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20	37 Responses to DOE Technical Session Data Requests DOE TS 1212-1 through 1213-4	<i>premarked</i>
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23		
24	39 Responses to Commission Record Requests 1 through 6	<i>premarked</i>

**P R O C E E D I N G**

1  
2 CHAIRMAN GOLDNER: Okay. Good morning.  
3 I'm Chairman Goldner. I'm joined today by  
4 Commissioner Simpson and Commissioner  
5 Chattopadhyay.

6 This is the final review hearing for  
7 the Revenue Decoupling Adjustment Factor, or  
8 RDAF, for the Liberty gas company for the  
9 2021-2022 RDAF year as noticed in this docket,  
10 number DG 22-045, and the Commission's procedural  
11 order issued on March 15th, 2024.

12 We note that we have also approved  
13 remote participation for the Department of  
14 Energy's consultant, Mr. Mark Thompson.

15 The Company seeks approximately 3.8  
16 million through its RDAF for recovery. The RDAF  
17 recommends -- the DOE, rather, recommends in its  
18 technical statements presented by Dr. Arif, Mr.  
19 Alam, and Mr. Thompson, that this amount be  
20 recovered by the Company through the RDAF rates  
21 currently in place for the February 1st, 2024,  
22 through January 31st, 2025, RDAF rate period, as  
23 provisionally approved in Docket Number DG 23-076  
24 for the LDAC component.

1           The DOE also presents a comprehensive  
2 series of critiques and recommendations for  
3 improvement of the Company's existing RDAF  
4 mechanism. While the Commission will give some  
5 scope for the DOE to provide oral testimony  
6 regarding these recommendations, we have the hope  
7 that -- we have the hope that, as this  
8 information has been provided extensively in this  
9 and other related proceedings, we can focus on  
10 the recommendations for the 2021-2022 RDAF rates,  
11 and conclude our hearing today at the noon hour  
12 or before.

13           In the matter of housekeeping, we see  
14 that the proposed Exhibit List originally  
15 tendered by the DOE has an error in sequencing.  
16 Hearing Exhibit 34 in this docket was already  
17 reserved and marked for the DOE's Final Audit  
18 Report, which was tendered on September 6, 2023.  
19 Certain Liberty data requests were presented as  
20 proposed Hearing "Exhibit 34". Then, yesterday,  
21 the Company proposed a second Exhibit List with a  
22 renumbering of the exhibits, beginning with  
23 Exhibit 35, and proposing an additional  
24 Exhibit 39, titled "Liberty Responses to

1 Commission's 9/1/23 Record Requests 1 through 6".

2 Furthermore, there are problems with  
3 the DOE's proposed Exhibit 38, insofar as the  
4 material listed appears to have been filed under  
5 Exhibit 34, and the rest is missing, though we  
6 are not certain of that fact.

7 Given all this, the Commission will  
8 number the hearing exhibits on and after Hearing  
9 Exhibit 35 in the order that they are introduced  
10 at the hearing today. Attorney Speidel will keep  
11 a running tally of the exhibits today, and  
12 provide it to the Clerks Office, and the  
13 corrected Exhibit List will be posted on the  
14 docket.

15 Then, especially in light of the likely  
16 need to renumber electronically filed exhibits,  
17 and supply the missing Exhibit 38 material, the  
18 parties shall refile the exhibits with the  
19 correct data and numbers by the close of business  
20 Friday, May 17th.

21 We hope that there are no objections to  
22 this approach.

23 MS. SCHWARZER: Mr. Chairman, just a  
24 point of clarification.

1                   CHAIRMAN GOLDNER: Just a moment,  
2 Attorney Schwarzer, hold on. You'll have an  
3 opportunity in a minute.

4                   We also see a list of six documents  
5 filed in the other Commission Liberty gas dockets  
6 proposed for administrative notice today. We  
7 will ask the parties, when they take appearances,  
8 to indicate whether there's any objection to our  
9 taking administrative notice of these materials,  
10 and as to whether there are any objections to the  
11 DOE's and Liberty's proposed exhibits, with the  
12 proviso that they will be renumbered, as I  
13 mentioned.

14                  Finally, we see that there are two  
15 proposed Liberty witnesses, Mr. Bonner and Mr.  
16 Culbertson, and three proposed DOE witnesses, Dr.  
17 Arif, Mr. Alam, and Mr. Thompson remotely. We  
18 will hear these witnesses in two separate panels,  
19 and take a break between them today.

20                  So, I'll give everyone a chance to  
21 comment after taking appearances, beginning with  
22 Liberty.

23                  MR. SHEEHAN: Thank you. Good morning,  
24 Commissioners. Mike Sheehan, for Liberty

1 Utilities (EnergyNorth Natural Gas).

2 Want me to comment on the second piece  
3 now or --

4 CHAIRMAN GOLDNER: We'll take  
5 appearances first, yes.

6 MR. SHEEHAN: Okay.

7 CHAIRMAN GOLDNER: Thank you.

8 The Office of the Consumer Advocate is  
9 not here today. And, then, we'll move to the  
10 Department of Energy.

11 MS. SCHWARZER: Good morning, Mr.  
12 Chairman. Mary Schwarzer, Staff Attorney with  
13 the Department. And with me is Paul Dexter, our  
14 Legal Director.

15 CHAIRMAN GOLDNER: Okay. Very good.

16 So, let's start with Liberty on the  
17 exhibits.

18 MR. SHEEHAN: Sure. To start, it was  
19 my mistake on the numbering of Exhibit 34. What  
20 was filed as "Exhibit 34" is the only exhibit  
21 that Liberty proposed today. The Clerks Office  
22 brought it to my attention that had been reserved  
23 and used for something else.

24 So, the Exhibit List filed last night,



1 the only change was to renumber "34" as "39".  
2 It's the exact same document. The 35 through 38  
3 were the DOE exhibits, and those numberings  
4 haven't changed. So, that is to exhibits.

5 I think, more broadly, I was looking  
6 through the exhibit history in this docket, and  
7 note that Exhibits 1 through 16 were admitted at  
8 the first hearing in October of '22; 17 and 18  
9 were admitted after that hearing, they were  
10 record requests.

11 Exhibits 19 through 33 were marked at  
12 the hearing a year ago, where we discussed the  
13 gasholder and started discussing RDAF. The  
14 Commission did not act on those exhibits then.  
15 And the order approving the gasholder piece in  
16 January, there was a general statement that the  
17 Commission has accepted the gasholder exhibits  
18 without numbering them. I have them as numbers,  
19 I wrote it down somewhere, --

20 CHAIRMAN GOLDNER: I think you said "19  
21 to 33".

22 MR. SHEEHAN: Yes. Some of those are  
23 gasholder, some of those are RDAF.

24 CHAIRMAN GOLDNER: Okay.

1 MR. SHEEHAN: And I guess, technically,  
2 the RDAF exhibits have not been admitted yet, and  
3 that hearing, of course, are the ones from today.

4 And it looks like, boy, I'm losing the  
5 document trail, anyway, I'll find that. It's I  
6 think 20 -- I think it's 19 to 26 is gasholder,  
7 and 27 forward is RDAF.

8 And, procedurally -- I mean,  
9 processwise, for this hearing, Mr. Culbertson and  
10 Mr. Bonner are here ready to testify. And I'm  
11 not sure where we pick up from before. I think  
12 the -- it was -- I think we were done with  
13 direct, but stuff has happened since then. I can  
14 certainly ask a couple of introductory questions  
15 of those witnesses, and then leave it to whether  
16 it's the other party or your questions.

17 CHAIRMAN GOLDNER: Okay. I mean, I  
18 think, broadly, from the filings as I understand  
19 it anyway, that the DOE and Liberty agree on the  
20 amount for the 2021-2022 RDAF period. That's the  
21 purpose of today's proceeding. And, so, my guess  
22 would be that Liberty would want to provide  
23 whatever support it feels like is necessary to  
24 support that particular number and that

1 particular time period. The DOE can put on its  
2 witnesses, and we can have maybe an abbreviated  
3 proceeding today.

4 MR. SHEEHAN: That makes sense.

5 CHAIRMAN GOLDNER: Okay. Thank you.  
6 Attorney Schwarzer.

7 MS. SCHWARZER: Thank you, Mr.  
8 Chairman.

9 I did want to speak to the question  
10 about the exhibits. It's my understanding, based  
11 on Liberty's comments, that perhaps we are  
12 largely in good order with regard to the exhibit  
13 numbers and the updated Exhibit List.

14 I also wanted to comment on the  
15 Commission's concern regarding Exhibit 38. A few  
16 of those exhibits but not -- those data requests,  
17 but not all of them, were indeed part of  
18 Exhibit 33. The Department elected, in support  
19 of its witnesses' testimony, to provide a summary  
20 of the most pertinent data requests and responses  
21 for aid in testimony, and to supplement some of  
22 the documents that's not previously been included  
23 there. We did review them carefully. And, in  
24 the future, if the Commission would prefer that,

1 for amalgamations of this sort, if it's already  
2 been admitted, we asterisk that or put a footnote  
3 when there's a mixture, a combination of those  
4 data requests admitted and previously filed and  
5 new, we'd be happy to do that.

6 CHAIRMAN GOLDNER: Well, I think  
7 there's a couple of things happening here. We  
8 have a lengthy docket, with a lot of issues and a  
9 lot of exhibits, so maybe an exceptional level of  
10 complexity.

11 But I would say that, when you're  
12 putting witnesses on, you want to be able to  
13 easily reference the exhibit and the information  
14 that you're referencing. So, I would always  
15 recommend that, in each proceeding, you highlight  
16 the exhibits that you're going to talk about, and  
17 point out any new exhibits, obviously listing new  
18 exhibits in your filing. So, you just want to  
19 make it clear, so that the Commission and the  
20 parties can easily find what you're referring to.

21 And I think, in this filing, at least I  
22 was confused or didn't understand the  
23 Department's filing completely, and I'm, frankly,  
24 still a little bit lost. But, as we go through

1 the proceeding today, hopefully, we can tidy it  
2 up.

3 MS. SCHWARZER: Certainly. And, Mr.  
4 Chairman, we were just trying to make it easy for  
5 people to flip to different pages. So, I  
6 appreciate your concern. And we'll note those  
7 concerns, and we'll try to be even more clear in  
8 the future.

9 CHAIRMAN GOLDNER: Yes. And I'll just  
10 say that, if you're expecting the Commission to  
11 reference different dockets, different tabs, and  
12 so forth, it just makes it complicated for people  
13 to find that. It would be easier if it was just  
14 in an exhibit, whatever you wanted to reference  
15 just put it in an exhibit, and then we can all  
16 reference it, I think, a little bit easier.

17 So, it's an ease of use issue, I think,  
18 more than anything else. I'm sure you're in  
19 compliance with PUC rules, *et cetera*.

20 MS. SCHWARZER: Okay.

21 CHAIRMAN GOLDNER: But it's not -- it's  
22 just, you know, make it easy on folks to find  
23 what it is you're referencing during the  
24 testimony.

[WITNESS PANEL: Culbertson|Bonner]

1                   Okay. Anything else, Attorney  
2                   Schwarzer, before we move on to the Company  
3                   witnesses?

4                   MS. SCHWARZER: Thank you, Mr.  
5                   Chairman.

6                   I'm not sure, perhaps Liberty  
7                   explicitly said they were fine with the items  
8                   noted for administrative notice, and I may have  
9                   missed that comment.

10                  CHAIRMAN GOLDNER: I don't think  
11                  Attorney Sheehan commented, but I took the  
12                  omission to be compliance.

13                  MR. SHEEHAN: That's correct. Thank  
14                  you.

15                  MS. SCHWARZER: Thank you very much.

16                  CHAIRMAN GOLDNER: Okay. Okay. So,  
17                  I'll just formalize that.

18                  Having heard no objections, we'll now  
19                  take administrative notice of the materials  
20                  presented in the DOE's proposed Exhibit List.

21                  *[Administrative notice taken.]*

22                  CHAIRMAN GOLDNER: If there's no other  
23                  preliminary matters, we can invite the Company's  
24                  witnesses to take the stand.

[WITNESS PANEL: Culbertson|Bonner]

1                   Okay. I think we are ready to move  
2 forward. Mr. Patnaude, would you please swear in  
3 the witnesses.

