER:

19 Q So, dealing first with the "\$66,299" figure
20 that's -- that's in the top part of this
21 schedule, that's the number you mentioned, right?

22 A (McNamara) Correct.

23 Q Okay. And then, you said I should go to
24 "Schedule O" in the filing, to see how that was

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 handled. So, I'm going to do that.

2 A (McNamara) Yes.

3 Q And I have that as Bates 038 and 039, is that
4 right?

5 A (Simek) Schedule O is Bates 038.

6 A (McNamara) Oh, sorry. I have the old -- I have
7 EnergyNorth still open. So, I'm looking at the
8 wrong filing for that piece of it.

9 MS. SCHWARZER: I'm sorry, what is the
10 Bates number for Schedule O please?

11 WITNESS SIMEK: Thirty-eight.

12 MR. DEXTER: Thirty-eight.

13 MS. SCHWARZER: Thirty-eight. Thank
14 you.

15 BY MR. DEXTER:

16 Q Do you have that, Ms. McNamara?

17 A (McNamara) Yes. I have it.

18 Q Okay.

19 A (McNamara) I just found it. Thank you.

20 Q Yes. okay. So, I see that number that you
21 mentioned, "66,299", and that is not in
22 parentheses. So, I believe I read that that
23 that's a charge to the customers. Correct?

24 A (McNamara) That is correct.

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 Q And, again, why is that a charge to the customers
2 in this instance, because we're going back now to
3 the Winter of 2019-2020?

4 A (McNamara) Because, in the Winter 2019-2020
5 case -- cost of gas case, we were ordered to
6 withhold -- actually, we were ordered to remove
7 the full amount of \$132,000 from -- it's actually
8 132,469, and we deferred 132,533.

9 *[Court reporter interruption.]*

10 CHAIRWOMAN MARTIN: Just a minute.
11 Just a minute. Mr. Patnaude didn't hear the
12 numbers. Ms. McNamara, could you restate please?

13 WITNESS McNAMARA: Sure. The original
14 amount of the incremental costs for Winter
15 2019-2020 was \$132,469. We were ordered to defer
16 \$132,533. So, we collected none of that from our
17 customers in rates.

18 BY MR. DEXTER:

19 Q So, that was my next question. So, back in that
20 cost of gas, you incurred CNG costs, but you
21 didn't bill any of them to customers, is that
22 right?

23 A (McNamara) Correct. We were ordered not to.

24 Q Okay.

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 A (McNamara) And, so, it was resolved in the rate
2 case.

3 Q And, so, in the rate case, the idea was that
4 there would be a 50/50 sharing. And, so, because
5 the Company -- the customers hadn't paid anything
6 in 2019 for this, charging them \$66,000 now does,
7 in fact, represent the 50/50 sharing for the
8 historic CNG costs for that winter. Is that
9 right?

10 A (McNamara) Correct.

11 Q Okay. Okay, good. Now, if we could then jump
12 back to the other schedule. Now, I'm back on
13 Appendix 4 in the rate case Settlement.

14 A (McNamara) Yes.

15 Q And this is Bates 033 in the rate case
16 Settlement. The other number that you had
17 mentioned is the winter, it's about halfway down
18 the page, but this time we're talking about the
19 "Winter of 2021", "2020-21", which is the next
20 year.

21 A (McNamara) Correct.

22 Q And, now, the figure you had mentioned is a
23 "\$68,263", in parentheses, which means it's a
24 refund to customers. Do I have that right?

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 A (McNamara) Correct.

2 Q Okay. And, so, now let's jump back to this
3 filing, and see what happened to that "68,263".
4 I think your answer is going to be "I'm not going
5 to find it, because there's been an update." But
6 let's jump back to the other schedule and figure
7 this out.

8 A (McNamara) Correct.

9 Q So, now I'm back on Schedule O.

10 A (McNamara) Yes.

11 Q Bates 038. And, in fact, I don't see a \$68,000
12 figure, but I see a \$44,000 figure. Is that what
13 you were talking about, is the difference due to
14 updates?

15 A (McNamara) The 68 actually would correspond to
16 the credit of \$22,008.

17 Q Okay.

18 A (McNamara) Then, it's -- and the reason that
19 that's different from what was filed in the rate
20 case, there is a note on Appendix 4 from the
21 Settlement Agreement, stating that there were
22 estimated months in there, because the winter
23 hadn't ended when we were -- hadn't ended, and we
24 didn't have all the actuals in place. So, the

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 \$22,008 represents the actuals, versus the
2 original, that was a combination of actuals and
3 estimates in Appendix 4.

