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I N D E X

PAGE NO.

1			
2			
3	WITNESS PANEL:	ELIZABETH E. NIXON	
4		JACQUELINE M. TROTTIER	
5		JAY E. DUDLEY	
6		KAREN J. MORAN	
7	(added at Page 84)	AMANDA O. NOONAN	
8	Direct examination by Mr. Dexter		9, 84
9	Cross-examination by Mr. Kreis		45
10	Cross-examination by Ms. Ralston		53, 85
11	Interrogatories by Cmsr. Simpson		103
12	Interrogatories by Cmsr. Chattopadhyay		114
13	Interrogatories by Chairman Goldner		126
14	Redirect examination by Mr. Dexter		137
15			
16	WITNESS PANEL:	LUISA READ	
17		ERIN O'BRIEN	
18		PETER DAWES	
19			
20	Direct examination by Ms. Ralston		142
21	Cross-examination by Mr. Dexter		169
22	Cross-examination by Mr. Kreis		213
23	Interrogatories by Cmsr. Simpson		229
24	Interrogatories by Cmsr. Chattopadhyay		253
25	Interrogatories by Chairman Goldner		262
26	Redirect examination by Ms. Ralston		275
27			
28	CLOSING ARGUMENTS BY:		
29		Ms. Ralston	281
30		Mr. Kreis	287
31		Mr. Dexter	296
32			
33	QUESTION BY CHAIRMAN GOLDNER		291
34	<i>(To DOE regarding who carries the</i>		
35	<i>burden in the Motion to Dismiss)</i>		
36			
37	RESPONSES TO CHAIRMAN GOLDNER'S QUESTION BY:		
38		Mr. Dexter	292
39		Ms. Ralston	293, 295
40		Mr. Kreis	294

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
6	Liberty Utilities Updated Revenue Requirement Schedule	<i>premarked</i>
7	Liberty SAP Conversion Overview	<i>premarked</i>
8	New Hampshire Department of Energy Motion to Dismiss, including Attachments 1-15	<i>premarked</i>
9	RESERVED (For a "clean" copy of the FERC Form 1 referenced and filed in this docket)	110

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2
3
4
5
6
7
8
9
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11
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14
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P R O C E E D I N G

CHAIRMAN GOLDNER: Okay. Good morning. I'm Chairman Goldner. I'm here with Commissioner Simpson and Commissioner Chattopadhyay.

This is the continued hearing for the Department of Energy's Motion to Dismiss the Company's Rate Case Petition, as scheduled by the Commission's procedural order issued on January 8th, 2024.

We take note of the Joint Exhibit and Witness List filed by the Company on January 16th. It proposes two four-person witness panels, one for the Company and one for the Department of Energy. It is our presumption that, despite the DOE witnesses being listed second, the DOE panel would, in fact, go first, as the DOE is the moving party for this Motion to Dismiss.

If there's any objection to this approach, or to the Hearing Exhibits 6, 7, and 8, we ask that these objections be raised when the parties make their appearances.

We'll now proceed with appearances, beginning with the Department of Energy, the

1 moving party.

2 MR. DEXTER: Good morning, Mr.
3 Chairman, Commissioners. Paul Dexter, appearing
4 on behalf of the Department of Energy. I'm
5 joined today by Co-Counsel Matthew Young and
6 Alexandra Ladwig.

7 We have no objection to our witnesses
8 taking the stand first, and we have no objection
9 to the exhibits that were proposed by Liberty.

10 CHAIRMAN GOLDNER: Thank you, Attorney
11 Dexter.

12 The Office of the Consumer Advocate?

13 MR. KREIS: Good morning, Mr. Chairman,
14 Commissioners. I'm Donald Kreis, the Consumer
15 Advocate. With me today is our Staff Attorney,
16 Michael Crouse.

17 CHAIRMAN GOLDNER: Very good.

18 The Trustees of Dartmouth College?

19 MR. GETZ: Good morning, Mr. Chairman
20 and Commissioners. I'm Tom Getz, from the law
21 firm McLane Middleton, on behalf of Dartmouth
22 College.

23 And Dartmouth College takes no position
24 on the procedural approach this morning.

1 CHAIRMAN GOLDNER: Would the -- would
2 the College like to reserve the right to question
3 witnesses? Or, will you be a bystander today?

4 MR. GETZ: I expect to be a bystander.
5 But, if something pops up, I may weigh in.

6 CHAIRMAN GOLDNER: Very good. Very
7 good. Are there any other parties, outside the
8 Company, here today?

9 *[No indication given.]*

10 CHAIRMAN GOLDNER: Okay. Seeing none.
11 We'll move to Liberty?

12 MS. RALSTON: Good morning. On behalf
13 of the Company, Jessica Ralston, from the law
14 firm Keegan Werlin, and joined by Michael
15 Sheehan, in-house counsel for the Company.

16 The Company has no objection to the
17 exhibit identified by the Department of Energy.

18 I did want to note one issue regarding
19 witnesses. Lauren Preston is on the Witness List
20 for the Company. Ms. Preston is experiencing a
21 family emergency this morning. We currently
22 don't know for sure if she'll be able to join us.

23 As you noted, the Department will go
24 first. So, I expect we can provide you an update

1 before we get to the Company's panel. But I just
2 wanted to mention that now.

3 CHAIRMAN GOLDNER: And, if Ms. Preston
4 is not able to join, does the Company have a
5 substitute witness?

6 MS. RALSTON: We don't have a
7 substitute witness. Ms. Preston's area of
8 expertise is, you know, largely related to
9 customer issues, and I don't know how central
10 they will be to today's discussion. So, we could
11 take a record request, if necessary. But our
12 hope is that she will be able to join us at some
13 point today, it just may not be until this
14 afternoon.

15 CHAIRMAN GOLDNER: Okay. Very good.

16 Okay. Are there any other preliminary
17 matters, before we start with the DOE witness
18 panel?

19 MR. DEXTER: None from the Department.

20 CHAIRMAN GOLDNER: Okay. Seeing none.
21 We'll invite the DOE witness panel to take the
22 stand, and for Mr. Patnaude to swear in the
23 witnesses.

24 *(Whereupon **ELIZABETH E. NIXON,***

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 **JACQUELINE M. TROTTIER, JAY E. DUDLEY,**
2 and **KAREN J. MORAN** were duly sworn by
3 the Court Reporter.)

4 CHAIRMAN GOLDNER: And we can begin
5 with direct, and Attorney Dexter and the
6 Department of Energy.

7 MR. DEXTER: Thank you, Mr. Chairman.

8 I have a couple of introductory
9 questions I'd like to ask the panel of witnesses.
10 I'll ask the questions, and I'll ask each of you
11 to answer in the order that you're seated,
12 starting with Ms. Nixon.

13 **ELIZABETH E. NIXON, SWORN**

14 **JACQUELINE M. TROTTIER, SWORN**

15 **JAY E. DUDLEY, SWORN**

16 **KAREN J. MORAN, SWORN**

17 **DIRECT EXAMINATION**

18 BY MR. DEXTER:

19 Q Could you please identify yourself by stating
20 your name and position with the Department of
21 Energy please?

22 A (Nixon) My name is Elizabeth Nixon. And I'm the
23 Electric Director.

24 A (Trottier) My name is Jacqueline Trottier. And

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 I'm a Utility Analyst in the Electric Division.

2 A (Dudley) Jay Dudley, Utilities Analyst for the
3 Electric Division, Department of Energy.

4 A (Moran) Karen Moran, Director of the Audit
5 Division, Department of Energy.

6 Q So, the Department of Energy filed testimony in
7 this case on December 13th, 2023. Did each of
8 you include testimony in that filing on
9 December 13th?

10 A (Nixon) I did.

11 A (Trottier) I did.

12 A (Dudley) Yes, I did.

13 A (Moran) No, I did not.

14 Q And did that testimony contain a description of
15 your educational and professional experience?

16 A (Nixon) Yes.

17 A (Trottier) Yes.

18 A (Dudley) Yes, it did.

19 Q And, Ms. Moran, you answered "no" to that
20 question. So, I'd like at this time for you to
21 provide a brief description of your educational
22 and work experience, as it's relevant to this
23 rate case and the Motion to Dismiss that's been
24 filed by the Department?

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 A (Moran) I have a Bachelor of Arts from Stonehill
2 College; a Master's degree in Business
3 Administration from Franklin Pierce University; I
4 have a graduate-level Certificate in Human
5 Resource Management from Plymouth State
6 University.

7 I started my audit career in 1987. I
8 joined the PUC Audit Staff in 1999. I was
9 promoted to Chief Auditor in 2012. I am a
10 Certified Bank Auditor, Certified Financial
11 Services Auditor. And I've attended the NARUC
12 Staff Subcommittee on Economy and Finance
13 seminars since I began here in 1980 -- or '90 --
14 sorry, 1999. And I'm also on the Board of the
15 Staff Subcommittee.

16 Q And, if you started with the former Commission,
17 now the DOE, in 1999, I'm calculating about 25
18 years at the agency. Has your work at the agency
19 been virtually exclusively dedicated to
20 performing audits of the utilities regulated by
21 the agency?

22 A (Moran) Yes.

23 Q Thank you. So, I'd like to ask some more
24 specific questions relevant to this case, and, in

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 particular, relevant to the Motion to Dismiss
2 that was filed in this case.

3 First of all, let me ask the panel,
4 have each of you reviewed the Motion to Dismiss
5 the rate case that we filed on December 13th?

6 A (Nixon) Yes.

7 A (Trottier) Yes.

8 A (Dudley) Yes, I have.

9 A (Moran) Yes.

10 Q Thank you. And turning specifically to Ms.
11 Moran, I'd like to draw your attention to what's
12 been marked in this case as "Exhibit 8". And
13 Exhibit 8 in this case are the fifteen
14 attachments that were included with the Motion to
15 Dismiss filed December 13th. And they have all
16 been bound together as "Exhibit 8". And Exhibit
17 8, Bates 001, is entitled "Audit Report".

18 Ms. Moran, was this Audit Report
19 prepared by you or under your supervision?

20 A (Moran) Yes.

21 Q And it was issued October 25th, 2023, is that
22 correct?

23 A (Moran) That's correct.

24 Q Is the information contained in the Audit Report

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 accurate to the best of your knowledge and
2 belief?

3 A (Moran) Yes.

4 Q And do you stand by the facts and the findings in
5 that report as accurate?

6 A (Moran) Yes.

7 Q Ms. Moran, over what time was the audit
8 performed?

9 A (Moran) Our audit began in May of this year --
10 or, 2023. With a draft issued to the Company on
11 October 12th -- or, sorry, on October 9th. We
12 met with the Company on October 12th. Issued a
13 revised draft, to which they responded. And we
14 issued the Final Report on October 25th.

15 Q And have you, or the Audit Division that reports
16 to you, performed any subsequent audit work on
17 this Liberty rate case, in terms of updating the
18 Audit Report or the findings?

19 A (Moran) No.

20 Q Okay. I'd like to turn specifically to the
21 Motion to Dismiss that we filed in this case,
22 also on December 13th. And I'd like to draw your
23 attention in particular to Paragraphs 15 through
24 28, and also Paragraph 30. So, that basically

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 starts on Page 6 of the Motion, and takes us
2 through till about Page 13.

3 Would you agree that those paragraphs
4 in the Motion to Dismiss draw heavily from the
5 findings that were laid out in the Audit Report?

6 A (Moran) Yes.

7 Q And do you agree with the statements that were
8 made in those paragraphs in the Motion to Dismiss
9 concerning the Audit Report?

10 A (Moran) Yes.

11 Q Do they accurately -- does the Motion accurately
12 capture this basic findings of the Audit Report?

13 A (Moran) Yes.

14 Q Would you agree that the Motion contained a few
15 examples of issues that you identified in the
16 Audit Report, but that the Audit Report itself
17 was much more expansive, and had other issues
18 that were brought up that weren't specifically
19 mentioned in the Motion?

20 A (Moran) Yes. That's correct.

21 Q Okay. I'd like to talk a little bit further
22 about two specific paragraphs in the Motion. One
23 is Paragraph 27. Paragraph 27 talks about the
24 utility's payroll, is that correct?

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 A (Moran) Correct.

2 Q And it goes on to say that the -- in summarizing
3 the Audit Report, that the Audit Department was
4 not able to determine that the payroll that was
5 recorded by the Company, you weren't able to
6 verify which accounts that payroll "ended up in",
7 if that's the right term. Is that a fair
8 assessment of that?

9 A (Moran) Yes. That's correct.

10 Q Could you explain a little bit further about what
11 happened with respect to your analysis of the
12 utility payroll, and how it was you weren't able
13 to trace it to the various accounts?

14 A (Moran) One of my auditors was on-site with the
15 Payroll Department, reviewing the actual payroll
16 detail, and requested to which specific general
17 ledger accounts the payroll data posted, and she
18 was unable to learn that.

19 Q Okay. Could you just move a little bit closer to
20 the microphone? I'm just having a little hard
21 time hearing you.

22 A (Moran) Sorry.

23 Q No, that's better.

24 A (Moran) The auditor who did the work was on-site

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 doing that work. So, she reviewed all of the
2 confidential payroll information, and tried to do
3 a follow-up to ensure that the payroll dollars
4 were posted to specific general ledger accounts.
5 And the person with whom she was working couldn't
6 tell her to what accounts those were posted.

7 Q And do you know what the reason was, why the
8 Company couldn't provide that information?

9 A (Moran) Generally, from what I understand, a
10 prior report that existed under Cogsdale and
11 Great Plains hadn't been converted yet to some
12 sort of similar report in SAP. So, the Payroll
13 people were unable to tell her to what accounts
14 they were posted.

15 Q And this report that you're talking about, this
16 is something that had been available in past
17 audits that you've done for Liberty?

18 A (Moran) Correct.

19 Q And it just wasn't -- wasn't able to be provided
20 in this case, is that right?

21 A (Moran) Correct. But we understand that it could
22 be a different kind of report in SAP. And it
23 just wasn't available at that time.

24 Q Okay. Well, similarly, I'd like you to turn to

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 Paragraph 30 in the Motion to Dismiss. This
2 paragraph talks about Corporate allocations from
3 Liberty's parent company or upstream Corporate
4 affiliates. And the conclusion in the Motion
5 says that "it remains unknown how much of
6 Liberty's Corporate allocated charges are
7 included in the Company's revenue requirement and
8 whether those charges are appropriate for
9 recovery in Liberty's rates."

10 Could you give a little background as
11 to what led me, who wrote the Motion, and to
12 bring that out in the Motion to Dismiss, and how
13 it is that the Department came to that
14 conclusion?

15 A (Moran) Well, in a similar vein, we look at
16 background data in an attempt to verify the
17 details within that data to the respective
18 general ledger accounts, which may or may not be
19 part of the revenue requirement. And we were
20 unable to do that.

21 Q And, again, do you know why you were unable to do
22 that? Was there -- similarly, was there a report
23 that had been provided in the past that was no
24 longer available or --

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 A (Moran) I'm assuming there was a report that had
2 been available in the prior system, and just
3 hadn't been made available in the SAP system.

4 Q Okay.

5 A (Moran) Although, I would have to double-check
6 with the auditor who did the work.

7 Q Sure. But the fact is that you stand by the
8 conclusion that you were unable to make that
9 determination in this case?

10 A (Moran) Correct.

11 Q Okay. So, you were present here at the
12 January 4th hearing, were you not?

13 A (Moran) Yes.

14 Q And you heard a lot of discussion about "mapping
15 issues" in connection with the conversion of the
16 Company's accounting system from the old system
17 to the new system?

18 A (Moran) Yes.

19 Q And just for some background again, you referred
20 to the old system by what name?

21 A (Moran) Great Plains.

22 Q And the new system by?

23 A (Moran) SAP.

24 Q SAP, okay. Could you give a general

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 understanding of the "mapping issues" that we
2 heard about on January 4th?

3 A (Moran) I'll try to summarize it for you.

4 Q Sure.

5 A (Moran) From what I understand, when the Company
6 converted from Great Plains to SAP, all of the
7 Great Plains activity was to roll into or be
8 converted over to respective similar SAP
9 accounts. And, within the conversion itself,
10 some activity was mapped to the incorrect
11 account.

12 I mean, that's the short, short version
13 of what we encountered.

14 Q Okay. So, if you were here January 4th, you
15 heard me say a number of times that, in many
16 instances, you found examples where costs that
17 should have been included on an income statement
18 ended up on a balance sheet, or vice versa,
19 accounts that should have been on a balance sheet
20 ended on the income statement. Did you hear me
21 say that a few times?

22 A (Moran) I did.

23 Q Do agree with what I was saying at the
24 January 4th hearing?

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 A (Moran) I do. Those came out of our Audit
2 Report.

3 Q And that's detailed in the Audit Report, correct?

4 A (Moran) Correct.

5 Q Okay. So, again, we started by asking how long
6 you've been doing this, and your answer was "25
7 years", and you've worked almost exclusively on
8 regulated utility audits.

9 How would you characterize the degree
10 or the number or the significance of the mapping
11 errors that you came across in this audit, versus
12 what you found when examining the books of other
13 companies?

14 A (Moran) This is very unusual. Occasionally, we
15 find accounts that don't fit where they were
16 allegedly supposed to be, like on the FERC Form 1
17 or on an annual report for a water or sewer
18 company. But, even in this instance, looking
19 back to the 13-063 audit, which we did, which was
20 the National Grid-Liberty rate case audit, --

21 Q You're referring to a docket number, "DE 13-063"?

22 A (Moran) Correct. We did an audit. In that
23 instance, there were six months of expenses and
24 balance sheet for National Grid, six months for

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 Liberty, because they changed ownership on
2 July 1st. And, while there were certain
3 conversion issues in that instance, there just
4 were far fewer.

5 Q Okay. How about any other companies that you've
6 audited, after they have gone through a change of
7 accounting system? Would you describe this as
8 similar to those or was this one atypical?

9 A (Moran) This is atypical.

10 Q Okay. In terms of number of mapping errors and
11 the significance?

12 A (Moran) Correct.

13 Q Okay. During the course of the audit, did you
14 receive any information from Liberty that would
15 indicate that the mapping issues that were
16 identified have been corrected?

17 A (Moran) As I noted in the Audit Issue Number 1,
18 the Company did say that, throughout 2023, as the
19 issues were identified, the Company was working
20 to correct those, either through journal entries
21 or updating the treatment in their Work Breakdown
22 System, the WBS. But I have no way of verifying
23 if any of that took place.

24 Q Did you learn of any mapping issues being

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 corrected in 2022, because your last answer said
2 "2023"? Did you learn of any corrections being
3 made in 2022 from Liberty?

4 A (Moran) No.

5 Q Sorry?

6 A (Moran) No.

7 Q Have you done any independent audit work outside
8 of what's contained in the report, looking into
9 whether or not the mapping issues have been
10 corrected?

11 A (Moran) No, not for Granite State.

12 Q Have you done any audit work in connection with
13 Granite State on the books for 2023?

14 A (Moran) No. I hesitate, only because some of the
15 annual audits, such as the RDAF, roll into '23,
16 but not in this context.

17 Q Yes, I'm sorry. I should have said "with respect
18 to the rate case that was filed", and the fact
19 that the test year was 2023 [2022?].

20 Have you taken any time or effort, or
21 dedicated any resources, towards looking at
22 Liberty's general ledger in 2023 concerning these
23 mapping issues?

24 A (Moran) No, I haven't.

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 Q Okay. Do you have an opinion or any statements
2 about what you think it might take for Liberty to
3 identify, to be sure that they have identified
4 all the mapping issues, and they have, in fact,
5 been corrected?

6 A (Moran) I think it would be helpful to the
7 Company to have an IT audit performed, to ensure
8 that the literal translation from one system to
9 another was done correctly. We don't have the
10 expertise to do that.

11 Q Okay. During the course of the rate case audit
12 that's contained in the report, that's summarized
13 in the report, you reviewed the Company's FERC
14 Form 1, correct?

15 A (Moran) Correct.

16 Q Typically, does the Company's FERC Form 1 -- do
17 the amounts and the figures in a company's FERC
18 Form 1 match what you find on the books and
19 records of the company?

20 A (Moran) Yes, typically.

21 Q And, in this case, did you find that those
22 matched?

23 A (Moran) No. Certain accounts certainly did
24 match, but many did not.

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 Q And was that due to the mapping issues that we've
2 been discussing today, and that were discussed on
3 January 4th?

4 A (Moran) Yes.

5 Q And, if I recall your Audit Report, there were
6 numerous entries that you had in the Audit
7 Report, I estimated them at around 200 entries.
8 And, in the Motion, those are characterized as
9 "entries that would have needed to have been made
10 to the books for the books to match the FERC
11 Form 1."

12 A (Moran) Correct.

13 Q So, I'm just going to ask you, did I -- in the
14 Motion, did I summarize that correctly?

15 A (Moran) Yes.

16 Q Okay. And, so, those 200 entries are laid out in
17 the Audit Report, all the detail is there, is
18 that right?

19 A (Moran) That's correct.

20 Q Okay. I'm hesitating as I ask this question, but
21 let me ask it anyway. So, which, in your
22 opinion, would be more accurate, the books or the
23 FERC Form 1?

24 And I ask you that, because it sounds

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 like, to me, that there was an attempt to make a
2 lot of correcting entries before the FERC Form 1
3 was completed.

4 A (Moran) And I'm hesitating in response, because,
5 if you're trying to make the FERC Form 1 look as
6 it should, then the FERC Form 1 is probably more
7 accurate than the year-end SAP accounts, which we
8 know were incorrect.

9 However, they're both supposed to be
10 the same. So, I don't want to say one way or the
11 other that they should have done one thing or
12 another. They should have made sure the accounts
13 were accurate at the end of the year.

14 Q Yes. Fair enough. But I do hear you saying that
15 the -- for example, the accounts that maybe
16 were -- should have been on the balance sheet,
17 but ended up on the income statement, or vice
18 versa, it appears to you anyway, or appears to
19 the Department of Energy, that the Company
20 attempted to correct those when they prepared the
21 FERC Form 1. Would you agree with that?

22 A (Moran) They attempted to correct the placement
23 on the FERC Form 1.

24 Q Okay. And I'll ask the Company's witnesses when

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 they take the stand. I just wanted to bring that
2 up with you.

3 In a rate case audit, do you typically
4 compare the Company's rate case filing to its
5 FERC Form 1 and its general ledger?

6 A (Moran) Yes.

7 Q And, typically, in a rate case filing, do those
8 numbers all match?

9 A (Moran) Typically.

10 Q In this case, they did not match, is that right?

11 A (Moran) There were many that did not match.

12 Q Okay. And you highlighted those in your Audit
13 Report, is that correct?

14 A (Moran) Yes.

15 Q Okay. And I believe I found them at Page 190 of
16 your Audit Report, that's Bates Page 216 of
17 Exhibit -- of Exhibit 8. And that information
18 was also provided to the Commission as
19 "Exhibit 4" at the January 4th hearing. Is that
20 right? Those are some of the differences --

21 A (Moran) Correct.

22 Q -- that you found between -- well, differences
23 that were identified between the rate case
24 schedules --

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 A (Moran) Correct.

2 Q -- and the FERC Form 1?

3 A (Moran) That's correct.

4 MR. DEXTER: Okay. Well, thanks, Ms.
5 Moran. That's the questions I had for you on
6 direct.

7 I'd like now to turn to Ms. Nixon and
8 Ms. Trottier.

9 CHAIRMAN GOLDNER: Attorney Dexter,
10 quickly. There's two Bates numbers on Exhibit 8.
11 Are you referring to the one to the far right or
12 to the other?

13 MR. DEXTER: The number to the far
14 right bottom corner are the Exhibit 8 Bates
15 numbers.

16 CHAIRMAN GOLDNER: Okay. Thank you.

17 MR. DEXTER: So, I'm being told I had
18 that backwards. So, the bottom right-hand number
19 would be from the Motion to Dismiss. And the
20 number to the left of that would be the Bates
21 number from Exhibit 8.

22 CHAIRMAN GOLDNER: Okay. So, the page
23 you were just referring to don't orient the
24 Commission. I think you said "216"?

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 MR. DEXTER: I did. I might have had
2 that backwards. Let me check.

3 CHAIRMAN GOLDNER: I think it was -- I
4 think you meant "190". But maybe, let's see.

5 Yes, I think you meant "190".

6 MR. DEXTER: "190" would be the Bates
7 Page number for the Exhibit 8.

8 CHAIRMAN GOLDNER: Yes.

9 MR. DEXTER: Apologies for that.

10 CHAIRMAN GOLDNER: Okay. So, just to
11 orient us in the future, do you plan on orienting
12 us to the Bates page number for Exhibit 8, is
13 that --

14 MR. DEXTER: That will be my intent.

15 CHAIRMAN GOLDNER: Okay. Very good.

16 MR. DEXTER: Okay. Thank you.

17 BY MR. DEXTER:

18 Q So, Ms. Nixon and Ms. Trottier, I was going to
19 ask you to refer to the Motion to Dismiss that
20 was filed on December 13th. And I'd like you to
21 look at Paragraphs 32 through 36.

22 These paragraphs detail some concerns
23 the Department had with recording of revenues and
24 billing determinants during the test year, is

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 that generally correct?

2 A (Nixon) Yes.

3 Q And, in particular, these paragraphs detail an
4 inquiry that the Department made during the rate
5 case about potential billing delays that occurred
6 as the result of the implementation of the SAP
7 system. Would you agree with that?

8 A (Nixon) Yes.

9 Q And have you reviewed those various motions --
10 those paragraphs, various paragraphs in the
11 Motion?

12 A (Nixon) Yes.

13 Q And do you agree with the statements that are
14 laid out in the Motion, concerning the issue of
15 delayed billing due to SAP and the potential
16 impact on test year billing determinants and
17 revenues?

18 A (Nixon) Yes.

19 Q Okay. Do you have any information as to whether
20 or not similar billing issues have persisted into
21 2023 and 2024?

22 A (Nixon) Yes. There was a data response that
23 showed that some bills weren't actually issued
24 until as late as August. And those are some that

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 the Company had identified. But I'm not sure if
2 there's more than that.

3 Q That would be August of 2023?

4 A (Nixon) Correct.

5 Q Okay. And I'd like you to turn to Paragraph 38
6 for a minute. This has to do with "late payment
7 charges". Have you reviewed that paragraph in
8 the Motion?

9 A (Nixon) Yes.

10 Q And that paragraph essentially indicates that
11 late payment charges were not assessed during the
12 month of October, because of the SAP
13 implementation. Basically, that's what that
14 paragraph says, is that right?

15 A (Nixon) Yes.

16 Q Do you agree that, based on the review, that the
17 Department has found that that's an accurate
18 assessment?

19 A (Nixon) Yes.

20 Q Okay. Now, at the December -- I'm sorry, at the
21 January 4th hearing, we heard from the Company
22 references to a filing that they made on
23 November 27th, we've referred to as the
24 "Corrections and Updates Filing", and it's

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 actually marked as "Exhibit 7" [Exhibit 6?] in
2 this case. Have you reviewed that document?

3 A (Nixon) Yes, somewhat. But not in great detail
4 to identify if all the corrections that were
5 known have been made.

6 Q So, let me just unpack that a little bit. So,
7 the filing came in on November 27th. And you
8 filed testimony on December 13th. And did your
9 testimony attempt to reflect the Corrections and
10 Updates Filing, and the testimony of other
11 witnesses as well?

12 A (Nixon) As we noted in our testimony, that we
13 used that Updates, because we had to assume that
14 it was better than the Initial, because the
15 Company outlined some corrections they made. But
16 we were not able to verify that all the
17 corrections were made that were required.

18 Q Okay. So, in other words, you haven't been able
19 to go back through all the various data requests
20 where the Company noted, for example, "this will
21 be dealt with in the Corrections and Updates
22 Filing", you haven't taken the opportunity to
23 cross-reference and make sure that the
24 Corrections and Updates Filing captured

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 everything that it was supposed to, is that what
2 you're saying?

3 A (Nixon) Correct.

4 Q Okay.

5 CMSR. CHATTOPADHYAY: Can I confirm
6 whether it's "Exhibit 6" or "Exhibit 7" that
7 you're talking about?

8 MR. DEXTER: Maybe the Company could
9 confirm that. It's their exhibit, the
10 Corrections and Updates Filing. I thought it
11 was -- I thought it was "7", but --

12 MS. RALSTON: It is "6".

13 MR. DEXTER: Six. Sorry about that.

14 CMSR. CHATTOPADHYAY: Six?

15 MR. DEXTER: Yes.

16 **BY THE WITNESS:**

17 A (Dudley) Mr. Dexter, just to add to that, how the
18 update occurred. It was a little unusual, in
19 terms of our experience in other rate cases.
20 Typically, what happens, with an update, is that
21 our cost of service expert, Donna Mullinax, will
22 go through the cost of service and determine
23 which expenses are appropriate to include in the
24 revenue requirement, and which expenses are not.

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 Those -- that information is passed on to the
2 utility. The utility looks it over. And, then,
3 typically, the utility produces an update,
4 updating the revenue requirement, less the
5 expenses that Ms. Mullinax had recommended come
6 out.

7 Typically, that update is accompanied
8 not only by the spreadsheet, which provides the
9 adjustments that were made, but it also comes
10 with a technical statement explaining those
11 adjustments.

12 In this particular case, with Liberty,
13 on November 27th, we were provided with just the
14 Excel spreadsheets. We were not provided with a
15 technical statement that actually described and
16 detailed the accounting adjustments that were
17 made.