4                   *(Whereupon **TYLER CULBERTSON** and*  
5                   ***JAMES BONNER** were duly sworn by the*  
6                   *Court Reporter.)*

7                   CHAIRMAN GOLDNER: I didn't see  
8 Mr. Thompson sworn in.

9                   MR. SPEIDEL: That's DOE's witness.

10                  CHAIRMAN GOLDNER: Oh. Never mind.  
11 All right. One at a time.

12                  Okay. So, we'll begin with direct  
13 questioning, beginning with Liberty.

14                  MR. SHEEHAN: Thank you. All set up  
15 there?

16                  WITNESS BONNER: Just about.

17                  MR. SHEEHAN: Mr. Chairman, I believe  
18 this is a continuation of the prior hearing. So,  
19 there's probably not the need to go through the  
20 introductory stuff. I can jump right to what's  
21 relevant today?

22                  CHAIRMAN GOLDNER: Okay. Thank you.

23                                 **TYLER CULBERTSON, SWORN**

24                                 **JAMES BONNER, SWORN**

[WITNESS PANEL: Culbertson|Bonner]

**DIRECT EXAMINATION**

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BY MR. SHEEHAN:

Q Mr. Culbertson, I'll start with you, just a brief recap of how we got here. This docket is the cost of gas docket from the Fall of '22, is that correct?

A (Culbertson) Yes, that is correct.

Q And, in that original filing, in the Fall of '22, the Company proposed a number to recover the decoupling reconciliation known as "RDAF", is that right?

A (Culbertson) Yes.

Q And the RDAF issue and the gasholder issue were carved off of a hearing that was held in the Fall of '22 for further process, resulting in a hearing in August of '23, which resolved the gasholder issue, the RDAF is still open, and now we're here today to finish the RDAF piece of this '22 docket?

A (Culbertson) That is my understanding.

Q And just to take another issue off the table, the SAP conversion, which has occupied a lot of time in this room, is not relevant here, because the data for the RDAF here all predates the October



[WITNESS PANEL: Culbertson|Bonner]

1 '22 conversion, is that correct?

2 A (Culbertson) Yes. That is correct.

3 Q And, Mr. Bonner, you could probably help me. Did  
4 any of your work on the various pieces of the  
5 decoupling mechanism include data that could have  
6 been affected by the '22 conversion?

7 A (Bonner) Just for the very tail-end of the second  
8 decoupling year, Decoupling Year 4.

9 Q Which is the '22 -- '21-'22 year?

10 A (Bonner) Right.

11 Q Okay. Mr. Culbertson, the dollar amount that we  
12 requested for the RDAF reconciliation in '22 was  
13 approved in Docket Number 23-076, an order in  
14 January of this year, the Commission approved  
15 that dollar amount provisionally or conditionally  
16 upon this hearing. Is that your understanding?

17 A (Culbertson) Yes.

18 Q And were there any changes from the number that  
19 the Company included in that filing, for the  
20 '21-'22 decoupling year, from the original filing  
21 a year and a half earlier?

22 A (Culbertson) I believe there were some small  
23 changes that had occurred during the discovery  
24 process.

[WITNESS PANEL: Culbertson|Bonner]

1 Q And would those changes have been reflected in  
2 the technical statement filed by you and Mr.  
3 Yusuf in 23-076?

4 A (Culbertson) Yes. That's correct. The January,  
5 I believe it was 21st, technical statement had  
6 the final amount, which was the 3.8 million as  
7 referenced in Dr. Deen's [sic] technical  
8 statement.

9 Q And that technical statement is the first  
10 document that has been requested that the  
11 Commission take administrative notice of. You  
12 don't need to confirm that. I'm just reading  
13 from the Exhibit List.

14 So, the number in that technical  
15 statement, which the Commission conditionally  
16 approved in 23-076, is that the number the  
17 Company today asks the Commission to essentially  
18 confirm?

19 A (Culbertson) It is.

20 Q Okay. And, again, to state what may be obvious,  
21 that amount is currently in rates, based on that  
22 January 2024 order?

23 A (Culbertson) Yes.

24 Q Okay. And, last, the only exhibit that Liberty

[WITNESS PANEL: Culbertson|Bonner]

1 proposed for today is now "Exhibit 39", and those  
2 are the Company's responses to the Commission's  
3 record requests following the 2023 hearing, is  
4 that right?

5 A (Culbertson) Yes.

6 MR. SHEEHAN: Okay. That's all I have.  
7 Thank you.

8 CHAIRMAN GOLDNER: Thank you. We'll  
9 now move to cross, and the DOE.

10 MS. SCHWARZER: Thank you, Mr.  
11 Chairman.

12 I have just a few questions on  
13 re-classification, on RDAF, and bad debt.  
14 They're very brief.

15 **CROSS-EXAMINATION**

16 BY MS. SCHWARZER:

17 Q I'd like to direct the panel's attention to  
18 Exhibit 38, Bates Page 018. And just let me know  
19 when you're there.

20 CHAIRMAN GOLDNER: So, Exhibit 38, I'm  
21 confused.

22 MS. SCHWARZER: Exhibit -- the  
23 Department's Exhibit 38 is a set of data  
24 responses from Liberty, in response to the

[WITNESS PANEL: Culbertson|Bonner]

1 Department's requests.

2 CHAIRMAN GOLDNER: We have no filing  
3 "38", "Exhibit 38", in our filings.

4 MS. SCHWARZER: The Department filed  
5 those timely. I have an email before me. I  
6 can't imagine how the Commission was not  
7 included.

8 MR. SPEIDEL: Did you file it to the  
9 discovery service list?

10 MS. SCHWARZER: Let me just check.  
11 I'll pull up the --

12 CMSR. SIMPSON: Or do you have the date  
13 of the email?

14 MS. SCHWARZER: Absolutely. May 8th,  
15 from Amy Waterhouse.

16 And I believe there was an update for  
17 an error that had occurred with live Excel  
18 spreadsheets the following day, May 9th.

19 CHAIRMAN GOLDNER: I have no email. I  
20 have an email on May 8th, filing Exhibit 34 and  
21 the Joint Witness and Exhibit List.

22 MS. SCHWARZER: I've got that file.  
23 Let me pull it up, I can see where it was sent.

24 So, the May 8th email, it was indeed

[WITNESS PANEL: Culbertson|Bonner]

1 sent to the Energy discovery list in error. I  
2 can forward it to the Clerks Office now. We were  
3 not aware of that error. We apologize to the  
4 Commission for the confusion. It must have been  
5 hard to match the Exhibit List to what was not  
6 there.

7 So, would it be appropriate for me to  
8 forward it now and to the entire service list?  
9 And perhaps we could take a five-minute break  
10 while that's relayed to the Commission?

11 CHAIRMAN GOLDNER: Yes. Let's  
12 straighten out all the exhibits before we take a  
13 break, but that's otherwise a good idea.

14 So, I have Liberty's Exhibit -- the  
15 refiled Exhibit 39 sitting in front of me. So,  
16 that one looks -- let's put that stake in the  
17 ground there.

18 Exhibit 38 we just talked about. So,  
19 sending that to the Clerks Office now would be a  
20 good idea.

21 Exhibit 36 --

22 MS. SCHWARZER: Thirty-five (35) and 36  
23 are the supplemental technical statements of Dr.  
24 Arif and Mr. Alam, and then Mr. Thompson,

[WITNESS PANEL: Culbertson|Bonner]

1           respectively, which were sent to the Commission  
2           on April 3rd, 2024. So, we marked those as  
3           exhibits.

4                   CHAIRMAN GOLDNER: So, what I have  
5           before me is a memo from Dr. Arif and Mr. Alam  
6           that was filed on April 3rd, but not filed as an  
7           exhibit. That may have also gone to the  
8           discovery list.

9                   MS. SCHWARZER: The entire set would  
10          have gone as a group, unfortunately, to the wrong  
11          list.

12                   CHAIRMAN GOLDNER: Right. Yes,  
13          Mr. Speidel can address this for the hearing  
14          room.

15                   MR. SPEIDEL: So, there is a provision  
16          of rules where it is possible to notice  
17          previously filed material as exhibits on the  
18          docket, if they are located in other proceedings.  
19          But it is best practice to mark them as exhibits.  
20          But I think we can follow along with the noticing  
21          of Hearing Exhibit Number 35 for the Arif and  
22          Alam technical statement.

23                   I think it's important to confirm  
24          whether the numbering and sequencing of the

[WITNESS PANEL: Culbertson|Bonner]

1 materials that were directly filed to the Clerks  
2 Office as full exhibits, with numbering appended  
3 to their documents, have or have not changed. We  
4 want to make sure that the headings have or have  
5 not changed as a consequence of the changes that  
6 have happened over the last couple of days.

7 MS. SCHWARZER: Mr. Speidel, I  
8 apologize. I'm not clear on the confusion. I  
9 have just forwarded the exact email that the  
10 Department intended to provide on May 3rd, that  
11 was, unfortunately, we now learned, sent to the  
12 discovery list in error. It corresponds  
13 precisely to the Exhibit List. And all the  
14 parties present have had notice of what the  
15 Department intended to focus on and address at  
16 this hearing.

17 So, I would make a motion to waive the  
18 unfortunate delay in the provision of these  
19 exhibits to the Commission, in the interest of  
20 administrative efficiency and clarity.

21 MR. SPEIDEL: So, the one -- what I was  
22 trying to get across was, we want to confirm that  
23 the only numbering change, resulting from the  
24 last few days of changes, would be that the

[WITNESS PANEL: Culbertson|Bonner]

1 former Liberty exhibit proposed as number "34"  
2 would be now tendered and marked as Hearing  
3 "Exhibit 39", is that correct?

4 MS. SCHWARZER: And I certainly agree  
5 with that. And it's Mr. Sheehan, Attorney  
6 Sheehan who did that. So, let's ask him.

7 MR. SHEEHAN: That's my -- we made that  
8 change. And it's my understanding that's the  
9 only change in the Exhibit List.

10 And that what DOE has just forwarded  
11 will be "35", "36", "37", "38".

12 MR. SPEIDEL: Okay. Perhaps we can  
13 take a recess, Commissioners?

14 CHAIRMAN GOLDNER: Yes. Just a moment,  
15 I want to make sure I understand.

16 So, I see the April 3rd memo from Dr.  
17 Arif and Mr. Alam. And, so, that's I think now  
18 the proposed "35".

19 Where's the proposed "36"?

20 MS. SCHWARZER: Immediately under the  
21 April 3rd, there's a technical statement from  
22 Mark Thompson, our consultant.

23 CHAIRMAN GOLDNER: Uh-huh.

24 MS. SCHWARZER: And that is Exhibit 36.



[WITNESS PANEL: Culbertson|Bonner]

1 CHAIRMAN GOLDNER: Okay. And, then,  
2 Exhibit 38 we discussed.

3 MS. SCHWARZER: Well, and Exhibit 37 is  
4 Liberty's responses to the Department's technical  
5 session data requests, from December 12th,  
6 numbers 1 through 4. And that was, obviously,  
7 after Hearing Day 1, and was sent in anticipation  
8 of Hearing Day 2.

9 CHAIRMAN GOLDNER: Okay. Attorney  
10 Speidel, are you clear? I'm not sure I am. But,  
11 if you are, then we can take a break?

12 MR. SPEIDEL: The Thompson material,  
13 Mr. Chairman, is under Tab 148, in the current  
14 docket, 22-045.

15 CHAIRMAN GOLDNER: Okay.

16 MR. SPEIDEL: The Arif/Alam material is  
17 also located at Tab 148, in Docket Number 22-045  
18 online. It was filed on April the 3rd of '24.

19 Let's see. Let's go through the list  
20 briefly, just to be sure.

21 Docket filing, let's see here, Hearing  
22 Exhibit 37, has that been filed with the  
23 Commission? We received the former "Exhibit 34"  
24 through the email system. Has Hearing

[WITNESS PANEL: Culbertson|Bonner]

1 Exhibit 37, proposed by the Department of Energy,  
2 been filed to the filing service list, or was  
3 that also filed with the --

4 MS. SCHWARZER: All of the Department's  
5 exhibits were sent in one email on May 8th, which  
6 was intended to go to the Clerks Office, as we  
7 always send them altogether. And, unfortunately,  
8 the entire set, from Exhibit 35 through  
9 Exhibit 38, was inappropriately sent to the  
10 discovery list, as we have today learned.

11 So, if your question is "whether  
12 Exhibit 37 has previously been identified to the  
13 Commission?" The answer to that is "no", because  
14 they were technical session discovery requests  
15 made in December of 2022, in anticipation of  
16 Hearing Day 2.