4 Q So, it's a smaller refund than what was predicted
5 at the time the rate case Settlement was filed,
6 but just based on actual figures, in other words?

7 A (McNamara) Correct.

8 Q Okay. And this time it is a refund, and it's
9 listed as a negative number. Could you explain
10 why this is a refund, whereas the 66,000 above
11 was a charge?

12 A (McNamara) So, this is a refund, because we
13 haven't deferred -- we haven't included anything
14 in the filing. So, we took the full amount
15 was -- of incremental cost is 44,016, located in
16 the "Amount" column on Schedule O, 50 percent of
17 that, which is what we're allowed to recover
18 based on the Settlement Agreement, is \$22,008.
19 And, because this is incremental costs, not
20 incremental savings, it goes through as a credit,
21 as a credit to the customers. It's a give-back
22 to the customers.

23 Q And, in this instance, again, propane was -- I'm
24 sorry, CNG was more expensive than propane?

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 A (McNamara) Correct.

2 Q And this 22,000 represents that 50/50 sharing
3 that was laid out in the Settlement?

4 A (McNamara) Correct.

5 Q Okay. All right. So, that takes care of all the
6 backward-looking impacts of the CNG/propane
7 sharing device, would you agree? These two
8 numbers?

9 A (McNamara) Yes, I would.

10 Q Okay. So, let's go back to the Settlement then,
11 because I understand there is a provision in the
12 Settlement for future sharing. And I go back to
13 Page 13 of the Settlement. I believe that the
14 paragraph that deals with the future sharing is
15 on Page 14, middle Paragraph (a). Is that right?

16 A (McNamara) Let me just -- I'm reading through it.

17 A (Simek) Yes, I agree.

18 A (McNamara) It appears to be true, yes.

19 Q Okay. So, Paragraph (a). And, so, Paragraph
20 (a), if I recall in the Settlement, was all
21 forward-looking. So, we included a sample
22 example of how this would work. And that's
23 included as Appendix 5, correct?

24 A (Simek) Right.

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 A (McNamara) Yes.

2 Q And these numbers, they're shaded, because the
3 footnote says that they would have been
4 confidential if this was anything other than an
5 example. It's just pointing out that it would be
6 confidential, but those numbers aren't
7 confidential?

8 A (Simek) Correct.

9 A (McNamara) That's correct.

10 Q I was looking at this schedule earlier, and I'll
11 try to speed things up here. This seems to me
12 that the top part of the schedule talks about the
13 propane costs, halfway down you talk about the
14 CNG costs, and then, again, you talk about
15 propane costs under the "Spot Purchases". And
16 the actual calculation of the sharing, if I
17 understand this, occurs on Line 45, is that
18 right?

19 A (McNamara) Yes, it looks like it is. Yes.

20 Q And Line 45 says that you take propane costs,
21 compare them to the CNG costs, multiply them by
22 50 percent, on a unit basis, and then multiply
23 them by the therms. Is that what that formula
24 does on Line 44 [45?]?

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 A (McNamara) Yes.

2 Q Okay. And, in our example that we attached to
3 the rate case, it looks like there was going to
4 be a \$1,844, I'll call it a "refund" or a
5 "negative cost" to the customers. So, this would
6 indicate, again, that CNG was more expensive than
7 propane in this forward-looking example we put
8 out, is that right?

9 A (McNamara) Propane was more expensive than CNG.

10 Q In this example, okay.

11 A (McNamara) In this example.

12 Q Now, I think we heard Mr. Simek say --

13 A (Simek) I'm sorry. I'm sorry, if I'm looking at
14 this correctly, Line 28 shows the CNG costs per
15 therm at "1.2444". So, we'll just say "1.24".
16 And, if I look at Line 42, it shows that the spot
17 purchases for propane would be "1.165". So, in
18 this example, it looks to me like CNG is higher.

19 Q Yes. I said that backwards. Thank you, Mr.
20 Simek. In this example, CNG is more expensive,
21 and, therefore, the sharing of \$1,844 takes place
22 to represent that 50/50 sharing?

23 A (Simek) Correct.

24 Q Okay. Thanks. I had that backwards. Thank you

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 for correcting me.

2 But, if I understand your testimony
3 earlier, in real life, or where we stand now,
4 this phenomenon actually is reversed, because
5 you're projecting that CNG is going to be less
6 expensive than propane. Did I get that right?