18 The other distinction is that these
19 were accounting adjustments, not adjustments to
20 expenses and to adjust the revenue requirement.
21 These were corrections to accounting entries that
22 had been made incorrectly. And, because of that,
23 they require verification, they require
24 confirmation, as to whether or not they are

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 accurate.

2 And, between the time of the filing,
3 November 27th, and the filing of our testimony,
4 on December 13th, there wasn't enough time to
5 actually do that in-depth verification.

6 BY MR. DEXTER:

7 Q And I think you're trying to draw a distinction,
8 if I understand, Mr. Dudley, between past cases
9 where, you know, during the course of the
10 examination, you've mentioned "expenses", and I
11 assume it could be a rate base item, too, you
12 might find something that was non-utility related
13 that might get adjusted out of the cost of
14 service, like maybe a charitable contribution or
15 something like that that's not recoverable
16 through rates, and that would be taken care of in
17 the Corrections and Update filing, is that what
18 you're saying?

19 A (Dudley) That is correct. Yes.

20 Q And here, what you're saying is, most of what was
21 included in that spreadsheet that was provided
22 were actually trying to bring the rate case up
23 to -- I'm sorry, trying to correct the rate case
24 for errors that were inherent in the books as

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 they were filed?

2 A (Dudley) Correct.

3 Q As they were closed at the end of 2022?

4 A (Dudley) Yes. That's correct.

5 Q Okay. Have you, at the Department, the four of
6 you, been working on the rate case since the stay
7 was issued by the Department [sic] on December
8 29th, 2023, other than preparing for this
9 hearing?

10 A (Nixon) I was going say "preparing for this
11 hearing". But that's it.

12 A (Trottier) No.

13 A (Dudley) Preparing for the hearing, yes.

14 Q And, in terms of the outside witnesses that the
15 Department retained, did you instruct them to
16 stop working on this case as of December 29th
17 until further notice?

18 A (Nixon) Yes.

19 A (Dudley) Yes, we did.

20 Q Okay.

21 A (Nixon) I have one thing to add to the
22 Corrections and Updates that you were saying, is
23 the other thing is, as we heard last hearing in
24 this case, there were additional corrections.

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 And those, obviously, were not included in that
2 November 27th filing.

3 Q So, as I recall, the Department received a
4 Supplemental Data Response 2-5 on December 6th,
5 2023, and that talked about a mapping issue. And
6 we included that in the Motion to Dismiss as part
7 of Exhibit 8. Is that what you were talking
8 about?

9 A (Nixon) No. I was referring to -- well, there's
10 that issue. But I was referring specifically to
11 the errors that were mentioned at the last
12 hearing, that we just had heard about at the last
13 hearing.

14 Q Okay. So, let's take them one at a time then.
15 And I think I have -- I think I have the wrong
16 Bates numbers in my outline. So, that's why I'm
17 hesitating a little bit.

18 CHAIRMAN GOLDNER: Attorney Dexter,
19 while we're sorting through that one, I want to
20 make sure we've got the whole thing together.

21 At the last hearing, you presented a
22 handout. We had asked for that to be filed as
23 "Exhibit 4". I think that you actually filed at
24 least most of it in Exhibit 8. That's that

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 Page 190 we were talking about. But I don't see
2 an Exhibit 4 that was filed from the Department.
3 So, I was hoping you could help me?

4 MR. DEXTER: Sure. Sure. So, I guess
5 I'm going to be a victim of the old-fashioned
6 way. Because, in the old days, when you handed
7 out the paper exhibit, and it went to the Clerk,
8 who sat where Mr. Speidel is sitting now, that
9 would take care of it. And that's, obviously,
10 not the way it works in the electronic era.

11 So, I guess I did not file that
12 Exhibit 4 electronically. But I will do that.

13 CHAIRMAN GOLDNER: Okay.

14 MR. DEXTER: And that was one of the
15 data requests that we've been talking about.

16 CHAIRMAN GOLDNER: Correct. Correct.
17 I just want to check in with the other parties to
18 make sure there's no concerns. The handout, from
19 the last hearing, filed as "Exhibit 4", Attorney
20 Dexter will file that electronically, everybody
21 is okay with that for this hearing?

22 *[Multiple parties indicating in the*
23 *affirmative.]*

24 CHAIRMAN GOLDNER: Okay. Thank you.

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 MR. DEXTER: Yes. Sorry about that.

2 Thanks for pointing that out.

3 BY MR. DEXTER:

4 Q So, Ms. Nixon, let's talk about the errors that
5 were identified by the Company at the January 4th
6 hearing. Those have been detailed in Record
7 Response Number 1, is that correct?

8 A (Nixon) I am not sure if it's all of them. It
9 identifies -- says that it's "some of them". But
10 I don't know if it was all that they were
11 referring to.

12 Q Okay. If we were to go to -- I don't know if
13 you've got Record Response Number 1 in front of
14 you, but there's a chart that details -- they
15 were -- the Company was asked to list the various
16 mapping issues in order of magnitude, starting
17 with the largest, and ending with Number 10. Do
18 you have that sheet in front of you?

19 A (Nixon) I pulled up the record request. I don't
20 have the exhibit, but I do have the record
21 request.

22 Q Okay. And you'll see that Item Number 5 --
23 sorry, Item Number 1 -- let me rephrase that.
24 You'll see that Item Number 5 is dated

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 "December 2023". And there's a footnote that
2 pertains to items number "5, 8, 9 and 10". It's
3 your understanding that those were the errors
4 that were identified by the Company at the
5 January 4th hearing, correct?

6 A (Nixon) That's my understanding. But, as I
7 noted, I know that -- I mean, this list, it's my
8 understanding it's the top ten in dollar
9 magnitude. So, I don't know if that encompasses
10 all that they were referring to.

11 Q Sure. Yes. There could have been number -- 11
12 through 20 could have --

13 A (Nixon) Exactly.

14 Q Yes. Okay. I understand. All right. Mr.
15 Dudley, I'd like you to go to the Motion to
16 Dismiss that was filed, to Paragraph 40, appears
17 on Page 16 of the Motion.

18 A (Dudley) Okay. Let me just get there, Mr.
19 Dexter.

20 Q Sure.

21 A (Dudley) And, okay. Yes, I'm there.

22 Q So, that paragraph has to do with Vegetation
23 Management expenses that are included in the rate
24 case for recovery, is that right?

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 A (Dudley) That is correct. Yes.

2 Q Have you reviewed Paragraph 40?

3 A (Dudley) I have, yes.

4 Q And are you in agreement with the conclusions
5 that are stated in Paragraph 40, that the amount
6 for Vegetation Management included in the rate
7 case has been updated at least twice by the
8 Company in this case?

9 A (Dudley) Yes. I agree.

10 Q And is it your understanding that in this --
11 well, I'm going to strike that question.

12 I guess I have a question for the
13 panel, and anyone can answer that thinks that
14 they have the answer, or feel free to supplement
15 each other's answers. But, at the January 4th
16 hearing, we heard a proposal by the Company that,
17 rather than dismiss the case, as the Department
18 of Energy requested in the Motion, that the case
19 be put on hold while a third party auditor be
20 hired to review the underlying books in the rate
21 case, and to make sure that they're all
22 corrected, and then the case go forward.

23 At the January 4th hearing, I stated,
24 on behalf of the Department, that we didn't think

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 that was the appropriate remedy in this case. Do
2 you have any additional thoughts on the
3 suggestion that this case be paused, and that it
4 be turned over to a third party auditor?

5 A (Dudley) Well, Mr. Dexter, it's based on what we
6 know and what we don't know. What we don't know
7 are the specific details of Liberty's proposal.
8 We know that they recommend extending the stay
9 for an additional 90 days, so that the audit can
10 be completed. We know that Liberty would like to
11 be the ones to choose the auditor. And that,
12 preferably, that auditor has an existing business
13 relationship with Liberty.

14 We also know that they prefer that the
15 audit -- that the audit just be targeted to the
16 correction issues associated with the 2022 test
17 year and the mapping issues. That's as much as
18 we know.

19 We were informed by counsel for
20 Liberty, at the January 4th hearing, that errors
21 continue to be found in the mapping. And, as a
22 matter of fact, counsel represented to the
23 Commission that the Company had recently
24 identified some additional adjustments related to

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 the 2022 FERC account mapping issues, and that
2 that would lead to a flow-through of an
3 additional update to the revenue requirement.
4 So, apparently, an additional update is
5 forthcoming to the update that was issued on
6 November 27th.

7 And, so, the question we have is that,
8 if an additional update is forthcoming, because
9 Liberty continues to discover errors in its
10 mapping, is there going to be a third update? Is
11 there going to be a fourth update? Is there
12 going to be a fifth update? We don't know.

13 What we don't know is, and, as Ms.
14 Nixon alluded to earlier, we don't know the
15 extent of the errors. We don't know the full
16 extent of the errors.

17 Q Okay.

18 A (Dudley) We only know about those errors that
19 have been discovered.

20 We think that the test year has been
21 sufficiently tainted beyond repair. We don't
22 think that -- we believe that an audit, which, by
23 the way, should have been done by Liberty, should
24 have been performed by Liberty, before they filed

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 their rate case, we think it would be a waste of
2 time and resources.

3 Q So, let me just follow up on that. I know Ms.
4 Nixon wants to chime in. But, along what we do
5 know, we do know that the conversion took place
6 in 2022, is that right?

7 A (Dudley) Yes. That's correct.

8 Q And we do know that the books in 2022 were not
9 corrected in 2022, but all the various mapping
10 corrections were done starting in 2023, is that
11 right?

12 A (Dudley) That's correct. And our understanding,
13 again, from counsel's representation, is that, as
14 errors continue to be discovered, that those
15 corrections will carry over into 2024.

16 Q Okay. I just wanted to clear that up. Yes, Ms.
17 Nixon, did you want to add something?

18 A (Nixon) That was one of them, that there's still
19 errors. And the books won't match.

20 But I also wanted to note that the
21 Company did state that the external auditors had
22 reviewed the books and were okay with it,
23 according to what indication we got from the
24 Company. So, they have already had auditors that

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 reviewed, but did not find these errors, and
2 especially the mapping errors. And I don't
3 believe that a typical auditor would be looking
4 at IT issues, is my understanding.

5 Q And, so, then, as a panel, your recommendation
6 would be that the Commission grant the Motion to
7 Dismiss, rather than go down the third party
8 auditor route, is that a fair assessment?

9 A (Nixon) Yes.

10 A (Dudley) Yes.

11 A (Trottier) Yes.

12 A (Moran) Yes.

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

15 CHAIRMAN GOLDNER: Okay. Thank you.
16 We'll move to cross, beginning with the Office of
17 the Consumer Advocate.

18 MR. KREIS: Thank you, Mr. Chairman.

19 I'm just going to ask a few questions.
20 And I apologize in advance if any of them sound
21 like they're intended as trick questions or
22 hostile questions, because they're really not.
23 I'm really just trying to figure out how we, at
24 the Office of the Consumer Advocate, got here,

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 A (Moran) Don, I can't actually say for certain,
2 because I've never worked for a CPA firm.
3 However, the focus of a regulator audit is, first
4 and foremost, compliance with the Chart of
5 Accounts make sure your general ledger agrees
6 with your annual report, in this case, the FERC
7 Form 1. And, then, we verify those to the Rate
8 Filing.

9 That's the very first step in any audit
10 that we do. Doesn't matter if it's a large
11 utility or a small sewer company.

12 After that first step, we look into the
13 activity within each account, to ensure that the
14 entries in those accounts should be where they
15 are. That's, in the world's smallest nutshell,
16 that's what we do. But we verify things to
17 source documentation, revenue, we tie to
18 individual customer accounts, just to do what we
19 call a "tariff test", to make sure that what
20 they're authorized to charge they're literally
21 charging to individual customers.

22 And we also look at, you know, payroll
23 in general, revenues in general, expenses in
24 general, do a comparison of year-over-year for

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 income statement related items, make sure things
2 that should be below the line are booked there.

3 Does that help at all?

4 Q Yes, it does?

5 A (Moran) Okay.

6 Q Is there any place in the audit that you
7 completed in October that states what your -- the
8 audit team's ultimate conclusion is, as to the
9 accuracy of their representations you looked at
10 in the Company's books and records?

11 A (Moran) You don't typically do that sort of
12 conclusion that you would see in a regular CPA
13 audit of financial statements or shareholder
14 representation. The fact that there are so many
15 issues at the end is kind of a conclusion.

16 We did say, at the outset of the audit,
17 that we weren't able to get into as many details
18 as we typically would, because we had trouble
19 getting answers in a timely manner. That
20 hindered us a little bit.

21 But, no, we don't typically do that.

22 Q So, in other words, if I understand your answer
23 correctly, if I wanted to really kind of look at
24 your audit and interpret it, I guess, the place

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 that I would look would be the 28 audit findings
2 that come at the end of the audit, true?

3 A (Moran) That's true.

4 Q What is an "audit finding" exactly, as that term
5 is used in the audit?

6 A (Moran) Well, an "audit issue", it's not an
7 "audit finding".

8 Q Oh, excuse me. "Audit issue".

9 A (Moran) An "audit issue" is some instance where
10 we found some kind of error, or misapplication of
11 FERC rules, or misplacement of accounts or
12 mismatching of accounts, that kind of thing. It's
13 really just some error that jumped out at us as
14 we progressed through our audit.

15 Q And I want to make sure I understood your earlier
16 testimony. You mentioned that you provided the
17 Company "a draft of the audit on October 9th",
18 and then you said you "met with the Company on
19 October 12th." And I just want to make sure I'm
20 leaping to the right conclusion.

21 At that October 12th meeting, you
22 discussed with the Company those 28 audit
23 findings, correct?

24 A (Moran) We discussed whatever they wanted to

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 discuss. It's a very open process. Until the
2 audit is finalized, the Draft Audit is only
3 between the Audit Division and the Company. So,
4 we can go back and forth a few different times to
5 go over certain things, if we've misinterpreted
6 something, or if they provided documentation that
7 they hadn't when the Draft was originally issued.
8 We can change the report, so the final document
9 is cleaner and clearer.

10 Q Would that potentially result in you wiping out
11 an audit issue altogether, because you were
12 convinced by the Company that that issue had been
13 resolved to your satisfaction?

14 A (Moran) It could.

15 Q Did that happen at all in this case?

16 A (Moran) I frankly don't recall.

17 Q In the audit issues that you identify, there are
18 different places where the Company indicates that
19 it basically agrees with the concern that you
20 expressed, and it made certain commitments around
21 how it would deal with correcting those issues
22 that you identified. That's pretty typical,
23 isn't it?

24 A (Moran) That is typical, yes.

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 Q Did the Company, in fact, follow through and do
2 the things that it said it was going to do in its
3 response to your audit issues?

4 A (Moran) I think there were only two issues that
5 we asked for copies of updated journal entries.
6 But the other issues, we wouldn't do any kind of
7 follow-up audit work until the next rate case
8 audit.

9 Q And, with regard to the sheer number of audit
10 issues that you identified, 28, can you put that
11 in perspective? Is that a lot of issues? Is
12 that not a lot of issues?

13 A (Moran) For a rate case, that's fairly typical.
14 But the detail of each issue is really what's the
15 reason we're here.

16 Q Thank you. So, that's very helpful. So, what
17 you're suggesting that I do, and, ultimately,
18 what the Commissioners do, is not make a decision
19 based on the number of audit issues, which I
20 think you just said is not that unusual, but,
21 really, your concern as an auditor has to do with
22 the magnitude of and the significance of some,
23 maybe all, of those individual audit issues that
24 your team identified?

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 A (Moran) That's correct.

2 Q Thank you. That's so helpful. I really thank
3 you for -- I'm sorry for asking you questions
4 about things I should probably have long ago
5 learned the answers to, but I didn't.

6 Okay. I think, now I have a couple of
7 questions that might be for Ms. Nixon, or Mr.
8 Dudley, or Ms. Trottier. I guess I don't --
9 whichever one of them or ones of them want to
10 answer will be helpful.

11 Let me start with Ms. Nixon.
12 Ms. Nixon, you're aware that our Office filed
13 testimony in this rate case on the same day that
14 you and your team filed your testimony, yes?

15 A (Nixon) Yes.

16 Q Have you had a chance to review the testimony
17 that we filed at the OCA?

18 A (Nixon) No.

19 Q So, you haven't read it?

20 A (Nixon) No.

21 Q If I told you that none of the testimony we
22 filed, and, in particular, the testimony that
23 Mr. Defever filed, who is, I think, the
24 counterpart to your Witness Mullinax, if I told

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 you that his testimony doesn't raise any of the
2 issues that you're here raising today, would
3 that -- like, what do you make of that?

4 A (Nixon) Well, I guess I would -- I mean, I'm
5 jumping to conclusions, but you asked me to
6 hypothesize.

7 Q Yes.

8 A (Nixon) So, I would say that, based on that
9 person's experience, that you don't have to deal
10 with the issues we're dealing with here. So, you
11 have to assume everything is accurate to the best
12 of your knowledge, and proceed forward like you
13 normally would in a rate case.

14 Q Right. That's really helpful, because that's
15 exactly what I didn't intend to be a trick
16 question. I just want to make sure that the
17 Commission understands that the fact that our
18 testimony doesn't raise any of the same issues
19 that you all are raising isn't -- doesn't mean
20 that, in the judgment of the OCA or its
21 witnesses, the Motion to Dismiss is without
22 merit. Is that a fair statement, from your
23 perspective?

24 A (Nixon) Yes. I mean, we had to make similar

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 assumptions. I mean, we proposed the dismissal.
2 But, if the decision is to not dismiss this case,
3 we had to move forward and use numbers that we
4 had.

5 MR. KREIS: And I think those are all
6 of my questions. Thank you.

7 CHAIRMAN GOLDNER: Thank you.

8 We can now move to Dartmouth College,
9 and Attorney Getz?

10 MR. GETZ: No questions, Mr. Chairman.

11 CHAIRMAN GOLDNER: Thank you.

12 We can now turn to the Company, and
13 Attorney Ralston?

14 MS. RALSTON: Thank you. Good morning
15 to the panel.

16 I have a series of questions that I
17 have tried to break up by topic. So, I'll pose
18 them to the panel kind of generally. A few of
19 them may be more pertinent to one witness or the
20 other, and I'll try to indicate who I think is
21 the right person. But please correct me, or, you
22 know, jump in.

23 BY MS. RALSTON:

24 Q So, first, I'm just going to direct the entire

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 panel to the Motion to Dismiss, at Paragraph 6.
2 So, in Paragraph 6, it states that "even if all
3 factual assertions in the Company's Rate Filing
4 are taken as true, the unreliability and
5 inconsistency presented throughout Liberty's
6 filings and the inferences to be drawn from this
7 unreliability do not support Liberty's requested
8 rate relief." Do you all see that?

9 A *[Multiple witnesses indicating in the*
10 *affirmative].*

11 Q Okay. And does the panel agree that, prior to
12 the filing of this Motion to Dismiss, that the
13 Company had submitted its Initial Filing, which
14 included testimony, supporting exhibits, and that
15 the Company has also provided an updated revenue
16 requirement, we've been discussing that this
17 morning, it's marked as "Exhibit 6"?

18 A (Nixon) Yes.

19 Q Okay. And does the panel also agree that the
20 Company has responded to a number of data
21 requests as part of the proceeding, and then also
22 to data requests issued by the Department's Audit
23 Division?

24 A (Nixon) I'll speak to the ones from Regulatory,

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 yes. I don't know about Audit.

2 Q And do you agree, Ms. Moran, that the Company
3 responded to specific data requests from the
4 Audit Division that were used to develop the
5 Audit Report?

6 A (Moran) The Audit Division doesn't issue data
7 requests. But they did respond to our audit
8 questions.

9 Q "Audit questions", maybe that's the right term.
10 Apologies.

11 And, then, could each member of the
12 panel indicate what you reviewed prior to
13 preparation for today?

14 A (Nixon) Basically, the issues at hand. The
15 Motion, the Motion was the main thing. But
16 there's various other documents, rules,
17 testimonies. And I can't list them all. But,
18 yes. Just general hearing prep.

19 Q Okay.

20 A (Trottier) I mainly just reviewed the Motion, and
21 the --

22 *[Court reporter interruption.]*

23 **BY THE WITNESS:**

24 A (Trottier) I mainly just reviewed the Motion, and

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 the references within it.

2 A (Dudley) For me, it would be all of the exhibits,
3 some of the testimony, in particular, the Audit
4 Report and the Motion.

5 A (Moran) The same.

6 BY MS. RALSTON:

7 Q And I think that, Ms. Moran, I think you
8 confirmed this just a few minutes ago, actually,
9 but am I correct that you are the only witness
10 that participated in the audit investigation and
11 preparation of that report?

12 A (Moran) That's not correct.

13 Q That's not correct. Okay.

14 A (Moran) No. The entire Audit Staff participated
15 in writing the report, including me. But, as the
16 Director, I oversaw the completion of it.

17 Q Apologies, maybe I wasn't clear. Are you the
18 only witness on the stand this morning, though,
19 that --

20 A (Moran) Yes.

21 Q Okay. That's all I just wanted to confirm.
22 Okay. So, I'm going to direct you, Ms. Moran,
23 through a series of questions as you're -- due to
24 your involvement with the audit investigation.

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 So, going back to the Motion to
2 Dismiss, at Paragraph 17, it states that the
3 Audit Division was unable to perform its work
4 efficiently "due to the significant timing delays
5 between asking questions of Liberty and receiving
6 responses." Do you see that?

7 A (Moran) I do.

8 Q Okay. And what is the typical turnaround time
9 for a utility to respond to a question from the
10 Audit Division?

11 A (Moran) It can be anywhere from hours, to a few
12 days.

13 Q Okay. And is that turnaround time set in a
14 regulation or is it --

15 A (Moran) No.

16 Q -- established by a procedural schedule?

17 A (Moran) No. We're not usually part of a
18 procedural schedule. It's simply the way the
19 audit functions.

20 Q And, if we can turn to Exhibit 8, which is the
21 Audit Report, at Page 149, which I think
22 correlates to 175 in the Motion, if you're
23 getting confused with the Bates numbers, I know
24 there's been a little confusion.

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 It states that "Because of the quantity
2 of noted adjustments, and the time required to
3 identify variances among the FERC Form 1
4 accounts, Audit is unable to determine if the
5 reported adjustments are accurate nor if they
6 represent all of the adjustments that should have
7 been done." Do you see that, Ms. Moran?

8 A (Moran) I'm not there yet, but I recall the
9 statement.

10 Q I can let you get there, if you would like.

11 A (Dudley) I'm sorry, Ms. Ralston. You said that's
12 "Bates Page 175"?

13 Q It's Bates 149, but I think, in the Motion
14 attachment, it was "175". I was just trying to
15 give the two numbers to help with --

16 A (Moran) I think that's opposite.

17 Q And, so, Ms. Moran, is the Audit Division's
18 investigation timeline governed by a Commission
19 rule?

20 A (Moran) No.

21 Q And is the Audit's investigation timeline
22 governed by the procedural schedule?

23 A (Moran) No.

24 Q And did the Audit Division request any additional

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 time, in light of the challenges it faced?

2 A (Moran) I don't understand the question.

3 Q Did the Audit Division request any additional
4 time to perform its investigation?

5 A (Moran) No, I heard the question. I just don't
6 understand the question. Sorry.

7 Q So, the statement from the Audit Report says that
8 "due to time constraints" you were unable to
9 verify the accuracy of the information. And, so,
10 I'm just asking if you asked for more time?

11 A (Moran) Okay. The answer is "no."

12 Q Okay. The Company converted to the SAP system
13 during the 2022 test year. Is that your
14 understanding?

15 A (Moran) Yes.

16 Q Okay. Do any other New Hampshire utilities use
17 an SAP accounting system?

18 A (Moran) I'm unsure.

19 Q Okay. Would you agree that an SAP accounting
20 system would require different audit processes
21 than other types of accounting systems?

22 A (Moran) I disagree.

23 Q You disagree. Okay.

24 A (Moran) The Audit Staff works with many different

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 kinds of accounting systems across the various
2 utilities.

3 Q If I refer you back to the Audit Report, at Bates
4 Page 171, this is where the Audit Report
5 addresses Audit Issue 13. And the audit issue
6 states that "Prior to the switch from Great
7 Plains to SAP, the Company used an Opex Capex
8 report to reconcile the payroll to the general
9 ledger." And that report is no longer available
10 with the change to SAP, and I think you talked
11 about that with Attorney Dexter. Do you see
12 that?

13 A (Moran) That's correct. I'm there.

14 Q Okay. And, then, the related audit
15 recommendation states that "reconciling the
16 general ledger is an important step in providing
17 accurate account details, and Audit recommended
18 that the Company prioritize a replacement
19 report."

20 In response, the Company confirmed that
21 "Payroll is reconciled to the general ledger on
22 each pay date." Do you see that?

23 A (Moran) I see that.

24 Q Okay. Is it your opinion that the Company must

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 continue to produce information in that same
2 format, even when the format is no longer
3 available because of the system conversion?

4 A (Moran) Of course not. We just need to be able
5 to verify, as I said earlier, in this instance,
6 the payroll dollars to the general ledger system,
7 regardless of what the system is. And we want to
8 use the reports that the Company uses. We never
9 want a report to be created just for us.

10 Q And just to clarify, Audit Issue 13 didn't result
11 in any recommendations of a disallowance, is that
12 correct?

13 A (Moran) Correct.

14 Q Okay. So, is it your opinion that the Company's
15 payroll costs should be included in the revenue
16 requirement that's used to set rates?

17 A (Moran) I can't say, because I don't know in what
18 accounts they're posted.

19 Q I would like to continue referring to the Audit
20 Report, but direct your attention to Audit Issue
21 Number 1, which begins on Bates Page 139.

22 And Audit Issue 1 spans several pages.
23 I think it goes between Bates 139 and 148, and
24 lists a number of adjustments that were made by

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 the Company. Do you see those?

2 Yes. It's on Bates 165, if you're
3 using the Motion version.

4 A (Moran) I'm there.

5 Q Okay. And is it your understanding that those
6 adjustments were made by the Company during its
7 preparation of the FERC Form 1 and the revenue
8 requirement schedules that were included in the
9 Initial Filing?

10 A (Moran) I'm unsure if the adjustments were done.
11 Those were the adjustments that were identified
12 by the Company.

13 Q So, to rephrase, is it your understanding that
14 those adjustments were identified during
15 preparation of the FERC Form 1 and the revenue
16 requirement for this filing?

17 A (Moran) My understanding was they were
18 identified -- some were identified during the
19 preparation of the FERC Form 1. Some were
20 probably, and I don't know for sure, identified
21 after, as the revenue requirement schedules were
22 prepared.

23 Q But, to clarify, they were identified prior to
24 filing this case? I think that's what you just

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 said, is that correct?

2 A (Moran) Parts of them were. As we know, there
3 have been others identified recently.

4 Q Right. But I'm speaking specifically about Audit
5 Issue 1. These were identified by the Company
6 prior to filing this case?

7 A (Moran) Correct.

8 Q Okay.

9 A (Moran) Not all, though, just to be clear.

10 Q I'm sorry. Can you repeat that?

11 A (Moran) Not all, just to be clear.

12 Q Your statement is that not all of the adjustments
13 in Audit Issue Number 1 were not, were identified
14 before the filing?

15 A (Moran) I'm saying some of them were identified
16 by Audit. Most were identified by the Company.
17 But there were others that we asked about, and
18 the Company agreed that they were mismatched.

19 Q Okay. And we're, just to be absolutely clear,
20 we're both talking about Audit Issue Number 1?

21 A (Moran) Correct.

22 Q Okay. Thank you. All right. And, now, if I can
23 turn you to the Company's Objection to the Motion
24 to Dismiss, on Page 10. Do you have that

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 document in front of you?

2 A (Moran) I do not.

3 Q Okay. I will summarize. And, so, in that, in
4 its Objection, the Company explained that it is
5 not unusual to identify and make adjustments
6 after the fiscal year accounting closing for the
7 subsequent year. Do you recall the Company
8 saying that or have you heard the Company
9 represent that?

10 A (Moran) I've heard that represented.

11 Q Okay. Is it your position that the Company
12 should have reopened the 2022 books?

13 A (Moran) No.

14 Q Okay. So, turning back to the Audit Report, in
15 addition to Audit Issue Number 1 that we just
16 discussed, there are 27 other audit issues,
17 correct?

18 A (Moran) Correct.

19 Q Okay. And would you agree that some of those
20 audit issues have resulted in recommendations for
21 minor adjustments? So, for example, I could turn
22 you to Audit Issue Number 2, which is on Bates
23 Page 151, which recommends the removal of
24 "\$1,413"?

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 A (Moran) That's correct.

2 Q Okay. And would you also agree that certain
3 audit issues represent a reasonable disagreement
4 between the Audit Division and the Company that
5 could be resolved during the proceeding? So, for
6 example, Audit Issue Number 3, which is on Bates
7 Page 153, relates to capitalizing fleet and
8 equipment depreciation, and the amount at issue
9 was \$26,000, and the Company cited to a GAAP
10 standard in support of its position. Do you
11 agree that there could be a reasonable
12 disagreement between --

13 A (Moran) I understand that we disagree. I don't
14 think it's reasonable. FERC says you can't do
15 that. So, we're on -- we're just on opposite
16 sides of this one. You can --

17 Q Fair. And do you agree that the Commission could
18 review Audit's position and the Company's
19 position, if we move forward with the proceeding,
20 and they could make a determination?