17 *[Chairman Goldner and Atty. Speidel*  
18 *conferring.]*

19 CHAIRMAN GOLDNER: So, we'll take a  
20 fifteen-minute break -- just a moment, Pradip.  
21 Take a fifteen-minute break to consult with the  
22 clerks to see how long it will take us to get  
23 this sorted out.

24 So, initially, the break will be

[WITNESS PANEL: Culbertson|Bonner]

1 fifteen minutes. And, then, if it needs to be  
2 longer, we'll inform the parties.

3 Commissioner Chattopadhyay.

4 CMSR. CHATTOPADHYAY: Yes. I'm  
5 probably going to be adding to the confusion  
6 here.

7 But, typically, what I do is, when I  
8 get the exhibits, I create a folder where I have  
9 all the exhibits. And what I have right now,  
10 it's 34, 35, 39. So, 36, 37, 38 are missing.

11 Now, of course, the numberings have  
12 changed a bit, because what we talked about is 34  
13 was reserved. So, there's some --

14 CMSR. SIMPSON: That's now "39".

15 CMSR. CHATTOPADHYAY: That's "39".

16 And, so, that --

17 MS. SCHWARZER: I don't know if this --

18 CMSR. CHATTOPADHYAY: So, it's going to  
19 be 34 through 38 that we should have, correct?

20 CHAIRMAN GOLDNER: Thirty-five.

21 MS. SCHWARZER: The Department filed  
22 35. The Company had initially filed a number  
23 "34", which was a numbering error, and they have  
24 refiled it as number "39".

[WITNESS PANEL: Culbertson|Bonner]

1 CMSR. CHATTOPADHYAY: Yes. What --

2 MS. SCHWARZER: So, Commissioner, I  
3 hope, if you 35 -- do you have 35?

4 CMSR. CHATTOPADHYAY: I do. But, no, I  
5 don't, in pdf format, no. So, if I look at the  
6 Excel that came in, it's there.

7 MS. SCHWARZER: Yes.

8 CMSR. CHATTOPADHYAY: Again, this is --  
9 maybe we should --

10 MS. SCHWARZER: I can address it. And  
11 we can certainly speak off the record. But --

12 CMSR. CHATTOPADHYAY: The point I was  
13 making, and I may be getting this wrong, so I  
14 just want to make sure. In the Exhibits List  
15 that's on the webpage, we have "34" reserved for  
16 the Audit, right?

17 So, what you're saying, the one that  
18 you submitted as "34" would be "39"?

19 MR. SHEEHAN: Correct.

20 CMSR. CHATTOPADHYAY: Correct. So, we  
21 are starting now with 35, and going until 39?

22 MR. SHEEHAN: Correct.

23 MS. SCHWARZER: Correct. The  
24 Department's exhibits are 35 to 38. And I

[WITNESS PANEL: Culbertson|Bonner]

1 believe the reason you have a live Excel  
2 spreadsheet, marked "Exhibit 35", is because  
3 those Excel sheets support Dr. Arif --

4 CMSR. CHATTOPADHYAY: Yes.

5 MS. SCHWARZER: -- and Mr. Alam's tech  
6 statement, but are only a partial, small piece of  
7 what the Department intended to file as  
8 "Exhibit 35".

9 CMSR. CHATTOPADHYAY: Okay. So, I know  
10 what to expect when we go talk. Okay. Thank  
11 you.

12 MS. SCHWARZER: Would it be helpful to  
13 speak off the record? Can we answer further  
14 questions?

15 CHAIRMAN GOLDNER: I think -- I think  
16 we're okay. We'll go consult with the clerks and  
17 return in fifteen minutes.

18 Thank you. Off the record.

19 *[Recess taken at 9:37 a.m., and the*  
20 *hearing reconvened at 9:54 a.m.]*

21 CHAIRMAN GOLDNER: Okay. So, the  
22 Commissioners have conferred, and we'll go ahead  
23 and continue today.

24 But I'll remind the parties that this

[WITNESS PANEL: Culbertson|Bonner]

1 is not the first time that filings were made to  
2 the wrong distribution list, or the wrong exhibit  
3 number. And that's something that we need to get  
4 cleaned up moving forward.

5 And, in future dockets, you know,  
6 parties should be prepared that the hearing would  
7 be moved to a different date if we have this kind  
8 of disruption moving forward.

9 The second thing I'll say is that this  
10 docket itself has been going on for a while.  
11 This is the second hearing. And, so, I'll ask  
12 the testimony be fairly concise. The  
13 Commissioners have a pretty good handle on what's  
14 going on. So, it's really just an issue of the  
15 parties making sure that they have an opportunity  
16 to put forward their case. But please be  
17 concise, because we do have a good handle on the  
18 situation, I think.

19 So, with that, let's pick back up with  
20 cross, and the Department.

21 MS. SCHWARZER: Thank you, Mr.  
22 Chairman.

23 BY MS. SCHWARZER:

24 Q If I could direct the witnesses' attention to

[WITNESS PANEL: Culbertson|Bonner]

1 Exhibit 38, Bates Page 018.

2 A (Bonner) I'm there.

3 Q And the Department asked Liberty to "explain how  
4 re-classification of customers and or any  
5 inter-class migration among customer classes also  
6 impact the target, that is the allowed, and  
7 actual revenue?" That was the question?

8 A (Bonner) Yes, it was.

9 Q And the answer is that "Re-classification of  
10 customers and any inter-class migration among  
11 rate classes have no immediate impact on target  
12 Revenue Per Customer rates." Correct?

13 A (Bonner) Yes.

14 Q But there is some impact?

15 A (Bonner) Yes. It affects the actual calculations  
16 for allowed and for actual revenues as well.

17 Q And, then, if you direct your attention to Bates  
18 Page 033, "d" of the same exhibit.

19 A (Bonner) And that was Bates Page 033?

20 Q Yes. You may be there before I am. This is a  
21 data request following up on that first one,  
22 asked in September of 2023, answer is  
23 November 9th of 2023, Liberty was asked, under  
24 d., "Does Liberty assert that rate

[WITNESS PANEL: Culbertson|Bonner]

1 re-classification or rate migration "has no  
2 effect on the true up process" and/or no effect  
3 on the allowed revenue Liberty collects for the  
4 customers who are re-classified?" That was the  
5 question, correct?

6 A (Bonner) Yes.

7 Q And Liberty's answer, d., is that "Although  
8 Liberty does assert that is rate  
9 re-classification or rate migration "has no  
10 effect on the true up process" *per se*, it does  
11 not assert that such rate re-classification or  
12 rate migration has no effect on the true-up  
13 dollar amounts. Both the true-up and allowed  
14 revenues are affected by the net change in  
15 equivalent bill values among the rate classes  
16 over time due to rate re-classification or rate  
17 migration." Correct?

18 A (Bonner) Yes.

19 Q And, then, you were asked, on Bates Page 018,  
20 going back to the first question -- oh, I'm  
21 sorry, Exhibit 37, not Exhibit 38.

22 A (Bonner) Oh.

23 Q Exhibit 37.

24 A (Bonner) Yes. Which page?



[WITNESS PANEL: Culbertson|Bonner]

1 Q Bates Page Exhibit 18, Item c. And Page 17 is  
2 where the question starts. This was a follow-up  
3 data request from the Department to Liberty on  
4 December 13, with an answer provided in January  
5 of 2024. The question directed to the Company  
6 was "c. If re-classification were not made,  
7 Liberty will explain why. If re-classifications  
8 were made, Liberty is asked to confirm why and  
9 provide details on adjustments by rate class, by  
10 month, and by year."

11 And Liberty's answer was, on Bates  
12 Page 018, "Liberty did not expressly keep records  
13 in sufficient detail to provide explanations as  
14 to why a particular customer or groups of  
15 customers received or did not receive the rate  
16 change recommended in the 2019, 2020 and 2021  
17 Rate Reviews. Liberty can identify who was  
18 changed and when, but why or why not."  
19 Presumably, it's "but not why or why not"?

20 A (Bonner) That's correct. The "not" was left out.

21 Q So, you're just clarifying a scribner's error on  
22 Page 18, that should say "but not why or why  
23 not"?

24 A (Bonner) Yes. I would agree.

[WITNESS PANEL: Culbertson|Bonner]

1 Q Thank you. I'd like to direct you to Exhibit 32,  
2 which was introduced at the Hearing Day 1. If  
3 you need a moment, please do take it.

4 A (Bonner) Yes, I will need a moment. I might need  
5 some help of somebody trying to point out where  
6 that one is.

7 MS. SCHWARZER: Do you want me to email  
8 it to you or you can email it to Jim, Exhibit 32?

9 MR. SHEEHAN: Sure.

10 WITNESS BONNER: Actually, Mr.  
11 Culbertson helped me.

12 MS. SCHWARZER: Great. Okay.

13 WITNESS BONNER: I have it.

14 MS. SCHWARZER: Thank you.

15 WITNESS BONNER: And which page again?

16 BY MS. SCHWARZER:

17 Q So. Just starting at the beginning of  
18 Exhibit 32, which is an email from August 11th,  
19 2023, from Dr. Arif to you. It's asking for  
20 information about equivalent bills. And Number 3  
21 says "For DY3 and DY4, please provide both the  
22 data and a narrative explanation of various  
23 reasons for performing the true-up process (for  
24 example, the various reasons an estimated

[WITNESS PANEL: Culbertson|Bonner]

1 equivalent bill went up after four months).  
2 Also, please provide a clear demonstration of the  
3 impacts of each reason on the target revenue" --  
4 excuse me, "of the impacts of each reason on the  
5 target revenue, allowed revenue, and actual  
6 revenue. For the purpose of responding to this  
7 question, please use and/or modify the attached  
8 Excel shell as you deem fit."

9 And Liberty's response was provided in  
10 Exhibit 38, turning again to the exhibits  
11 introduced for Hearing Day 2, at Bates Page 037.  
12 And, if you -- excuse me, Exhibit 38, Bates  
13 Page 037, references the Excel spreadsheet that I  
14 just referenced in Exhibit 32. So, that's the  
15 connection between those two. Exhibit 32 was a  
16 more informal version of the very specific  
17 request about the Excel spreadsheet here in  
18 Exhibit 38.

19 And the answer from Liberty with regard  
20 to -- the reasons for the true-ups, the request  
21 was modified in Docket 22-045. The answer says  
22 "In that docket, the Company responded that it  
23 was impractical and/or impossible to provide the  
24 requested data in the format requested for the

[WITNESS PANEL: Culbertson|Bonner]

1 following reasons: The Company customer and  
2 billing information systems are designed to  
3 provide detailed information on an individual  
4 customer-by-customer basis to customer service  
5 and billing personnel and to provide only summary  
6 information using predefined reports for large  
7 groups of customers such as a rate class or  
8 general ledger accounts to all other users  
9 including regulatory and finance personnel.  
10 Although some billing transaction detail data at  
11 a level sufficient to enumerate the variance  
12 between expected billing determinants and  
13 revenues is available, it is insufficient to  
14 explain the reasons therefore, except by  
15 examining each customer contributing to the  
16 variance one at a time using the same tools as  
17 customer service and billing personnel. Given  
18 that there would be hundreds of customers to  
19 examine each month for ten separate RPC, or  
20 Revenue Per Customer, rate classes for 24 months,  
21 such a procedure would be impractical and unduly  
22 burdensome. Thus, the requested data cannot be  
23 provided."

24 And that was the Company's answer,

[WITNESS PANEL: Culbertson|Bonner]

1 correct?

2 A (Bonner) Yes.

3 Q My last question comes from Exhibit 39. This  
4 exhibit includes the Company's responses to the  
5 Commission's record requests. And I direct you  
6 to Bates Page 052, "b".

7 In this record request, the Company was  
8 asked "Does the Company adjust for uncollectible  
9 revenue or bad debt in its actual revenue  
10 calculations? If so, please demonstrate using  
11 the schedules filed to confirm that."

12 And the Company's answer was "The  
13 Company does not adjust for uncollectible revenue  
14 or bad debt in its actual revenue calculations."  
15 Correct?

16 A (Bonner) Yes.

17 Q What are the implications for bad debt?

18 A (Bonner) Bad debt is recorded, when you record  
19 the entry for uncollectible accounts, it's  
20 recorded as an expense on the books. It's not  
21 recorded in the revenues.