7 A (Simek) Correct.

8 Q And, so, if we jump to the filing now, we should
9 see not a refund to the customers, but we should
10 see a charge to the customers, right?

11 A (Simek) Correct.

12 A (McNamara) Correct.

13 Q Okay. So, let's try that, and then we can wrap
14 this exercise up.

15 So, I believe that the equivalent
16 schedule that I want to look at is Schedule P,
17 Bates 039. No, that's not right.

18 A (McNamara) No. It's Schedule N.

19 Q Thirty-seven (37) is what I want to look at,
20 correct?

21 A (Simek) Yes.

22 Q Okay. Now, this schedule doesn't look exactly
23 like Appendix 5 did. It looks less complicated,
24 frankly. Can you demonstrate or explain to us

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 how Schedule N calculates this, you know, makes
2 this comparison of CNG versus propane, and then
3 calculates a sharing amount?

4 A (McNamara) Sure. So, first, the schedule takes
5 the cost of CNG, and the therms of CNG, to get
6 the average cost of CNG, which projected for
7 November 21st [sic] is _____, roughly. And, in
8 doing the incremental cost calculation, you
9 only use the spot propane purchases. So, the
10 spot propane purchases come out to a average cost
11 in November of '21 of \$2.02. And then, the
12 third part of the calculation takes the volumes
13 of CNG, times the price difference between the
14 2.02 and the _____, and calculates the incremental
15 cost or savings. And, in this case, it's a
16 savings, because CNG is less than propane. And
17 that was --

18 Q And, so that, toward the bottom right-hand corner
19 of this schedule, "\$37,737", that's the
20 equivalent of the "\$1,844" we saw in the rate
21 case appendix example, right?

22 A (McNamara) Correct.

23 Q Okay. All right. So, then, based on all of
24 this, you would agree with your prior statement,

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 this is a demonstration of how the rate case
2 Settlement is accurately reflected in this
3 current proposal? You would agree that it's
4 accurately reflected, wouldn't you?

5 A (McNamara) Correct.

6 MR. DEXTER: Okay. That's all the
7 questions I had, Madam Chairwoman. Thank you.

8 CHAIRWOMAN MARTIN: All right. Thank
9 you, Mr. Dexter, that was very, very helpful.

10 Ms. Schwarzer, do you have more
11 questions?

12 MS. SCHWARZER: Thank you. May have a
13 moment to consult with co-counsel, maybe five
14 minutes?

15 CHAIRWOMAN MARTIN: Yes. We'll go off
16 the record and return at 2:15.

17 MS. SCHWARZER: Thank you.

18 *(Recess taken at 2:10 p.m. and the*
19 *hearing resumed at 2:21 p.m.)*

20 CHAIRWOMAN MARTIN: We'll go back on
21 the record, Mr. Patnaude. And go ahead, Ms.
22 Schwarzer.

23 MS. SCHWARZER: Thank you, Madam
24 Chairwoman. Could my co-counsel, Paul Dexter, be

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 given the opportunity to ask a few more follow-up
2 questions?

3 CHAIRWOMAN MARTIN: Yes. Go ahead, Mr.
4 Dexter.

5 MR. DEXTER: Thank you. And I'll keep
6 it quick.

7 BY MR. DEXTER:

8 Q Mr. Simek and Ms. McNamara, we were talking about
9 Schedule N in the filing, and we were talking
10 about the \$37,000 charge that customers are going
11 to have in this case, because the projection is
12 that CNG is going to be less expensive than
13 propane going forward for this period. That's
14 what the \$37,000 is, right?

15 A (Simek) Sorry, I was on mute. Yes.

16 Q Okay. So, I want to look again at the Settlement
17 language. So, I'm going to jump back to Exhibit
18 14. Again, it's Page 14 on the Settlement. And
19 I want to look at the first sentence in middle
20 Paragraph (a) on that page. And I'll read it, so
21 that everybody sees it. It says: "Beginning
22 November 1st, 2021, if the CNG supply cost is
23 higher than the propane supply cost as described
24 in footnote 8, the Company shall recover one-half

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 of the incrementally higher CNG supply cost", and
2 I want to emphasize the last part of the
3 sentence, it says "as determined through the gas
4 reconciliation process."

5 Now, when I read that sentence, it
6 would seem to me that it would be reasonable that
7 no sharing would take place of this difference
8 between CNG and propane, in terms of the Company
9 recovering this 50 percent, until after the
10 reconciliation process, which hasn't happened
11 yet. Do you agree that that would be a
12 reasonable reading of that sentence?