21 A (Moran) Sure. The Commission can look at
22 whatever they choose to review.

23 Q And would you also agree that certain audit
24 issues could be resolved through the exchange of

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 additional information? So, for example, Audit
2 Issue Number 4, which appears on Bates Page 155,
3 states that, while Audit concurred with the
4 Company's proposal, it did request the adjusting
5 journal entries, which I think you referenced a
6 few minutes ago as well. So, would you agree
7 there are instances where additional information
8 could resolve an issue?

9 A (Moran) There will always be instances where
10 additional information could be provided. But
11 this is now in October of 2023, that's not going
12 to change the result of the 2022 test year
13 review.

14 Hopefully, if we come back and do an
15 audit in your next rate case, this issue won't
16 exist.

17 Q And would you agree that certain audit issues did
18 not result in any adjustments to the Company's
19 revenue requirement, but were recommendations for
20 improved processes going forward?

21 A (Moran) Yes.

22 Q Okay. Thank you. And, then, turning back to the
23 Motion to Dismiss, and I apologize for making you
24 flip between documents, at Paragraph 15, it

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 states that "Since the source of the information
2 contained in the Rate Filing and the FERC Form 1
3 and" -- hold on, I mistyped this. So, give me a
4 second just to get there.

5 So, it states "Since the source of the
6 information contained in the Rate Filing and FERC
7 Form 1 is the Company's general ledger, all three
8 pieces of information should match." Do you see
9 that?

10 A (Moran) I see that.

11 Q Okay. And the Department of Energy's position is
12 that the general ledger should always match the
13 FERC Form 1, is that correct?

14 A (Moran) We understand there will be adjustments.
15 In this instance, there were so many errors. I,
16 as you now know, I've been doing this kind of
17 audit work for a long time. I have never seen so
18 many errors in the general ledger, versus the
19 FERC Form 1, versus the Rate Filing.

20 Q And the Company has acknowledged, right, that
21 there is a variance between the three sets of
22 data. Do you agree that the Company has provided
23 explanations for this variance?

24 A (Moran) I can't be certain.

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 Q If you turn to the Audit, back to the Audit
2 Report, at Page 149, it states that "subsequent
3 to the parent company closing of the books for
4 the 2022 year-end, Liberty identified "Unadjusted
5 Differences" of approximately 848,000." And,
6 then, also on the same page, it says that "With
7 the Unadjusted Differences reflected in the
8 revenue requirement, the FERC Form 1 maps
9 directly to the data recorded in Liberty's
10 financial system. The Company has provided a
11 trial balance to Staff that provides the direct
12 mapping to the FERC Form 1." Do you see that?

13 A (Moran) I'm there.

14 Q Okay. And, so, is it your position that, even if
15 the data can be traced to the financial records,
16 it cannot be relied on?

17 A (Moran) The data can't be traced to the accurate
18 financial records. A mapping of the mismatched
19 issues is almost circular. I understand the
20 Company acknowledges that there were mapping
21 issues. But to say "we provided a listing to
22 show what those mismatched things were" does not
23 correct those issues.

24 Q Okay. So, going to Page 139 of the Audit

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 Report -- actually, I'm going to skip that one.

2 So, just one follow-up. I think a few
3 minutes ago we discussed whether or not the
4 Company should have reopened the 2022 books. And
5 I think you said it was not your position that
6 the 2022 books should have been reopened. Is
7 that -- is my memory correct?

8 A (Moran) That's correct.

9 Q Okay. So, if the Company was not going to reopen
10 the 2022 books, and the Company has provided an
11 explanation for why the FERC Form 1 and the
12 revenue requirement schedules do not match the
13 2022 books, wouldn't you agree the Company has
14 provided an explanation for how it got from the
15 2022 books to what has been filed in this case?

16 A (Moran) Sure. It, again, doesn't clear the fact
17 that the books are incorrect. They should have
18 been cleared and adjusted during the close of
19 year-end 2022. But I'm guessing, and probably
20 incorrect to do on the stand, but I'm guessing
21 that, simply due to the massive amount of
22 mismatched accounts and entries, it couldn't be
23 done. The books still have to be closed somehow.
24 And your externals didn't want to reopen the

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 books either, because, from the Corporate
2 perspective, New Hampshire's Granite State
3 Electric simply isn't big enough to reopen the
4 SEC filings and federal filings. That's my
5 understanding.

6 Q So, is it your position that the difference that
7 exists between the rate case filing and the
8 Company's books and other forms require the
9 Commission to deny a request for a change in
10 distribution rates?

11 A (Moran) Based on the audit work, yes, I agree
12 with that statement.

13 Q In your opinion, should a utility make necessary
14 adjustments prior to filing a rate change request
15 to ensure the accuracy of the data?

16 A (Moran) The data should be verified for accuracy
17 with each close, with each monthly close, with
18 each annual close, with each quarterly close.
19 Yes, I agree with that.

20 Q Right. But, if the Company does a review prior
21 to a filing, and discovers additional adjustments
22 are necessary, should it make those adjustments
23 before it files?

24 A (Moran) If the books are already closed, no. But

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 they should disclose all of those adjustments, as
2 Mr. Dudley said earlier, disclosed in a technical
3 statement of "These are the books, these are the
4 revenue adjustments." And I'm not sure that's
5 taken place here.

6 Q In your opinion, how much can a utility's rate
7 case filing differ from its books and records
8 without requiring a denial of the request for a
9 change in rates?

10 A (Moran) I have no opinion on that. This is the
11 first time we've ever seen books this far off.
12 So, I can't quantify a dollar amount.

13 Q And, similarly, you couldn't quantify the number
14 of adjustments?

15 A (Moran) Of course not.

16 Q And are you aware of the statutory language that
17 describes what a rate case filing must be based
18 on?

19 And I -- the entire panel is welcome to
20 weigh in. I don't know if this is really Ms.
21 Moran's area of expertise. So, acknowledging
22 that. And I am referring specifically to RSA
23 378:27 and 378:28, where there's reference to
24 setting rates based on reports that the utility

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 has filed with the Commission and the Department
2 of Energy.

3 Are members of the panel generally
4 familiar with that statutory language?

5 A (Dudley) I am familiar with that, yes.

6 Q Okay. And would you agree, and I'll point to
7 you, Mr. Dudley, that a FERC Form 1 is a report
8 filed with the Commission?

9 A (Dudley) It is. Although, the Initial Filing
10 from Liberty did not contain the FERC Form 1.

11 Q Right. But the Company filed an updated Initial
12 Filing that did reference the FERC Form 1,
13 correct?

14 A (Dudley) Correct.

15 Q Okay. And I think that's why we're using it as
16 the basis for this case at this point.

17 And the Company's revenue requirement
18 can be tied to the FERC Form 1, do you agree?

19 A (Dudley) That's typically how it's done, yes.

20 Q And, in this case, would you agree that the two
21 documents can be tied?

22 A (Dudley) They can be tied. But, as we have
23 discussed and have found out that the two don't
24 match.

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 Q Right. That's why I said "tied", I didn't say
2 "matched". I think we provided explanations for
3 why there are differences. But I'm just asking
4 if they could be tied, if you can trace the
5 differences?

6 A (Dudley) I would say, ordinarily, you can. But I
7 would defer to Ms. Moran.

8 Q Ms. Moran, do you want to add anything?

9 A (Moran) Well, I was concerned about one entry
10 that was a revenue amount that was reflected in I
11 want to say the "accumulated depreciation
12 schedule", that's -- I could be wrong, but it
13 wasn't in the revenue section. Actually, it was
14 in the depreciation expense revenue requirement
15 filing. And it was correctly proformed out of
16 that, but it was not proformed back into the
17 revenue schedule. And that's just one instance I
18 remember off the top of my head.

19 As we said, because of the billing
20 issues, and the different problems that existed
21 with the customer service side of the business,
22 I'm not sure -- I understand that the revenue
23 requirement schedule does have certain revenue
24 accounts that could be verified.

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 Q Okay.

2 A (Nixon) May I add to that?

3 Q Sure.

4 A (Nixon) So, the filing requirements and the FERC
5 Form 1 do not match. And the Company did not
6 highlight and identify those in their filing how
7 they do not match.

8 Q But has the Company been able to provide
9 explanations for that during the course of the
10 proceeding?

11 A (Nixon) Through us identifying the differences,
12 several of them, the Company did respond to a
13 data request. But those were not -- an updated
14 filing was not provided to indicate what those
15 differences are, as required by those statutes
16 and rules that are out there.

17 Q I am going to turn the panel to Exhibit 6, which
18 is the Company's updated revenue requirement
19 filed on November -- or, submitted on November
20 27th. And I think the panel, or at least some
21 members of the panel, have reviewed it, if not in
22 great detail.

23 But, if I could just refer you, there's
24 a tab, I believe it's the very first tab of the

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 Excel version, and the title of that tab is
2 "TrackRRUpdates"?

3 A (Dudley) Ms. Ralston, are you referring to Tab
4 "RR-1"?

5 Q No.

6 A (Dudley) Because there are two Excel spreadsheets
7 that were filed.

8 Q Yes. And I'm referring to Part - Exhibit --
9 "Part 2 of 3" of Exhibit 6. And, if you're in
10 that Excel -- are you in that Excel filing, Mr.
11 Dudley?

12 A (Dudley) I am, yes.

13 Q Okay.

14 A (Dudley) But I see the tabs are identified by
15 "RR".

16 Q If you go all the way down to the bottom, the
17 little arrows in the lower left-hand corner, and
18 you go all the way over to the very first tab,
19 there should be a tab that's called
20 "TrackRRUpdates".

21 A (Dudley) Yes. I have it. Thank you.

22 Q Okay. Great. You and I have the same Excel
23 skills.

24 So, would you agree that there are 25

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 adjustments that the Company included in this
2 update that tied either to a specific audit issue
3 or a data request?

4 A (Nixon) The list there shows that there were 26
5 issues identified.

6 Q Okay.

7 A (Nixon) I'm not looking at the exhibit. I'm
8 looking at the original Corrections and Update.
9 Did it change?

10 Q It didn't change. I would say I miscounted.

11 But, for me, it starts on Row -- well,
12 so, Row 7 are the updates that were included in
13 the original filing. And I may not have counted
14 those.

15 A (Nixon) Okay.

16 Q Does that make sense?

17 A (Nixon) Yes.

18 Q And, then, it goes down to --

19 A (Nixon) I was looking at the --

20 Q -- Row 32.

21 *[Court reporter interruption - multiple*
22 *parties speaking simultaneously.]*

23 **CONTINUED BY THE WITNESS:**

24 A (Nixon) I was looking -- I was looking at the

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 reference number.

2 BY MS. RALSTON:

3 Q Yes. Apologies, I wasn't clear. Do you agree
4 that utilities routinely submit updated revenue
5 requirements as part of a rate case?

6 A (Dudley) They do. But, as I said earlier,
7 Ms. Ralston, associated with expenses that are
8 either included above or below the line.

9 Q And, so, I think you stated earlier, Mr. Dudley,
10 that this -- you believe this revenue requirement
11 update is unusual, and you wouldn't consider this
12 typical?

13 A (Dudley) It's not typical from what we've seen,
14 because it's largely accounting adjustments to
15 accounting errors.

16 Q And your opinion is based on -- what is your
17 opinion based on, that this is an atypical
18 adjustment?

19 A (Dudley) I've never seen one like this.

20 Q Is it your position that the Company's
21 adjustments to the revenue requirement included
22 in the November 27th Update were improper or
23 inaccurate?

24 A (Dudley) We don't know about the accuracy. We

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 haven't been able to determine the accuracy.

2 What we do know is that, based on counsel's
3 representation on January 4th, that apparently
4 there's another update forthcoming.

5 Q Right. And that would be a separate adjustment.

6 A (Dudley) But we don't know that.

7 Q But you don't -- right. But you're not taking a
8 position, I guess is what you're saying, on
9 whether or not the adjustments that have already
10 been made were improper or inaccurate?

11 A (Dudley) Our position is that we need -- we would
12 need an opportunity to study those to determine
13 whether or not they are accurate. And we'd have
14 to perform confirmation and verification.

15 Getting back to the typical rate case,
16 and the typical update, regarding expenses above
17 or below the line, those are known and
18 measurable. These amounts here that I'm seeing,
19 I don't know whether or not they are known and
20 measurable. I have nothing to check them
21 against. So, it would require an in-depth review
22 that the Department didn't have an opportunity to
23 perform.

24 And, again, this is unusual. We

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 typically don't deal with numerous accounting
2 adjustments to correct accounting errors in an
3 update. We also are typically provided with a
4 technical statement that describes in detail each
5 adjustment that's made. These are just cursory
6 notes that I'm looking at right now that don't
7 really provide any detail.

8 Q But you do acknowledge the Company included that
9 first tab that explained the basis for each of
10 the adjustments, and then together -- and there
11 was a filing letter, I believe, that explained
12 what the Company had included with this update?
13 Would you agree with that?

14 A (Dudley) I agree that there's a one-page filing
15 letter.

16 Q Is it the panel's position that the Company's
17 FERC Form 1 was not accurate at the time it was
18 prepared?

19 A (Dudley) You want that one?

20 A (Moran) Yes. I can address that one for you. I
21 can say that the map that was provided tied the
22 SAP year-end figures to the FERC Form 1. I
23 cannot say if those entries were accurate.

24 So, no, I can't say that the FERC

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 Form 1 was accurate.

2 Q And that, what is that based on, your -- is that
3 based on your audit investigation?

4 A (Moran) Correct.

5 Q I now have a few questions related to customer
6 billing issues. And I'll just open these up to
7 the panel.

8 In the Motion to Dismiss, the
9 Department of Energy stated that "Implementation
10 of SAP had Resulted in Significant Customer
11 Complaints to the Department". And does the
12 panel see that section of the Motion that begins
13 on Page 20?

14 A (Nixon) Which item number are you referring to?

15 Q I am referring just generally to Section VII of
16 the Motion that begins on Page 20, regarding
17 customer complaints.

18 Okay. And, then, on Page 1 of the
19 Motion to Dismiss, the Department of Energy is
20 arguing that the case must be dismissed because
21 "the 2022 financial information on which the Rate
22 Filing is based cannot be reasonably relied on
23 and therefore Liberty has not and cannot meet its
24 burden to provide [sic] that the proposed rates

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 are just and reasonable." Do you also see that
2 on Page 1 of the Motion?

3 A (Moran) Yes.

4 Q Is it the Department's position that the
5 Company's financial information is the cause of
6 the increase in customer contacts with the
7 Department?

8 A (Nixon) I believe, as indicated in DOE witnesses,
9 yes, there was -- there have been a significant
10 increase in customer contacts with the
11 Department.

12 Q And is it your position that those are related to
13 the financial information that we've been
14 discussing, the unreliability of the financial
15 information?

16 A (Nixon) Yes, some of them, a significant amount.
17 In fact, a study -- a survey done by the
18 Company -- or, that's done independently,
19 confirmed that as well.

20 Q Confirmed --

21 A (Nixon) It's not contacts with the Department,
22 but that there was customer dissatisfaction
23 because of this system.

24 MR. DEXTER: Mr. Chairman, if I could

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 interrupt? We didn't name Amanda Noonan as a
2 witness. Amanda Noonan is the Director of the
3 Consumer Services Division at the Department.
4 And she is familiar with the issue of customer
5 contacts and the customer survey results that
6 Ms. Nixon just identified.

7 So, I wonder, I don't know how much
8 questioning, we didn't know this was going to be
9 an issue today, but Ms. Noonan is available to
10 answer these question, if that's appropriate?

11 CHAIRMAN GOLDNER: Does the -- would
12 the Company like to put Ms. Noonan on the stand?

13 MS. RALSTON: I don't know if it's
14 necessary. I guess it depends on whether or not
15 the Department of Energy intends to support its
16 Motion using customer complaints.

17 I think that, on Page 1, they're
18 arguing that the Motion is based on the financial
19 records. And, if the Department agrees the
20 financial records are not related to the alleged
21 increase in customer complaints, we don't need to
22 go further.

23 CHAIRMAN GOLDNER: Attorney Dexter.

24 MR. DEXTER: No, I think we're -- our

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran]

1 point is the opposite. That the implementation
2 of the SAP system included a billing system and
3 an accounting system, and that the implementation
4 of the billing system went poorly, and resulted
5 in increased customer complaints and a decrease
6 in customer satisfaction, as laid out in the Luth
7 survey that was provided with the Motion.

8 So, we believe that they are
9 interrelated.

10 CHAIRMAN GOLDNER: So, let's do this.
11 Let's put Ms. Noonan on the stand, so that we
12 can -- we can reach closure on that particular
13 topic.

14 I also note that we are about an hour
15 and 35 minutes in, and the court reporter will
16 need a break. So, what I'd recommend is we take
17 a brief break at this point for the court
18 reporter, who still has to type through my
19 talking, and return at a quarter of. Then, maybe
20 go for another half hour, 45 minutes, take a
21 lunch break, and then come back. We'll try to
22 wrap up with this panel before we take lunch, if
23 at all possible.

24 So, let's take a break now, and return

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 at a quarter of. Thank you. Off the record.

2 (Recess taken at 11:37 a.m., and the
3 hearing reconvened at 11:50 a.m.)

4 CHAIRMAN GOLDNER: Okay. We'll go back
5 on the record.

6 First, we'll swear in the witness, Ms.
7 Noonan, who is seated next to Mr. Dexter. And,
8 then, once that's complete, we'll move back to
9 Ms. Ralston and cross.

10 (Whereupon **AMANDA O. NOONAN** was duly
11 sworn by the Court Reporter, and added
12 to the DOE witness panel.)

13 CHAIRMAN GOLDNER: Please resume, Ms.
14 Ralston.

15 MR. DEXTER: Mr. Chairman, should I ask
16 Ms. Noonan a couple of introductory questions?

17 CHAIRMAN GOLDNER: Of course. That
18 would be great. Thank you.

19 MR. DEXTER: Okay.

20 **AMANDA O. NOONAN, SWORN**

21 **DIRECT EXAMINATION**

22 BY MR. DEXTER:

23 Q Ms. Noonan, would you please state your name and
24 position with the Department?

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 A (Noonan) Of course. My name is Amanda Noonan.

2 I'm the Director of the Consumer Services

3 Division at the Department of Energy.

4 Q And, Ms. Noonan, did you file written testimony
5 on December 13th, 2023, in this docket?

6 A (Noonan) Yes, I did.

7 Q And did that testimony contain a description of
8 your professional and educational experience as
9 it relates to this docket?

10 A (Noonan) Yes, it did.

11 MR. DEXTER: Okay. Thank you. Ms.
12 Noonan is available for questions.

13 CHAIRMAN GOLDNER: Okay. Please
14 proceed, Ms. Ralston.

15 MS. RALSTON: Okay. And, Ms. Noonan, I
16 am not sure if you were in the room. So, I'm
17 going to just restate the question that I had
18 started to ask.

19 **CROSS-EXAMINATION (resumed)**

20 BY MS. RALSTON:

21 Q And, so, I had referred the panel to the Motion
22 to Dismiss, at Page 20, which is where the
23 Department of Energy has a section of the Motion
24 regarding the SAP implementation and resulting

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 Customer Complaints. Do you see that section? I
2 think it's on Page 20.

3 A (Noonan) I don't have it open in front of me.
4 But, please, go ahead.

5 Q Okay. The section is called "Liberty's SAP
6 Implementation Resulted in Significant Customer
7 Complaints to the Department", just for
8 reference.

9 And, then, I also referred the panel to
10 Page 1 of the Motion, where the Department of
11 Energy argued that the case must be dismissed
12 because "the 2022 financial information on which
13 the filing is based cannot be reasonably relied
14 on." Do you see that on Page 1 of the Motion?

15 A (Noonan) Yes.

16 Q And is it your position that the Company's
17 financial information is the cause of the
18 increase in customer contacts with the
19 Department?

20 A (Noonan) I think there's a causal relationship
21 between the two.

22 Q And, on Page 21 of the Motion, it states that,
23 during "the 12 months following implementation of
24 the SAP system, the DOE received 121 Billing and

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 Billing Adjustment contacts", versus "14" during
2 the twelve months prior to implementation of the
3 system. Do you see that?

4 A (Noonan) Yes. I do.

5 Q Okay. And are you aware that, in late 2022,
6 there was a substantial increase in electric
7 bills due to increased commodity pricing, with
8 Liberty's rate increasing from 10 cents to 22
9 cents, beginning with service on August 1st of
10 2022, a rate increase that was reflected in bills
11 issued starting in September of 2022, just prior
12 to the SAP implementation?

13 A (Noonan) Yes, I am.

14 Q Okay. Can I now ask you to turn to Exhibit 8, at
15 Bates Page 341, which is the Luth Research survey
16 included with the Motion to Dismiss. And let me
17 know when you have the exhibit?

18 A (Noonan) I'm sorry. What was the page number
19 again?

20 Q Hang on one second. Bates Page 341. If you're
21 in the Motion to Dismiss attachment, looks like
22 it's 336. I don't know if that's helpful.

23 A (Noonan) Okay. Could you cite the number in the
24 report itself, the page number in the report

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 itself? I'm sorry. That's the document that I
2 have open.

3 Q Give me one moment. I apologize, I think I got
4 it turned around with the overlapping Bates
5 numbers.

6 MR. DEXTER: So, if it helps, the Luth
7 survey starts in Exhibit 8, on Bates Page 310.

8 MS. RALSTON: Thank you, Attorney
9 Dexter.

10 BY MS. RALSTON:

11 Q And the page I was looking for is Page 12 of the
12 survey itself. And, if you give me one moment, I
13 can find the Bates page.

14 It is Bates Page 321 of Exhibit 8. And
15 I apologize for the delay.

16 So, now that we are all there, do you
17 see the bullet that states that cost is still the
18 top complaint mentioned by dissatisfied
19 customers?

20 A (Noonan) Yes, I do.

21 Q Okay. And would you agree that cost is not
22 related to SAP implementation?

23 A (Noonan) That's correct.

24 Q Okay. And would you agree that there can be

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 other customer issues that are not related to
2 SAP? For example, a meter reading question or a
3 billing issue that might be related to a
4 customer's change in circumstance, like moving?

5 A (Noonan) All of those -- or, those two reasons
6 that you just cited are certainly impacted by the
7 billing system. Even though they may be outside
8 of the billing system, such as a meter change or
9 a move, but the billing system itself will impact
10 the resolution or the appropriate handling of
11 those issues.

12 Q So, it's your testimony that, if a customer
13 moves, and, for example, didn't provide any
14 notice to the Company, continued to get bills for
15 a residence they no longer reside at, that that
16 would be related to the SAP implementation?

17 A (Noonan) In that particular instance, no.

18 Q Okay. So, my question was, would you agree that
19 there are other customer issues that are non-SAP
20 related? So, would you agree that there can be
21 customer issues not related to SAP?

22 A (Noonan) Sure. In the abstract, there could be,
23 yes.

24 Q Okay. So, noting that there can be customer

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 contacts that are unrelated to the SAP
2 implementation, how did the DOE categorize
3 whether an incoming complaint was related to SAP
4 or not?

5 A (Noonan) The categorization of contacts to the
6 Department's Consumer Division are not tied to a
7 billing system used by a utility. They're tied
8 to the reason for contact. However, review of
9 these shows that the overwhelming majority, if
10 not all of them, were related to some billing
11 system issue.

12 Q So, if the Department isn't categorizing them
13 based on their relationship to the billing
14 system, how was that determination being made?

15 A (Noonan) By a manual review of all of the
16 contacts.

17 Q And what criteria was that manual review using?

18 A (Noonan) The information that was provided by the
19 customer, and the response provided by the
20 Company.

21 Q So, was there a set of criteria or was it on a
22 case-by-case basis?

23 A (Noonan) They were all manually reviewed
24 individually.

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 Q So, is that a case-by-case basis or were there a
2 set of criteria being used by a Department staff?

3 A (Noonan) It was a case-by-case review.

4 Q Okay. And does the Department of Energy have a
5 breakdown, by month, of the complaints related to
6 SAP conversion, or SAP versus non-SAP complaints?

7 A (Noonan) Again, that's not -- that's not a reason
8 for contact within the Division's database.
9 However, we do have a month-by-month count or can
10 produce a month-by-month report of contacts on
11 any given utility, and the reason why the
12 customer reached out to the Department.

13 Q Okay. And just to be clear, but it wouldn't be
14 broken down by its relation to the SAP
15 conversion?

16 A (Noonan) Again, that's not a reason in the
17 database for why we track contacts to the
18 Department.

19 Q Okay.

20 A (Noonan) Customers don't specifically say that's
21 why they're calling. They're calling about their
22 bill, and an issue that's transpired as a result
23 of something else.

24 Q Would you agree that it is normal for a customer,

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 or typical, for customer contacts to increase
2 after a system conversion?

3 A (Noonan) There are certainly always bumps that
4 follow a system conversion. That is definitely
5 the case. However, we found the number of issues
6 that followed this particular conversion to be
7 abnormal.

8 Q What level of customer complaints would the
9 Department of Energy have expected?

10 A (Noonan) I don't have an expectation for a
11 certain number. It's the severity of the issues,
12 the quantity early on. There's no set
13 expectation that "this number is good" and "that
14 number is bad." It's just a comparative between
15 past experience.

16 Q So, the determination here that the number of
17 contacts was unusual is based on your experience?

18 A (Noonan) It's based on experience. It's based on
19 looking back to see what transpired following
20 other system conversions with other utilities.

21 Q Referring back to the Motion, at Page 21, the
22 Department of Energy noted that, prior to its
23 system conversion, Eversource had "70 Billing and
24 Billing Adjustment contacts", and that this

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 number doubled following its system conversion to
2 "138". Do you see that?

3 A (Noonan) Yes.

4 Q Okay. And would you agree that the number of
5 Billing and Billing Adjustments for Liberty was
6 still lower than Eversource's, even with its
7 increase following the conversion?

8 A (Noonan) I'm sorry, could you repeat that?

9 Q Sure. And maybe I should, before I ask you that
10 question again, if you look up to the paragraph
11 above that, it says that "the Department received
12 121 Billing and Billing Adjustment contacts" for
13 Liberty. So, would you agree that Liberty had
14 fewer Billing and Billing Adjustment contacts
15 than Eversource after its conversion?

16 A (Noonan) Yes. The absolute numbers, that's the
17 case. However, there's a significant disparity
18 between the number of customers for the two
19 utilities.

20 Q Did the Commission Staff, as the predecessor to
21 the Department of Energy, recommend dismissal of
22 Eversource's 2009 rate case as a result of that
23 increase in customer contacts?

24 A (Noonan) No.

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 Q Okay. Would you expect that customer contacts
2 will return to at or about baseline at the
3 pre-conversion level, once the new system is
4 stabilized?

5 A (Noonan) It's difficult to say what future trends
6 might arise. But, typically, after a period of
7 time, the complaint or contact levels will level
8 off.

9 Q Okay. Are you aware that, in the first six
10 months of 2023, so, from January into June, that
11 Liberty reported 10.3 customer contacts per month
12 related to billing and billing adjustments?

13 A (Noonan) I wouldn't have any idea what Liberty's
14 records were regarding that.

15 Q Okay. So, are you -- are you aware then that, in
16 the five months, from July to November 2023,
17 Liberty reported only 6.8 customer contacts per
18 month related to billing and billing adjustments,
19 representing a 34 percent decrease from the first
20 six months of 2023?

21 A (Noonan) Again, I have no access to Liberty's
22 information.

23 Q Can I now refer you to Bates Page 266 of
24 Exhibit 8, which provides a "Summary of Delayed

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 Invoices"? And you can just let me know when
2 you're there.

3 MR. DEXTER: Attorney Ralston, could
4 you provide the page reference again please?

5 MS. RALSTON: I said "266", but I think
6 that may be incorrect. That may have been the
7 old Bates number.

8 Yes. So, it is, for Exhibit 8, the
9 correct Bates number is 240.

10 MR. DEXTER: We just need a minute to
11 get there.

12 MS. RALSTON: Take your time. If
13 you're referring to the attachment to the Motion,
14 it's Attachment 5.

15 MR. DEXTER: Excuse me. The witness is
16 right next to me, and I can't resist the urge to
17 help her out, if that's okay with the Bench? I'm
18 just trying to get her to the right --

19 CHAIRMAN GOLDNER: Yes.

20 MR. DEXTER: -- to the right page.

21 CHAIRMAN GOLDNER: Yes, please.

22 MR. DEXTER: Thank you. The witness is
23 on the right page.

24 MS. RALSTON: Okay. Great.

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 MR. DEXTER: With no help from me.

2 MS. RALSTON: I will try to make this
3 all worth our while.

4 BY MS. RALSTON:

5 Q So, do you see the chart on that page called
6 "Summary of Delayed Invoices and Resolution by
7 Date and Dollar"?

8 A (Noonan) Yes.

9 Q Okay. Would you agree that this summary table
10 demonstrates that the Company had essentially
11 caught up on the delayed billing by March of
12 2023?

13 A (Noonan) For the accounts that were identified
14 for the Department in January of 2023, it does
15 appear that the issues with those specific group
16 of accounts had been primarily addressed by March
17 of 2023.

18 However, there were additional accounts
19 that continued to be problematic that were
20 perhaps not identified in that initial number.

21 Q Thank you, Ms. Noonan. I now have just a few
22 additional questions that I believe are for Mr.
23 Dudley.

24 One follow-up question regarding the

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 revenue requirement update. This morning you
2 stated, I believe, and you can correct me if I'm
3 misstating, that "when a utility files its
4 revenue requirement update, it always includes a
5 technical statement." Was that your position
6 this morning?