22 Q And is it the case that, because RDAF deals with  
23 revenue, and not expenses, for that reason you  
24 would not expect bad debt to be reflected in the

[WITNESS PANEL: Culbertson|Bonner]

1 RDAF?

2 A (Bonner) That's correct.

3 MS. SCHWARZER: Thank you. I have no  
4 further questions for these witnesses.

5 CHAIRMAN GOLDNER: Thank you. We'll  
6 turn now to Commissioner questions, beginning  
7 with Commissioner Simpson.

8 CMSR. SIMPSON: Thank you, Mr.  
9 Chairman.

10 BY CMSR. SIMPSON:

11 Q So, I was pleased to see that there was a general  
12 argument on the final figures, given the length  
13 of this process and the discussions that we've  
14 had over the last couple of years now.

15 So, just enlighten us as to what  
16 brought clarity to everyone's view, in terms of  
17 an acquiescence around the calculation, and the  
18 terms as articulated in the Company's last rate  
19 case?

20 A (Bonner) Actually, I think you'll have to direct  
21 your question to Dr. Arif. The position -- what  
22 I did was simply provide sufficient detail, in as  
23 great a level of detail as possible to help  
24 support our position. And it was Dr. Arif who

[WITNESS PANEL: Culbertson|Bonner]

1           formed the conclusion and said "Yes, okay. I now  
2           understand all the various components and all of  
3           the moving parts that are contributing to the  
4           calculation, and why it's done the way it's done.  
5           And it does, in fact, comply with the tariff as  
6           it is currently written."

7    Q       And I understand that you've maintained the  
8           process and the recommendation from the  
9           beginning, the Company's position from the  
10          beginning, Mr. Bonner. I just wondered if there  
11          was an exercise or an element in the formation of  
12          the Revenue Per Customer and then the calculation  
13          of the decoupling adjustment? As you worked  
14          through that, was there some sort of an "Aha"  
15          moment that added clarity for the Department that  
16          you could share with us that might similarly  
17          support the Company's position that you've  
18          maintained since the beginning?

19    A       (Bonner) I think so. Perhaps the place to start  
20          is actually in Exhibit 38. And I believe it's  
21          Bates Page 031.

22                        CMSR. CHATTOPADHYAY: Do you mind  
23          repeating the exhibit number again?

24                        WITNESS BONNER: Thirty eight.

[WITNESS PANEL: Culbertson|Bonner]

1 CMSR. CHATTOPADHYAY: Thirty eight.

2 Thank you.

3 **CONTINUED BY THE WITNESS:**

4 A (Bonner) And it's a graphic.

5 BY CMSR. SIMPSON:

6 Q I like graphics.

7 A (Bonner) And I do, too. I'm an engineer.

8 Q I was in a former life.

9 A (Bonner) The math comes secondary. So, what this  
10 graphic is designed to illustrate, and it was  
11 specifically designed to explain the concept of  
12 unbilled revenue, but it illustrates essentially  
13 the differences between the way the numbers come  
14 in through the billing system, by billing cycle,  
15 versus the calendar month periods for recording  
16 purposes. So, maybe I'll take a moment or two  
17 just to walk you through.

18 Q Please. Thank you.

19 A (Bonner) And, if you were to consider yourself a  
20 Company accountant for a moment, then you would  
21 be just past the right side of the graph, which  
22 would indicate sort of the current month in  
23 question that you're trying to close.

24 So, the numbers in -- the values in



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1 green, so the top of the -- sorry, let me start  
2 again. The top axis is the current month and the  
3 previous month. So, the previous month had 30  
4 days, the current month has 31, something like an  
5 October to November transition. The Y axis  
6 contains the billing cycle numbers. And the  
7 billing cycles are simply the subdivision of the  
8 Company's meter read -- meters into 21  
9 geographical areas to facilitate meter readings.  
10 And, generally, the meter reading days are on the  
11 workdays of the month, and there are roughly  
12 about 21 workdays in every month.

13 So, a customer in the very first cycle  
14 gets read the very beginning of the month, in  
15 this particular illustration, on the very first  
16 day, and their bill ran from the 3rd of the  
17 previous month to the 1st of the current month.  
18 So, the length of each line isn't exactly the  
19 same, partly due to the influence of weekends and  
20 holidays.

21 So, the numbers that are recorded, when  
22 you issue a bill in a given month, so this  
23 particular customer's Cycle 1's current month, a  
24 31-day month bill, is actually mostly in the

[WITNESS PANEL: Culbertson|Bonner]

1 previous month, if we use the November to  
2 December kind of analogy, then it was mostly in  
3 November. Whereas the people toward the -- the  
4 customers in the cycles that are toward the end  
5 of the month are almost wholly within the current  
6 month.

7 So, there is a challenge in trying to  
8 match up the expenses and revenues in a given  
9 calendar period for accounting purposes. And  
10 that's accomplished by estimating the portion of  
11 the month that has been -- the consumption has  
12 already taken place, but you haven't issued the  
13 bills, because they won't show up until the  
14 following month.

15 And the process works this way: You  
16 estimate what that unbilled corner *[sic]* is, and  
17 then what you do is, in the following month, when  
18 the right numbers, the new green ones in the  
19 column that show up over in the previous month  
20 actually come in, you reverse out the estimate  
21 and allow the real numbers to flow through. So,  
22 that's how we account for the -- for calendar --  
23 get the right numbers to post for a particular  
24 calendar month.

[WITNESS PANEL: Culbertson|Bonner]

1           The same process is actually done for  
2           the allowed revenue process, except I don't have  
3           the billing system generating the numbers. The  
4           true-ups simulate the same thing that the  
5           unbilled revenue calculation do.

6           So, we tend to think of the true-ups,  
7           when you first look at them, as something going  
8           forward. It's actually the reverse. It's  
9           something going backwards in time. And that's  
10          illustrated, I think, let's see here, should be  
11          in maybe Exhibit 38, I think.

12                           *[Short pause.]*

13           WITNESS BONNER: Just having a moment  
14          to find the --

15           CMSR. SIMPSON: Take your time. No  
16          problem.

17          **CONTINUED BY THE WITNESS:**

18          A       (Bonner) It's actually Exhibit 37. And the  
19          question begins on Bates Page 002.

20          BY CMSR. SIMPSON:

21          Q       Okay. I'm there.

22          A       (Bonner) And this was to demonstrate that the  
23          actual revenues and the monthly calculation  
24          posted to our books are trued up in a manner

[WITNESS PANEL: Culbertson|Bonner]

1 consistent with the true-up of allowed revenues.

2 And beginning, and we'll just take the  
3 initial month of September 2021, requires you to  
4 subdivide the analysis into three parts: A prior  
5 period true-up period; a current month actuals  
6 where you know the numbers; a current month  
7 estimate, and then you end up with the accounting  
8 month in totals.

9 And this is just a -- really just a  
10 numerical example of that same exhibit that I  
11 showed graphically, dividing it into those three  
12 compartmentalized areas. And with this, you can  
13 see where the numbers in the filing, which will  
14 trace out dollar-for-dollar, actually come from.

15 So, parts are estimates, parts are  
16 prior period true-ups, so it's actually a looking  
17 backwards in time, more than it is a looking  
18 forwards in time, and it's carried out for four  
19 successive months, in order to be able to ensure  
20 that you're capturing the prior periods when the  
21 actual numbers are actually flowing -- are coming  
22 through the system, and the estimates can now be  
23 reversed out.

24 Q Okay. Thank you for that. And, then, I'll just

[WITNESS PANEL: Culbertson|Bonner]

1 ask both of you, in the Department's technical  
2 statements, they support the -- or, my  
3 interpretation, they support the overall  
4 calculation. They do share their perspective on  
5 whether or not the mechanism achieved what the  
6 Settling Parties -- or, at least the Department,  
7 as a Settling Party, at the time thought that the  
8 mechanism would achieve.

9 Do you want to address those comments  
10 here from the Department?

11 A (Culbertson) I don't know exactly what the  
12 thoughts were or the intent was at the time that  
13 all of this was put in place. Well, I understand  
14 the decoupling part of it, to get to a more fixed  
15 revenue. I don't know that anybody understood  
16 the magnitude of the ups and the down adjustments  
17 that were going to come out of this.

18 And, at this point, I don't know what  
19 the best answer is. We are open to looking at  
20 all options, and coming to one that everyone can  
21 agree to, and can provide more of an outcome that  
22 we intend, because we don't want to have to have  
23 multi-year hearings on a rate calculation as  
24 well.

[WITNESS PANEL: Culbertson|Bonner]

1 CMSR. SIMPSON: Okay. Thank you for  
2 that, Mr. Culbertson.

3 I don't have any further questions. I  
4 just want to say that I appreciate the work that  
5 Mr. Bonner, in particular, did. You've been  
6 consistent here over the several years, and you  
7 have had a lot of confidence in your analysis,  
8 and that stuck out. So, I appreciate that.

9 Thank you, Mr. Chairman. I'm all set.

10 CHAIRMAN GOLDNER: Thank you. We'll  
11 turn now to Commissioner Chattopadhyay.

12 CMSR. CHATTOPADHYAY: I think one of  
13 the key questions I had has already been covered  
14 by Commissioner Simpson.

15 BY CMSR. CHATTOPADHYAY:

16 Q I just want to ask, if you go to Exhibit -- just  
17 a moment -- 35, and you go to Bates Page 011,  
18 generally, there's at the end a discussion about  
19 "price elasticities".

20 Does the Company have any view on what  
21 was shared, what was provided in the technical  
22 statement by DOE? Have you looked into it? And  
23 do you have a response to what the Company did --  
24 sorry, DOE did?

[WITNESS PANEL: Culbertson|Bonner]

1 A (Bonner) Not at this time. It would require a  
2 bit longer discussion. What I have is Dr. Arif's  
3 analysis. And I'm not an economist by training.  
4 So, the Company would like an opportunity to  
5 explore this in more depth, just to be sure that  
6 we understand what the conclusions are. I follow  
7 the mathematics.

8 Q Okay.

9 A (Bonner) I understand what is going on. And he's  
10 trying to identify certain features that, you  
11 know, whether or not should or should not be part  
12 of this mechanism. And how the customers respond  
13 to changes in prices over time.

14 Q Okay. So, I mean, essentially, you're saying you  
15 haven't really dived deep into it?

16 A (Bonner) We haven't done the deep-dive, what  
17 would be required, in order to --

18 Q Okay.

19 A (Bonner) -- dissect an analysis of this type.

20 CMSR. CHATTOPADHYAY: Okay. I think  
21 that's all I have. Thank you.

22 CHAIRMAN GOLDNER: Okay. I think just  
23 the last question from the Commission is just  
24 double-checking.

[WITNESS PANEL: Culbertson|Bonner]

1 BY CHAIRMAN GOLDNER:

2 Q Does Liberty have any objection to the proposed  
3 course of action recommended by the Department of  
4 Energy for this matter as it pertains to the  
5 rates for the current RDAF rate year of  
6 February '24 through January '25?

7 A (Culbertson) No.

8 CHAIRMAN GOLDNER: Thank you. Okay.  
9 Any other questions, Commissioners?

10 *[Cmsr. Simpson and Cmsr. Chattopadhyay*  
11 *indicating in the negative.]*

12 CHAIRMAN GOLDNER: Okay. Seeing none.  
13 We'll move to redirect.

14 MR. SHEEHAN: I have none. Thank you.

15 CHAIRMAN GOLDNER: Okay. Thank you to  
16 both witnesses today. The witnesses are excused.  
17 And we'll call the Department's  
18 witnesses to the stand.

19 Okay. Mr. Patnaude, if you could  
20 please swear in the three witnesses.

21 *(Whereupon **MARK THOMPSON,***  
22 ***ASHRAFUL ALAM,** and **FAISAL DEEN ARIF***  
23 *were duly sworn by the Court Reporter.)*

24 CHAIRMAN GOLDNER: Thank you. Okay.



[WITNESS PANEL: Thompson|Alam|Arif]

1 We'll start with direct from the New Hampshire  
2 Department of Energy.

3 MS. SCHWARZER: Thank you, Mr.  
4 Chairman.

5 **MARK THOMPSON, SWORN**

6 **ASHRAFUL ALAM, SWORN**

7 **FAISAL DEEN ARIF, SWORN**

8 **DIRECT EXAMINATION**

9 BY MS. SCHWARZER:

10 Q I would like to direct each of you to the  
11 technical statements, the supplemental technical  
12 statements that were filed on this docket dated  
13 April 3rd, 2024. And I'll ask Mr. Thompson  
14 first. Is the technical statement that you filed  
15 an exhibit in this docket?

16 A (Thompson) Yes. That's Exhibit 36.

17 Q Thank you. And, Mr. Alam, Dr. Arif, is the  
18 technical statement that you filed in this, on  
19 April 3rd, an exhibit in this docket?