13 A (Simek) Well, that could be, yes. And I know we
14 talked about this briefly in the technical
15 session. But we look at this as being an actual
16 forecast, just like any other forecast. And so,
17 that could be negative or it could be positive,
18 and it's a forecast, but it will get trued up
19 with actuals through the reconciliation.

20 So, the correct -- you know, the
21 actuals are the actuals, that's what we reconcile
22 to. This is just trying to get the over/under
23 balances close to zero as we can. And that's one
24 mechanism that would contribute to that.

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 Q So, you're saying, if you -- if you went with the
2 CNG projections, but didn't include this sort of
3 side effect of the sharing, you'd be missing one
4 element, and that might lead to a larger over- or
5 under-recovery?

6 A (Simek) Correct.

7 Q And you would view this as a more complete way of
8 reading that, rather than holding back the
9 sharing mechanism until after the reconciliation
10 process?

11 A (Simek) Correct. It makes us more whole and more
12 accurate.

13 Q Now, did the existence of the sharing mechanism
14 have any impact on the forecast of the CNG costs?

15 A (Simek) No.

16 MR. DEXTER: Okay. That's all I have,
17 Madam Chair. Thank you.

18 CHAIRWOMAN MARTIN: All right. Thank
19 you, Mr. Dexter. Commissioner Goldner.

20 COMMISSIONER GOLDNER: Yes, just a
21 couple of questions.

22 BY COMMISSIONER GOLDNER:

23 Q I'm just trying to understand, being new to cost
24 of gas, that why is the cost of natural gas

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 different in 21-130 versus 21-132? Why would the
2 costs be different -- maybe they aren't
3 different, but I think they are. Why is there a
4 difference in the cost of the commodity?

5 A (Gilbertson) So, I think you're asking "why is
6 the CNG different?"

7 Q Right.

8 A (Gilbertson) And there's a good reason for that.
9 Because we have -- we entered a new contract in
10 July of 2021 that has more favorable pricing
11 terms. And that's the reason.

12 Q And I'm just thinking, and I probably don't
13 understand the legal ramifications of the
14 different companies, but Liberty Corporate has a
15 lot of bargaining power, right? A big company,
16 lots of purchases, across many different states
17 and entities. Why doesn't Liberty take advantage
18 of that size and get a lower cost of gas for each
19 of the entities?

20 A (Gilbertson) Well, we send out -- we get the best
21 price we can get. We send out requests for
22 proposals to many, many suppliers, and we take
23 the best price.

24 Q So, that happens. So, in Keene, though, you're

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 sending out a separate request than you are for
2 Liberty EnergyNorth, Energy -- or, Liberty
3 Corporate, is that -- does this happen two
4 different times or --

5 A (Gilbertson) Not necessarily.

6 Q No?

7 A (Gilbertson) Not necessarily. We send out to a
8 vast number of suppliers, many of which don't
9 even reply or respond. So, I wouldn't say that.

10 Q Okay. Can you just -- just do apples-to-apples,
11 I just want to make sure I understand. So, the
12 cost of natural gas, let's forget about propane,
13 in this docket, 132, is how much for the winter?

14 A (Gilbertson) I don't know if I can -- can we say
15 that, because it's -- is that confidential or
16 not?

17 A (Simek) I do believe that would be confidential.
18 But we can point on the schedule of where you can
19 find it.

20 A (Gilbertson) Yes, that's what we can do. So, if
21 we go to Schedule C of the filing --

22 CHAIRWOMAN MARTIN: The Commission
23 would like to go into a confidential session to
24 be able to freely discuss that information.

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 Ms. Gagne, are you able to make that
2 happen for us?

3 MS. GAGNE: Doreen is the host and will
4 need to take care of that.

5 CHAIRWOMAN MARTIN: Okay. I think
6 you're on mute, Ms. Borden.

7 MS. BORDEN: I don't see any attendees,
8 other than -- other than Liberty or Department of
9 Energy Staff. So, I believe we're all set. And
10 I have paused the recording.

11 CHAIRWOMAN MARTIN: Thank you.

12 MR. KREIS: What are we, chopped liver?

13 CHAIRWOMAN MARTIN: So, if counsel or
14 all parties could please verify that there is no
15 one of concern remaining, that would be helpful.