7 A (Dudley) That's been our experience, yes.

8 Q Okay. Are you aware that, in Docket DE 21-030,
9 Unitil did not include a technical statement?

10 A (Dudley) I'd have to check on that. I don't
11 recall.

12 Q Okay.

13 A (Nixon) May I add to that?

14 Q Sure.

15 A (Nixon) So, and I can't remember which case I
16 looked, but I remember -- I recall that, once the
17 update was filed, it was in response to a data
18 request. So, sometimes it is filed that way as
19 well. I cannot cite the case. So, there was
20 explanation with the data response.

21 Q Okay. Would you also agree then, Ms. Nixon or
22 Mr. Dudley, that, if the case were to proceed,
23 and the Company was afforded the opportunity to
24 provide rebuttal testimony, it could provide

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 additional explanations as part of its rebuttal
2 testimony?

3 A (Dudley) Certainly.

4 Q Thank you. Mr. Dudley, the Motion to Dismiss
5 references -- one second, I'm sorry.

6 Mr. Dudley, in your testimony you filed
7 in this proceeding, there's references to an
8 "August 2016 Liberty Consulting Group Report", is
9 that accurate?

10 A (Dudley) Yes, it is.

11 Q Okay. And did that Consulting report include any
12 recommendations related to the Company's
13 financial accounting?

14 A (Dudley) It did. It did cover -- the management
15 audit was quite broad, and it did cover the area
16 of accounting.

17 Q Are you aware that the Liberty Consulting Group
18 prepared a supplemental report in November of
19 2017?

20 A (Dudley) Yes, I am.

21 Q Okay. And did you review that supplemental
22 report?

23 A (Dudley) Yes, I did.

24 Q And do you recall if that supplemental report

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 described the progress made by the Company in
2 implementing the recommendations from the 2016
3 report?

4 A (Dudley) I recall that it noted improvements in
5 the area of customer service. However, we found
6 Liberty's -- that the Consulting's findings, in
7 terms of capital investment, to be inclusive.

8 Q And would you agree that the information in that
9 supplemental report could be helpful to the
10 Commission, if it were to consider the 2016
11 report?

12 A (Dudley) It would be helpful. I'm not sure how
13 helpful it would be to Liberty. And the reason
14 why I say that is, because, as part of their
15 updated review, Liberty Consulting reviewed four
16 additional projects. To be specific, those
17 projects were the Concord Training Center, the
18 CNG Compressor Project, the Keene Conversion
19 Project, and the IT Expenditures Blanket Project.
20 And what they found was a continuation of the
21 deficiencies that they had reported in the
22 original Audit Report.

23 Now, they did -- they did correct
24 themselves in the update on that, because the --

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 it was a matter of timing. And, by that, I mean
2 that the four projects that they had reviewed
3 were 2016 projects, they had been initiated.
4 Some of them completed prior to Liberty
5 Consulting issuing their findings and their
6 recommendations.

7 However, as a follow-up, they did look
8 at the Keene LNG Project, which was a 2017
9 project. And they came to the conclusion that
10 similar deficiencies were continuing. But
11 Liberty did find that a few of the
12 recommendations had been adopted by Liberty
13 Utilities. One of those being the percentage
14 variances in budgeting. Liberty had adopted
15 Liberty Consulting's recommendation of a range of
16 5 to 10 percent. That was included in Liberty's
17 policy and procedures. Liberty also adopted the
18 monthly committee meetings to discuss the
19 variances.

20 And, excuse me, the third one adopted
21 was the adoption of the project close-out report,
22 and that was made a part of Liberty -- again,
23 Liberty's policies and procedures.

24 Q Thank you. And, then, just a couple final

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 questions. Again, I believe these are for you,
2 Mr. Dudley.

3 Earlier, Attorney Dexter had asked the
4 panel's opinion on the Company's proposal for the
5 90-day stay and the third party review. Do you
6 recall those questions?

7 A (Dudley) I do, yes.

8 Q Okay. And one of your statements was that "the
9 Company wanted to use an auditor that it has an
10 existing relationship." Do you remember stating
11 that?

12 A (Dudley) That's my understanding from the
13 January 4th hearing, yes.

14 Q And do you recall, from the January 4th hearing,
15 when I explained that the reason for that was
16 timing?

17 A (Dudley) Vaguely, yes.

18 Q Okay. And do you also recall the Company
19 offering to let the Department of Energy weigh in
20 on selection of the auditor or -- and/or the
21 process for performing that third party review?

22 A (Dudley) Yes, I do.

23 MS. RALSTON: Okay. That's all the
24 Company has. Thank you.

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 CHAIRMAN GOLDNER: Thank you. We'll
2 turn now to Commissioner questions, beginning
3 with Commissioner Simpson.

4 I'll just check first, to see if the
5 OCA or Dartmouth College has any questions for
6 Ms. Noonan?

7 MR. KREIS: We have no questions for
8 Ms. Noonan.

9 MR. GETZ: No questions, Mr. Chairman.

10 CHAIRMAN GOLDNER: Okay. Thank you.
11 We'll turn to Commissioner Simpson then.

12 CMSR. SIMPSON: Thank you. And I'll
13 first turn to Attorney Ralston.

14 I'm struggling to find the FERC Form
15 that was filed in exhibits. If the Company could
16 identify the exhibit, and, if it's not in an
17 exhibit, in the record, and the corresponding
18 page number, that would be helpful.

19 I'll ask these witnesses some
20 questions, but I'm looking for that reference. I
21 can't find it.

22 MS. RALSTON: You're looking for the
23 FERC Form 1?

24 CMSR. SIMPSON: Yes.

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 MS. RALSTON: Okay.

2 CMSR. SIMPSON: That's filed as an
3 annual report. But I'm looking for it herein.
4 Thank you.

5 MS. RALSTON: Okay. Thank you.

6 CMSR. SIMPSON: And please, when you
7 find it, let me know.

8 MS. RALSTON: I will. Thank you.

9 BY CMSR. SIMPSON:

10 Q So, I'm just first wondering, particularly for
11 Ms. Moran, the audit process that you went
12 through was clearly very thorough. Did you feel
13 that the Company was transparent and confident in
14 their responses and engagement with the Audit
15 team throughout that process?

16 A (Moran) Partially yes and partially no. But,
17 like the time it took to have some of our audit
18 requests answered, caused significant delays. I
19 mean, we had one question that was outstanding
20 for 77 days. And, by the time we get that kind
21 of response, the reason we even asked might have
22 passed through our brain already.

23 Q Uh-huh.

24 A (Moran) The process could have been much faster,

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 and more direct, had we had access, as we have in
2 prior audits in prior years, to the people who
3 actually do the work. I understand that our
4 questions go through the regulatory review as if
5 their data requests. And I understand that, for
6 tracking purposes. But it made it much more
7 difficult to have a back-and-forth.

8 Q Did you feel that, when questions were raised and
9 responses were provided, that there was
10 confidence in the response provided to the
11 Department?

12 A (Moran) If we had follow-up questions, we always
13 asked, and they provided answers to us.

14 Q Okay. And I believe I understand your testimony
15 to be, with respect to the time, Attorney Ralston
16 asked you a question about "did the Department
17 seek more time in asking questions and seeking
18 responses?" And you testified "no" to that
19 question, correct?

20 A (Moran) That's correct. When we finally get to
21 the stage where we issue a draft report, as I
22 stated earlier, we started the audit in May. So,
23 we took five months before we finally issued a
24 draft report.

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 In the interim, there were lots of
2 other audits taking place. And we finally have
3 to stop and say "This audit's done." We're doing
4 other audits, that I won't get into. But, yes,
5 sooner or later, we have to just say "No, we're
6 done."

7 Q And, of course, --

8 A (Moran) And that's really where we came to.

9 Q Of course, there's a procedural schedule in
10 place, with hearing dates set --

11 A (Moran) Right.

12 Q -- for this proceeding.

13 A (Moran) Correct.

14 Q And you have to work through the audit process in
15 line with that procedural schedule, if I
16 understand correctly?

17 A (Moran) Typically, the audit is not part of a
18 procedural schedule. In a perfect world, the
19 audit work and the final report would be done
20 before the first set of data requests are issued.
21 That didn't happen here, just because of timing.
22 Timing is a reason for a lot of things that
23 happen.

24 But we really try to get the Audit

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 Report to the Regulatory Staff, so they can look
2 it over. If there are things they want to look
3 into further, they can use the Audit Report as
4 the basis for some of their data requests.

5 A (Dudley) Commissioner Simpson, if I may
6 interject?

7 Q Please.

8 A (Dudley) And I agree with Ms. Moran. That the
9 Audit Report is considered a key piece of
10 information for Department Staff, and also for
11 our cost of service consultant. She also relies
12 on those findings to issue her final conclusions
13 about the revenue requirement.

14 CMSR. SIMPSON: Okay. Thank you.
15 Attorney Ralston?

16 MS. RALSTON: So, it's my understanding
17 that the FERC Form 1 is filed routinely with the
18 Commission. And that is the version we have been
19 relying on.

20 If you would like it submitted
21 separately as a formal exhibit, we would be happy
22 to do that. And I would also make that offer,
23 because I think, on the last hearing day, you
24 noted there were "some presentation issues".

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 CMSR. SIMPSON: Yes.

2 MS. RALSTON: And it's my understanding
3 that is a function of the software used to upload
4 the form to FERC. But there is a way that we
5 could get you a "clean" copy. So, we would be
6 happy to do that, if that would assist you. Or,
7 we could even send it during the lunch break, or,
8 you know, see what happens, for this afternoon,
9 if that would be helpful?

10 CMSR. SIMPSON: Do you know if the
11 Department was provided with a "clean" copy of
12 the form?

13 MS. RALSTON: I believe that they're --
14 they have access to the version that's available
15 online. We were not aware that anyone was having
16 trouble reviewing it. So, I would have to defer
17 to them, if they're having trouble with the same
18 presentation issues.

19 CMSR. SIMPSON: Okay. Because I still
20 just see the one that's filed on the Department's
21 website as an annual -- electric annual report.
22 And I wanted to ask these witnesses, how did they
23 even comprehend the data that's afforded in this
24 form? Because, when I look at it, I just can't

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 tell what is accurate and what isn't, given the
2 presentation problem.

3 MS. RALSTON: Yes. And I don't know, I
4 mean, the Department of Energy could explain, I
5 don't if maybe they need to respond, --

6 CMSR. SIMPSON: Okay.

7 MS. RALSTON: -- if they have the
8 software, I'm not sure. But we would be happy to
9 provide one that eliminates that presentation
10 issue.

11 CMSR. SIMPSON: Okay. Thank you for
12 that. So, I'll ask these witnesses.

13 BY CMSR. SIMPSON:

14 Q You did review the FERC Form 1 that the Company
15 filed for 2022, correct?

16 A (Dudley) Yes.

17 A (Nixon) Yes.

18 Q Did you see the same presentation issues that
19 I've noted multiple times now?

20 A (Nixon) Yes.

21 Q I'm looking at the form page -- or, pdf Pages 45,
22 46, 47, 48.

23 A (Moran) If I may?

24 Q Please.

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 A (Moran) Our auditor asked for a legible copy, and
2 we do have one.

3 Q You do. Okay. So, you were able to, at least
4 from the Company's data, get a version of this
5 form that was --

6 A (Moran) Legible.

7 Q Legible. Okay.

8 A (Moran) And Attorney Ralston is correct. This is
9 a FERC issue, not a Company issue, not a
10 Department of Energy issue.

11 Q Excellent. Thank you for that.

12 A (Nixon) But, if I can speak for myself, that the
13 version we have is the same version you have.

14 A (Dudley) Yes.

15 A (Nixon) Audit was the only one that had a
16 separate one.

17 CMSR. SIMPSON: Okay. If the Company
18 could file that, that would be appreciated?

19 MS. RALSTON: Yes. We will get that
20 today.

21 CMSR. SIMPSON: Thank you.

22 MS. RALSTON: And I apologize. And, in
23 the future, we would just ask that, you know, if
24 someone had let us know, we would have gotten

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 this in much earlier. So, I do apologize for
2 that issue.

3 CHAIRMAN GOLDNER: We'll just make that
4 "Exhibit 9".

5 *(Exhibit 9 reserved)*

6 BY CMSR. SIMPSON:

7 Q At the beginning of direct, Ms. Moran, you were
8 asked some questions about a "payroll report", do
9 you recall that?

10 A (Moran) I do.

11 Q My understanding thus far is that the information
12 provided by the Company, prior to October of
13 2022, isn't of concern. That the data that was
14 originally in the Company's Great Plains system,
15 you had confidence in. And it was the data that
16 then was provided for October '22 through
17 December '22 that migrated from the SAP system is
18 where you have a concern. But, please elaborate.

19 A (Moran) Well, I'm not sure that's completely
20 correct. Because what we looked at was the
21 year-end payroll register, so that, of course,
22 would include the entire test year. And we were
23 unable to verify the payroll system to the
24 general ledger.

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 So, there wasn't a month-by-month
2 review of the payroll register to Great Plains,
3 and then to SAP. It was a year-end review, and
4 we couldn't accomplish that.

5 Q Was Great Plains used for both the general ledger
6 and the payroll system historically?

7 A (Moran) I, frankly, am not aware of what system
8 the payroll was. But I don't think it was the
9 same.

10 Q And, to your knowledge, is payroll and the
11 general ledger now managed by the Company in the
12 SAP environment?

13 A (Moran) I'm unsure.

14 Q Okay. So, you neither have confidence in the
15 data that was provided from Great Plains nor SAP?

16 A (Moran) I'm not sure I'd phrase it that way.
17 Because, as I said, we looked at the year-end
18 payroll register. So, assuming the Great Plains
19 activity for the year moved to the correct SAP
20 account, understanding the mapping issues, there
21 could be an issue, there could not be, I mean, it
22 could be fine.

23 Q Uh-huh.

24 A (Moran) But we were unable to determine if any of

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 the payroll accounts within the SAP system that
2 would show to which expense account or which
3 capital accounts any of the payroll dollars hit.

4 Q Okay. Thank you.

5 A (Moran) Sure.

6 Q And this is for the entire panel. Is it the
7 Department's position or understanding that
8 there's a forthcoming revenue requirement update
9 that the Company will be providing for this case?

10 A (Dudley) That was our understanding from counsel
11 from the January 4th hearing, yes.

12 Q But you have not yet received an update to the
13 revenue requirement?

14 A (Dudley) Well, I assume that we will receive it,
15 depending on whether or not the rate case
16 continues.

17 CMSR. SIMPSON: Does the Department
18 have any position as to whether or not FERC or
19 securities regulators should be contacted, given
20 the concerns that arise from the information
21 that's been provided?

22 And I'm happy to direct that at
23 Attorney Dexter.

24 MR. DEXTER: Well, I guess I'd give the

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 same answer I gave on January 4th, which was that
2 we haven't looked into that.

3 CMSR. SIMPSON: Okay.

4 MR. DEXTER: And, again, we've been
5 focused on the rate case, and the impacts of the
6 information on the rate case. And don't have a
7 position on, you know, what might need to be done
8 at the FERC, that hasn't been our focus.

9 CMSR. SIMPSON: Okay. Thank you.

10 BY CMSR. SIMPSON:

11 Q So, then, my last question for the Department
12 witness panel, as a general matter, do you have
13 concerns about the financial health of this
14 utility?

15 A (Dudley) We don't know. We are deeply concerned
16 about the mapping issues. We are deeply
17 concerned by the fact that Audit was unable to
18 verify the accuracy of some of the corrections
19 that were made.

20 And whether or not that impacts the
21 financial stability of Liberty? I think it's
22 really a matter of correctly processing
23 accounting information. In other words, I think
24 the revenue dollars are there. Certainly, we're

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 aware that SAP -- one of the functions of SAP is
2 a cash management component. We don't know how
3 that's working. We're only aware of the impacts
4 regarding the general ledger and the accounting.
5 But our assumption is that it's probably working
6 okay.

7 But I really don't -- I don't have any
8 information at my fingertips, Commissioner
9 Simpson, to give you a specific answer.

10 Again, we are concerned about the way
11 the information is reported and the accuracy of
12 that information. But, whether or not it has a
13 detrimental impact on Liberty as a going concern,
14 we really don't know.

15 CMSR. SIMPSON: Okay. Thank you.
16 That's all I have, Mr. Chairman.

17 CHAIRMAN GOLDNER: Okay. We'll move to
18 Commissioner Chattopadhyay.

19 CMSR. CHATTOPADHYAY: Good afternoon.
20 BY CMSR. CHATTOPADHYAY:

21 Q I think you probably recall that there was, on
22 the 4th, during the hearing, there was some
23 discussion about -- I think it was Attorney
24 Dexter who had said, you know, "the facts were

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 laid out in the Motion, and no one has disputed
2 them." And, then, the Company essentially said
3 that, I'm going to go there, actually, in the
4 transcript right now, that they -- they
5 "understood that the adjustments were necessary",
6 and their position was that -- that "the 2022
7 books is not the starting point", those
8 adjustments, you know, like I said, "were
9 necessary", like they were made. And it was
10 stated that "they were made, they were explained,
11 they were supported."

12 So, I want to get a sense of whether
13 DOE agrees that the adjustments that the Company
14 is talking about, you agree that they were
15 explained and they were supported?

16 A (Moran) I'll start, just from the Audit
17 perspective. When the Company says they "did the
18 adjustments", I think it's more along the lines
19 that they adjusted the Rate Filing. They didn't
20 adjust their SAP account structure, they didn't
21 adjust the FERC, because they essentially used
22 numbers that they thought should be there, not
23 the numbers that were there.

24 So, from Audit's perspective, it's not

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 really a relevant statement, because the test
2 year 2022 figures were what they were.

3 Jay?

4 Q You know, anything others may want to add?

5 A (Nixon) Go ahead. Yes. Go ahead.

6 A (Dudley) Yes. Well, I agree with Ms. Moran.

7 Whether -- the problem is accuracy, and whether
8 or not they're accurate; we don't know.

9 In terms of the test year, yes,
10 adjustments were made in the 2022 test year to
11 that. And our understanding, again, is that more
12 adjustments are coming.

13 In terms of adjusting the SAP mapping
14 errors, those largely occurred in 2023. In 2022,
15 the books were closed. They can't be changed.
16 There's no going back to fix them. They're
17 closed.

18 But, now, we're -- again, we've been
19 made aware, in the last hearing, on January 4th,
20 that Liberty is discovering additional mapping
21 issues. And that, as I explained to Mr. Dexter
22 earlier this morning, there will likely be
23 additional corrections made in 2024.

24 So, all of those things combined,

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 Commissioner Chattopadhyay, make us very uneasy,
2 in terms of reliability of the test year numbers,
3 and whether or not 2022 is still a viable test
4 year.

5 A (Nixon) And I'd like to add to that. I'd like to
6 add to that that, and I don't have it in front of
7 me, but I believe there's an attestation that the
8 Company needs to make, and, as part of that, they
9 have to verify that they've indicated any
10 differences in the filing, and that was not made.
11 But the attestation was made, but that that
12 difference was not made, is what I'm
13 understanding.

14 Again, I can't pull up the reg right in
15 front of me quickly, but there is a requirement
16 to do that.

17 Q On January 4th, there was, like you mentioned,
18 the Company made us aware of additional SAP
19 issues. And, as I understood it, it was probably
20 noted or those issues were noted before the end
21 of the last year.

22 But has there been any back-and-forth
23 for you to know a little bit more and then -- and
24 come to some conclusion about there might be

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 other changes that's happening in 2024 for being
2 noted, you know, as issues with the SAP? Are you
3 aware of it or have you had -- did you continue
4 the conversation with the Company about that?

5 A (Dudley) No. There were no conversations with
6 the Company, because the period for discovery had
7 expired.

8 Q Okay. So, this is a question for -- really
9 related to the audit, so, I'm going to ask this
10 to Ms. Karen Moran. So, I'm going to quickly,
11 this is -- it's a general question.

12 When there's a rate case filing, and
13 I'm not an auditor, I just -- I might use terms
14 that are not exactly the way you use them, but --
15 so, there's an annual report, and then there's a
16 rate case filing. You're trying to reconcile
17 them as much as possible, right?

18 A (Moran) Correct.

19 Q And, in prior rate cases that you've worked on
20 such, in other words, for so many years, like
21 usually there are issues?

22 A (Moran) Sure. What we find are things like one
23 account is reflected on the report in the wrong
24 spot. They tell us why. It's usually a

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 difference between GAAP and FERC. We kind of
2 agree or disagree on that. But it's a
3 one-for-one. It's not the extent of the -- it's
4 not a problem that the dollars within the account
5 that's in the wrong spot can't be verified. You
6 know, we trace those amounts. We say "Yeah, that
7 account is right. It should be on the liability
8 side of the balance sheet, not the asset side."
9 Those are the kinds of issues we typically see.

10 What we saw in this case is distinctly
11 different.

12 Q So, as I understand, and correct me if I get it
13 wrong, the kind of issues that you usually
14 discover, when you're comparing, it's more about,
15 you know, you may still have disagreements, but
16 it's really about where things should go to, in
17 terms of account line numbers and things like
18 that?

19 A (Moran) Yes. And they're very minimal.

20 Q Okay.

21 A (Moran) You know, there might be one or two
22 accounts that we argue about.

23 Q So, in your experience, this instance, like in
24 this rate case, that problem is perhaps there,

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 but it's also significant, number one?

2 A (Moran) That's correct.

3 Q And, number two, given what's going on, you're
4 not sure there might not be others that are out
5 there. Is that a correct understanding?

6 A (Moran) That's correct. Because we looked at
7 what we were able to verify, clearly, we didn't
8 find all of the mismapping issues. Because, as
9 Mr. Dudley has already said, things are turning
10 up a year later, as we learned at the hearing a
11 couple weeks ago.

12 Q To keep it short, I'm just going to go to the --
13 this is Exhibit 8, and again about audit. I'm
14 going to pick maybe a couple of examples.

15 So, look at what you had for Audit
16 Issue Number 2, I think it's Bates Page 152. And
17 the Bates Page on the right extreme is 178. So,
18 just to be -- I think we're using 152. Let me
19 know when you're there.

20 A (Moran) I'm there.

21 Q Okay. So, the "Audit Comment" at the end says:
22 "Audit concurs and requests that copies of any
23 adjusting journal entries be provided to Audit
24 within 30 days of this Final report." Did you

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 receive anything?

2 A (Moran) No.

3 Q Does the DOE otherwise, not the Audit Division,
4 have anything to add? Like, when something like
5 this is flagged, do you follow up, and what
6 happens, if at all?

7 A (Nixon) We did not follow up and did not receive
8 anything.

9 Q Okay. So, let's go to Bates Page 1 -- I'm going
10 to go there. So, let's go to Bates Page 169. A
11 very similar question at the end, it says "Audit
12 concurs with the Company adjusting the filing."

13 So, these -- are these adjustments
14 being followed through? Or, are you essentially
15 saying "all of these will be done next time
16 around"?

17 So, I'm trying to understand whether
18 any of the improvements that you're talking about
19 get reflected in the rate case?

20 A (Moran) They should be reflected in the updated
21 revenue requirement schedules. Audit doesn't
22 review the updated filings, because the audit
23 takes place against the original filing. That's
24 why this is a tool that we give to the Regulatory

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 Staff. So, they see all of these issues that say
2 "the revenue requirement will be updated". And,
3 as Ms. Nixon said earlier, it's hard for them to
4 know if these adjustments, if any, resulting from
5 data responses, if any are identified by the
6 Company, if they have all been included in the
7 updated revenue requirement schedules.

8 Q Okay. So, that's why I'm going to go to DOE and
9 ask whether, for example, this one, which is
10 Audit Issue Number 11, would you know that
11 whether that was reflected properly in
12 recalculating the revenue requirement?

13 A (Nixon) So, as I noted earlier, we were not able
14 to go back and verify. I mean, as I sat here, as
15 you were speaking, I went to the filings update
16 and saw that they listed it, and said it was
17 superseded by something else. But, literally,
18 just did that on the stand. We did not check and
19 verify that they have made every update that they
20 said they were going to update.

21 Q Can the DOE do that? I mean, doesn't have to do
22 it right away, but can that be a --

23 A (Nixon) Well, I guess our concern is that it
24 seems that the errors and updates are ongoing. I

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 mean, we just heard on January 4th there were
2 more updates. So, we don't even have the latest
3 update filing.

4 And I hesitate to offer that we can do
5 that, because that is an -- it seems like a big
6 undertaking at this point.

7 Q So, let me put it differently. I think I
8 understand the point about, when you have so many
9 mistakes, then you start worrying about "there
10 might be more", and, so, all of that is clouding
11 your approach to concluding that this is all
12 taken care of. Okay. So, that I fully
13 understand.

14 What I'm asking is, there are these 28
15 audit issues, okay? And, to the extent you know
16 whether they have been accounted for, the ones
17 that the Audit concurs in, then said "this is the
18 adjustment that the Company has agreed to do",
19 that's what I'm trying to check.

20 And it's not about -- I'm not saying
21 that, having made you go through that, you know,
22 I'm therefore sort of also asking you what your
23 opinion is about whether there may not be other
24 issues, okay. So, I'm just --

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 A (Nixon) So, let me just repeat what I think I
2 heard you were asking. Were you saying "Can the
3 Department or has the Department double-checked
4 all of the issues that were addressed in the
5 audit and the data responses, and fix them?"

6 Q The ones where the Audit concurs?

7 A (Nixon) The Audit -- we have not done that.

8 Q Yes. And I'm saying, is it possible to do that?

9 A (Nixon) I guess I'd -- I'd have to -- to the
10 extent it's in the filing, that is something --
11 that's something that our Department could do.

12 Q Yes.

13 A (Nixon) If it's in the books and records, that's
14 something that we don't dive into.

15 Q No, I'm talking about in the filing?

16 A (Nixon) That's something that, yes, it is
17 something theoretically it could do. But, as I
18 mentioned, I'm worried that those aren't all the
19 errors and corrections.

20 Q That I understand. So, you can -- you know,
21 that's your position. But the ones that are
22 listed that it says "Audit concurs with the
23 Company adjusting the filing", can you go back
24 and check?

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 A (Nixon) And I -- I think I would have to look at
2 every one of them and see what it says.

3 Q Yes.

4 A (Nixon) But I believe that's something we could
5 do.

6 Q Yes.

7 A (Nixon) But I just want to note, there were a lot
8 of statements like that made in the data
9 responses as well. And, I mean, those were
10 numerous. So, I --

11 Q Yes, I would -- I think what I'm asking is, based
12 on the audit issues, there are 28 of them, there
13 are some that the audit comment at the end is
14 "Audit concurs with the Company adjusting the
15 filing."

16 A (Dudley) Commissioner, it's one thing to do a
17 line-by-line verification to see whether or not
18 these categories were included. I mean, sure,
19 you can do that. Our problem is verification,
20 for accuracy.

21 Q Agreed. I understand that.

22 A (Dudley) Yes.

23 Q I mean, I'm not discounting it. I'm just --

24 A (Dudley) Okay.

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 CMSR. CHATTOPADHYAY: I think that's
2 all I have for now.

3 CHAIRMAN GOLDNER: Okay. Just a quick
4 check with Attorney Dexter, before I just have a
5 few questions. Would you prefer, Attorney
6 Dexter, to do redirect after a break or dive into
7 it after my questions, which won't be more than
8 five minutes?

9 MR. DEXTER: I don't have a lot on
10 redirect. I think we could do it before the
11 lunch break.

12 CHAIRMAN GOLDNER: Okay. Let's do that
13 then.

14 So, just a couple of questions.

15 BY CHAIRMAN GOLDNER:

16 Q Ms. Moran, your audit was a sample audit, right?
17 You didn't go through every single line of the
18 Company's books and records?

19 A (Moran) Correct.

20 Q Yes. And, when you looked at issues, you
21 identified, I think, 28 Audit Issues, and that
22 was -- this question was kind of asked earlier,
23 but I wanted to come back to it, that was kind of
24 out of how many? Did you look in 28 areas and

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 find 28 issues? Or, did you look in a few
2 hundred areas and find 28 issues?

3 A (Moran) So, what we do, the entire Audit Staff,
4 there are five of us, we all have different areas
5 of, basically, the FERC Form 1 that we look at.
6 So, the balance sheet accounts, plant additions,
7 retirements, adjustments, revenues, income
8 statement, debt. Those are the kinds of areas we
9 look at.

10 So, it's not that we all decide "I
11 found ten issues in this one section, should we
12 include one?" That's not how it works. We go
13 through, and we certainly see some areas that
14 have no issues. They tie to the books, the
15 supporting documentation is fine, that results in
16 no audit issue.

17 So, you can't -- you can't really look
18 at it in that context.

19 Q I'm just trying to understand. You mentioned
20 before that the issues were "significant". So,
21 we had some large dollar issues, I understand
22 that piece of it.

23 I'm just trying to understand what I
24 might call a "DPPM" level, an error level. Is

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 it, normally, you would look through the books
2 and records, and you -- and you said, I think,
3 before that you "normally find about the same
4 number of issues". The concern here is that the
5 dollar figures were much higher with the audit
6 issues?

7 A (Moran) It's not so much the dollar issues,
8 although there are significant ones. The first
9 one on your request from the Bench, half a
10 billion dollars, that's a significant dollar
11 amount. But it's the mapping issue. It's the
12 fact that we found expense accounts in balance
13 sheet accounts, or balance sheet accounts mapped
14 to expense accounts. And we've just never come
15 across that kind of mismatching problem.