20 A (Alam) Yes, it is.

21 Q And what is the exhibit number?

22 A (Alam) Exhibit 35.

23 Q Thank you. I'd like to ask, I'll start with Mr.  
24 Thompson, Mr. Thompson, in what you filed, are

[WITNESS PANEL: Thompson|Alam|Arif]

1           there any changes or updates or revisions that  
2           you wish to make?

3    A       (Thompson) Only a couple of corrections to a date  
4           reference. The hearing date last year referenced  
5           "August 30th, 2024", instead of the correct date  
6           "August 30th, 2023". That happened on Bates  
7           Page 002, on the line right above "Scope of  
8           Current Involvement". And, then, again, in the  
9           sentence right below "Scope of Current  
10          Involvement". Those are the only two corrections  
11         I have.

12   Q       Okay. And, with those corrections, do you adopt  
13          your supplemental technical statement,  
14          Exhibit 36, as your testimony today, your sworn  
15          testimony?

16   A       (Thompson) I do.

17   Q       Thank you. And, Mr. Alam, I'll ask you about  
18          Exhibit 35. Are there any changes or corrections  
19          you'd like to make?

20   A       (Alam) Yes, I do. There are three typographical  
21          errors there. So, I would like to correct. In  
22          Bates Page 005, Section 4, --

23   Q       I'm almost there.

24   A       (Alam) Okay.

[WITNESS PANEL: Thompson|Alam|Arif]

1 Q Bates Page 005, okay. Section 4.

2 A (Alam) In Paragraph 4.2.a and 4.3.a, it should be  
3 "Test Year 2019", instead of "Test Year 2020".

4 Q Thank you.

5 A (Alam) And, in Bates Page 015, second paragraph  
6 of Section 6, --

7 Q Mr. Alam, is that in the "Recommendation"  
8 section?

9 A (Alam) Yes, it is. So, here it should be  
10 "2023/24 LDAC Season", instead of "2023/24 Cost  
11 of Gas Season".

12 Q Thank you. And, Dr. Arif, do you agree with  
13 those changes?

14 A (Arif) I do.

15 Q And I'll ask both of you separately, with these  
16 changes, do you adopt the supplemental tech  
17 statement, Exhibit 35, as your sworn testimony  
18 today?

19 A (Alam) Yes, I do.

20 A (Arif) Yes, I do.

21 Q Thank you. I'm going to start direct with Mr.  
22 Thompson. And these questions will focus on the  
23 calculation and verification of Decoupling Year 3  
24 and Decoupling Year 4 RDAF requests.

[WITNESS PANEL: Thompson|Alam|Arif]

1                   What does Liberty calculate as the RDAF  
2                   recovery for Decoupling Year 3 and 4 in this  
3                   docket?

4   A           (Thompson) That amount is just over \$3.8 million.

5   Q           If I were to suggest the specific figure is  
6               "\$3,813,298", would you agree?

7   A           (Thompson) Yes, that's correct. Yes.

8   Q           And what steps did the Department take to verify  
9               the application of the formula found in Tariff 11  
10              for DY3 and DY4?

11   A           (Thompson) The Department took extensive efforts  
12              to verify those calculations, with the  
13              cooperation of Liberty in providing data to do  
14              so, and explanations of that data as well. The  
15              efforts that came to -- came to focus on  
16              verifying the equivalent bills calculations  
17              particularly. And there was a lot of effort put  
18              into verifying those equivalent bill  
19              calculations, including the original estimates  
20              and subsequent true-up values.

21   Q           And do you recall which months were the  
22              particular focus of DOE's work?

23   A           (Thompson) Yes. We obtained data from Liberty  
24              over a couple of years, and that allowed us to

[WITNESS PANEL: Thompson|Alam|Arif]

1 take a look within those months and choose a  
2 couple for spot-checking and digging in deep in  
3 those particular months, and those were January  
4 and February of 2022.

5 Q Mr. Thompson, in terms of the data provided,  
6 Liberty provided "primary data", and then also  
7 "raw data". Could you just explain a bit what  
8 those phrases mean to you?

9 A (Thompson) Yes. I'm thinking of "primary data",  
10 and we're talking about it that way, as data that  
11 is -- it's essentially summarized data that's at  
12 the monthly level that Liberty submits as the  
13 RDAF results for a particular month for a  
14 decoupling year in total. And, so, the data are  
15 summarized at some level, while still can be  
16 fairly detailed and comprehensive, they are a  
17 summary.

18 Whereas the "raw data" refer more to  
19 actual billing records at the individual account  
20 level that are processed, from those raw data, we  
21 get to the primary data or the summarized values  
22 as reported by Liberty.

23 Q And did you work with both types of data, primary  
24 and raw?

[WITNESS PANEL: Thompson|Alam|Arif]

1 A (Thompson) Yes, I did. And the data -- Liberty  
2 provided not only the raw data over a fairly  
3 extensive period of time, like I say, a year and  
4 a half, two years, if memory serves. And they  
5 also provided the computer code that was run  
6 against the raw data that yielded the equivalent  
7 bill calculations. That's run in a program  
8 called "SAS". And I'm certified in SAS. And,  
9 so, the Department of Energy asked me to verify  
10 those calculations. And they sent -- Department  
11 of Energy sent me a Department computer that had  
12 SAS installed on it. It went to that effort.  
13 And, from that, I used the Liberty programs. And  
14 the only modifications I made to those programs  
15 was direct the program logic to point to the data  
16 stored on the Department of Energy computer  
17 systems, and then submitted, remotely, from my  
18 office, the code to run that against the -- run  
19 the computer programs to calculate equivalent  
20 bills against the raw data also on the Department  
21 of Energy computer systems.

22 And, like I say, that was done for both  
23 January and February 2022. And I was able to  
24 verify that the results from those programs, both

[WITNESS PANEL: Thompson|Alam|Arif]

1 the initial estimate of equivalent bills, and  
2 then the equivalent bill true-ups for the four  
3 subsequent months that make up that, along with  
4 the original estimate, that make up the complete  
5 picture for equivalent bills for that period.

6 And I was able to verify that the  
7 computer-generated output was consistent with the  
8 Liberty filings.

9 So, yes, I was extensively involved in  
10 that effort.

11 Q And, so, that's the support for the  
12 recommendation that you made in your Exhibit 36,  
13 correct?

14 A (Thompson) Yes.

15 Q Are you familiar with the analysis done by  
16 Dr. Arif and Mr. Alam as it relates to the  
17 current decoupling structure, including  
18 analysis --

19 A (Thompson) I -- sorry. Go ahead.

20 Q No, is there something else you wanted to add,  
21 Mr. Thompson, to your prior --

22 A (Thompson) No. No. I was just --

23 Q Okay.

24 A (Thompson) -- just saying "yes, I'm familiar with

[WITNESS PANEL: Thompson|Alam|Arif]

1           that work."

2   Q       Okay.  And that appears in their technical  
3           statement, Section 4 and 5, in Exhibit 35, you're  
4           familiar -- are you familiar with that work?

5   A       (Thompson) I am.

6   Q       And did you participate directly in that research  
7           and analysis?

8   A       (Thompson) No, I didn't participate directly.  
9           The team, Dr. Arif and Mr. Alam, brought me along  
10          as they were both developing the conceptual  
11          model, as to how to analyze the monthly data  
12          provided by Liberty.  And, so, I had a couple of  
13          sessions with them as they were developing that  
14          model, and wanted to bring me along with the  
15          structure, and we discussed that a little bit  
16          back and forth.  And, then, I did have an  
17          opportunity to look at the results as they were  
18          being completed, just to run through them and  
19          take a look at them.

20                       And I found the work both comprehensive  
21                       and rigorous.  And, from what I saw, and I  
22                       provided this in my supplemental technical  
23                       statement, that I would support the results that  
24                       were generated, the quantitative results that



[WITNESS PANEL: Thompson|Alam|Arif]

1 were generated by that analysis.

2 But I did not participate directly in  
3 it.

4 Q Thank you.

5 A (Thompson) Uh-huh.

6 Q I'm going to turn the Commission's attention now  
7 to the analysis that was just referenced, that  
8 appeared in Exhibit 35, specifically at Section 4  
9 and 5.

10 Dr. Arif, could you please provide a  
11 brief summary of the Department's analysis with  
12 regard to the Revenue Per Customer RDAF formula?

13 A (Arif) My apologies, I'm just taking a little bit  
14 of time to go back.

15 Thank you for the time. So, our  
16 analysis and the modeling effort that we  
17 undertook, as was explained by Mr. Thompson a  
18 little while earlier, is actually identified --  
19 all of it is identified in our technical  
20 statement, which is Exhibit 35, in Sections 4  
21 and 5.

22 But, if the reader is interested, in  
23 terms of the overview of the modeling structure  
24 and what DOE was trying to identify, that's also

[WITNESS PANEL: Thompson|Alam|Arif]

1 explained in Section 3.

2 I would focus, to your question, I  
3 would focus on Section 4 and 5. There are a  
4 number of tables that are provided in that  
5 Section 4, which identifies a few things which  
6 would summarize DOE's understanding.

7 It starts on Section 4.4, where we were  
8 looking at customer counts, as defined by the  
9 Company, and in the tariff, as equivalent bill  
10 counts. And, as you would find in Table 1.1, in  
11 Exhibit 35, Bates Page 006. Table 1.1 identifies  
12 the raw numbers, and 1.2 identifies the growth of  
13 customers relative to Test Year 2019, which would  
14 be, for DY3, "2.7 percent" growth in customer  
15 base, and, for DY4, "3.3".

16 But, given that a few number of years  
17 has elapsed, we are interested -- we were  
18 interested in cumulative growth rate, which would  
19 give a year-over-year growth rate since 2019 test  
20 year, which is "1.1 percent". So, that's one.

21 The second one is the "Usage Per  
22 Customer", and that is identified on the same  
23 Bates Page 006, Table 2.1 and 2.2, the cumulative  
24 growth factor for decline in usage year-over-year

[WITNESS PANEL: Thompson|Alam|Arif]

1 is "3.5 percent", as is identified on that  
2 Table 2.2.

3 The price per therm of gas, the  
4 commodity price, is identified on Bates Page 007.  
5 That the cumulative growth factor that we have  
6 observed is "20.7 percent". That is to say that,  
7 since the test year 2019, the gas price per therm  
8 kept on going up by, on an average, 20.7 percent  
9 year-over-year, all the way up to the Decoupling  
10 Year 4.

11 On Table 4.1 and 4.2, we identified the  
12 therm sales by the sector, residential and C&I.  
13 And we observed, in Table 4.2, that the  
14 cumulative growth factor is "2.5 percent"  
15 decline, in terms of the overall therm sales by  
16 the Company since test year 2019, all the way to  
17 Decoupling Year 4.

18 Moving on to Page 8, I'm referring to  
19 Table 5.1 and 5.2, that is the impact on the  
20 revenue side of things. And we identified that  
21 the revenue for the Company, this is aggregate  
22 revenue, since the test year 2019, kept rising  
23 by, on an average, "0.7 percent".

24 And we did a further set of analysis,

[WITNESS PANEL: Thompson|Alam|Arif]

1           which is explained in rest of the -- rest of the  
2           analysis and the observations. And I will just  
3           stop there. I just wanted to bring attention to  
4           all the quantitative numbers and the analysis  
5           that we have performed. Thank you.

6   Q       How robust are the Department's findings, meaning  
7           with regard to statistically significant?

8   A       (Arif) Generally speaking, it is very robust. We  
9           have, from a modeling perspective, with all  
10          the -- all the effort was put in to identify and  
11          develop a model the way a modeling should be  
12          done. So, it is pretty robust.

13                       And, from a statistical perspective,  
14          generally speaking, the results are statistically  
15          significant at the 95 percent. There was one  
16          instance, for a C&I -- for the C&I sector, where  
17          the result was robust at 80 percent.

18   Q       And you address those specific percentages at  
19          Paragraph 4.8, correct?

20   A       (Arif) Yes.

21   Q       At the bottom of the page. Could you please  
22          explain the implication of DOE's statistical  
23          modeling?

24   A       (Arif) Sure. So, generally speaking, there are

[WITNESS PANEL: Thompson|Alam|Arif]

1 four different implications. First, the customer  
2 growth, as we identified, is one of the primary  
3 reasons for a large cumulative RDAF request of  
4 \$3.8 million. As such, any increased  
5 year-over-year customer growth will likely imply  
6 a larger cumulative year-over-year decoupling  
7 request in the future.