16 MR. SHEEHAN: Confirmed.

17 CHAIRWOMAN MARTIN: Okay.

18 Ms. Schwarzer?

19 MS. SCHWARZER: Confirmed.

20 CHAIRWOMAN MARTIN: And Mr. Kreis?

21 MR. KREIS: There is nobody here from
22 the OCA who isn't authorized to be here.

23 CHAIRWOMAN MARTIN: All right.

24 **(SUSPENSION OF THE PUBLIC SESSION)**

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(Pages 58 through 63 are contained
under separate cover in the
CONFIDENTIAL version of the transcript)

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[WITNESS PANEL: Gilbertson|McNamara|Simek]

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[WITNESS PANEL: Gilbertson|McNamara|Simek]

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[END OF CONFIDENTIAL SESSION]

(PUBLIC SESSION RESUMES)

COMMISSIONER GOLDNER: All right.

Then, just a couple of simple questions.

BY COMMISSIONER GOLDNER:

Q I'm going to go to something Mr. Kreis pointed out when he was talking about the "return on inventory". That's a concept I'm not familiar with. It might be unique to -- it might be unique to natural monopolies. But, normally, inventory is on your balance sheet, and there's no sort of return or cost associated with that inventory. There might be some unique monopoly accounting that I don't understand.

But could somebody maybe walk me through this concept of "return on inventory"? I'm not familiar with the concept.

A (Simek) Sure. Basically, it's a carrying cost

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 for holding the inventory, holding the gas. And
2 we have -- this was approved in Docket DG 17-048,
3 that both EnergyNorth and Keene can get a return
4 on inventory. And the Keene amount was fixed in
5 that, in that order. So, that's where we're
6 including it here.

7 Q Do you recall the rate of return on inventory?

8 A (Simek) I believe it was at the approved weighted
9 average cost of capital.

10 Q Okay.

11 A (Simek) I just don't recall the percentage.

12 Q That's okay, if it's at the cost of capital, then
13 that's a number that is on the record. So, no
14 problem.

15 A (Simek) Yes.

16 Q Okay. Thank you. And then, the final question
17 is just a simple one, is we, and, again, in
18 Attorney Kreis's questions, he was talking about
19 the "hedging program" and "700,000 gallons of
20 propane". What percent of the total is that? Is
21 that one percent of the total or is that half the
22 total? I'm just trying to understand how much is
23 being hedged?

24 A (Gilbertson) So, the Propane Price Stabilization

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 Plan, plus the Amherst storage facility, is about
2 66 percent of the portfolio. So, I would say
3 66 percent of the portfolio is the hedge volume.

4 Q Okay. So, does that mean that something like a
5 million two (1.2 million) gallons is the total
6 that you're purchasing, and 700,000 is the amount
7 that's hedged, something like that?

8 A (Gilbertson) So, in therms, if you want, you can
9 go back to that Schedule C, it kind of breaks it
10 out for you in therms. The total therms would be
11 represented in Line 2 and Line 12, for
12 pre-purchased gas, which is the hedge. And, if
13 you add those two together, you get 759,314
14 therms. And that's about 66 percent of the total
15 portfolio volumes.

16 Q Okay. Well, that sounds like kind of a
17 consistent Liberty strategy, is you're hedging
18 50, 60, 70 percent, between 50 and 66 percent of
19 your total. Is that kind of what you target with
20 your hedging programs?

21 A (Gilbertson) Yes, across the -- yes, across the
22 Company we usually -- EnergyNorth is a little bit
23 different, because we have all these long-haul
24 contracts that we've got to fill with gas. We

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 need to have a supply purchased ahead of the
2 winter period, because you don't want to leave
3 yourself exposed without a supply purchase that
4 goes with those pipeline contracts.

5 But 66 percent is a good number. Most
6 utilities try and purchase -- try to hedge
7 between -- or, a lot of them have financial
8 hedges, but we don't have that. I don't know if
9 that's something we want to look at for the
10 future. But between 50 and 70 percent is pretty
11 good, is a good number. And that's what we
12 usually go by for other utilities across the
13 Company as well. I mean, the thing with hedging
14 is it could go either way.

15 COMMISSIONER GOLDNER: Yes. I mean, I
16 think, on average, you know, it's like you're
17 playing cards, and you're going to lose to the
18 house when you hedge, you're always going to --
19 it's always going to cost you more than you get
20 back, otherwise they wouldn't hedge to you. But
21 you can't stabilize the price. So, I understand
22 the reasons why you're doing it. I'm just trying
23 to understand how large an issue the hedging is
24 in your portfolio. And you've explained that

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 nicely. It's, you know, typically, between, you
2 know, 50 and 70 percent, something like that;
3 66 percent, as you said, is a good number.