16 And Audit Issue Number 1 lays out a
17 bunch of the problems, clearly not all of them.
18 And that's much more troubling to me as an
19 auditor, than, at the end of the day, it netted
20 out to, you know, \$500,000. It's critical that
21 the mapping be fixed.

22 Q Thank you. Second question is, so, this filing
23 from the Company was based on the books and
24 records from 2022, the test year. If the Company

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 were to refile with a 2023 test year, or 2024
2 test year, what's your confidence that those
3 books and records would be I'll call it "good
4 enough" to proceed with a rate case?

5 A (Dudley) Given the amount of corrections that
6 were made in 2023, we wouldn't consider 2023
7 reliable. We're basically in the same place, Mr.
8 Chairman.

9 A (Nixon) And I just want to add, I mean, given
10 that, at the last hearing, additional errors were
11 found, seems like there's going to still continue
12 to be corrections into 2024. And to the extent,
13 at this point, we still have not gotten
14 verification that all the issues have been
15 corrected. So, we're -- we can't even -- we
16 don't know if they're corrected even to this day.

17 Q Okay. Thank you. Just one last two-part
18 question. And I believe you've already answered
19 this, but I just want to close the questioning
20 for the Department with a clarification.

21 And that is, does the Department
22 believe that it can proceed in the rate case with
23 the books and records as they are?

24 A (Dudley) No, we cannot.

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 Q And Part B of the question is, if the
2 Company's -- if the Commission were to approve
3 the Company's proposal for this three-month
4 delay, with an auditor coming in and reviewing
5 the records, and ostensibly fixing the issues,
6 can you maybe summarize the Department's position
7 again on that proposal?

8 A (Dudley) Well, the Department does not support
9 the proposal, as far as we know, from the
10 Company. We don't think the auditor should be
11 chosen by the Company, much less have a business
12 relationship with the Company. That's not an
13 independent third-party audit, in our estimation.
14 That's more kind of the "fox guarding the chicken
15 coop".

16 So, the other part -- the other piece
17 of that is, Liberty hasn't really specified the
18 qualifications of the auditor. We believe that
19 the auditor should have an expert level of
20 understanding of the SAP system and how it works,
21 and how the mapping works. That should be a
22 requirement. The auditor should also be -- have
23 an expert level of knowledge regarding FERC
24 accounting and the FERC Chart of Accounts, and

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 how that works, and how the reporting works. We
2 also think that, incorporated into any type of
3 audit, there should be, as Ms. Moran mentioned
4 earlier, an IT audit, as to how the SAP system is
5 actually functioning, and how the conversion
6 process was carried out.

7 But, even then, Mr. Chairman, would we
8 have any level of comfort? Well, we don't know.
9 Because would these -- would these auditors
10 actually capture all of the errors that exist out
11 there? We still don't know the extent of the
12 errors or how prolific they are.

13 But the problem is that this audit
14 would have to be very comprehensive and very
15 exacting, which means that they would have to
16 actually get down on the transaction level, and
17 review most of the transactions. That's a very
18 daunting task. Meaning, that an audit like that
19 wouldn't be accomplished in 90 days. It would
20 probably be accomplished in 120 days or more.

21 So, and the other -- the other outcome
22 to consider, Mr. Chairman, is that, after all is
23 said and done, after all that work is completed,
24 the auditor may issue an adverse opinion, and

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 simply state "We can't figure this out either.
2 We can't tie back all the numbers." In which
3 case, they would issue an adverse opinion. And,
4 so, we're back to square one, after spending all
5 that time and money.

6 Q Okay. I'll just --

7 A (Nixon) And if -- and may I just add on?

8 Q Please.

9 A (Nixon) Just, I mean, the fact to have -- give
10 the time delay for this auditor, then we would
11 need additional time as well on top of that. And
12 the clock's ticking, and statutory requirements,
13 and contractual arrangements. I mean, there's
14 just -- it all snowballs as to what -- what that
15 triggers.

16 A (Dudley) Yes. If I could just add to Ms. Nixon's
17 comments?

18 If the Commission determines that
19 Liberty should not choose the auditor, well, then
20 it would either be the Commission choosing the
21 auditor, which is what the Commission did in the
22 last management audit with Liberty Consulting,
23 the PUC commissioned that particular auditor, or
24 it would be the Department. But, in either case,

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 we follow the same process. We issue an RFP, we
2 go through that process. We do a review process
3 of the RFPs. And, then, we send a candidate
4 proposal to Governor & Council. That's a very
5 long process. You're talking six or seven
6 months, probably. So, we may not, if that's the
7 case, then nothing may be resolved until the end
8 of 2024 or into 2025.

9 So, it's a very daunting process. If,
10 you know, if the Department were to agree to any
11 audit process, it would have to contain all of
12 the elements that I mentioned earlier.

13 Q So, I think, and this is just my follow-up, I
14 think what the Department is suggesting is that
15 the next opportunity for the Company is to use a
16 2024 test year, to use 2024 to get the books and
17 records clean, so that, in early 2025, the
18 Company could make a rate case filing that the
19 Department could be comfortable with?

20 A (Dudley) I could say that that's a possibility,
21 but I can't say that with any certainty.
22 Because, again, we still don't know the extent of
23 the errors, and whether or not those errors are
24 going to continue into 2024.

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 Q Yes. I guess I'm just asking for the
2 Department's position or opinion on the process
3 that it would recommend to the Company, as
4 opposed to -- I understand that there's no
5 certainty in the -- in any proposal. But I think
6 what I heard you say is a 2023 test year is not
7 an option, from the Department's point of view.
8 Therefore, using 2024, to clean everything up,
9 would be the best option, so the Company could
10 have a rate case filing as soon as it could?

11 A (Dudley) Yes. That would be a possibility, Mr.
12 Chairman. And our position all along has been
13 that Liberty should simply withdraw this rate
14 case and start over.

15 Q And, sadly, I have one more follow-up. And
16 that's the -- I believe the Department's position
17 would be that the rate case expenses should be
18 withdrawn, and that the temporary rates that were
19 approved should be returned to ratepayers?

20 A (Dudley) If the Motion is approved, yes.

21 Q Okay. Which is --

22 A (Nixon) Can I clarify? By saying "withdrawn",
23 meaning that the ratepayers aren't paying the
24 consultant expenses, is what you meant by that

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 statement?

2 Q Yes. If the Commission grants the Motion to
3 Dismiss, I believe the Department's position is
4 that there should be no rate case expenses the
5 ratepayers are paying for with respect to the
6 current filing?

7 A (Nixon) Well, yes. Ratepayers should not pay.
8 There are still rate case expenses that our
9 consultants and other consultants need to be
10 paid. So, our position is shareholders should
11 pay for that.

12 Q Yes, I understand.

13 A (Nixon) Okay. Okay.

14 Q And, then --

15 A (Nixon) Just wanted to clarify.

16 Q Thank you. And, then, with respect to temporary
17 rates that were granted, and I might be
18 misremembering the number, perhaps Attorney
19 Dexter could correct me, I think it was something
20 like \$5 million.

21 MR. DEXTER: That's correct.

22 BY CHAIRMAN GOLDNER:

23 Q That's correct. Do you -- the Department's
24 position on that would also be that that needs to

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 be reversed out. And that, to the extent that
2 any money has been collected so far, that that
3 would need to be returned to ratepayers. Is that
4 the Department's position?

5 A (Dudley) Yes. If the Motion to Dismiss is
6 approved, the rate case comes to an end.

7 Q Right. Right. And then that money -- I just
8 want to verify, your position is, any money
9 collected would need to be returned to
10 ratepayers, correct?

11 A (Nixon) Yes.

12 A (Dudley) Yes, it would, because it would be as if
13 the rate case was never filed.

14 CHAIRMAN GOLDNER: Right. Right. I
15 just wanted to validate that before you were --

16 WITNESS DUDLEY: Correct.

17 CHAIRMAN GOLDNER: -- off the stand.

18 Okay. Thank you.

19 Do my fellow Commissioners have any
20 follow-up questions, before we turn to redirect?

21 CMSR. CHATTOPADHYAY: No.

22 CHAIRMAN GOLDNER: Okay. Thank you.

23 Attorney Dexter.

24 MR. DEXTER: Thank you.

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

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REDIRECT EXAMINATION

BY MR. DEXTER:

Q So, Ms. Moran, earlier today you made a statement, and I'm going to try to paraphrase it. It had to do with what your understanding was of Liberty's external auditors, and why they were of the opinion that the 2022 books should not be reopened and corrected for these mapping issues. Do you remember answering questions about that?

A (Moran) I do.

Q Can you -- can you just explain what it is that your understanding was the position of the external auditor, and how you got that information?

A (Moran) Well, there was certain communication with the auditees, I can't remember who specifically, but --

Q I'm sorry, communication with who?

A (Moran) With the auditees.

Q With Liberty or --

A (Moran) Liberty.

Q Liberty, okay.

A (Moran) I can't remember who specifically. But, when I asked if the external auditors were aware

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 that the FERC Form 1 was wrong, basically, it
2 didn't tie to the books of the Company, they said
3 "Well, the natural accounts roll up to the
4 Corporate level, and that's what they were
5 focused on."

6 So, they weren't going to reopen the
7 Corporate books to fix at the regulatory level
8 the filing that the Company made with the FERC
9 Form 1.

10 Q Okay. And just to be clear, that's not your
11 opinion, that's information you heard from
12 Liberty, during the course of the audit?

13 A (Moran) Correct.

14 Q Okay. You also got some questions about time,
15 and how long an audit takes. And I think you
16 said just recently that, you know, "at some
17 point, it has to come to an end." Did the amount
18 of time that you and your time spent on the
19 mapping issue detract from an analysis that you
20 would typically do in an audit concerning the
21 underlying costs that a company incurs?

22 A (Moran) It did take much longer to verify that
23 accounts reflected on the FERC Form 1 and in the
24 filing itself did not agree with the SAP year-end

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 account numbers. That's correct.

2 Q But my understanding is, as part of a typical
3 audit, you would go beyond just this checking of
4 the reports versus the rate case expense, you
5 would actually analyze the underlying costs that
6 are contained in the accounts, once they ended up
7 in the right place, right? Is that true?

8 A (Moran) That's true. And we were able to do some
9 of that. You know, we didn't spend five months
10 just trying to verify SAP to the FERC to the Rate
11 Filing. We were able to get into some of the
12 detailed analysis that we typically do, but not
13 to the extent that we would have had they all
14 matched.

15 Q Thank you. And the panel was asked a question
16 about whether or not the Department is concerned
17 about the financial stability of Liberty. And,
18 Mr. Dudley, you answered the questions.

19 Is it your understanding that all
20 utilities, including Liberty, file forms that are
21 called "F-1", not to be confused with the "FERC
22 Form 1", but they're filed with the New Hampshire
23 PUC and the Department of Energy, they're called
24 an "F-1" form, and those report on a company's

[WITNESS PANEL: Nixon|Trottier|Dudley|Moran|Noonan]

1 overall operations and earnings, and the
2 calculation is in the form of a return on rate
3 base calculation?

4 A (Dudley) Yes. Those are quarterly reports, Mr.
5 Dexter.

6 Q Okay. And, so, if the Commission or the
7 Department of Energy wanted to monitor the
8 financial stability, they could look, there's a
9 report every quarter, and each quarter is looking
10 back twelve months, correct?

11 A (Dudley) Yes. Correct.

12 Q Okay. And those, at least I find them in the
13 e-filing, those are electronically filed, is that
14 correct?

15 A (Dudley) Yes.

16 MR. DEXTER: Okay. That's all the
17 questions I have.

18 CHAIRMAN GOLDNER: Okay. Thank you.
19 The Department of Energy witnesses are now
20 excused. Thank you for your time today.

21 We'll now take a break for lunch,
22 returning at 1:45.

23 *(Lunch recess taken at 1:02 p.m., and*
24 *the hearing reconvened at 1:48 p.m.)*

[WITNESS PANEL: Read|O'Brien|Dawes]

1 CHAIRMAN GOLDNER: Okay. We'll go back
2 on the record.

3 I see that the Liberty witness panel is
4 on the stand. But without the witness that you
5 were hoping for?

6 MS. RALSTON: Yes. I was just going to
7 confirm. Ms. Preston will not be able to join us
8 today. I spoke with counsel and just let them
9 know ahead of time. And, of course, if there
10 were specific questions that these witnesses
11 can't answer, we'd be happy to take a record
12 request. And we do apologize.

13 CHAIRMAN GOLDNER: Okay. Well, I hope
14 everything is okay with the witness and her
15 family.

16 Okay. Let's move forward. And, Mr.
17 Patnaude, if you could please swear in the
18 witnesses.

19 *(Whereupon **LUISA READ, PETER DAWES, and***
20 ***ERIN O'BRIEN** were duly sworn by the*
21 *Court Reporter.)*

22 CHAIRMAN GOLDNER: Okay. Thank you.
23 And we'll start with the Company, and direct.

24 MS. RALSTON: And one more procedural

[WITNESS PANEL: Read|O'Brien|Dawes]

1 issue before we proceed. I just wanted to
2 confirm the Commission received the FERC Form 1
3 during the lunch break?

4 CHAIRMAN GOLDNER: Thank you. We
5 received Exhibit 9, and we'll put it in the
6 docketbook. So, thank you for being so prompt
7 with the filing.

8 MS. RALSTON: Yes.

9 **LUISA READ, SWORN**

10 **PETER DAWES, SWORN**

11 **ERIN O'BRIEN, SWORN**

12 **DIRECT EXAMINATION**

13 BY MS. RALSTON:

14 Q Okay. So, I'll begin with you, Ms. Read. If you
15 could please state your name, position, and
16 responsibilities?

17 A (Read) Good afternoon. My name is Luisa Read. I
18 am the Vice President of Transformation,
19 Enterprise System, and Process Strategy at
20 Liberty. I have a CPA Finance designation in
21 Canada, Ontario. I also have a Finance degree
22 from the University, in Toronto. I have been
23 working with Liberty for 25 years, in the Finance
24 Department in our Corporate Head Office, in

[WITNESS PANEL: Read|O'Brien|Dawes]

1 Oakville.

2 I have -- four years ago, I accepted a
3 role on the Customer First Transformation Program
4 to be the finance lead for our Customer First
5 Program, primarily involved in all of the finance
6 processes that is included in the Customer First
7 Program, including the design of our new Chart of
8 Accounts, our general ledger, accounts payable,
9 fixed assets, time entry, and financial
10 reporting.

11 Q Thank you. And are you generally familiar with
12 the Department of Energy's Motion to Dismiss and
13 the Company's Objection to that Motion?

14 A (Read) Yes.

15 Q And are you also generally familiar with the
16 Company's rate case that is the subject of this
17 docket?

18 A (Read) Yes.

19 Q Okay. Mr. Dawes, would you please state your
20 full name, position, and responsibilities?

21 A (Dawes) Yes. My name is Peter Dawes. I'm the --
22 whoops, sorry, it's not on. Apologize for that.

23 My name is Peter Dawes. I'm the VP -
24 Finance and Administration for the East Region of

[WITNESS PANEL: Read|O'Brien|Dawes]

1 Liberty Utilities. So, that would include New
2 Hampshire, as well as various other states, and
3 the Province of New Brunswick. I'm responsible
4 for the financial accounting and reporting for
5 the East Region of Liberty Utilities, including
6 the New Hampshire utilities.

7 I've been with the Company for about, I
8 would say, six and a half years. But I've been
9 with utilities for the last 30 years in finance
10 and accounting roles.

11 Q And are you also familiar with the Department of
12 Energy's Motion to Dismiss and the Company's
13 Objection to that Motion?

14 A (Dawes) Yes, I am.

15 Q And are you also generally familiar with the
16 Company's rate case filing?

17 A (Dawes) Yes.

18 Q And you did not sponsor any testimony in support
19 of that Initial Filing, is that correct?

20 A (Dawes) I did not.

21 Q Okay. But was your -- were you or your team
22 involved in the transition of the SAP accounting
23 system?

24 A (Dawes) Yes, both me and my team.

[WITNESS PANEL: Read|O'Brien|Dawes]

1 Q Can you provide just a general overview of your
2 involvement with that process?

3 A (Dawes) Yes. So, less involved from a detail
4 standpoint, so more so design-related decisions;
5 ensuring training and testing took place, and
6 that people on my team were generally available;
7 as well as validating any information after
8 cutover, to ensure that the cutover was accurate.

9 Q Okay.

10 A (Dawes) But the bulk of the details weren't
11 necessarily performed by the people on my team.

12 Q And, then, Ms. O'Brien, would you please state
13 your full name, position, and responsibilities?

14 A (O'Brien) My name is Erin O'Brien. I joined
15 Liberty in September of 2020. I am the
16 Accounting Director in the East Region, looking
17 after general accounting for the New Hampshire
18 companies.

19 My background, prior to joining
20 Liberty, is I spent 14 years at PwC, most
21 recently as the Director in the Audit practice.
22 I have my Bachelor of Science in Business
23 Administration from Stonehill College; my
24 Master's in Accounting from Northeastern

[WITNESS PANEL: Read|O'Brien|Dawes]

1 University. And I am a Certified Public
2 Accountant.

3 Q Great. And are you familiar with the Department
4 of Energy's Motion to Dismiss and the Company's
5 Objection to the Motion?

6 A (O'Brien) I am.

7 Q And are you also generally familiar with the
8 Company's rate case filing?

9 A (O'Brien) Yes.

10 Q And you work with Mr. Dawes, correct?

11 A (O'Brien) Correct.

12 Q And, so, in that work, you were also involved in
13 the SAP transition, is that correct?

14 A (O'Brien) That's right.

15 Q Including the training and validation out of the
16 transition?

17 A (O'Brien) That's right.

18 Q Back to Ms. Read for a moment. The Company
19 included a proposed exhibit regarding the SAP
20 Chart of Accounts that was marked as "Exhibit 7".
21 Did you prepare that exhibit?

22 A (Read) Yes, I did.

23 Q Okay. And, before I ask you a series of
24 questions referring to that exhibit, I thought it

[WITNESS PANEL: Read|O'Brien|Dawes]

1 would be helpful to define some of the terms that
2 the Company will be using.

3 So, there's three sets of data that
4 we've been discussing today. And the first is
5 the Company's general ledger. Could you define
6 what the "general ledger"?

7 A (Read) "General ledger" is a list of accounts
8 that are primarily used for financial
9 transactions. And the general ledger is used for
10 financial reporting, internal management
11 reporting, external reporting, regulatory
12 reporting.

13 Q And, then, the second dataset we've been
14 discussing this morning is the FERC Form 1. And
15 I think what that is is self-explanatory. But
16 could one of the witnesses please just explain
17 briefly how the FERC Form 1 relates to that
18 general ledger?

19 A (O'Brien) The general ledger provides the basis
20 for the preparation of the FERC Form 1. We'll
21 get into details today around any adjustments
22 that were required. But the transactions present
23 in the general ledger are the basis for the FERC
24 Form 1.

[WITNESS PANEL: Read|O'Brien|Dawes]

1 Q And, finally, the third set of data we've been
2 discussing are the Company's revenue requirement
3 schedules. And could you explain how those
4 schedules relate to the general ledger and FERC
5 Form 1?

6 A (O'Brien) Similar to the FERC Form 1, the general
7 ledger provides the basis of the transactions
8 throughout the year in preparation of the initial
9 test year for the revenue requirement.

10 Q Okay. And, so, now turning to Exhibit 7, at Page
11 3. Page 3 has a diagram. Do the witnesses see
12 that?

13 A (Read) Yes.

14 Q And is that diagram intended to show that the SAP
15 accounting system is just one component of the
16 Company's IT investment that is sometimes
17 referred to as "Customer First"?

18 A (Read) Yes.

19 Q Okay. And what functions does that SAP General
20 Ledger Program serve?

21 A (Read) The general ledger, the SAP general
22 ledger, is all the financial transactions
23 recorded from the Company's perspective, and all
24 that general ledger information is used and

[WITNESS PANEL: Read|O'Brien|Dawes]

1 gathered in a way to be able to produce financial
2 reports, as I mentioned before, around management
3 reporting, external reporting, and regulatory
4 reporting.

5 Q And what are some of the benefits associated with
6 the Company's conversion to the SAP general
7 ledger?

8 A (Read) Our systems, our legacy systems that we
9 were using before were outdated, costly to
10 maintain, and not fully integrated. We had a
11 Great Plains system, which was our financial
12 transaction system, our ERP system. We had
13 Cogsdale, which was our customer information
14 system, was a separate system that needed to
15 bring data and financial transactions over,
16 information over, in order to complete our
17 financial data for the Company.

18 We also, through SAP, we now have a
19 integrated system between customer service,
20 financials, and operations. We also have found
21 the SAP implementation is reducing manual work,
22 especially from an accounts payable perspective,
23 there's no more data entry. There were a lot of
24 manual transactions done in our legacy systems to

[WITNESS PANEL: Read|O'Brien|Dawes]

1 our intercompany billing and our allocations.
2 Our fixed asset subledger is Power Plan, now is
3 part of Customer First, and that provides a lot
4 of automation, in terms of AFUDC calculations,
5 which were done offline in Excel spreadsheets,
6 instead of having it automated within the system.
7 So, our SAP Customer First implementation was
8 bringing more automation.

9 Q Thank you. And I'm just going to say, you might
10 need to slow down a little for the court
11 reporter.

12 A (Read) Okay.

13 Q I'm guilty of that as well. So, the Company has
14 stated that the Customer First investments went
15 live in October of 2022, and that included this
16 SAP General Ledger Program.

17 If we refer to Page 4 of Exhibit 7,
18 which is titled "General Ledger/Financial Data
19 Conversion Process", is this a high-level
20 overview of the process for implementing the SAP
21 general ledger?

22 A (Read) Yes.

23 Q Okay. Could you provide just a brief explanation
24 of that process?

[WITNESS PANEL: Read|O'Brien|Dawes]

1 A (Read) Sure. So, this just highlights four steps
2 that the organization or Customer First, the
3 Company, took in order to complete our data
4 conversion of the data from our legacy system
5 into our SAP system.

6 The first thing we needed to do is we
7 needed to create and design an SAP Chart of
8 Account. That's the foundation for any system
9 ERP implementation, because those -- that Chart
10 of Account provides the general ledger
11 information from the financial transactions.

12 The second step we needed to do is we
13 needed to convert the data from our Great Plains
14 legacy system to SAP. So, the Great Plains Chart
15 of Accounts, the different segments there needed
16 to be mapped to the new SAP Chart of Accounts.

17 The fourth step is you needed to
18 load -- sorry, the third step, third step you is
19 you needed to load the data into SAP, because
20 that's your starting point. That's where you
21 have your historical balances, as well as your
22 opening balance.

23 And, then, the fourth step is to
24 validate, reconcile, and sign off on the data to

[WITNESS PANEL: Read|O'Brien|Dawes]

1 ensure both systems have the appropriate data.

2 Q And, before we move on, you've used the acronym
3 "ERP" a couple times. Can you just define that?

4 A (Read) Sure. Our "Resource Enterprise Planning".

5 Q Thank you. And, then, if we turn to Pages 5
6 and 6 of Exhibit 7, those provide a comparison of
7 the Chart of Account structure under the legacy
8 Great Plains system and the SAP system, is that
9 correct?

10 A (Read) Correct.

11 Q Could you explain just a few of the key
12 differences between those two Chart of Accounts?

13 A (Read) The Great Plains Chart of Accounts
14 structure has six segments. Each of those
15 segments were inconsistently used across our
16 organization and our companies, which provided a
17 little bit of some difficulty in making sure that
18 one segment would be mapped to the new segment.

19 The one important change or difference
20 from our Great Plains Chart of Account is the
21 last three segments of our Chart of Account, our
22 account class, natural account, and subaccount,
23 those three segments added together were our --
24 what we called our "natural account/regulatory

[WITNESS PANEL: Read|O'Brien|Dawes]

1 account", and that three segments determined our
2 financial reporting, so, for GAAP reporting, as
3 well as regulatory reporting.

4 Q And, if we move on to Page 7, which is titled
5 "Legacy to SAP Conversion Process", there have
6 been a lot of references to "mapping" and
7 "conversion". Could you provide an explanation
8 what is meant by "mapping" and "data conversion",
9 as it pertains to moving data from the legacy
10 system to the SAP system?

11 A (Read) I was kind of trying not to make it as
12 complicated as it sounds. But it is a technical
13 table configuration that we needed to be able to
14 provide, to be able to say these are the accounts
15 coming from Great Plains, these are the segments
16 that they now map to in SAP. Then, we need to
17 bring the balances. We did not bring over
18 financial -- all the financial transactions from
19 our legacy system, Great Plains, we brought over
20 our account balances. So, every month we did a
21 calculation of the amounts that were in those
22 Chart of Accounts, in those accounts, and then
23 brought it over into SAP.

24 We have a mapping table that shows

[WITNESS PANEL: Read|O'Brien|Dawes]

1 these are the source information, and this where
2 the information needs to land in SAP. As an
3 example, the Granite State mapping table that we
4 had had over 1,100 rows of data. And we brought
5 over twelve months of 2021 data and nine months
6 of 2022 data in our opening balances for October.

7 Q And what steps did the Company take to verify
8 that that process happened correctly?

9 A (Read) Every month we bring over the data, we do
10 a reconciliation, to make sure that the balances
11 were -- our trial balance, because it's a trial
12 balance load, that comes into SAP, we ensured
13 that it balanced. We did some spot checks to
14 ensure that the net income, total net income,
15 tied in SAP to Great Plains. And we did some
16 spot checks on some balance sheet accounts,
17 assets, as an example, net assets totaled, cash
18 balances were correct, or equity tied.

19 Q Can you also explain how data has been mapped
20 within the SAP system with respect to
21 transactions that occurred starting in October of
22 2022, when the system went live?

23 A (Read) Yes. And that's going to the next slide,
24 which is page -- Slide 8, it talks about the

[WITNESS PANEL: Read|O'Brien|Dawes]

1 regulatory account assignments.

2 What's important to highlight in SAP,
3 every single financial transaction in SAP is
4 reported to a natural account, as well as the
5 regulatory account. Through SAP, the regulatory
6 account derivation is done through custom mapping
7 tables that are created in SAP. When a financial
8 transaction is reported, SAP fetches the
9 regulatory body, because Liberty has not just
10 FERC Electric, Granite State is one of our
11 utilities, we have utilities throughout the U.S.
12 that have different regulatory bodies or
13 jurisdictions, like NARUC Water and Sewer, as
14 well as FERC Gas.

15 So, the account assignment in SAP, the
16 regulatory body is derived based on the company
17 code and the profit center, to determine, as an
18 example, you must use FERC Electric as your
19 regulatory accounts. Through that, it then goes
20 to three different mapping tables that are
21 created in SAP, depending on your account
22 classification. So, for example, balance sheet
23 and revenue accounts, we have a direct mapping
24 table in SAP, which is a one-to-one natural

[WITNESS PANEL: Read|O'Brien|Dawes]

1 account to regulatory account. The natural
2 account will then need to go to the regulatory
3 body to determine which regulatory accounts we
4 need to use.

5 One thing I would like to mention about
6 the regulatory accounts that are created in SAP,
7 we looked at the FERC Uniform System of Accounts
8 to determine completeness, and determined all the
9 accounts that needed to be set up in SAP in order
10 to do the regulatory reporting.

11 Q And, so, is that part of your verification for
12 ensuring that that process was set up correctly?

13 A (Read) Yes.

14 Q Okay. And how did the Company validate that
15 things were working correctly?

16 A (Read) We, through our testing process, we had
17 some test cases and scenarios where we recorded
18 transactions through SAP, and we determined the
19 output, to make sure that the right --
20 appropriate regulatory account would be derived
21 based on the transaction. So, the different
22 transaction types, based on the natural account,
23 to determine the appropriate regulatory account
24 is then validated.

[WITNESS PANEL: Read|O'Brien|Dawes]

1 Q If we turn to Page 10 of Exhibit 7, that
2 discusses issues with the mapping you just
3 described to us, are you familiar with the
4 adjustments that were made prior to closing the
5 2022 books?

6 A (Read) Yes.

7 Q And are you also familiar with the adjustments
8 that were made following closing of the 2022
9 books?

10 A (Read) At a very high level, yes.

11 Q And what is the process to correct those? Or, I
12 guess how were those adjustments identified?

13 A (Read) So, first of all, I think it's important
14 to understand, some of the mapping that has been
15 talked about today is related to -- some of it
16 was related to data conversion, some of the
17 opening balances from our legacy system to our
18 SAP system did not get mapped to the appropriate
19 account. One example, I think it's on the list
20 of adjustments that were done, was related to an
21 intercompany transaction. That data got mapped
22 incorrectly to a asset intercompany account,
23 instead of it being in a liability account.

24 Some of the other transactions or

[WITNESS PANEL: Read|O'Brien|Dawes]

1 adjustments that came through were related to
2 transactional data that happened once we were
3 live in SAP. So, as an example, you're starting
4 to create new data in SAP, because you're using
5 the system. One good example is we keep talking
6 about "WBSs", which is called a "Work Breakdown
7 Structure". That's similarly -- you can kind of
8 think of it as a "project". Projects get
9 created, and you need to ensure, if they're
10 capital, they need to settle to the balance
11 sheet; if they're operation and maintenance
12 projects, they need to sit on the expense side on
13 the P&L.

14 We also create these projects to settle
15 and do intercompany allocations between our
16 different companies, our service company and our
17 Corporate service company, to charge costs to our
18 utilities.