8 Secondly, while the fall in the average  
9 use of gas or Usage Per Customer, as we call it  
10 "UPC", is also responsible for a measurable  
11 portion of the RDAF request, it is not solely  
12 related to other policy factors, like energy  
13 efficiency. The UPC fall is also driven by  
14 rising price of gas. That's the price impact  
15 that we talk about. That is the fall in the  
16 usage is partly due to the rise in gas price over  
17 the years, a natural economic behavior one would  
18 expect.

19 Third, it remains true that the  
20 non-price impacts, such as, for example, energy  
21 efficiency efforts, and all other factors, like  
22 inflationary impact, impacts due to general  
23 economic conditions, also account for a  
24 measurable fall in the UPC.

[WITNESS PANEL: Thompson|Alam|Arif]

1           And, finally, and perhaps most  
2           importantly, the current Revenue Per Customer  
3           decoupling structure does not account for these  
4           individual impacts separately. The current RPC  
5           decoupling mechanism also does not limit the  
6           accrual of revenues, the aggregate revenue that I  
7           was referencing to a little while earlier, and,  
8           as such, does not inherently achieve the  
9           appropriate cost recovery as was originally  
10          conceived as the reason for laying down a  
11          decoupling mechanism in the first place.

12   Q       What do these implications, as you just described  
13           them, mean with regard to Liberty's cumulative  
14           RDAF request?

15   A       (Arif) The implications -- the implication is  
16           that, if the cumulative \$3.8 million is approved,  
17           there is a possibility that Liberty could  
18           potentially be overcompensated, as we identified  
19           in our technical statement. It's because excess  
20           capacity, or planned redundancy, as exhibited by  
21           planning based on the design day forecast, or, if  
22           I may put it this way, the maximum forecast of  
23           therm demand, is a reality of the utility  
24           business model. That is, utilities carry planned

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1 redundancies, which also serves them well, for  
2 them to meet their obligation to provide safe and  
3 reliable services. This planned redundancy is a  
4 part of a utility's cost structure, which is  
5 manifested in terms of the differences between  
6 embedded cost and marginal cost. Roughly  
7 speaking, the "embedded cost" is the average  
8 cost; whereas, the "marginal cost" is the cost of  
9 serving a marginal or the last customer added to  
10 the utility's distribution system.

11 For the utility business model, since  
12 costs are generally incurred by blocks or chunks,  
13 or they're lumpy, so to speak, embedded, or the  
14 average cost, often serves as a better measure  
15 for costs than the marginal -- for costs than the  
16 marginal cost.

17 I would respectfully draw the  
18 Commission's attention to the discussion on this  
19 topic in Docket Number 20-105, the Direct  
20 Testimony of Matthew J. DeCoursey, Bates II-418,  
21 Line 3, as we have referenced them in our  
22 technical statement.

23 The distinction between embedded cost  
24 versus marginal cost implies that addition of one

[WITNESS PANEL: Thompson|Alam|Arif]

1 additional customer, or the marginal customer, to  
2 the distribution network, does not always imply  
3 that the marginal cost is significantly higher  
4 for that particular customer. In other words,  
5 with customer growth, addition of a marginal  
6 customer does not imply necessarily that the  
7 Company has incurred the full extent of all costs  
8 to serve that additional customer.

9 Yet, the RPC, or the Revenue Per  
10 Customer decoupling structure, assumes exactly  
11 that. That is, it does compensate, as it is now  
12 in the tariff, compensate for full recovery of  
13 costs, even if in the instances where it was not  
14 necessarily incurred. In other words, that can  
15 potentially lead to an overcompensation situation  
16 for the Company, whereas the full design day  
17 capacity compensation for that has already been  
18 incurred in the last rate case.

19 To the extent that scenario is  
20 plausible or possible, which I think it is  
21 possible, then the Company might have been  
22 overcompensated, which can be potentially  
23 addressed by getting the cost side of the  
24 information in this revenue decoupling, which is



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1 generally focusing on the revenue side alone. In  
2 the lack of that additional information, it is  
3 not possible whether the proposed overall  
4 recovery is overcompensated, undercompensated, or  
5 it's just -- it's just appropriately compensated.

6 Unfortunately, that cost information is  
7 missing, but we were guided by the tariff to  
8 provide our recommendation as we did.

9 Q Dr. Arif, to speak briefly, if you could confirm  
10 the documents that you relied upon, we've asked  
11 the Commission to take administrative notice of  
12 some of them. You mentioned Liberty's tariff,  
13 that is "Tariff Number 11", correct, in Docket  
14 Number 20-105, Exhibit 49?

15 A (Arif) That is correct.

16 Q And did you also rely upon the Direct Testimony  
17 of Gregg Therrien, Exhibit 8, and the Rebuttal  
18 Testimony of exhibit -- of Mr. Therrien,  
19 Exhibit 27B, in Docket Number DG 17-048?

20 A (Arif) Yes, I did.

21 Q Did you rely upon the Settlement Agreement in  
22 Liberty's previous rate case, in Docket Number  
23 20-105, Exhibit 49 in that docket?

24 A (Arif) Yes, I did. And, if I may add, Exhibit 28

[WITNESS PANEL: Thompson|Alam|Arif]

1 of this current docket identifies the Settlement  
2 Agreement, as well as Liberty's Tariff 11.

3 Q And, with regard to the testimony that you relied  
4 upon, did you also rely upon the Direct Testimony  
5 of Kenneth Sosnick, from Docket Number 20-105,  
6 July 31, 2020?

7 A (Arif) Yes, we did.

8 Q Are there any other documents that you wish to  
9 draw attention to in terms of your analysis?

10 A (Arif) I believe that covers all that you  
11 mentioned. Thank you.

12 Q Sure. And I should have been a little more  
13 clear. Those were the documents that we sought  
14 administrative notice of. Were there data  
15 requests that were particularly significant to  
16 you, perhaps in Exhibit 37 or 38?

17 A (Arif) Yes. That's the reason why we wanted to  
18 introduce those, to bring their attention,  
19 appropriate attention of the Commission to those  
20 information as well.

21 Q Okay. I just, in conclusion, with the proviso  
22 that the Department does not waive the right in a  
23 future docket to either argue that the RDAF  
24 formula in Tariff 11 is flawed and should be

[WITNESS PANEL: Thompson|Alam|Arif]

1 eliminated, and/or that the RDAF tariff clauses  
2 should be modified, in this docket, the  
3 Department recommends that the Commission approve  
4 Liberty's RDAF request for Decoupling Year 3 and  
5 Decoupling Year 4, in the amount of \$3,813,298,  
6 to be recovered through the 2023/2024 LDAC year  
7 to be permanent, correct?

8 A (Arif) That is correct.

9 MS. SCHWARZER: No more questions.  
10 Thank you.

11 CHAIRMAN GOLDNER: Thank you. We'll  
12 move to Liberty, and cross.

13 MR. SHEEHAN: There's a lot to talk  
14 about, but I don't think today is the day to do  
15 it. So, I have no questions for the witnesses.

16 CHAIRMAN GOLDNER: Okay. Thank you.  
17 We'll turn now to Commissioner  
18 questions, beginning with Commissioner Simpson.

19 CMSR. SIMPSON: Thank you, Mr.  
20 Chairman.

21 I'll just say, the three of you have  
22 done a tremendous amount of work in this  
23 proceeding, and the most recently filed technical  
24 statements demonstrate that, and particularly

[WITNESS PANEL: Thompson|Alam|Arif]

1 from the two Department witnesses, and the  
2 clarity and level of analysis that both went  
3 through is commendable, and quite helpful to us.  
4 So, I'm grateful for that.

5 BY CMSR. SIMPSON:

6 Q I asked Mr. Bonner whether there was a particular  
7 moment or discussion that he shared with you that  
8 was particularly enlightening. I'll ask the same  
9 question of both of you.

10 Was there something that came to  
11 fruition for you, in the most recent work that  
12 you've done with the Company, that led you or  
13 helped lead you to this final conclusion that  
14 you've put forward to us today as a  
15 recommendation?

16 A (Arif) I would begin by thanking Mr. Bonner, in  
17 particular, and Liberty as well, for providing  
18 all the useful information, starting with the  
19 "raw data", as we termed it, as well as the  
20 "primary data". Those were very helpful.

21 There were such moments. There were  
22 quite a few. But I would, for brevity sake, I  
23 would say that the Tariff 11 was, in my opinion,  
24 although it's not perfect, and there are

[WITNESS PANEL: Thompson|Alam|Arif]

1 significant incongruity, if I may put it this  
2 way, in terms of the operations of things, and  
3 the envisioning of the same, and the delta  
4 between the two, which was the primary focus of  
5 our analysis.

6 We were guided by the existing tariff,  
7 and that led us to the current recommendation.  
8 With the proviso, as Attorney Schwarzer was just  
9 referring to, those provisos were, basically,  
10 puts the focus on that delta between the  
11 envisioning of decoupling structure as a whole,  
12 and what we, in reality, observed.

13 As were talking about this a little  
14 while earlier, when the Company's witnesses were  
15 in the stand, that, when we were asking, in  
16 Exhibit 32, Question 3, to the Company to provide  
17 the reasons for, generally speaking, the RDAF  
18 overall request here, 3.8 million, as we  
19 witnessed, that the Company was unable to provide  
20 that reasoning. And what we tried to do in our  
21 analysis, despite the limitations by the  
22 presentation of the data that was provided, we  
23 tried to shed light on identifying what could  
24 potentially be the reasons, which is basically

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1 the summary of all of those is Section 4 and 5 in  
2 our technical statement.

3 So, that was our effort to find out  
4 what might have contributed to the -- to the  
5 magnitude of the decoupling -- RDAF request that  
6 we observed year-over-year.

7 And the other moment was really looking  
8 into it as a whole, not just from an analytical  
9 perspective, but also from the -- if I may put it  
10 this way, the legal perspective, as it's laid  
11 down in Tariff 11.

12 So, our effort was to provide the  
13 Commission with our analysis, in order to aid the  
14 decision-making process that the Commission has  
15 before them. Thank you.

16 Q Thank you. I think a lot about certainty in my  
17 capacity. And that means that from time to time  
18 we have to ride through the good and the bad.  
19 And, when we look at innovative rate designs, I  
20 think the Company has been quite forward-leaning,  
21 and has been a partner to the state in putting  
22 forward novel proposals in many instances. And I  
23 think that this rate design is part of that.

24 If there's a question of overearning, I

[WITNESS PANEL: Thompson|Alam|Arif]

1 think that, in a rate case or in the like in the  
2 future, we can talk more about that.

3 But, at least what's in front of me, it  
4 certainly looks like the Company has calculated  
5 what they should have appropriately. And the  
6 Department seemingly agrees with that.

7 You've spent, as I said before, a  
8 tremendous amount of time going through this  
9 exercise and learning about the Revenue  
10 Decoupling Mechanism and all of the inputs to it.  
11 So, I'll ask you, as a close-out, just so that I  
12 can ponder the concept of "revenue decoupling",  
13 and think about it as a design for the future,  
14 are there any big takeaways that you would share  
15 with me, in terms of the intent of revenue  
16 decoupling, and what you would suggest for  
17 consideration for other utilities and this  
18 utility in the future?

19 A (Arif) I believe -- thank you for the question.  
20 That's --

21 Q And feel free to take a moment.

22 A (Arif) There's quite a few things to chew on.  
23 So, if I can refer to our technical statement,  
24 Section 5.2, which is on Exhibit 35, Bates

[WITNESS PANEL: Thompson|Alam|Arif]

1 Page 012. The reason why we went to the "source  
2 document", as I call them, or the reason of  
3 decoupling in the first place, is identified in  
4 the Company's testimony provided by Mr. Gregg  
5 Therrien, in DG 17-048, where decoupling was  
6 first introduced, he writes there, as I quote in  
7 Section 5.2, the purpose was to "fix a flaw in  
8 the traditional ratemaking methodology that does  
9 not allow utilities a reasonable opportunity to  
10 earn a reasonable return," emphasis added, "when  
11 customer usage is declining."

12 What we tried to observe (a) whether  
13 customer usage is indeed declining, we identified  
14 "yes", then we tried to find out why they're  
15 declining. We identified that price rise,  
16 significant increase in the price per therm is a  
17 reason that can potentially explain, other than  
18 the policy objectives, like energy efficiency.