4 So, I just wanted to understand the
5 process, and you've explained that very well.
6 Thank you.

7 That's all I have, Chairwoman.

8 CHAIRWOMAN MARTIN: All right. Thank
9 you. I just have one question left.

10 BY CHAIRWOMAN MARTIN:

11 Q Mr. Simek, you testified that 127 customers, so,
12 as of Friday, had applied for the FPO. Do you
13 know what percentage that is? I think you're on
14 mute.

15 A (Simek) Sorry about that. I do not know what
16 percentage that is. But, in our testimony, we
17 have a little chart that showed, on Bates Page --

18 A (McNamara) Eleven.

19 A (Simek) -- Bates Page 011, that shows that 126
20 customers, and, again, from last year's customer
21 count of 1,386 in total, the 126 FPO customer
22 count was 9.1 percent.

23 Q Okay. And do you know how many customers you
24 have this year?

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 A (Simek) No. That's why I brought the --

2 Q Can you speak up a little bit? I can't hear you.

3 A (Simek) Sorry. I do not know the exact customer
4 count. I don't even know if it went up just a
5 little bit or even down a little bit.

6 COMMISSIONER GOLDNER: It's around
7 100,000, though, isn't it? I mean, just roughly?

8 WITNESS SIMEK: Yes. We could assume
9 1,385, and it would be close to that 9.1 percent.

10 COMMISSIONER GOLDNER: Yes, just to get
11 in the -- I was just trying to understand in the
12 ballpark. I think I remember that. So, thank
13 you.

14 MR. SHEEHAN: Just to interject, it's
15 "1,000", not "100,000". Keene is 1,000.

16 COMMISSIONER GOLDNER: Oh, I'm sorry.

17 MR. SHEEHAN: The whole system is
18 100,000.

19 COMMISSIONER GOLDNER: One thousand,
20 yes. Thank you.

21 CHAIRWOMAN MARTIN: Okay. Thank you,
22 Mr. Simek.

23 WITNESS SIMEK: You're welcome.

24 CHAIRWOMAN MARTIN: And I don't have

[WITNESS PANEL: Gilbertson|McNamara|Simek]

1 any other questions. So, Mr. Sheehan, it's back
2 to you.

3 MR. SHEEHAN: Thank you.

4 **REDIRECT EXAMINATION**

5 BY MR. SHEEHAN:

6 Q Just, Ms. Gilbertson, to finish the thought on
7 how Keene is different from the rest of the
8 system. You said "it isn't connected to a
9 pipeline." The propane and the CNG have to come
10 to Keene via truck, is that correct?

11 A (Gilbertson) Yes. That is correct.

12 Q And the gas itself, the CNG, has to be compressed
13 onto that truck, and then decompressed into the
14 system, which would be different than most of
15 EnergyNorth's supply, isn't that correct?

16 A (Gilbertson) Yes. That's true.

17 Q And those are some of the other differences that
18 makes it hard to compare price to price?

19 A (Gilbertson) Yes. Thank you.

20 MR. SHEEHAN: Thank you. That's all I
21 have.

22 CHAIRWOMAN MARTIN: All right. Thank
23 you, Mr. Sheehan.

24 Ms. Schwarzer, you had raised the issue

1 of the redlines. Would you like to address that
2 now?

3 MS. SCHWARZER: Yes. Thank you, Madam
4 Chairwoman.

5 Just as was the case in the other
6 docket, Liberty updated this filing on or about
7 October 19th, and filed redline versions on the
8 22nd, which was the Friday before the hearing
9 proceeded on Monday. There were, if it's the
10 same -- if it's similar to the Keene docket --
11 excuse me -- to the EnergyNorth docket, there
12 would have been over 400 changes to the testimony
13 and over 66 -- excuse me -- 1,600 changes to the
14 schedules. And that is an exorbitant number for
15 Staff to try to track in less than one business
16 day.

17 It's helpful to have redline versions
18 that show where changes were made. And I would
19 ask that they be marked as the standard exhibit
20 and a confidential exhibit and added to the
21 exhibit list here.

22 I will also state for clarity that,
23 while we greatly appreciate what is now the
24 redline version, essentially a highlighted

1 version, showing the new language, there is no
2 comparison between what the old version said and
3 what the new version says, as might be the case
4 in a standard redline version. But we are very
5 grateful, and we appreciate the highlighting.
6 And we would just like those exhibits added.