19 Q The --

20 A (Read) Those -- sorry.

21 Q No, go on.

22 A (Read) If those are not set up correctly, it will
23 not derive the correct regulatory account. As I
24 mentioned before, every single financial

[WITNESS PANEL: Read|O'Brien|Dawes]

1 transaction in SAP is recorded to a natural
2 account and a regulatory account. If incorrectly
3 set up, the project incorrectly set up with the
4 wrong settlement profile, it would cause the
5 regulatory account to be the regulatory clearing
6 account, which, as people have been speaking to,
7 "999", the "999 regulatory account". If that
8 process of creating those new structures or
9 projects in SAP are incorrect, it could cause a
10 incorrect regulatory mapping.

11 Q As an example of a new WBS, I believe is when a
12 storm event occurs, right?

13 A (Read) Correct.

14 Q So, that's an example of something that would be
15 new after the "go live", correct?

16 A (Read) Correct.

17 Q Okay. The 2022 books were not reopened to
18 reflect adjustments identified after they were
19 closed, is that correct?

20 A (Read) Correct.

21 Q And could you explain why the Company did not
22 reopen the 2022 books?

23 A (Read) I guess it depends on timing of when
24 certain adjustments are captured or identified,

[WITNESS PANEL: Read|O'Brien|Dawes]

1 and how much time has passed since closing the
2 books. And we close the books, it's best
3 practice to close your financial ledger and stop
4 transactions going into a past period. It's just
5 best practice to close, make sure you close and
6 you have that governance on closing. But a
7 decision was made not to open them.

8 Q And we heard this morning that the Company
9 acknowledged, at the last day of hearings, on
10 January 4th, that there is one additional issue
11 that will require adjustments to the revenue
12 requirement in this proceeding.

13 Ms. Read, based on your understanding,
14 do you expect there will be any additional
15 adjustments related to SAP conversion, with
16 respect to the 2022 books?

17 A (Read) Not that I'm aware of. But I would defer
18 to Mr. Dawes and Ms. O'Brien.

19 Q Okay. And I have a few questions for them now.
20 So, Mr. Dawes, did your team review the books and
21 records prior to filing this case?

22 A (Dawes) Yes, can you be more specific?

23 Q Did your team perform a review of the general
24 ledger before the case was filed?

[WITNESS PANEL: Read|O'Brien|Dawes]

1 A (Dawes) Yes. So, if we go back to the year-end
2 books and records we needed to prepare the FERC
3 Form 1, --

4 Q Uh-huh.

5 A (Dawes) -- so, it was at the time of the FERC
6 Form 1 preparation that we determined that we
7 needed to make some adjustments to the regulatory
8 accounts, the FERC accounts. So, I'd say, I
9 mean, that was when the thorough review was
10 taking around the regulatory accounts. So, those
11 adjudgments were made in the FERC Form 1.

12 But, also, subsequent to closing the
13 books for 2022, we noted that there were some
14 adjustments that needed to be made. I think
15 there were four or five that we have brought
16 forward in this case. But those were essentially
17 found after the Corporate book closing process
18 was completed. I think Luisa had mentioned that.

19 So, typically, it's a lengthy process
20 to close your books, get all your financial
21 statements prepared, all of your notes to your
22 financials. You really can't book any new
23 adjustments really beyond maybe three or four
24 weeks after the end of the year. It just doesn't

[WITNESS PANEL: Read|O'Brien|Dawes]

1 work in the process.

2 So, those adjustments we recognized
3 really pertained to 2022 activity. So, we talked
4 about "should we put them in the FERC Form 1?" I
5 think those were even after the Corporate books
6 were closed and the audit of the FERC Form 1 was
7 completed, that it didn't make sense to try to
8 push those into the FERC Form 1.

9 But we did realize that, since they
10 were part of the 2022 results, they were a
11 reduction in expenses, it made sense to
12 incorporate those into the filing.

13 Q And this morning we heard a lot of reference to
14 the "Audit Report". Did you participate in, or
15 did you or your team, in responding to questions
16 from the Audit Division?

17 A (Dawes) Yes.

18 Q And did you review the resulting Audit Report?

19 A (Dawes) Yes, I did.

20 Q And the Audit Report resulted in 28 Audit Issues,
21 is that your understanding?

22 A (Dawes) Yes.

23 Q And is an audit report with 28 issues indicative
24 of unreliable books and records, in your opinion?

[WITNESS PANEL: Read|O'Brien|Dawes]

1 A (Dawes) Yes, I would say, so, Audit Issue 1 was
2 our adjustments that we identified. You know,
3 Ms. Moran mentioned that they were -- "some were
4 Staff's and some were ours", they were all our
5 adjustments. So, those were the ones we made for
6 the FERC Form 1 filing.

7 The others, I think there was an
8 assorted number of them, some were related to
9 SAP, many were not. I think the net impact on
10 the revenue requirement coming out of those
11 adjustments I believe was \$250,000 or so.

12 So, there may have been a number of
13 adjustments in the Audit Report, or audit issues,
14 but certainly weren't significant to the overall
15 revenue requirement or the 2022 financial results
16 of Granite State.

17 Q And, as part of Audit Issue 1 in the Audit
18 Report, the Audit Staff concluded that it could
19 not determine whether the adjustments were
20 accurate or if the adjustments identified were
21 all of the adjustments that should have been
22 done. So, as you just stated, Audit Issue 1
23 related to adjustments identified by the Company,
24 and that were made prior to filing of this case,

[WITNESS PANEL: Read|O'Brien|Dawes]

1 correct?

2 A (Dawes) Correct. They were made prior to filing
3 the FERC Form 1, which then became the basis for
4 what was included in the case.

5 Q But, because those adjustments were made after
6 the closing of the 2022 books, they were made
7 between the closing and the FERC Form 1? Am I
8 correct, that those would not be reflected on the
9 2022 books?

10 A (Dawes) That is correct.

11 Q We've heard a lot of comments about the volume of
12 adjustments that have to be made. Do you expect
13 that the number of adjustments will decrease, as
14 the Company continues to gain familiarity and
15 experience with SAP?

16 A (Dawes) Oh, most definitely. We've certainly
17 learned an awful lot. We made a -- we made a
18 number of corrections, obviously, as a result of
19 this case, and what we found prior to filing the
20 FERC Form 1. We've corrected the mapping issues.

21 And I would say, for the end of 2023,
22 we don't anticipate any more adjustments from
23 mapping issues, particularly associated with
24 2022. And the 2023 final books and records

[WITNESS PANEL: Read|O'Brien|Dawes]

1 should match the FERC Form 1.

2 So, I would envision that there -- I
3 mean, there's always going to be issues in any
4 year. But the issues we're talking about in this
5 case, I don't anticipate going forward. I mean,
6 someone could always set up a WBS incorrectly
7 that settles to the wrong regulatory account, and
8 we might have to make a correction at a later
9 date. But that's no different than our legacy
10 system. There's also the opportunity for
11 something like that to happen.

12 Q A number of adjustments related to 2022 were not
13 reflected in the 2022 books, because they had
14 been closed. Is that unusual, in your opinion,
15 to identify and make adjudgments after the fiscal
16 year accounting has closed?

17 A (Dawes) It's not uncommon. I mean, --

18 *[Court reporter interruption regarding*
19 *use of the microphone.]*

20 **CONTINUED BY THE WITNESS:**

21 A (Dawes) Sorry. It's not uncommon. I don't know
22 if I'd call it "standard practice". But, I mean,
23 any time you close the books, and you've got a
24 relatively short period to close everything off,

[WITNESS PANEL: Read|O'Brien|Dawes]

1 identify any adjustments that you can put into
2 the final books. Occasionally, there are things
3 you do find after that. And, to the extent they
4 impact the balance sheet accounts, you would want
5 to make those adjustments, if at all possible.

6 BY MS. RALSTON:

7 Q And, in your opinion, excuse me, with these
8 adjustments, and the explanations the Company has
9 provided, that allow for tracing from the 2022
10 general ledger, to the FERC Form 1, to the
11 revenue requirement schedules, has the Company
12 provided reliable data in this proceeding?

13 A (Dawes) From what I understand, yes. I mean,
14 they're not part of the actual filings
15 themselves. But, from what I understand, we have
16 provided sort of the path from the books and
17 records, through the FERC Form 1, and the
18 additional adjustments. And I think we made an
19 update filing in November that provided
20 information on all of the updates that we made.

21 I think the only final item would be
22 the additional adjustments that we've been
23 talking about this morning.

24 Q Great. And, Ms. O'Brien, I believe that you

[WITNESS PANEL: Read|O'Brien|Dawes]

1 worked directly with the Audit Division during
2 their investigation. What steps did your team
3 take to assist with that review?

4 A (O'Brien) In May of 2023, recognizing that we had
5 the new system in place, we had a meeting with
6 Audit Staff to discuss the new Chart of Accounts,
7 the differences from how the account numbering,
8 our company numbers changed, you know, just and
9 taking them back and walking through what our new
10 company numbers were and what the accounts would
11 look like, so the Audit Staff would be aware of
12 those differences.

13 Throughout the audit, we responded to
14 audit requests as they arose, and worked to
15 provide explanations to those questions.

16 Q And, during the first day of hearings on
17 January 4th, we heard from counsel for Department
18 of Energy that there were "hundreds of
19 adjustments made to the Company's general
20 ledger".

21 If I refer you to Exhibit 6, which is
22 the Company's November revenue requirement
23 update, specifically the file that's labeled
24 "Part 2", and there's a tab that we discussed

[WITNESS PANEL: Read|O'Brien|Dawes]

1 this morning that's called "TrackRRUpdates", is
2 the purpose of that tab to show the updates made
3 to the revenue requirement and provide the reason
4 for the update?

5 A (O'Brien) Yes, and cross reference as well.

6 Q And Row 7 says, under the "Notes", that the
7 adjustments are "As filed". Does that mean that
8 those adjustments were included in the Company's
9 filing submitted in May?

10 A (O'Brien) Yes.

11 Q And are those adjustments the same adjustments
12 identified in Audit Report Audit Issue 1?

13 A (O'Brien) Yes.

14 Q And those issues were identified by the Company,
15 correct?

16 A (O'Brien) That's correct.

17 Q And they were identified before the filing of
18 this docket, just to be clear?

19 A (O'Brien) That's correct.

20 MS. RALSTON: Okay. That's all I have.
21 Thank you.

22 CHAIRMAN GOLDNER: Thank you. We'll
23 move now to DOE cross, and Attorney Dexter.

24 MR. DEXTER: Good afternoon.

[WITNESS PANEL: Read|O'Brien|Dawes]

CROSS-EXAMINATION

1

2 BY MR. DEXTER:

3 Q I believe I heard testimony from the panel that
4 you had reviewed the Audit Report that was issued
5 by the Department of Energy in October 2023, is
6 that right?

7 A (O'Brien) Yes.

8 A (Dawes) Yes.

9 Q And do you dispute the results or the findings of
10 that Audit Report, other than the Company
11 comments that are noted therein?

12 A (O'Brien) No.

13 Q I wanted to go over the chronology of the filing
14 of the FERC Form 1 and the filing of the rate
15 case for a minute. And just -- you can just help
16 me see if I have this right.

17 So, I have a letter here from Liberty
18 dated April 11th, to Chairman Goldner, indicating
19 that Liberty had requested an extension of time
20 for filing its FERC Form 1 until May 31st, 2023.
21 Does that sound right to you?

22 A (O'Brien) It does.

23 Q Okay. And, then, Liberty filed its FERC
24 Form 1 -- well, I'm sorry, on April 28th, Liberty

[WITNESS PANEL: Read|O'Brien|Dawes]

1 made a rate filing, correct?

2 A (O'Brien) Yes.

3 Q In this docket?

4 A (O'Brien) Yes.

5 Q April 28th, okay. And, on April -- on May 2nd,
6 that Rate Filing was rejected by the Commission,
7 because it referenced a FERC Form 1 that was not
8 yet on file. Is that your understanding?

9 A (O'Brien) That's my understanding, yes.

10 Q Okay. And, then, subsequently, on May 5th, the
11 Company filed its FERC Form 1 with the Commission
12 and the Department, is that right?

13 A (O'Brien) That's right.

14 Q And that's the same date that you filed the case,
15 which is the one that we've been working on in
16 this docket?

17 A (O'Brien) Yes.

18 Q Okay. And, then, on May 19th, the Company
19 refiled it's FERC Form 1, is that right?

20 A (O'Brien) That's right.

21 Q And can you explain why there was a refiling of
22 the FERC Form 1 on May 19th, and how it differed
23 from the one that was filed on May 5th?

24 A (O'Brien) The FERC Form 1 for Granite State

[WITNESS PANEL: Read|O'Brien|Dawes]

1 Electric requires an independent audit review.
2 The timing of the preparation of the FERC Form 1
3 did not allow for that to be completed prior to
4 the May 5th filing. As a result, the audit --
5 the external auditors were provided that FERC
6 Form 1 for audit. My understanding is that the
7 FERC compliance rules allow for the independent
8 audit report to be filed within a certain period
9 of time after the initial filing of the FERC
10 Form 1. So, it was resubmitted in mid-May of
11 2023, with the audit report included.

12 Q Okay. And did any of the balances in the
13 accounts change between the May 5th filing and
14 the May 19th filing, or was it more to include
15 statements from the external auditors?

16 A (O'Brien) It was more to include the statements
17 from the external auditors. I would need to go
18 back and compare one-for-one. But there were
19 no -- certainly no significant changes.

20 Q Okay. And, so, I have one page of the FERC
21 Form 1 in front of me. And there's a statement
22 that's made by Peter Dawes. I'll just read it
23 into the record. But, if you want to follow
24 along, follow along. I'm looking at the FERC

[WITNESS PANEL: Read|O'Brien|Dawes]

1 Form 1 from May 19th. And I'm looking at Page 6
2 of 163. And it's called "Annual Corporate
3 Officer Certification. And it says "The
4 undersigned officer certifies that I have
5 examined this report, and to the best of my
6 knowledge, information and belief, all statements
7 of fact contained in this report are correct
8 statements of the business affairs of the
9 respondent, and the financial statements and
10 other financial information contained in this
11 report conform in all material respects to the
12 Uniform System of Accounts." And there's an
13 electronic signature of "Peter Dawes, May 18th".

14 So, that's you, Mr. Dawes, correct?

15 A (Dawes) Correct.

16 Q And are you -- so, you're familiar with that
17 statement?

18 A (Dawes) Oh, yes.

19 Q And is that statement accurate, as you sit here
20 today?

21 A (Dawes) So, when the FERC Form 1 -- excuse me.
22 As of the time of the filing, to my
23 understanding, that was an accurate depiction of
24 the FERC Form 1. So, that statement was correct.

[WITNESS PANEL: Read|O'Brien|Dawes]

1 I mean, I would say today, it was
2 materially correct. I mean, I would be
3 comfortable making that same statement. I know
4 we found certain adjustments, but nothing would
5 be material to make me alter what I put in for a
6 certification on that FERC Form 1.

7 Q Okay. And this statement in this FERC Form 1 was
8 prepared, I think as you just indicated, after
9 the numerous adjustments that were discussed in
10 Audit Issue 1, this came after that, correct?

11 A (Dawes) The adjustments in Audit Issue 1 were
12 part of the FERC Form 1. So, yes. I don't know
13 if I would characterize it as "numerous". But
14 the adjustments, yes, were part of that.

15 Q So, in the Audit Report, I -- I didn't count them
16 line-by-line, but I came up with about 200.
17 Would you agree with that number, that it was in
18 the area of 200 adjustments that were made to the
19 books, to take you from the books to the FERC
20 Form 1?

21 A (Dawes) I think I'll let Ms. O'Brien answer that
22 one.

23 Q Sure.

24 A (O'Brien) I would not agree with that

[WITNESS PANEL: Read|O'Brien|Dawes]

1 characterization. The adjustments that were
2 recorded were part of one analysis that was
3 performed over the books and records. And the
4 items listed in Audit Issue 1 show, in most
5 cases, both the debit and credit side of the
6 adjustment that was reported, therefore are
7 captured at least twice, in some cases more, as
8 detailed line items total an amount already
9 included in the report.

10 Q Okay. So, you wouldn't consider those
11 "numerous"?

12 A (O'Brien) I would not consider there to be over
13 200 adjustments.

14 Q Okay.

15 A (O'Brien) I believe it impacted sixteen account
16 lines.

17 Q Okay. Would you say that -- and I asked this
18 question of Ms. Moran earlier this morning, and
19 said I'd come back to you guys with it. Would
20 you consider the FERC Form 1 that was filed and
21 certified to be more accurate than the books that
22 were closed, the internal books that were closed
23 at the end of the year? In other words, were
24 they improved by these adjustments that were

[WITNESS PANEL: Read|O'Brien|Dawes]

1 made?

2 A (O'Brien) Absolutely.

3 Q Okay. And that's what allowed Mr. Dawes to sign
4 the statement that "the reports are correct" --
5 "correct statement of the business affairs, and
6 the financial statements and other information
7 contained in this report, conform in all material
8 respects to the Uniform System of Accounts"?
9 Those adjustments that you made gave credence to
10 you being able to make that certification, I
11 guess is what I'm asking?

12 A (Dawes) Yes.

13 Q Okay. Now, in the rate case that was filed on
14 May 5th, there's an attestation also filed by Mr.
15 Dawes. And it appears at I-182 in the filing,
16 which is part of the Company's filing
17 requirements.

18 And I have paper copies, if it's hard
19 to find. But it's I-182 in the Company's filing
20 requirements.

21 Are you familiar with that attestation,
22 Mr. Dawes?

23 A (Dawes) I do not have it in front of me. But I
24 recall signing that attestation.

[WITNESS PANEL: Read|O'Brien|Dawes]

1 MR. DEXTER: Okay. Well, I was going
2 to read from it. But, Attorney Ralston, I have
3 paper copies, if you want to provide it to the
4 witness.

5 CMSR. SIMPSON: Attorney Dexter, can
6 you reiterate what part of the filing you're
7 looking at?

8 MR. DEXTER: Yes.

9 CMSR. SIMPSON: If you have a tab from
10 the docket, that would be helpful. Thank you.

11 *[Atty. Ralston handing document to*
12 *Witness Dawes.]*

13 MR. DEXTER: So, it's Tab 5. It's
14 Tab 5, and -- sorry, Tab 11, in the May 5th
15 filing, it's called "Filing Requirements". And,
16 if you go into that, they're all designated with
17 a "I", and then it's followed by -- the actual
18 page number is "I-182".

19 CMSR. SIMPSON: Thank you.

20 BY MR. DEXTER:

21 Q And it's just called "Attestation". I think it
22 actually intends to cover two certificates that
23 are required by the rules. But, Mr. Dawes, maybe
24 you could just explain what this attestation

[WITNESS PANEL: Read|O'Brien|Dawes]

1 does?

2 A (Dawes) Okay. So, there are certainly two parts
3 to it. And I'll maybe skip over the second part,
4 because I think you're focused more on the first
5 one.

6 So, it's getting at the information
7 filed in support of the rate case is supported by
8 the books and records of the Company. And, in
9 signing the attestation, certainly, I attested to
10 the FERC Form 1, since I had to certify that.
11 And I was aware that we made other adjustments
12 that I think I had talked about a little earlier,
13 that didn't get into the FERC Form 1, but were
14 part of the actual filing. So, I felt
15 comfortable attesting to what was filed in the
16 rate case was accurate as far as its relation to
17 the FERC Form 1, and those other adjustments that
18 we made.

19 Q Okay. Well, let me just -- let me just go to the
20 specific document. And it says "I affirm...the
21 cost and revenue statements and supporting data
22 submitted, which purport to reflect the books and
23 records of Liberty Utilities...do in fact set
24 forth the results shown by such books and

[WITNESS PANEL: Read|O'Brien|Dawes]

1 records." So, that's an accurate statement, as
2 you sit here today, correct?

3 A (Dawes) Yes. And "books and records", from my
4 standpoint in attesting to this, was what was
5 part of the FERC Form 1. Not necessarily what
6 was in the trial balance at the end of 2022,
7 which we know was different than what was in the
8 FERC Form 1.

9 Q And, then, it goes on to say that "all the
10 differences between the books and the test year
11 data...have been expressly noted." Could you
12 explain to me where the difference is between the
13 Company's books and records and the rate case
14 information was "expressly noted"?

15 A (Dawes) So, as I mentioned earlier, I was going
16 from the standpoint of the FERC Form 1 being
17 really the books and records, not the trial
18 balance. So, in my view, there were no
19 differences.

20 But I certainly appreciate that we
21 didn't -- we didn't put in those additional
22 adjustments that weren't part of FERC Form 1.
23 So, I would agree that those could have been
24 called out.

[WITNESS PANEL: Read|O'Brien|Dawes]

1 Q Okay. Well, let me -- so, let me break this down
2 then.

3 So, if we consider that "books and
4 records" means the "FERC Form 1", could you
5 explain where the difference is between the FERC
6 Form 1 and the rate case statement, the rate case
7 information, where was that detailed in the rate
8 case?

9 A (Dawes) Where was what detailed? I'm sorry.

10 Q The difference between the FERC -- any
11 differences between the FERC Form 1 and the rate
12 case information, the revenue requirements, the
13 cost of service schedules, that were filed in the
14 case?

15 A (Dawes) So, I think it would be the -- so, I
16 think we had four or five adjustments that we --
17 I'm not sure when those were actually brought
18 forward in the case, probably a little later.
19 And I'm not sure, I would have to speak with
20 Regulatory, but I'm not sure if those were
21 detailed in the filing as being the difference
22 between the books and records or FERC Form 1, and
23 what was in the filing.

24 Q Anybody else on the panel want to -- can point to

[WITNESS PANEL: Read|O'Brien|Dawes]

1 that in the filing?

2 A (O'Brien) I don't believe it was in the Initial
3 Filing.

4 Q Okay. Now, if we take a different definition of
5 "books and records", and include that to mean the
6 "general ledger", where were the differences
7 between the general ledger and the information
8 that was submitted in the rate case? Where are
9 those expressly noted in the Rate Filing?

10 A (Dawes) So, that's more of a hypothetical
11 question, because I think I already answered that
12 my basis was "the FERC Form 1 is the books and
13 records." So, I mean, they wouldn't be there,
14 using what you're getting at in your question,
15 they wouldn't have been part of the filing.

16 Q Okay. So, any differences between the general
17 ledger and the rate case sheets were not
18 expressly noted?

19 A (Dawes) Correct.

20 Q Okay.

21 A (Dawes) As far as I know.

22 Q Okay. Now, the differences between the general
23 ledger and the rate case would include the
24 various adjustments we've been talking about in

[WITNESS PANEL: Read|O'Brien|Dawes]

1 Audit Issue 1, correct? Those were differences
2 between the general ledger and the rate case?

3 A (Dawes) Correct.

4 Q Okay. And the differences between the FERC
5 Form 1 and the rate case, where have those been
6 captured in the course of the rate case, as it's
7 unfolded?

8 A (Dawes) Erin, is that something you could answer?

9 A (O'Brien) It's been captured through various data
10 requests, including the exhibit you presented at
11 the January 4th hearing, as well as certain tech
12 session requests, I believe, including 2-20.

13 Q Okay. So, the first part of your answer was the
14 data request that I provided at the other -- at
15 the January 4th hearing, which has been marked as
16 "Exhibit 4". So, that was -- that was answered
17 in October. So, well after the rate case was
18 filed, correct?

19 A (O'Brien) That was provided in October, correct.

20 Q I didn't hear that.

21 A (O'Brien) I'm sorry. That was provided in
22 October, correct.

23 Q In October. And these issues that were detailed
24 in Exhibit 4, on Page 2 of Exhibit 4, they

[WITNESS PANEL: Read|O'Brien|Dawes]

1 actually appeared in the Audit Report, which was
2 issued in October. So, that would give us some
3 indication of when they were detailed. But the
4 point is, it was all done after the filing, after
5 the May 5th filing?

6 A (O'Brien) I believe so, yes.

7 Q Yes. Well, is there any indication that would
8 cause you to believe otherwise?

9 A (O'Brien) Not that I'm aware of.

10 Q Okay. Mr. Dawes, what's behind the distinction
11 that you've drawn in your answer, in
12 characterizing the "books and records" as meaning
13 the "FERC Form 1"? What would lead you to make
14 that distinction?

15 A (Dawes) So, I would say, typically, it's the FERC
16 Form 1 and its balances are the starting point
17 for a rate filing. So, in my experience, which
18 includes 20 plus years being a revenue
19 requirement witness, it always starts with the
20 FERC Form 1.

21 Q Okay. So, I've got the testimony here of Jardin
22 and Dane from this rate case. I read this on
23 January 4th, I'll read it again.

24 MR. DEXTER: And I'm on Page II-276, if

[WITNESS PANEL: Read|O'Brien|Dawes]

1 the Commission wants to follow along.

2 CMSR. SIMPSON: The testimony of?

3 MR. DEXTER: It's the Testimony of K.
4 Jardin and D. Dane.

5 CMSR. SIMPSON: Tab 11?

6 MR. DEXTER: Yes. That would be Tab 11
7 again.

8 CMSR. SIMPSON: And I'm sorry, the page
9 number?

10 MR. DEXTER: So, they're all IIs in
11 this section. So, it's "II-276".

12 CMSR. SIMPSON: Thank you for that.

13 BY MR. DEXTER:

14 Q And the question that was asked in the written
15 question was: "What approach did you use to
16 determine the revenue requirement and the revenue
17 deficiencies?"

18 And the answer was: "The Company began
19 with the unadjusted Test Year financial results
20 and made the adjustments described below to
21 calculate *pro forma* Test Year and Rate Year
22 revenue requirements and revenue deficiencies."

23 Sorry to keep reading, but I think it's
24 the fastest way to do it.

[WITNESS PANEL: Read|O'Brien|Dawes]

1 And, then, the new paragraph says:
2 "Test Year". "Our analysis began with the
3 Company's financial results in the Test Year
4 (i.e., the twelve months ending December 31st,
5 2022)."

6 So, Mr. Dawes, is it your understanding
7 that, when the witnesses said that, the
8 "financial results", they weren't referring to
9 the books and records of the Company, they were
10 referring to the FERC Form 1?

11 A (Dawes) I'm not familiar with that data response
12 or the context with how the question arose.

13 Q Okay. Well, I'm not --

14 A (Dawes) I'm not sure -- I'm not sure what they
15 were thinking when they were answering that.

16 Q Okay. Well, it's not a data response. It's the
17 Company's testimony, just to --

18 A (Dawes) Okay. I'm not familiar with that either.

19 Q Okay. So, you said earlier, in your "20 years of
20 doing rate cases, the starting point is the FERC
21 Form 1, not the Company's general ledger." Did I
22 understand that right?

23 A (Dawes) You did.

24 Q Okay. All right. But you don't know what the

[WITNESS PANEL: Read|O'Brien|Dawes]

1 witnesses were referring to when they said "we
2 started with the financial results"?

3 A (Dawes) I'm assuming they meant the "FERC
4 Form 1". I mean, that was the basis of -- the
5 starting point for the revenue requirement was
6 the FERC Form 1.

7 Q And I think I heard testimony earlier on from the
8 panel that "everything starts with the general
9 ledger, and that feeds into the FERC Form 1".
10 You agree with that, correct?

11 A (Dawes) Oh, yes. Correct.

12 Q Okay. And, if you're going to look at the
13 underlying transactions in a test year, you can't
14 look at the FERC Form 1, because that just gives
15 you the balances, correct?

16 A (Dawes) Correct.

17 Q And, if you want to know what makes up those
18 balances, you have to go to the general ledger
19 and see what the various financial transactions
20 are, correct?

21 A (Dawes) Yes.

22 Q All right. So, this testimony goes on to say:
23 "From those results, we removed flow-through
24 items", and it's "(purchased power and

[WITNESS PANEL: Read|O'Brien|Dawes]

1 transmission wheeling...), and made *pro forma*
2 adjustments for known and measurable adjustments.
3 The resulting Test Year *pro forma* net operating
4 income reflects normalized revenues at current
5 rates and expenses, and net operating income for
6 ratemaking purposes."

7 It doesn't say anything in here about
8 the adjustments that were made to take us from
9 the general ledger to the FERC Form 1, does it?

10 MS. RALSTON: Mr. Dawes is not the
11 witness for this testimony. And it wasn't marked
12 as an exhibit. So, I know he's doing his best,
13 but this probably beyond his expertise area.

14 CHAIRMAN GOLDNER: Attorney Dexter.

15 MR. DEXTER: Well, I'll take an answer
16 from anyone on the panel, or counsel, or anybody
17 in the audience that knows. It's a fairly simple
18 question.

19 CHAIRMAN GOLDNER: Does anyone on the
20 witness panel know the answer to Attorney
21 Dexter's question?

22 WITNESS DAWES: Do you mind asking it
23 one more time please?

24 BY MR. DEXTER:

[WITNESS PANEL: Read|O'Brien|Dawes]

1 Q Yes. I guess what I'm saying is, this testimony,
2 Page 276, where it talks about the development of
3 the Test Year, makes no mention of the
4 adjustments that were made to go from the
5 Company's books and records, to the -- to the
6 Test Year results that were presented -- I'm
7 sorry, to the revenue requirement results that
8 were presented in the rate case. Would you agree
9 with that, that it's not mentioned in this
10 testimony here?