19 We tried to attempt to quantify them.  
20 And, then, we also wanted to find what is meant  
21 by "reasonable opportunity to recover the cost".  
22 I believe that the intent was not to, as the  
23 Company, I think in other -- in similar  
24 RDAF-related dockets have consistently said, that



[WITNESS PANEL: Thompson|Alam|Arif]

1 the intent is not to earn one dollar more or one  
2 dollar less, I might be paraphrasing, but that's  
3 the hope. That intent nobody -- I don't think  
4 any -- that that's the intent, it's very clear.

5 But, in operation, the design of the  
6 RDAF mechanism, whether it's Revenue Per Customer  
7 or it's total revenue approach, or something in  
8 between, is of significant and tremendous, I  
9 cannot overemphasize that, of importance, and  
10 that should not be forgotten.

11 What we have is just Revenue Per  
12 Customer. But the implications thereof could be  
13 borne either by the Company, or by the  
14 ratepayers, and that can only be ascertained  
15 through the looking of it not just from the  
16 revenue perspective, but also from the cost  
17 perspective.

18 What we have, in the current structure,  
19 is just an explicit focus on revenue, but not on  
20 the cost. In the absence of that cost  
21 information, the "fairness" of the rate  
22 perspective, rate that we observed, cannot be  
23 determined.

24 But what in light, despite realizing

[WITNESS PANEL: Thompson|Alam|Arif]

1 all of those that I just mentioned, what guided  
2 us was the current -- the current Tariff 11. And  
3 that's what we followed.

4 CMSR. SIMPSON: And that's a sensible  
5 approach.

6 Thank you for those enlightening  
7 comments. I appreciate the work. And I'm sure  
8 that we'll have more opportunities in the future  
9 to benefit from your analysis around these  
10 innovative rate designs.

11 I don't have any further questions, Mr.  
12 Chairman. Thank you.

13 CHAIRMAN GOLDNER: Thank you. We'll  
14 turn now to Commissioner Chattopadhyay.

15 CMSR. CHATTOPADHYAY: Still good  
16 morning. Thank you for the in-depth work.

17 What I will be doing is I'm going to  
18 get into conceptual things here. And, then, my  
19 hope is that this is in the nature of sort of,  
20 you know, further thinking about how the issue of  
21 decoupling should be handled in the future. But  
22 that's -- so, that's the spirit.

23 BY CMSR. CHATTOPADHYAY:

24 Q So, let me start with the concept of "planned

[WITNESS PANEL: Thompson|Alam|Arif]

1 redundancy". *Ceteris paribus*, would you agree  
2 that if there are more customers, that the  
3 planned redundancy demand, you know, design day  
4 demand would be different?

5 A (Arif) I would expect so.

6 Q Okay. Based on my reading, your -- I know that,  
7 you know, you've said reluctantly you have agreed  
8 to this amount. But you have indicated that  
9 it -- it seems to me that you're preference would  
10 have been that the -- even the RDAF revenue  
11 requirement should be driven by the test year  
12 allowed revenue requirement. And I understand  
13 this point was discussed last time about, you  
14 know, if you had more cost data, you would have  
15 been able to get to the right number. But that  
16 was your recommendation.

17 I'm going to again state this, I think  
18 I may have done it last time around, too. If the  
19 RDAF ends up giving you just the allowed revenue  
20 that was set in the test year, what incentive  
21 does the Company have to get more customers? Or,  
22 does it not have it at all?

23 A (Arif) With all due respect, Commissioner, I  
24 think that the customer growth is just a

[WITNESS PANEL: Thompson|Alam|Arif]

1           phenomenon that would be driven by in and of  
2           itself. The incentive structure is a bit  
3           different. So, I don't necessarily see that  
4           there has to be an incentive or the lack of,  
5           to -- for the customer growth, either positive or  
6           negative.

7    Q       At the risk of sharing how I think about it, is  
8           the Company would, in that situation, feel like  
9           any time there are more customers, it may end up  
10          creating more costs that cannot be recovered.  
11          So, there is a disincentive in that structure.  
12          And, so, that's the point I'm trying to make.

13   A       (Arif) If I may, I understand your question a  
14          little bit better then. Thank you for the  
15          clarification.

16                   I think that what I was referring to  
17           earlier is the reasonable opportunity to recover  
18           the costs. That aspect is probably fundamental  
19           in this. And what I mean by that is that, if the  
20           Company has an opportunity by an innovative  
21           RDAF -- or, decoupling design, where it's neither  
22           the revenue per customer, nor it's the total  
23           revenue approach, which is the other one that you  
24           were referring to, then we may appropriately

[WITNESS PANEL: Thompson|Alam|Arif]

1           respond to those underlying factors with an  
2           objective to provide the Company a reasonable  
3           opportunity to recover their costs.

4                       I think our technical statement is  
5           very -- it's either subtly or unequivocally,  
6           basically, essentially saying that. So, in terms  
7           of the revenue, the total versus the RPC  
8           structure, the effort that we took in our  
9           technical statement was only to demonstrate that,  
10          under the Revenue Per Customer structure of  
11          decoupling, it does not -- it, basically, does  
12          not cap, there is no cap on total revenue or  
13          revenue requirement. That's the fact of --  
14          that's the implication, ramification of an  
15          RPC-type decoupling structure. Whereas the  
16          opposite is true for the total revenue structure.

17                      So, if you go by the incentive  
18          structure, total revenue completely voids the  
19          Company to have a reasonable opportunity to have  
20          any additional costs that they might have  
21          incurred during the process of adding new  
22          customers. And, as we demonstrate from the  
23          Company's own marginal cost study, that 58  
24          percent, I'm roughly saying, of those costs are

[WITNESS PANEL: Thompson|Alam|Arif]

1 customer-related costs, and remaining 42 percent  
2 is capacity-related costs.

3 I think it is very clear,  
4 customer-related costs, marginal costs, are  
5 "instant", so to speak, quote/unquote, that the  
6 Company has to incur. It would be unreasonable  
7 to, under the total revenue approach, to deny the  
8 Company of that cost, to the extent they're  
9 documented, and they're provided, and we all  
10 agree on it.

11 But the reverse is true for the  
12 capacity-related costs, because they're lumpy.  
13 There is -- if we tried to do, under the RPC  
14 structure, that it basically assumes that all of  
15 those are also instantly realized, where the fact  
16 would be that they're not. That is the  
17 overcompensation that we were talking about.

18 So, there could be an innovative design  
19 in between, which would appropriately compensate  
20 the Company, and not be unduly burdensome for the  
21 ratepayers, because, arguably, they would have  
22 already paid for it during their last rate case.

23 So, that is what is missing in  
24 Department's analytical view and approach that we

[WITNESS PANEL: Thompson|Alam|Arif]

1 have taken. And, in the appropriate docket in  
2 the future, that should be focused on. That's  
3 the recommendation the Department has on this  
4 matter.

5 Q That is extremely helpful. That is where I  
6 was -- I might have ended up going in my  
7 follow-up question. So, it's -- you are  
8 providing your views about your -- about the RPC  
9 structure. And you've also now shared the  
10 extremes, you know, TRC versus RPC.

11 Do you have any opinion on whether  
12 decoupling itself is needed or not?

13 A (Arif) That is an interesting question,  
14 Commissioner. And thank you.

15 So, I just wanted to say that there was  
16 a time before decoupling, and my question -- my  
17 mind goes to "What was happening then? How  
18 things were done? Why they were done? And how  
19 did the companies survive? And, now, if we can  
20 do anything better?"

21 So, I think the answer is in between,  
22 as I was saying, between TRC and RPC, somewhere  
23 in between maybe, but keeping in mind that there  
24 was a time before decoupling. It's a recently --

[WITNESS PANEL: Thompson|Alam|Arif]

1 I would say, if anything, it's "less than ten  
2 years", that's fairly recent, and that's a recent  
3 phenomenon. And I think, both in the academic  
4 and professional literature, there is a lot to be  
5 learned in the coming years about decoupling in  
6 general.

7 Q The remaining questions are on the modeling  
8 aspect. So, I am trying to understand what you  
9 did to arrive at the price elasticities. So, I'm  
10 just going to go to the relevant page first, so  
11 please bear with me.

12 Okay. So, this is simply to orient  
13 myself. So, I'm looking at Bates Page 011 of  
14 Exhibit 35. You mention that the price  
15 elasticity of residential customers was higher  
16 than that of the C&I customers. Do you have the  
17 numbers? What were the price elasticities?

18 A (Arif) Not readily available.

19 Q Not readily available. But you mentioned they  
20 were both inelastic?

21 A (Arif) Yes. That's the general understanding.

22 Q Do you have a sense of how much more inelastic  
23 the commercial, you know, C&I customers were,  
24 relative to residential?



[WITNESS PANEL: Thompson|Alam|Arif]

1 A (Arif) If I recall, I think that there was a fair  
2 gap between the two. But, generally speaking,  
3 the C&I sector was found to be inelastic, which  
4 we -- we were expecting, that one would generally  
5 expect, because those are C&I. But there could  
6 be some variations, in terms of the size of the  
7 C&I, mid-size versus large-scale.

8 But it is fair to say, Commissioner,  
9 that we are -- we were also, what I experienced,  
10 if I remember, and my memory serves well, we were  
11 experiencing some limitations in terms of the  
12 available data that we have.

13 In my recollection, the data is not  
14 granular enough to be able to ascertain those  
15 kinds of things, which is like -- which is what  
16 we were expecting to do, but we couldn't perform,  
17 because the data was not as granular as we would  
18 have liked it to be.

19 Q So, if I go to Bates Page 021 of your Exhibit 35?

20 A (Arif) Uh-huh.

21 Q Let me know when you're there.

22 A (Arif) Yes, I am.

23 Q So, we are really talking about, when I talk  
24 about the "price elasticity", we are talking

[WITNESS PANEL: Thompson|Alam|Arif]

1 about Model 3?

2 A (Arif) That is correct.

3 Q And the upper case "Q" there is "total therm  
4 consumption"?

5 A (Arif) That is correct.

6 Q So, the unit there is therm?

7 A (Arif) That is correct.

8 Q And, based on this model, the right-hand side  
9 variable, you had only one right-hand side  
10 variable, which was the price, a logarithmic  
11 price. And, of course, you know, you had an  
12 intercept. So, those are the results that you  
13 show later in Bates Page 025, correct?

14 A (Arif) I am there. Yes.

15 Q Okay. Would you expect total therms to be more  
16 if the price is less?

17 A (Arif) That would be a very interesting scenario,  
18 and I wouldn't expect it, --

19 Q Like --

20 A (Arif) -- not necessarily. But, if I  
21 understand --

22 Q Let me clarify.

23 A (Arif) Yes.

24 Q So, what are you modeling? Are you modeling

[WITNESS PANEL: Thompson|Alam|Arif]

1 demand here?

2 A (Arif) Yes.

3 Q So, then, I would expect that, when the price is  
4 going down, the total therms will go up?

5 A (Arif) Yes.

6 Q Right? So, if you go into the results, the  
7 coefficients are all -- so, one of them is 1.09,  
8 the other is 0.38, and 0.07, right? And, since  
9 you are using a logarithmic model, in fact, for  
10 residential customers, the number being 1.09,  
11 tells me it is elastic. Will you agree?

12 A (Arif) Commissioner, if you could help me, which  
13 particular model that you're looking at?

14 Q So, I'm going to go -- I'll ask you to go to  
15 Bates Page 025?

16 A (Arif) Yes. I'm there.

17 Q So, I'm just trying to understand the model here.  
18 So, you have three models here. One of them is  
19 for all, you know, all customers, meaning  
20 residential, as well as C&I.

21 A *[Witness Arif indicating in the affirmative].*

22 Q The second one is for residential. And the third  
23 one is for commercial and I, industrial, right?

24 A (Arif) Uh-huh.

[WITNESS PANEL: Thompson|Alam|Arif]

1 Q And I find that the coefficient being 1.09, it is  
2 elastic for residential customers?

3 A (Arif) Uh-huh.

4 Q And, so -- but that didn't come across in the  
5 discussion. So, I mean -- so, I just wanted to  
6 make sure that that is understood in the record.

7 The other thing I want to flag is, are  
8 the total therms that you're looking at, they are  
9 weather-normalized?

10 A (Arif) This is our understanding, that we used  
11 the source data information provided by Liberty,  
12 and those are not weather-normalized.

13 Q Okay. So, if they are not weather-normalized,  
14 would -- my concern is that therms usage is so  
15 much linked to whether you have a very cold  
16 winter or not, that it would be better to also  
17 model heating degree days as a right-hand side  
18 variable?