7 CHAIRWOMAN MARTIN: Any objection?

8 MR. SHEEHAN: No. And it will be filed
9 as soon as this hearing is over. Thank you.

10 CHAIRWOMAN MARTIN: Okay. Mr. Kreis?

11 MR. KREIS: I have no objection.

12 CHAIRWOMAN MARTIN: Okay. So, we will
13 mark the redline as "Exhibit 15" and the
14 confidential version of that as "Exhibit 16".
15 Does that make sense?

16 MR. SHEEHAN: Yes.

17 (The documents, as described, were
18 herewith marked as **Exhibit 15** and
19 **Exhibit 16** for identification.)

20 MR. SHEEHAN: And I will note, for
21 Ms. Schwarzer's benefit, if you put your cursor
22 over a particular change in this document, it
23 actually pops up and it says "old was this number
24 and new is this number." So, you can track the

1 actual changes made.

2 MS. SCHWARZER: That's great. I had
3 printed them out in hardcopy. And, so, my cursor
4 didn't work.

5 CHAIRWOMAN MARTIN: Okay. Thank you.
6 Anything else related to exhibits
7 before we address them? Mr. Dexter.

8 MR. DEXTER: Yes, I'm sorry. I
9 believe, in response to a question I asked, that
10 Ms. McNamara might have read into the record a
11 number that I think is confidential. And I'm not
12 sure of this, but I wanted to bring it up.

13 I was asking about Schedule N, and the
14 \$37,000 charge for the difference between CNG and
15 propane. And maybe it was Mr. Simek. I asked
16 "how does this schedule work?" And they
17 appropriately went to the top part of the page
18 which talked about CNG purchases, and then the
19 bottom of the page, which talks about propane
20 purchases, and compared the two prices.

21 And I see now that the CNG price is
22 grayed out in my copy, the price per therm, and I
23 think that figure is in the record.

24 So, I just wanted to point that out.

1 If it is, maybe we could have that redacted.

2 CHAIRWOMAN MARTIN: Mr. Sheehan, do you
3 know the location he's speaking about? And do
4 you have a position?

5 MR. SHEEHAN: I don't know the
6 location. And, if it's confidential, I will work
7 with Mr. Patnaude to have it appropriately
8 redacted.

9 CHAIRWOMAN MARTIN: All right. Thank
10 you. Thank you, Mr. Dexter, for calling that
11 out.

12 Okay. Anything else?

13 *[No verbal response.]*

14 CHAIRWOMAN MARTIN: All right. Then,
15 without objection, we'll strike ID on Exhibits 1
16 through 13, which were premarked for
17 identification. And we also marked Exhibit 14,
18 which is the Settlement Agreement. And Exhibits
19 15 and 16, which are the redlines, both original
20 and redacted. And admit all of those as full
21 exhibits.

22 Anything else, before we hear closings?

23 *[No verbal response.]*

24 CHAIRWOMAN MARTIN: All right. Mr.

1 Kreis.

2 MR. KREIS: Thank you.

3 I don't have an eloquent peroration to
4 deliver at the end of this very interesting day.
5 It seems to me that the issues that are of
6 concern to us at the Office of the Consumer
7 Advocate here are ones that overlap with the
8 EnergyNorth docket that we heard this morning.

9 They have to do with the Fixed Price
10 Option, and whether it is appropriate to move
11 forward with a Fixed Price Option price that is
12 actually lower than the Non-Fixed Price Option
13 price. And I outlined some ideas this morning
14 about what the Commission might do about them. I
15 urge the Commission to pick one of those.

16 And then, of course, there is the same
17 issue about the R-4 decoupling problem, that
18 really was a morning issue. And, obviously,
19 whatever the Commission decides to do about that,
20 if anything here, will apply both morning and
21 afternoon.

22 And I guess I would ask the Commission,
23 therefore, for permission to file the same brief
24 in both dockets?

1 CHAIRWOMAN MARTIN: Granted. The same
2 for all the parties.

3 I will note that I've heard a number of
4 times this afternoon the parties refer to
5 statements made this morning. And, instead of
6 repeating those statements, do we need to take
7 administrative notice of this morning's
8 proceeding to any extent?