11 MS. RALSTON: I think Mr. Dawes could
12 agree on what the page says. But, if we're going
13 to get into how this testimony was developed, I
14 mean, he's not the right witness. And there was
15 an opportunity to mark this as an exhibit, and
16 the Department of Energy did not do that.

17 CHAIRMAN GOLDNER: Attorney Dexter.

18 MR. DEXTER: Well, I'm not sure what
19 the objection is. I think counsel is objecting
20 to a question I haven't asked question yet, which
21 was going to be my next question.

22 But I just simply asked "does this
23 testimony talk about the adjustments that were
24 made, to go from the books to the rate case

[WITNESS PANEL: Read|O'Brien|Dawes]

1 filing?"

2 And, if nobody at Liberty can answer
3 that question, I guess that's what we're left
4 with then.

5 MS. RALSTON: Well, I agree. We can --
6 we can agree to what the page says. I just
7 wanted to point out that this is not the revenue
8 requirements witness.

9 So, yes. The page does not reference
10 the FERC Form 1. I don't know what else we can
11 say on that.

12 CHAIRMAN GOLDNER: Attorney Dexter, how
13 would you like to proceed?

14 BY MR. DEXTER:

15 Q I guess I would like to ask the panel of
16 witnesses, is there anywhere in the rate case
17 that was filed that details the differences
18 between the general ledger and the FERC Form 1
19 that were the issues that were highlighted in
20 Audit Issue Number 1?

21 If the panel can answer that, then --

22 CHAIRMAN GOLDNER: And the Commission
23 would also be interested in that answer. So, --

24 **BY THE WITNESS:**

[WITNESS PANEL: Read|O'Brien|Dawes]

1 A (O'Brien) So, I don't believe there is anywhere
2 where we have outlined the bridge in our rate
3 case filing from our SAP general ledger to the
4 FERC Form 1 and the revenue requirement. We took
5 the books and records to meet the FERC Form 1,
6 and have worked through the FERC Form 1 to the
7 revenue requirement.

8 BY MR. DEXTER:

9 Q Okay. So, I want to go to Exhibit Number 5,
10 which is Record Request Number 1, Record Response
11 Number 1 for a minute. This exhibit indicates
12 that the respondents are "Erin O'Brien" and
13 "Peter Dawes", is that right?

14 A (Dawes) I don't have that in front of me.

15 CHAIRMAN GOLDNER: Exhibit 5, Attorney
16 Dexter? Would counsel for Liberty be able to
17 approach the witness and provide Exhibit 5 for
18 them please?

19 MS. RALSTON: Yes.

20 *[Atty. Sheehan providing his laptop to*
21 *the witness panel for document view.]*

22 WITNESS DAWES: I apologize. I know
23 that counsel sent me the email that had the
24 exhibits, but I can't get into my email. So, it

[WITNESS PANEL: Read|O'Brien|Dawes]

1 does me no good. Sorry for that.

2 CHAIRMAN GOLDNER: No problem.

3 **BY THE WITNESS:**

4 A (O'Brien) Yes. We are the respondents.

5 A (Dawes) Yes.

6 BY MR. DEXTER:

7 Q Okay. So, I would like to go to Issue Number 5,
8 which is on Page 2 of Exhibit 5. And, in the far
9 right-hand corner, there's a description -- well,
10 first of all, why don't I ask you, what is
11 Exhibit 5 intending to show?

12 A (O'Brien) We were asked to provide the top ten
13 adjustments, and that is what this is intending
14 to show.

15 Q Okay. Could you just be more specific what you
16 mean by "adjustments"?

17 A (O'Brien) So, these are the top ten largest
18 adjustments that were required to the regulatory
19 accounts, from the general ledger to the revenue
20 requirement filing.

21 Q Okay. To get you from the general ledger to the
22 revenue requirements filing?

23 A (O'Brien) Yes.

24 Q Okay.

[WITNESS PANEL: Read|O'Brien|Dawes]

1 A (O'Brien) The regulatory account general ledger.

2 Q Okay. So, Item Number 5 and Items Number 8, 9
3 and 10, are all dated "December 2023", would you
4 agree?

5 A (O'Brien) Yes.

6 Q Okay. And Item Number 5 says that, essentially,
7 and if I'm misstating this, you can tell me, that
8 there was \$527,000 that should have been recorded
9 to Account 593, FERC Account 593, but was
10 actually recording in Account 920. Is that
11 right?

12 A (O'Brien) That's right.

13 Q Okay. What's "920"? That's an Administrative &
14 General expense account, isn't it?

15 A (O'Brien) Yes.

16 Q What's "Account 593"?

17 A (Dawes) It's certainly an Operation & Maintenance
18 account. It's not an Administrative & General.
19 But I'm not sure specifically what "593" is,
20 without looking at the FERC Chart of Accounts.

21 Q Sure. Which, feel free to, but I'll accept that
22 it's an Operation & Maintenance expense account.

23 A (Dawes) Yes. It is.

24 Q Okay. And, so, at the bottom of the explanation,

[WITNESS PANEL: Read|O'Brien|Dawes]

1 it says that "The impact on the revenue
2 requirement has not been calculated, but it will
3 be driven by the difference in the escalation
4 factors applied to FERC 920 versus FERC 593."
5 Can you explain what that means?

6 A (O'Brien) We identified a number of adjustments
7 in December 2023, as we've discussed. I would
8 like to mention that the net impact of those is
9 only \$167,000. So, we have taken the absolute
10 value of the differences in preparing this top
11 ten analysis for the Commission.

12 The intent of the statement here is to
13 identify that this does not mean there is a
14 \$527,000 impact on the revenue requirement. It
15 will need to be run through the calculation for
16 that to be determined.

17 Q Okay. Because, and I think this came up a lot at
18 the January 4th hearing, you know, if an item is
19 in the wrong expense account, that's one thing.
20 But an expense is an expense, generally speaking,
21 for revenue requirements. So, the impact is zero
22 or minimal, is that what you're saying?

23 A (O'Brien) That's the expectation.

24 Q Yes.

[WITNESS PANEL: Read|O'Brien|Dawes]

1 A (Dawes) So, test year impacts would be what is
2 shown. But, certainly, if you're doing a known
3 and measurable, you need to escalate, whether
4 it's labor, non-labor, that still needs to be
5 determined what those impacts are.

6 Q Okay. And that's what the -- the statement
7 about the "different escalation factors"
8 pertains to?

9 A *[Witness Dawes indicating in the affirmative].*

10 Q And you haven't done that calculation?

11 A (O'Brien) We have not.

12 Q Okay. So, similarly, on Adjustment Number 8,
13 this is a \$243,000 adjustment, also discovered in
14 December 2023. And this says that an item was
15 recorded to Account 920, which, again, is an
16 administrative expense account. And it says
17 "however subsequent review determined that the
18 balance should have been recorded to various
19 income statement FERC accounts", but they're not
20 identified.

21 Do you know which income statement FERC
22 accounts this should have been put into?

23 A (O'Brien) Between A&G and O&M, it was just more
24 than one or two list. We do have that, though.

[WITNESS PANEL: Read|O'Brien|Dawes]

1 Q I'm sorry, I didn't understand that answer. So,
2 do you know what accounts they should have been
3 put into?

4 A (O'Brien) Not off the top of my head. But we --
5 but, as a company, we do have that information,
6 yes.

7 Q Okay. You have the information, but you didn't
8 provide it, and you don't know what it is?

9 A (O'Brien) Not off the top of my head, I do not
10 know what it is.

11 Q Okay. But you know it's an expense account?

12 A (O'Brien) Yes. It was through various expense
13 accounts.

14 Q Okay. Because it says "various income statement
15 accounts", I'm curious whether or not it's
16 possible these should have been mapped to revenue
17 accounts, which would also be income statement
18 accounts, correct?

19 A (O'Brien) I would need to get back --

20 *[Court reporter interruption.]*

21 **BY THE WITNESS:**

22 A (O'Brien) Sorry. I do not know off the top of my
23 head, no.

24 BY MR. DEXTER:

[WITNESS PANEL: Read|O'Brien|Dawes]

1 Q Okay. And, then, if we jump down to Item
2 Number 9, again, we're talking about items that
3 went to 920, but a "subsequent review determined
4 that the balance should have been recorded to
5 various income statement FERC accounts." Again,
6 those accounts aren't specified. So, it's
7 possible they could be revenue accounts?

8 A (O'Brien) It's possible.

9 Q Okay. And, then, Item Number 10, you say the
10 item went to "920", but it should have gone to
11 "Account 921". So, there you have the specific
12 account. What's "Account 921"?

13 A (Dawes) It's another Administrative & General
14 account, but it's not salaries.

15 Q Okay. And that's why the escalation factor could
16 play into quantifying the revenue requirement
17 impact?

18 A (Dawes) Correct.

19 Q Okay. Now, I think I heard the panel say that
20 these were discovered in December 2023. How were
21 these discovered, and what prompted their
22 discovery in 2023, in December of 2023?

23 A (O'Brien) So, we discussed the "999 account", and
24 I believe Ms. Read mentioned it earlier as well.

[WITNESS PANEL: Read|O'Brien|Dawes]

1 So, when our system is deriving our FERC
2 regulatory accounts, there are instances where it
3 sometimes goes to this 999 account, which we know
4 is not a true regulatory account, and needs to be
5 cleared and determined where the appropriate
6 regulatory account is. This is an exercise
7 that's done at each month-end. In doing that
8 exercise, at the end of 2023, we performed an
9 analysis of the Account 999 balance, and
10 determined where the reclassification entries
11 were required. We got down to I believe it was
12 \$7,000 or so, in that neighborhood, and
13 determined that Account 920 was the most
14 appropriate locations for those remaining
15 balances.

16 Throughout the audit and data requests,
17 we identified balances sitting in -- that were
18 part of that reclassification to 920, that were
19 larger than the \$7,000 that we had previously
20 identified, leading us to understand that there
21 were offsetting debits and credits that netted
22 down to a small amount, but required further
23 analysis. So, through that additional analysis
24 that was completed in December, these adjustments

[WITNESS PANEL: Read|O'Brien|Dawes]

1 were identified.

2 It's been a learning in the system.

3 It's now something that we're capturing in each
4 month-end, and have correct for 2023 as well.

5 Q So, were adjustments made on the books and
6 records of the Company, by that I mean the
7 "general ledger", to reflect this discovery?

8 A (O'Brien) In December 2023?

9 Q Well, that was going to be my next question. My
10 first question was, were there adjustments made?

11 A (O'Brien) To which period?

12 Q Well, that's my question. So, first of all, when
13 you discovered these errors --

14 A (O'Brien) We did not -- we did not reopen the
15 2022 general ledger. We have not reopened the
16 2022 general ledger.

17 Q Okay. So, let me start again, then. So, there
18 were four adjustments that we just went over that
19 were discovered in 2023. So, my simple question
20 first is, did that prompt Liberty to make
21 adjustments on its general ledger to correct for
22 this discovery?

23 A (O'Brien) We have corrected, with regards to this
24 discovery, as it's applicable to 2023. So, we

[WITNESS PANEL: Read|O'Brien|Dawes]

1 are not recording any 2022 expenses, for example,
2 in 2023.

3 Q No, I understand that. But you didn't -- you
4 made an adjustment in 2023, is what you're
5 saying?

6 A (O'Brien) To correct any similar issues related
7 to 2023, yes.

8 Q Okay. But not for these specific dollar amounts?

9 A (O'Brien) Not for -- no. These are for a prior
10 period.

11 Q Okay. Did you make any adjustment to the books
12 in 2024, when these were discovered?

13 A (O'Brien) These were discovered in 2023?

14 Q Right.

15 A (Dawes) The books aren't open in 2024 yet. We're
16 still closing out 2023.

17 Q Okay. So, there's been no adjustments made to
18 20 -- there are no books for 2024?

19 A (Dawes) Yes, and there won't be. These
20 adjustments won't be in 2024. Any of the mapping
21 updates or things that have been identified here
22 that apply to 2023 will be updated with the 2023
23 books and records at the end of the year.

24 Q Okay. And would the same be true of the various

[WITNESS PANEL: Read|O'Brien|Dawes]

1 issues that were identified in FERC -- I'm sorry,
2 in Audit Issue Number 1, the numerous, I call
3 them "numerous", you said "they're not numerous",
4 those adjustments, those were made to the books
5 of 2023, do I understand that correctly?

6 A (O'Brien) So, similarly, they were corrected in
7 2023, as they relate to 2023, for example, if
8 there was a change to a balance sheet account.
9 But there were no income statement items from
10 2022, recorded in 2023.

11 Q Okay. So, for example, just to beat this to
12 death, sorry, Item Number 5, on Exhibit 5, the
13 total amount was \$527,000, that should have been
14 in Account 920 -- that went to Account 920, but
15 should have been to Account 593. No adjustment
16 in the amount of \$527,000 was made for this error
17 in either the books of 2022 or 2023, do I
18 understand that?

19 A (O'Brien) Not within our general ledger system,
20 that is correct.

21 Q Okay. But, systematically, in other words, if
22 there was a problem, then you made a change to
23 the system, so that this wouldn't happen again in
24 2023?

[WITNESS PANEL: Read|O'Brien|Dawes]

1 A (O'Brien) That's correct. And, if there were any
2 instances of an issue taking place in 2023, prior
3 to system corrections, those are manually
4 adjusted as well, to ensure the 2023 results are
5 accurate.

6 Q So, could you just say that last part again
7 please?

8 A (O'Brien) So, if identify a root cause of a
9 system issue, for example, these -- if there was
10 a WBS that was set up, and it's settling to a 999
11 regulatory account, and we corrected that, say,
12 in June, if any charges were recorded to that WBS
13 prior to the correction in the system, we would
14 record a manual journal entry to correct that.

15 Q All right. Now, I'm very confused then. So,
16 when would the manual journal entry have taken
17 place? What year's books would that have
18 affected?

19 A (O'Brien) Only the current year.

20 Q So, in that instance, 2023?

21 A (O'Brien) Yes.

22 Q Okay. So, now, getting back to the issues that
23 were identified then in Audit Issue Number 1,
24 those manual adjustments were made to the books,

[WITNESS PANEL: Read|O'Brien|Dawes]

1 if I understand what you're saying, were made to
2 the general ledger in 2023?

3 A (O'Brien) As they apply to 2023, yes.

4 Q But not as they apply to 2022?

5 A (O'Brien) That's correct. Not as they apply to
6 2022.

7 Q Okay. I think I understand. Thank you.

8 A (O'Brien) There are no 2022 transactions recorded
9 in 2023. If there are root cause issues, those
10 are -- those have been corrected in 2023.

11 A (Dawes) Yes. And I would also just add, with
12 these so-called "999 accounts", we have a monthly
13 process that we put in place in '23, to provide
14 and make sure those are getting reconciled and
15 cleaned out and put in the appropriate regulatory
16 accounts on a monthly basis.

17 Q Okay. So, Mr. Dawes, I think I heard you say
18 earlier that you expect that the 2023 books will
19 more closely match the FERC Form 1, well, now
20 you've drawn a distinction between "books" and
21 "FERC Form 1". So, now I have to change my
22 question.

23 A (Dawes) I don't think you need to change your
24 question.

[WITNESS PANEL: Read|O'Brien|Dawes]

1 Q So, I think I heard you testify earlier that, in
2 2023, the Company will require fewer adjustments
3 from the general ledger to the FERC Form 1 that
4 it required in 2022. Did I understand that
5 right?

6 A (Dawes) Most definitely, yes. I'm sure there
7 will be some customary reclassifications that we
8 might do in the ordinary course. But nowhere
9 near the adjustments that we made in 2023 for
10 2022.

11 Q Okay. So, would you say then that you think the
12 mapping issues that we've been talking about are
13 largely behind the Company at this point?

14 A (Dawes) Yes.

15 MR. DEXTER: Okay. So, I have some
16 more questions about the slide show. It would
17 probably take about ten or fifteen minutes.
18 Should I proceed or --

19 CHAIRMAN GOLDNER: I think so. Let's
20 move through all of your questions, Attorney
21 Dexter. Then, take ten or fifteen minutes, and
22 then move to Attorney Kreis.

23 MR. DEXTER: Okay. Thanks.

24 BY MR. DEXTER:

[WITNESS PANEL: Read|O'Brien|Dawes]

1 Q So, I'm looking at the -- I'm calling it a "slide
2 show", I guess it's Exhibit 6 [Exhibit 7?] that
3 talked about the SAP conversion. And I'm on
4 Page 6 of 12.

5 MS. RALSTON: I think you're referring
6 to "Exhibit 7".

7 MR. DEXTER: "Exhibit 7". Thank you,
8 counsel.

9 BY MR. DEXTER:

10 Q Exhibit 7. And there's a statement at the
11 bottom, in the tan box at the bottom of Page 6,
12 that says "one natural account" -- well, let me
13 read the whole thing. It says "Balance sheet &
14 revenue accounts - one natural account to one
15 regulatory account relationship via mapping."
16 What does that mean?

17 A (Read) I'll take that question. So, if you go
18 to -- it's further explained in Slide Number 8,
19 that talks about the regulatory account
20 assignment, where balance sheet and revenue
21 account are based on a direct mapping table in
22 SAP. So, a natural account is mapped to a
23 regulatory account, based on the regulatory body,
24 determined via the company code and profit

[WITNESS PANEL: Read|O'Brien|Dawes]

1 center, to determine the regulatory body
2 associated with the utility.

3 Q Okay. Now, back up to Page 6, there's a
4 statement at the top of that page, in a gray box,
5 and it says "Every transaction in SAP is
6 identified to a natural account and a regulatory
7 account." So, what does that mean?

8 A (Read) Every financial transaction in SAP has a
9 regulatory account -- sorry, excuse me -- has a
10 natural account, and the regulatory account is
11 derived based on the tables created in SAP to
12 derive the regulatory account. But every
13 transaction is posted to both segments.
14 Actually, it includes more segments. But, more
15 importantly, I think, for people in the hearing
16 today to understand, it's the regulatory account
17 and the natural accounts are recorded every time
18 a financial transaction is recorded in SAP.

19 Q Okay. And I heard a couple of times that there
20 was a lot of testing done during the
21 implementation of SAP. Can you describe that --
22 well, first of all, where any of you on the panel
23 involved in the testing?

24 A (O'Brien) Yes. Or, our team did the testing.

[WITNESS PANEL: Read|O'Brien|Dawes]

1 A (Dawes) No, I was not part of the detail test.

2 A (Read) Yes. Me and my team under me were
3 included in the testing.

4 Q Okay. Can you describe the testing that took
5 place?

6 A (Read) Well, we tested all the processes within
7 SAP by putting in transactions in our test
8 environment, all the way down to a specific
9 scenario. So, as an example, entering time
10 sheets. So, we got employees to record time
11 sheets, enter time data, recording it to
12 projects, WBSs, which is our Work breakdown
13 Structure, recording time to capital, versus
14 operating and expenses.

15 We did manual transactions. We
16 recorded vendor payments, invoices, POs, purchase
17 requisitions. After all that data is input into
18 the system, we then run, as part of our month-end
19 close process, we also tested the month-end close
20 process in SAP, where we closed out the books and
21 we run financial statements.

22 Q And you did all that, as the name implies,
23 testing, before the October 1st "go live" date of
24 the system, is that right?

[WITNESS PANEL: Read|O'Brien|Dawes]

1 A (Read) That's correct.

2 Q Did the tests reveal any of the mapping issues
3 that we've been talking about today?

4 A (Read) We did find some, we called them
5 "defects", through the testing, where we would
6 see, through the mapping table, an incorrect
7 regulatory account was put in the table. So, we
8 would record a defect, and we would go into the
9 table and correct it.

10 Q Were they numerous or one or two, or do you
11 recall?

12 A (Read) I don't recall exactly how many, but there
13 were some. It's not like we didn't see any
14 defects. We did see some that were corrected.

15 Q What do you attribute -- to what do you attribute
16 the fact that the mapping issues that we've been
17 talking about were not caught by the testing, if
18 you will, identified by the testing?

19 A (Read) Some examples of incorrect mapping is
20 related to new data being created in SAP once
21 you're live. We did training, we did, you know,
22 provide a job aid to explain what -- because not
23 everybody in the organization could create
24 projects, WBSs. There's only certain individuals

[WITNESS PANEL: Read|O'Brien|Dawes]

1 who are trained who have access to do that. From
2 our experience, what we have noticed through
3 these adjustments is these projects have been
4 created incorrectly once we were live in SAP;
5 missing a profile settlement that didn't get
6 updated correctly or get created in the right
7 spot. So, that determined that there was a
8 mistake in creating the Work Breakdown Structure
9 once we were live in SAP.

10 Q Now, I think in your earlier testimony, you said
11 something to the effect of you "took twelve of
12 balances for 2021 and nine months of balances for
13 2022 in the old system, and you transferred those
14 over to the new system." Do I have that right --

15 A (Read) Correct.

16 Q -- simplistically?

17 A (Read) Yes.

18 Q Okay. Did you identify any issues in the
19 transfer of those historic balances, 2021 and the
20 first nine months of 2022, did the testing
21 identify any problems with the transfer of those
22 balances?

23 A (Read) So, I will say, from the review and the
24 balancing, because we had to balance the trial

[WITNESS PANEL: Read|O'Brien|Dawes]

1 balance in both systems, we needed to verify and
2 compare the net income from both systems were
3 correct, we did identify some differences where
4 we updated the mapping table, the data conversion
5 mapping table, to put the appropriate "SAP",
6 either natural account or regulatory account.
7 And, then, we would reload the data to get the
8 balances correct.

9 Q So, on Page 9, there's an entry on the right-hand
10 side of the account that says "Primary Expense
11 Accounts". And it says "House Allowance", and on
12 the right-hand side it says "Employee Pensions
13 and Benefits-FERCE". What is that? What's the
14 "House Allowance"? What would this be recording?

15 A (Read) All right, to be honest, I don't know what
16 exactly it's recording. What this is showing is
17 what the mapping table looks like in SAP. You
18 would have the natural account, plus the
19 functional area, which functional area in SAP is
20 defined as a "Cost Center" and a "Work Breakdown
21 Structure". Those two fields together will point
22 SAP to this primary expense derivation table, and
23 it will produce -- it would show you which
24 regulatory account the transaction would be

[WITNESS PANEL: Read|O'Brien|Dawes]

1 posted.

2 Q So, this is --

3 A (Read) This is just an example of a mapping
4 table.

5 Q Sure. But, under this example, "House Allowance"
6 ends up in "Employee Pensions and Benefits", is
7 that how I read this?

8 A (Read) That's, based on what the table is
9 showing, correct.

10 Q Okay. But that's what it's intended to
11 represent?

12 A (Read) Correct.

13 Q Okay. Anybody on the panel know what "House
14 Allowance" is?

15 A (Dawes) I'm assuming it's some sort of benefit
16 that certain people get. Certainly, Erin and I
17 do not get that benefit. But I'm not familiar
18 with anyone in New Hampshire that has a housing
19 allowance. But it's just from -- it's an example
20 of showing how get from the natural account to
21 the regulatory account. That may exist in other
22 jurisdictions or in Corporate, I'm not sure.

23 Q Okay. So, Slide 12 talks about adjustments that
24 were made to the 2022 balances for reporting

[WITNESS PANEL: Read|O'Brien|Dawes]

1 adjustments. This was -- this was to account for
2 the mismapping that occurred, despite the testing
3 that took place anyway, right? This is to
4 describe what actually happened?

5 A (O'Brien) I think I can best answer that
6 question.

7 So, Luisa explained the FERC derivation
8 tables in SAP. Those are automatically pulled,
9 however, in some cases, they can be overwritten
10 through a manual journal entry.

11 So, if I take us back to January of
12 2023, we closed our books and records, went
13 through our normal year-end closing process.
14 Much of that work is around the natural accounts,
15 which represents our U.S. GAAP reporting for our
16 parent company, which is in public company
17 reporting. And, following the completion of that
18 work, we moved to the regulatory account analysis
19 for the preparation of the FERC Form 1 and the
20 revenue requirement.

21 In preparing that information, we
22 identified that net income from a regulatory
23 account perspective was very different from a
24 U.S. GAAP perspective, which we wouldn't expect

[WITNESS PANEL: Read|O'Brien|Dawes]

1 to see. This was new to us in the new system.
2 We explained that the -- in the legacy system, we
3 had one GL account. There was one account, and
4 that determined both our U.S. GAAP and regulatory
5 reporting results. In the new system, there are
6 two accounts; our natural account, representing
7 our U.S. GAAP results, and the regulatory
8 account, representing the FERC accounts and our
9 regulatory reporting.

10 So, when we began to prepare our FERC
11 Form 1, and identified that net income was
12 different between the U.S. GAAP and the
13 regulatory results, we quickly identified that
14 that didn't make sense. We don't expect to have
15 GAAP to FERC differences in our results. That's
16 what led us to complete this detailed review.
17 And the timing of that is what drove it not being
18 included in our 2022 SAP general ledger, because
19 of when it was performed, we weren't able to
20 reopen the books at that time.

21 So, this slide is discussing that
22 detailed analysis that was done to identify those
23 corrections. All of the transactions were in the
24 system. So, it's all of the same SAP

[WITNESS PANEL: Read|O'Brien|Dawes]

1 transactions that were in our results. It was an
2 issue of geography and understanding where those
3 transactions should have been recorded, to ensure
4 that the regulatory results were accurate.

5 Q So, we heard this at the January 4th hearing
6 also, about geography. You would agree that an
7 entry, a transaction, if it doesn't end up in the
8 right account, represents a mistake or a problem
9 correct? I mean, if a transaction ends up in an
10 income statement account, when it was supposed to
11 go to a balance sheet account, there's really no
12 comfort in the fact that the transaction was
13 there, if it ended up in the wrong place, right?
14 Or, am I missing something?

15 A (O'Brien) In these cases, it was in the correct
16 location, from a U.S. GAAP reporting, and that's
17 where our analysis began. Now, we are smarter in
18 the system, and aware that we need to be doing
19 this regulatory account analysis in conjunction
20 with the GAAP analysis. That was not something
21 that we were aware of in January of last year.

22 Q Okay. Well, that didn't really answer my
23 question, though. If you've got a transaction on
24 your books, but it ends up in the wrong account,

[WITNESS PANEL: Read|O'Brien|Dawes]

1 that's a problem that needs to be dealt with.

2 Would you agree with that?

3 A (O'Brien) Yes, which is what we did.

4 MR. DEXTER: Okay. All right. Thanks.
5 That's all the questions I have.

6 CHAIRMAN GOLDNER: Okay. Given the
7 late hour, let's take a very brief break,
8 returning at 3:20, with the Office of the
9 Consumer Advocate. Off the record.

10 *(Recess taken at 3:11 p.m., and the*
11 *hearing reconvened at 3:24 p.m.)*

12 CHAIRMAN GOLDNER: Okay. We'll go back
13 on the record, and resume with Attorney Kreis,
14 and the OCA.

15 MR. KREIS: Thank you, Mr. Chairman.

16 Good afternoon, Liberty witnesses. I
17 don't plan on taking up too much of your time,
18 because I want to throw you to the wolves up on
19 the Bench as quickly as I possibly can. But I do
20 have a few questions.

21 BY MR. KREIS:

22 Q My first question is, as among the three of you,
23 which of you is the highest ranking person in
24 Liberty Utilities?

[WITNESS PANEL: Read|O'Brien|Dawes]

1 A (Dawes) Well, --

2 A (Read) I think Peter is --

3 A (Dawes) -- I'm not sure.

4 A (Read) -- probably equivalent.

5 A (Dawes) Yes, I think so.

6 A (Read) We both have "Vice President" titles. So,
7 and Peter is in the region, and I'm in the
8 Corporate Head Office. But --

9 A (Dawes) You know, we both report to Vice
10 Presidents or higher in Corporate.

11 Q Okay. I think, because I really enjoy the
12 Canadian accent, I'm going to ask my questions of
13 Ms. Read. And, hopefully, she'll be able to
14 answer them.

15 I was taking a breeze through the 2022
16 Annual Report of Algonquin Power & Utilities
17 Corporation, which, of course, is the ultimate
18 parent company of the utility that is under
19 examination here today.

20 And I noticed, on Page 63 of that
21 Annual Report, which, by the way, is the latest
22 one that has been published, since I assume the
23 2023 Annual Report is not ready, it being only a
24 few days after the end of 2023. And, so, there's

[WITNESS PANEL: Read|O'Brien|Dawes]

1 a section there, on Page 63, that is titled
2 "Technology Infrastructure Implementation Risk".
3 And I'm going to read you a sentence from that
4 section of the Algonquin Power & Utilities Corp.
5 Annual Report.

6 It says "AQN", which is the
7 abbreviation they use for "Algonquin", "and
8 certain of its subsidiaries are in the process of
9 updating their technology infrastructure systems
10 through the implementation of an integrated
11 customer solution platform, which is expected to
12 include customer billing, enterprise resource
13 planning systems, and asset management systems."

14 So, my question for Ms. Read is, is
15 what they're talking about there the same thing
16 that you've been talking about here, that I think
17 you've called "Customer First"?

18 A (Read) That is correct.

19 Q Indeed. So, the next sentence of the Annual
20 Report says "The implementation of these systems
21 is being managed by a dedicated team." And I
22 realize you didn't write the Annual Report,
23 presumably, and might not have even read it, but
24 would it be fair for me to infer that, by

[WITNESS PANEL: Read|O'Brien|Dawes]

1 "dedicated team", they're not necessarily talking
2 about the degree of dedication to the Company of
3 that team, but the fact that that team has been
4 assembled and specifically assigned to focus on
5 that project? That's what they mean by
6 "dedicated", right?