19 A (Arif) I agree.

20 Q So, the model, as constructed, does not give me  
21 the kind of robustness that I would look for.  
22 And, I mean, the other thing is, you may have  
23 already noticed the sign of beta is positive,  
24 that itself is a problem, okay? They should all

[WITNESS PANEL: Thompson|Alam|Arif]

1 be negative, if you were talking about demand  
2 curves.

3 So, I do not -- I'm just sharing my --  
4 I do not consider this analysis to be worthwhile,  
5 really, as far as the price elasticity discussion  
6 is concerned.

7 A (Arif) Yes. Commissioner, --

8 Q And I would give you an opportunity to respond.

9 A (Arif) Okay. Thank you so much for the  
10 opportunity. I appreciate your keen observations  
11 and astute remarks, I really do.

12 I just wanted to highlight a couple of  
13 things. And I think I might have alluded to it  
14 earlier.

15 So, first off, the capital "Q", or the  
16 aggregate demand, the way, as you have noted, on  
17 Bates Page 021, the model is structured, we had  
18 an opportunity as well to actually model the  
19 small "q", which is the Usage Per Customer, as  
20 opposed to the aggregate total therm demand.

21 We could have done it, sure. We  
22 didn't. And I'm just observing that, and for the  
23 clarity of the record over here, there are  
24 multiple ways of focusing in and analyzing the

[WITNESS PANEL: Thompson|Alam|Arif]

1 information. We opted one approach, and we  
2 provided all the results. We could have done it  
3 differently. And, in the future, we probably  
4 should do that. I'm just recognizing that.

5 The second thing is that, what I  
6 have -- I would respectfully also bring this to  
7 Commission's attention, is that any quantitative  
8 investigation is limited by both the type of  
9 information that is available, and the quality of  
10 information that is available. We simply took  
11 both of those aspects as given, as provided by  
12 Liberty. We understand the mechanics of  
13 calculating, for example, equivalent bills, which  
14 is basically the proxy for customer count, but we  
15 only took them as given. We did not ask as to  
16 whether they're -- how -- is there a different  
17 way of calculating, which is a fundamental  
18 variable in this context.

19 So, I just wanted to put it out there,  
20 so that we all understand and appreciate the  
21 limitations that the Department of Energy had in  
22 approaching the modeling techniques, and what the  
23 Department of Energy could or could not have  
24 done.

{DG 22-045} [Day 2 - Re: RDAF] {05-14-24}

[WITNESS PANEL: Thompson|Alam|Arif]

1           This particular -- your observations  
2           are correct. But we simply sometimes did not  
3           have the information available to us, we had to  
4           work and focus on elements of the information to  
5           serve the objective of the questions that are  
6           pertaining to this particular docket. And we  
7           just focused on all of those aspects, while  
8           keeping a tab of other relevant information, like  
9           price elasticities, that should be probably  
10          focused a little bit more, but we were limited  
11          with the -- both the quality of data and the  
12          information that's been -- and the type of data  
13          that's been provided to us.

14                 The final comment about the  
15          weather-normalization and the non-normalization,  
16          I completely agree with you. But I think the raw  
17          data, which is the source of all data, was  
18          actually weather --

19                         [*Court reporter interruption.*]

20          **CONTINUED BY THE WITNESS:**

21          A         (Arif) -- weather non-normalized. In other  
22          words, those are really the information. If I  
23          understand it correctly, weather-normalization is  
24          an adjustment process. That does not represent

[WITNESS PANEL: Thompson|Alam|Arif]

1 the reality. That represents the version of the  
2 reality as is instructed in the Tariff 11.

3 You will probably recognize, in the  
4 record response provided by the Company, I'm  
5 referring to Exhibit 39, where we have observed  
6 that the Company has that capacity to perform  
7 that, because they can produce both  
8 weather-normalized and non-normalized. I duly  
9 recognize we asked for the source data, and that  
10 is weather non-normalized, and the Company has  
11 provided that.

12 If they had provided us with  
13 weather-normalized data, we could have done even  
14 more analysis, which we didn't. And I just  
15 wanted to bring that to the Commission's  
16 attention.

17 CMSR. CHATTOPADHYAY: So, I'm going to  
18 again point out, I was simply confirming that the  
19 upper, you know, upper case "Q" is not  
20 normalized. And, when you have that reality, I  
21 am saying it's important to also model heating  
22 degree days, and perhaps even other variables,  
23 you know, how the income levels have changed.

24 The fact that we have a positive price



[WITNESS PANEL: Thompson|Alam|Arif]

1 elasticity of demand, and I'm not talking about  
2 absolute, that is, to me, it's a clear indication  
3 this modeling is not correct.

4 I would therefore suggest, and this is  
5 for the future, that you also have to think in  
6 terms of the prices, when they change, you have  
7 to use real prices. So, the prices cannot be  
8 nominal. So, you have to normalize the prices  
9 with a pricing index. That might improve your  
10 results.

11 And this is -- I'm just saying this out  
12 of experience, because I've published papers  
13 where I had a similar situation, and I was able  
14 to see that's what's going on.

15 So, all I'm pointing out is, this whole  
16 discussion about "price elasticity of demand" is  
17 not helping me at all.

18 I think I'll stop there. Thank you.

19 WITNESS ARIF: Thank you, Commissioner  
20 Chattopadhyay. I just will, just in response, I  
21 would just say that your comments are duly noted,  
22 and we appreciate all of that.

23 Thank you very much.

24 CHAIRMAN GOLDNER: Thank you. I'll

[WITNESS PANEL: Thompson|Alam|Arif]

1 just wrap up Commissioner questions here with  
2 saying that I appreciate the Department's work on  
3 this. Clearly, a lot of work went into the  
4 understanding, both in this particular docket of  
5 RDAF, but also prior and future dockets. And the  
6 Commission really benefits from the work that  
7 you've done here and the clarity of the analysis.

8 I'll also say that I think, you know,  
9 there's a display of understanding of the  
10 strengths and weaknesses in the current design.  
11 And I know that the Department, and other, in the  
12 rate case specifically, is working to improve.  
13 And, so, that seems like a worthwhile  
14 undertaking.

15 I'll just mention that, when I look at  
16 natural logarithms and partial differential  
17 equations, and price elasticity and so forth, it  
18 seems like there's some unnecessary complexity in  
19 the current methodology. And what it leads to is  
20 unintended consequences, sometimes intended  
21 consequences, sometimes unintended consequences,  
22 due to the complexity of what we're talking about  
23 here.

24 So, my encouragement would be, in

[WITNESS PANEL: Thompson|Alam|Arif]

1 future matters, not the matter before us today,  
2 would be to consider this, what I'll call  
3 "unnecessary complexity", and what can be done to  
4 simplify matters and make it fully understandable  
5 to those that are trying to get a handle on  
6 what's actually going on.

7 Yes, I think -- I think all of that  
8 monologue did not lead to a question. But I just  
9 wanted to kind of maybe relay that thought  
10 process.

11 CMSR. SIMPSON: If I may, just a  
12 comment, too, because something we talk a lot  
13 about is "clarity and ease of understanding for  
14 customers". And I'm certainly rusty on my  
15 calculus and differential equations and linear  
16 algebra. Not to say that every element of rate  
17 design needs to be one or two lines of math.  
18 But, you know, this is something that the vast  
19 majority of customers would really struggle to  
20 grasp, as we've struggled to grasp it.

21 So, I totally agree with the Chairman's  
22 comments about "ease of understanding", and  
23 clarity in process, and something that we can  
24 help influence moving forward.

[WITNESS PANEL: Thompson|Alam|Arif]

1 CHAIRMAN GOLDNER: Yes. No, thank you  
2 for that, Commissioner Simpson. But not only  
3 differential equations, they were partial  
4 differential equations. So, they have upped the  
5 level of complexity just for sport.

6 CMSR. SIMPSON: That's how rusty I am.

7 CHAIRMAN GOLDNER: Commissioner  
8 Chattopadhyay.

9 CMSR. CHATTOPADHYAY: Since we are on  
10 this topic, I may be -- I may have a different  
11 view.

12 You know, yes, there is a balance as to  
13 how much technical we become, and -- because you  
14 always have to be concerned about whether this is  
15 being explained properly to the reader.

16 But, personally, this is not the only  
17 time, I've seen this in other testimonies as  
18 well, I've had no problem in understanding the  
19 modeling, it was more about whether that was  
20 explained properly. That created the issue.

21 Thank you.

22 CHAIRMAN GOLDNER: Yes. And I think  
23 I'll just wrap up by saying I think we're all  
24 saying the same thing, really, which is having a

[WITNESS PANEL: Thompson|Alam|Arif]

1 way of having the information communicated in  
2 such a way that the Commission can understand,  
3 the parties can understand, the outside observer  
4 can understand, is beneficial and appreciated.

5 So, that's, I think, what we can say  
6 there. Commissioners, any further follow-up, or  
7 should we move to redirect?

8 CMSR. SIMPSON: I'm all set. Thank  
9 you.

10 CMSR. CHATTOPADHYAY: Same here.

11 CHAIRMAN GOLDNER: Okay. We'll move to  
12 redirect, and Attorney Schwarzer.

13 WITNESS ARIF: Just to -- I'm sorry,  
14 Chairman Goldner. I just wanted to thank my  
15 colleague here. Just for the record, that it was  
16 not -- the questions might have been directed to  
17 me, but it was an equal, if not more, effort done  
18 on the part of the entire Gas Division. And I  
19 just wanted to thank Mr. Alam as well.

20 And just wanted to, I'm sorry,  
21 apologize for the interjection.

22 CHAIRMAN GOLDNER: Oh, no. No, thank  
23 you. I should have given you the opportunity to  
24 respond to my monologue.

[WITNESS PANEL: Thompson|Alam|Arif]

1                   So, Attorney Schwarzer?

2                   MS. SCHWARZER: Mr. Chairman, the  
3 Department has no redirect. Thank you.

4                   CHAIRMAN GOLDNER: Okay. All right.

5                   Well, I'll just ask at this point -- I  
6 don't think there's a need for a closing today  
7 under the circumstances. But I'll ask if there's  
8 any further -- anything further that we need to  
9 consider today?

10                  MS. SCHWARZER: Mr. Chairman, the  
11 Department would just apologize for the confusion  
12 about the filing of the exhibits to the wrong  
13 discovery list. We greatly appreciate your  
14 flexibility and your willingness to inquire and  
15 to proceed today.

16                  Thank you.

17                  CHAIRMAN GOLDNER: Thank you. Thank  
18 you, Attorney Schwarzer. And appreciate the  
19 Department's attention on that matter. Just  
20 makes things more efficient for everyone, when we  
21 have everything in order coming into the hearing,  
22 and for the Company, too.

23                  Okay.

24                  MR. SHEEHAN: Mr. Chairman?

1 CHAIRMAN GOLDNER: Yes.

2 MR. SHEEHAN: Just one thought. And I  
3 don't have a request here. But we have a similar  
4 hearing scheduled in the next year's RDAF a month  
5 from now. And the parties haven't talked yet,  
6 but I intend to engage, is there any way we can  
7 shorten or eliminate, do something with that  
8 hearing, in light of what's happened today,  
9 because there are parallels?

10 So, just we may be asking for  
11 something.

12 CHAIRMAN GOLDNER: Thank you. Thank  
13 you. That is -- that's helpful.

14 Okay. So, I'll strike ID on exhibits,  
15 Hearing Exhibits 35 through 39.

16 And I'll just ask one for time if  
17 there's anything else that we need to cover  
18 today?

19 MS. SCHWARZER: Mr. Chairman, I  
20 believe, as my colleague across the aisle  
21 indicated, the initial exhibits, not for the  
22 gasholder, but for RDAF were also introduced, but  
23 not accepted into evidence.

24 So, we would, I think, mutually ask

1           that they be accepted in evidence? Those were 19  
2           through 33.

3                   CHAIRMAN GOLDNER: Okay. And, then,  
4           the Audit was "34"?

5                   MS. SCHWARZER: Correct.

6                   CHAIRMAN GOLDNER: Just a moment.

7                   *[Chairman Goldner and Atty. Speidel*  
8                   *conferring, and then Chairman Goldner*  
9                   *and Cmsr. Simpson conferring.]*

10                  CHAIRMAN GOLDNER: Okay. So, first,  
11           we'll accept Exhibits 19 through 34, enter them  
12           into evidence, in the event that they weren't  
13           entered into previously.

14                  The witnesses are released. Thank you  
15           for everyone's time today. We are adjourned.

16                   ***(Whereupon the hearing was adjourned***  
17                   ***at 11:29 a.m.)***