9 MS. SCHWARZER: That would probably
10 be --

11 *[Court reporter interruption.]*

12 CHAIRWOMAN MARTIN: Go off the record
13 for a second.

14 *[Brief off-the-record discussion*
15 *ensued.]*

16 CHAIRWOMAN MARTIN: Okay. Back on the
17 record.

18 Mary, could you please repeat what you
19 just said?

20 MS. SCHWARZER: Me?

21 CHAIRWOMAN MARTIN: Yes.

22 MS. SCHWARZER: Thank you. Madam
23 Chairwoman, I would ask that you take
24 administrative notice of the proceedings this

1 morning as they regard -- as they have to do with
2 motions and concerns about finality and prudence,
3 and other common issues as described by the OCA
4 and Energy and Liberty.

5 CHAIRWOMAN MARTIN: Okay. Thank you.
6 Any objection?

7 MR. SHEEHAN: No objection.

8 MR. KREIS: None from me.

9 CHAIRWOMAN MARTIN: Okay. Granted. We
10 will take administrative notice as requested.

11 *(Administrative Notice taken regarding*
12 *the transcript of the DG 21-130 hearing*
13 *held on October 25, 2021.)*

14 CHAIRWOMAN MARTIN: All right. Moving
15 on to Ms. Schwarzer.

16 MS. SCHWARZER: Thank you, Madam
17 Chairwoman, Commissioner Goldner.

18 Energy does not have an analyst or a
19 witness, and expresses no opinion on the proposed
20 updated cost of gas rate. In this docket, we've
21 been asking questions to complete the docket as
22 charged in House Bill 2, to raise legal concerns
23 and questions for the Commission to consider.

24 I won't repeat the concerns we have

1 with regard to the motion being filed in both
2 dockets. I will ask, as I asked below [sic],
3 that the Commission consider reforming the cost
4 of gas process and standardizing it, perhaps
5 either directly or by creating a docket for
6 discussion. Initial petitions should be filed
7 and should continue to be exhibits in this
8 docket. Redline versions are appropriate. And
9 we would appreciate a deadline for updating
10 changes, irrespective of market changes, perhaps
11 no later than October 10th, for a petition filed
12 on September 1st or September 15th, to allow all
13 parties adequate time to review those changes and
14 to prepare exhibits, without having to choose
15 between those two options.

16 Thank you very much.

17 CHAIRWOMAN MARTIN: All right. Thank
18 you, Ms. Schwarzer. And Mr. Sheehan.

19 MR. SHEEHAN: Thank you. We ask that
20 the Commission approve the proposed rates as
21 contained in the updated filing, as just and
22 reasonable and consistent with all the
23 requirements of these filings, including the RFP
24 process, the least cost option, etcetera.

1 As we all have discussed, the LDAC rate
2 to be in this filing is that in the EnergyNorth,
3 and we ask that you include it as it was filed in
4 the EnergyNorth case. Understanding that we will
5 litigate the so-called "R-4 issue" separately.

6 As for changing the process of these
7 cost of gas filings, if you go back over the
8 years, they are tweaked here and there for
9 various reasons. And we have no objection to
10 considering those -- continuing those
11 conversations.

12 I would just note that the filing dates
13 of these updated filings were by agreement. We
14 agreed to those dates. And the main goal was to
15 get the most recent market prices, because they
16 were changing so fast. If we had made the
17 updated filing a couple weeks earlier, there may
18 be a bigger gap. So, that was the thinking.
19 Next time around, we can certainly have a
20 different thinking.

21 And Ms. Schwarzer raised a good point
22 that they have little time to review the updated
23 filing, and we appreciate that. So, we will
24 certainly accommodate those requests in future

1 filings.

2 And just a last thought. The hedging
3 programs, both here and in EnergyNorth, have been
4 the subject of dockets, and, again, Commission
5 tweaks over the years. And, certainly, the
6 practices have all been approved by the
7 Commission. And, if the Commission thinks it
8 appropriate to change those, we would certainly
9 engage in those conversations as well.

10 Thank you.

11 CHAIRWOMAN MARTIN: All right. Thank
12 you, Mr. Sheehan.

13 So, we have set a deadline for filing
14 the briefs on the issues we discussed for
15 Wednesday, this Wednesday, at the close of
16 business.

17 Anything else we need to cover before
18 we depart?

19 *[No verbal response.]*

20 CHAIRWOMAN MARTIN: All right. We'll
21 take this matter under advisement and issue an
22 order. Thank you. We're adjourned.

23 ***(Whereupon the hearing was adjourned***
24 ***at 2:51 p.m.)***