7 A (Read) That is correct.

8 Q Yes. And, so, the next sentence says "Following
9 successful pilot implementations, deployment
10 began in 2022, and is expected to occur in a
11 phased approach across the enterprise through
12 2024."

13 Now, that sentence is from the Annual
14 Report for 2022, and some time has gone by. Is
15 that still a true statement, about the parent
16 company's intention as to the whole project, with
17 reference to the timeline in particular?

18 A (Read) That is correct. The Customer First
19 system implementations that have been done at
20 Algonquin, the parent company, is across six, we
21 call them "releases". Our last release is
22 expected to go live in February, this year, in
23 2024.

24 Q So, in that continuum, starting with the pilot

[WITNESS PANEL: Read|O'Brien|Dawes]

1 program and ending with whenever this project is
2 over, where does Granite State Electric's fall?
3 Like, was it the first operating subsidiary that
4 you did this with, or was it the last one, or is
5 it somewhere in the middle?

6 A (Read) I'd probably say it's somewhere in the
7 middle. Because we had New Hampshire was our
8 first one, then we had Corporate, Georgia, and
9 St. Lawrence Gas were our second one.

10 I believe New Hampshire was our third
11 release that we worked on.

12 A (Dawes) Sorry, just to clarify. Massachusetts
13 was the first.

14 A (Read) Massachusetts, right.

15 A (Dawes) You said "New Hampshire".

16 A (Read) I'm sorry.

17 Q Yes.

18 A (Read) Massachusetts. Thank you.

19 Q Thank you. So, you started with Massachusetts,
20 and then Granite State Electric, which is our
21 affiliate here, was the third.

22 The next sentence from the Annual
23 Report says "The implement" -- well, let me,
24 before I go there. Is Granite State Electric the

[WITNESS PANEL: Read|O'Brien|Dawes]

1 only operating subsidiary that's part of this
2 project that is doing a rate case at the same
3 time?

4 A (Dawes) That would not be yours to answer, Luisa.

5 A (Read) Yes. I'm sorry. I would defer to others
6 on the Liberty team to answer that question.

7 Q Does anybody on the panel know the answer?

8 A (Dawes) So, we're obviously in the midst of the
9 EnergyNorth rate case, --

10 Q Right.

11 A (Dawes) -- as you well know. We're in the late
12 stages of a rate case for New York Water. They
13 went live with SAP in November of '22. But they
14 went from SAP to SAP. So, a little easier
15 implementation. They're going from an older
16 legacy system.

17 Gas New Brunswick just finalized a rate
18 case, and they're filing another one in the
19 coming weeks, I believe. A little different
20 regulatory structure in New Brunswick.

21 In Georgia, there's an annual, it's
22 called the "GRAM" mechanism, the "Georgia Rates
23 Adjustment Mechanism". It's kind of a very
24 prescriptive rate filing. But they do that

[WITNESS PANEL: Read|O'Brien|Dawes]

1 annually. And we just reached settlement in
2 their most recent GRAM filing.

3 Q So, you have various rate proceedings ongoing.

4 A (Dawes) Yes, we do.

5 Q But it sounds like, and please correct me if I'm
6 wrong, the New Hampshire affiliates, meaning
7 Granite State Electric and -- I always forget the
8 name of the gas affiliate.

9 A (Dawes) EnergyNorth.

10 Q EnergyNorth, thank you. Are those the only two
11 affiliates that have filed rate cases in which
12 the test year is also the year that SAP was
13 implemented?

14 A (Dawes) No. So, New York Water would have been a
15 test year 2022, with two months in new system,
16 ten months in legacy. Georgia is a little
17 different, like I said. I mean, it's somewhat of
18 a forward-looking test year, but some of it was
19 SAP, some of it not. And New Brunswick is a
20 completely forward-looking test year, with much
21 less reliance on "regulatory" accounts than we
22 have in other companies.

23 Q So, that sort of anticipates my next question,
24 which I guess, Mr. Dawes, you can answer, since

[WITNESS PANEL: Read|O'Brien|Dawes]

1 you seem to be the most knowledgeable about this
2 stuff.

3 Did those rate cases -- have those rate
4 cases experienced the same degree of difficulties
5 arising out of the transition into the SAP system
6 that our rate case -- that at least this rate
7 case here, in New Hampshire, has experienced?

8 A (Dawes) No. But it doesn't mean they were
9 necessarily without some challenges. But
10 certainly not the extent of the adjustments that
11 we made here.

12 I think Georgia had some challenges,
13 because it's very prescriptive what the regulator
14 wants. They want to see things a certain way.
15 So, to get the old accounts to the new accounts,
16 it took a lot of work. So, that was challenging.
17 We were able to overcome it, but it took a lot of
18 work.

19 And New York Water did have some
20 challenges with some of the regulatory
21 accounting. But I think we're getting pretty
22 close to finalizing that case. So, nothing
23 significant that would impact the outcome of that
24 case.

[WITNESS PANEL: Read|O'Brien|Dawes]

1 Q So, do you have a theory about why it is that we
2 had so much trouble here, in New Hampshire, when
3 those affiliates, the process went more smoothly,
4 apparently?

5 A (Dawes) Yes. So, I think one of the issues, and
6 Erin can certainly chime in, is we have a service
7 company in New Hampshire, which we don't have a
8 service company anywhere else. So, transactions
9 come into the service company, they then get what
10 we call "settled" or "pushed down" to the
11 operating utilities.

12 So, some of the issues that we ran into
13 were the setup of the service company settlement
14 rules, how the costs then got pushed down to the
15 regulatory accounts. We didn't have that issue
16 with our other utilities, because they don't have
17 the service company.

18 Q Moving on to the next sentence, I guess I'll
19 stick with Mr. Dawes, since he seems to be on a
20 roll. The next sentence of the Annual Report
21 that I was reading from before says "The
22 implementation of such technology systems will
23 require the investment of significant financial
24 and human resources." And, then, the next

[WITNESS PANEL: Read|O'Brien|Dawes]

1 sentence after that says "Disruptions, delays, or
2 deficiencies in the design, implementation, or
3 operation of these technology systems, or
4 integration of these systems with other existing
5 information technology or operations technology
6 could: Adversely affect the Company's
7 operations, including its ability to monitor its
8 business, pay its suppliers, bill its customers,
9 and report financial information accurately on a
10 timely basis; lead to higher than expected costs;
11 lead to increased regulatory scrutiny or adverse
12 regulatory consequences; or result in the failure
13 to achieve the expected benefits."

14 So, my question about that sentence is,
15 basically, and I apologize if it comes across as
16 snarky, but would it be fair for me to infer
17 that -- that the parent company, the ultimate
18 parent company here, Algonquin Power & Utilities
19 Corporation, warned its shareholders of exactly
20 the kind of regrettable situation that we're
21 experiencing here as a real possibility?

22 A (Dawes) So, I, like Ms. Read, was not part of
23 preparing the -- I'm assuming this is part of the
24 MD&A for Algonquin. I'm assuming that's the part

[WITNESS PANEL: Read|O'Brien|Dawes]

1 of the document. Which has a lot of requirements
2 from the SEC and regulators to discuss what your
3 risks are.

4 Q Yes.

5 A (Dawes) So, I'm not sure --

6 Q Or, at least I made the same assumption that you
7 did.

8 A (Dawes) Yes. So, I'm not sure who prepared that
9 or the thinking that went into it. I know
10 companies, as a general rule, have pretty lengthy
11 sections on risks. Whether they're probable of
12 happening or not is a different story. But I
13 think companies are generally -- are generally
14 pretty conservative about the risks that they lay
15 out in their MD&As. And I have a -- I used to
16 prepare the MD&A for Bangor Hydroelectric Company
17 for years, haven't done that for probably 20 plus
18 years.

19 Erin might have a little more recent
20 experience in reviewing MD&As. But that's the
21 best I think I can give you.

22 Q Sure. I guess what I really want to ascertain,
23 though, is it fair to say that Liberty Utilities
24 was well aware that things could go awry in

[WITNESS PANEL: Read|O'Brien|Dawes]

1 exactly the way things have gone awry here?

2 A (Dawes) Well, I think they were raising the
3 potential risk. I don't believe -- I mean, I
4 don't believe Algonquin thinks what's happening
5 here or the mapping issues that we've had
6 certainly gives rise to something of significance
7 for disclosure in the financial statements. I
8 think this is a general risk statement that
9 everyone makes in their financial statements for
10 public filings.

11 Q Okay. I think this might be my last question.
12 And, actually, some combination of all of you
13 could answer this question, or one of you could,
14 it doesn't really matter. And I apologize if
15 this comes across as uninformed. But I don't
16 usually wallow in the books and records of the
17 utilities, and I don't usually find myself
18 worrying about whether your FERC Form 1 aligns
19 with your natural accounting, or your unnatural
20 accounting, it just is something I don't usually
21 deal with.

22 And, so, as we think about how to go
23 forward here, I guess the question becomes, to
24 what extent can we, in the future, expect that

[WITNESS PANEL: Read|O'Brien|Dawes]

1 there will still be I guess I would call them
2 "fixes" to the record, the financial records of
3 last -- of the test year 2022, and the ensuing
4 year, 2023, that we can still expect Liberty
5 Utilities to be making in 2024, or even further
6 into the future?

7 A (O'Brien) So, as far as, if I understand the
8 question correctly, fixes you can expect going
9 forward, I would say that those existed in our
10 legacy system as well. There is always a new,
11 for example, the Work Breakdown Structure,
12 there's always new WBSs being set up. And we
13 work diligently to ensure that those are done
14 correctly, and we have checks in place, and have
15 learned a lot about the system, to ensure that,
16 if something is set up incorrectly, then that's
17 identified and corrected.

18 I will say that the root causes for
19 what we have identified in the system, they have
20 been corrected. Those are corrected as we
21 identify them.

22 And, similar with, for example, the
23 incorrect WBS setup, that would be corrected in
24 the system as soon as it's identified.

[WITNESS PANEL: Read|O'Brien|Dawes]

1 A (Dawes) And I would just quickly add on. I
2 think, in answering your question, I don't -- I
3 don't expect there to be any adjustments in 2024
4 that relate back to 2022 or beyond.

5 And just quickly, on the WBS, so, we're
6 actually setting up a more centralized process
7 across the whole organization for WBS creation
8 and validation, to make sure that they're set up
9 appropriately. So, I mean, that's good controls
10 that we're putting in place going forward, to
11 make sure we don't have similar issues in the
12 future.

13 Q Okay. But here's what I don't get. I mean, I'm
14 used to looking at annual reports of publicly
15 traded companies. You know, they will close
16 their books on the last day of 2022. They will
17 put out an audited financial statement in April
18 of 2023. And that's it. That's all chiseled
19 into the entablature of the Corporate
20 headquarters, and it can't be changed.

21 But it sounds like here the paradigm
22 that you're operating under is that you reserve
23 the right to update the financial records for
24 regulatory purposes in perpetuity. What am --

[WITNESS PANEL: Read|O'Brien|Dawes]

1 like, how can that be? What am I not
2 understanding?

3 A (Dawes) So, first, Don, I mean, obviously,
4 there's a difference between the two. So, from a
5 public reporting standpoint, you can have
6 significant efforts going into an annual report,
7 footnote disclosures, MD&As, and performance.
8 So, I mean, you have to get the books closed
9 fairly quickly so you can spend all that time
10 getting that prepared.

11 The regulatory reporting is different.
12 It's not uncommon that we make updates to our
13 FERC Form 1, if we find something when we file it
14 in the future. I mean, you wouldn't do that with
15 an annual report to shareholders. But it's not
16 uncommon that you might something in the FERC
17 Form 1 that you need to update, because it's a
18 pretty significant report, just beyond the
19 regular financials, I mean, there's hundreds of
20 pages in your FERC Form 1.

21 But we're only making -- we're making
22 updates at the beginning of this year, to make
23 sure our FERC Form 1 for 2022 -- sorry, last
24 year, we're in 2024 now, in early 2023, to make

[WITNESS PANEL: Read|O'Brien|Dawes]

1 sure the 2022 report was correct. Which, I mean,
2 that's something we had to do. We couldn't file
3 our FERC Form 1 that had the incorrect
4 information in it. So, that's why we made those
5 adjustments for the filing.

6 And our FERC Form 1 for this year, I
7 mean, we shouldn't have the same issue going
8 forward.

9 Q So, I guess -- this is my last question, I
10 promise. So, at what point does the regulatory
11 accounting become sufficiently reliable, so that
12 the three learned experts sitting up there on the
13 Bench can actually decide what the just and
14 reasonable rates for this Company are? Like, at
15 what point can they just say "All right, we're
16 going to rely on the books and records we have in
17 front of us in this record and decide what the
18 just and reasonable rates are"?

19 A (Dawes) So, we certainly made a revenue
20 requirement update in November, that included
21 adjustments that came out of the audit process,
22 through discovery, I can't recall if there was
23 anything else that was a part of that. And we
24 know that we have a small impact on the revenue

[WITNESS PANEL: Read|O'Brien|Dawes]

1 requirement from the final adjustment work that
2 we just finalized for the 2022 year-end numbers.

3 So, I would say, what was in that
4 November Update filing, plus the small revenue
5 requirement update. I mean, that's it. Those
6 are the final numbers for 2022, adjusted.

7 Q Okay. Unless your two colleagues want to
8 embellish that answer at all?

9 A *[Witness O'Brien indicating in the negative.]*

10 MR. KREIS: Just want to make sure that
11 they didn't want to.

12 I think those are all the questions I
13 have. And, now, I can turn you over to the folks
14 up on the Bench. Or, actually, I think Dartmouth
15 gets to ask you a few questions first.

16 CHAIRMAN GOLDNER: Yes. We can move at
17 this time to Attorney Getz, any questions?

18 MR. GETZ: No questions, Mr. Chairman.

19 CHAIRMAN GOLDNER: All right. Thank
20 you.

21 We'll turn now to Commissioner Simpson.

22 BY CMSR. SIMPSON:

23 Q So, the first question I have is quite general.

24 Can you describe the driving factors that led to

[WITNESS PANEL: Read|O'Brien|Dawes]

1 the Company filing this case in 2023?

2 A (Dawes) Yes. So, I would say, and there where a
3 number of factors. So, we are on a three-year
4 sort of timeline for filing new revenue
5 requirements. I think there's a stay-out
6 provision in New Hampshire, you can't file any
7 sooner. We certainly couldn't go another year,
8 given the significance of financial investments,
9 whether it was in Customer First or, say, Tuscan
10 Village. We wanted to do some additional things
11 from a veg. management standpoint. The timing
12 seemed appropriate to use a 2022 test year. We
13 knew that we had gone live with SAP towards the
14 tail end of the test year, so, nine months old
15 system, three months SAP. And we had a good
16 eight months post SAP to feel comfortable with
17 the numbers that went into the filing.

18 Q And I asked the Department, and I'll ask you,
19 could you comment on the financial health of
20 Granite State Electric, and Algonquin Power &
21 Utilities Corp., in general?

22 A (Dawes) Yes. So, I mean, I think the comment
23 that came previously was -- I mean, it was more
24 directed towards the impact of the mapping issues

[WITNESS PANEL: Read|O'Brien|Dawes]

1 and things like that.

2 So, I'm not aware of any financial
3 concerns, from a health standpoint, of the parent
4 company. I think we just made a large debt
5 offering. We're paying a dividend. We're
6 earning money. I don't think there are financial
7 health concerns. I'm not aware of any. Excuse
8 me.

9 In Granite State Electric, we're
10 meeting our obligations to our debt holders.
11 We're paying our employees. We're billing and
12 collecting money from customers.

13 And I think our financial health is
14 sound across Algonquin.

15 Q And you have liquidity?

16 A (Dawes) We do.

17 Q Okay. So, we talked about the Audit Report at
18 length this morning. And there were several
19 issues that we went through. And I noted one,
20 that was specifically Exhibit 8, Bates Page 152.
21 When the DOE's Audit team identified some
22 concerns, why didn't the Company follow up on all
23 of those?

24 A (Dawes) Which audit issue is that? I'm sorry.

[WITNESS PANEL: Read|O'Brien|Dawes]

1 Q It's on Bates Page 152. So, I will get there.

2 A (Dawes) Sorry. I've got the actual Final Audit
3 Report, as opposed to the Bates.

4 MS. RALSTON: It's the same page,
5 Peter.

6 WITNESS DAWES: Is it?

7 MS. RALSTON: Yes. Page 152.

8 WITNESS DAWES: Just one second, I'll
9 get there. It must be Audit Issue 1.

10 BY CMSR. SIMPSON:

11 Q So, this was "Accumulated Depreciation and Cost
12 of Removal", "Audit Issue Number 2".

13 A (Dawes) Oh. Yes.

14 Q Just one example. So, Audit -- I'll read the
15 comment: "Audit concurs, and requests that
16 copies of any adjusting journal entries be
17 provided to Audit within 30 days of this Final
18 report." And that report is dated, I believe,
19 October of '23.

20 A (Dawes) I'm there.

21 Q Okay. Do you need me to restate the question?

22 A (Dawes) I'm sorry. Yes, please.

23 Q Okay.

24 A (Dawes) I must not have heard it.

[WITNESS PANEL: Read|O'Brien|Dawes]

1 Q So, there was a audit issue identified, the
2 Department requested an adjustment and a response
3 from the Company. Why didn't the Company
4 respond?

5 A (Dawes) So, I believe -- so, two pieces to it. I
6 believe we did update the revenue requirement.
7 And I'm not certain why we wouldn't have provided
8 the journal entry. I would have to talk to our
9 Plant Accounting team to find out if that
10 adjustment was made, and then provide that. So,
11 that was an oversight.

12 Q But you're not aware of a back-and-forth between
13 the Company and the Audit team following this
14 report?

15 A (Dawes) I'm not aware of anything. Erin, are
16 you?

17 A (O'Brien) No.

18 Q Okay. With respect to SAP, could you describe
19 the process that the Company, and perhaps
20 Algonquin Power & Utilities Corp., employed to
21 select SAP?

22 A (Read) This is going back a few years, because
23 the Customer First Program started about four
24 years ago. The Company made a decision that its

[WITNESS PANEL: Read|O'Brien|Dawes]

1 current infrastructure and systems that we were
2 on, we were on a collection of different systems,
3 and not just New Hampshire utilities that we
4 have, we have utilities across the U.S., they're
5 on three different financial systems, ERP
6 systems, Great Plains, JD Edwards, PeopleSoft.
7 We also had --

8 *[Court reporter interruption.]*

9 WITNESS READ: Oh, sorry. Sorry. I
10 apologies. I'll go slower.

11 **CONTINUED BY THE WITNESS:**

12 A (Read) We're on three different -- we were on
13 three different financial systems. We're on two
14 different customer information systems and
15 billing systems. We had three different Chart of
16 Accounts. It was very difficult to get
17 information across all of these companies to be
18 able to report on it. Our systems were old.
19 They were costly to maintain, and not fully
20 integrated between our finance system, our
21 customer information system, and our operation
22 system. And we were looking to provide better
23 customer experience for our customers, and that's
24 also our utility customers, as well as our

[WITNESS PANEL: Read|O'Brien|Dawes]

1 internal customers, which are our employees.

2 BY CMSR. SIMPSON:

3 Q So, I'm looking at the Audit Report, which is
4 Exhibit 8. And there's a summary of allocation
5 for Liberty Utilities. If you look at Bates
6 Page 030, it's Page 4 of the report. There are
7 affiliates listed of Liberty Utilities.

8 And I'll give you a moment, if you can
9 pull that up.

10 A (Read) I don't have a computer in front of me.
11 So, --

12 Q Okay.

13 MR. SHEEHAN: If I may?

14 BY CMSR. SIMPSON:

15 Q You don't have the Audit Report?

16 A (Read) Not in front of me.

17 Q Okay. That's fine. Take your time.

18 MS. RALSTON: Could you repeat the page
19 number please?

20 CMSR. SIMPSON: It's Bates Page 030 of
21 Exhibit 8, which is Audit Page 4, 4 and 5.

22 *[Atty. Sheehan providing his laptop to*
23 *the witness panel for document view.]*

24 MR. SHEEHAN: Bates Page?

[WITNESS PANEL: Read|O'Brien|Dawes]

1 CMSR. SIMPSON: Thirty.

2 CHAIRMAN GOLDNER: Thirty, in the lower
3 right.

4 WITNESS READ: I'm there.

5 BY CMSR. SIMPSON:

6 Q So, maybe you could just describe the network of
7 Algonquin companies? I see "Liberty Water
8 (Arizona)", "Liberty Water (Texas)". The two New
9 Hampshire affiliates are bolded. There are some
10 other companies here.

11 Could you describe these, just very
12 briefly, and let us know which of these companies
13 also transitioned to the SAP platform?

14 A (Read) All of them would have transitioned. We
15 currently have one release left to implement SAP,
16 and that's in our Empire electric and gas
17 utilities.

18 Q Okay.

19 A (Read) As well as our Missouri water utility in
20 our Central Region, that are still operating on
21 their legacy system.

22 Q Okay. And, just out of curiosity, what is
23 "Woodson Hensley"?

24 A (Read) I believe it's a water utility.

[WITNESS PANEL: Read|O'Brien|Dawes]

1 Q It's a very small portion of your portfolio. And
2 "Tinker Transmission", do you know?

3 A (Dawes) Yes. They're a small -- they're a small
4 electric transmission company just in Canada.
5 So, our radial line coming out of Maine that
6 serves, essentially, the town that's disconnected
7 from the rest of the New Brunswick power grid.

8 Q Okay.

9 A (Dawes) They used to be part of Tinker Hydro, and
10 we had to split them apart from a FERC
11 standpoint. So, they're a stand-alone now.

12 Q Okay. Thank you. So, all of these affiliates
13 are being charged *pro rata*, based on an
14 allocation factor that presumably the Company
15 develops for the costs associated with really any
16 capital project, correct?

17 A (Read) Correct.

18 Q Okay.

19 A (Dawes) I don't know about "any capital project".
20 It would have to be something that's attributable
21 across the enterprise.

22 Q Okay. But SAP is one of those projects?

23 A (Dawes) Correct.

24 Q Okay. So, could you describe the management

[WITNESS PANEL: Read|O'Brien|Dawes]

1 process that occurred from the review of possible
2 options, the review of the various systems. I
3 think you identified three that were in place
4 from a legacy standpoint, the selection of SAP,
5 working with SAP, and any other vendors, to
6 develop a process to transition the Company over
7 to SAP, the testing, the verification, the audit?
8 Describe that process for us, if you would
9 please, that led us to "go live"?

10 A (Read) Well, maybe your first part of your
11 question is, there was a review done on which
12 system Algonquin would implement across its
13 utilities. We looked at two, SAP and Oracle. We
14 did a deep review and workshops to go through all
15 the different modules, the processes, and the
16 decision was made to go with SAP.

17 We then went through an RFP process to
18 find an implementation partner to work with us on
19 the implementation.

20 Q Who was that?

21 A (Read) That was IBM, who had deep utility
22 industry experience, as well as SAP. So, we
23 worked with them. We also worked with KPMG to
24 help with the design of our Chart of Accounts.

[WITNESS PANEL: Read|O'Brien|Dawes]

1 We also worked with other third party vendors and
2 consultants on other softwares that integrate
3 with SAP. Power Plan, as an example, which is
4 our fixed asset subledger, we worked with them.

5 And, as part of, and maybe the second
6 part of your question is "How did we, as an
7 organization or a company, determine we were
8 ready with the "go live"?" There was a lot of
9 governance, project governance on the Customer
10 First Program.

11 We have, as part of the "go live", we
12 had to go through a business readiness checklist,
13 and it was very detailed. Specific items and
14 tasks that needed to be completed, to ensure we
15 had the system, technology was ready, like, we
16 designed all the processes, we completed all the
17 testing, across the Customer First Program, and
18 not just finance, on the customer side, as well
19 as operations. We had to make sure all the
20 end-users were tested. We had to make sure we
21 had all the documentation on the processes, from
22 a controls perspective, to make sure that we had
23 all our controls in place, and those were tested.

24 The Business Readiness Committee, which

[WITNESS PANEL: Read|O'Brien|Dawes]

1 is leadership from across our utilities, have a
2 vote to determine whether or not they are ready
3 to go. And, with that recommendation of "go",
4 that gets presented to our Executive SteerCo,
5 which has our CFO, CEO, our IT lead as well, as
6 well as representation from Customer First, to
7 have the decision that we were ready to go, based
8 on this detailed checklist of the items that were
9 completed in the tasks, and we were comfortable
10 with the decision. It was a thoughtful decision,
11 because it was for Granite State, it happened in
12 Quarter 4, but it was October. So, we felt that,
13 with the work that was done, and the system to be
14 ready and the business to be ready, we were --
15 the Company made a decision we were ready to go.
16 Q And you did not, I believe I heard earlier, that
17 you did not run the Great Plains system in
18 parallel to SAP. You made a full migration. You
19 stopped operating SAP [Great Plains?], presumably
20 September of 2023, give or take. And, then, in
21 October of 2023, no more operation of Great
22 Plains, fully operating the Company within SAP?
23 A (Read) That is correct.
24 Q Okay.

[WITNESS PANEL: Read|O'Brien|Dawes]

1 A (Dawes) Is it okay if I just supplement a little
2 bit?

3 Q Please.

4 A (Dawes) So, I know I was part of the Business
5 Readiness, and had to vote. And, I mean, we all
6 knew it was going to be challenging. Any time
7 you put in something like an SAP, it's a very
8 challenging system.

9 Q Sure.

10 A (Dawes) I think the thing that gave us additional
11 comfort, that we haven't talked about, is
12 something called "hypercare", which is, I mean, a
13 significant level of support, is pretty much
14 all-hands-on-deck from the IBM and Customer First
15 team, to address any issues that come up after
16 you go live. And I think we had that through the
17 month of January, I think, for the New Hampshire
18 companies.

19 So, they were instrumental in helping
20 us through some of the challenges we had with the
21 service company settlement issues, where things
22 weren't coming down to the right regulatory
23 accounts. They were instrumental in helping us
24 with year-end, sort of taking care of some of

[WITNESS PANEL: Read|O'Brien|Dawes]

1 those regulatory account issues. As well as the
2 significant efforts that went into getting the
3 mapping correct for our FERC Form 1, and the most
4 recent adjustments that we're going to be making
5 on our books for 2023. So, I mean, a significant
6 level of support from those teams.

7 Q So, FERC Form 1 is based off of your closed books
8 from the prior year?

9 A (Dawes) Correct.

10 Q When do you close the books? For example, when
11 will you close the 2023 books?

12 A (Dawes) Yes. So, we're being a little more
13 strategic this year. So, we closed the books
14 from a GAAP standpoint, because Corporate needs
15 to get moving on their financials. We're still
16 working through regulatory account
17 reclassifications. And those will be pushed into
18 the SAP books when those are completed, I think,
19 in another week or so, if that.

20 So, last year, I don't think we were
21 generally aware of this ability to make specific
22 regulatory entries on the books after we closed.
23 I think it was the sense, like, once Corporate
24 closed, and they're working on financials, no

[WITNESS PANEL: Read|O'Brien|Dawes]

1 more adjustments could be made.

2 Q So, Corporate, they're interested in closing
3 GAAP, but the separate set of mapped regulatory
4 books, there's a degree of flexibility in making
5 adjustments therein?

6 A (Dawes) Right. Because there are -- there are
7 additional periods within SAP, it doesn't end
8 with period twelve. There's thirteen, fourteen,
9 fifteen. So, we can put these reclass entries
10 that are necessitated from some of these mapping
11 things that we're correcting that we talked about
12 into period thirteen. We'll have final books and
13 records, general ledger that's correct, that
14 should tie to the FERC Form 1.

15 Q So, the issues that were identified by the
16 Department's Audit team, in your opinion, do
17 those relate in total, or in part, to the
18 regulatory accounts? Or do they also relate to
19 the GAAP accounts?

20 A (Dawes) So, Erin could jump in. But I believe
21 they're only looking at regulatory accounts.

22 A (O'Brien) Yes. That's my understanding as well.

23 Q Okay. And do you all have confidence in the data
24 that originated in the Great Plains system?

[WITNESS PANEL: Read|O'Brien|Dawes]

1 A (O'Brien) Yes.

2 Q And do you have confidence in the translation of
3 that data to the GAAP accounts within SAP?

4 A (O'Brien) Yes.

5 Q So, the adjustments that have been made related
6 to the translation from the GAAP accounts to the
7 regulatory accounts within SAP, correct?

8 A (O'Brien) I'm sorry. Can you repeat your
9 question?

10 Q The corrections that have been discussed *ad*
11 *nauseam* relate to the translation of data from
12 the GAAP accounts to the regulatory accounts
13 within SAP?

14 A (O'Brien) Yes. That's right.

15 Q I'm understanding that correctly?

16 A (O'Brien) Yes.

17 Q Okay. And was IBM your partner in developing the
18 code base, if you will, related to that
19 translation of GAAP to regulatory accounts?

20 A (Read) Yes, they were.

21 Q And they have done that for other utilities?

22 A (Read) I believe what is currently designed for
23 Liberty, with the regulatory account, is custom
24 to Liberty, because we do have multiple

[WITNESS PANEL: Read|O'Brien|Dawes]

1 regulatory bodies and jurisdictions, where we
2 have utilities that need to follow a different
3 Chart of Accounts, like for Gas, for Electric,
4 NARUC Water and Sewer.

5 The tables that IBM developed and
6 created for us for the regulatory account
7 derivation is specific to Liberty.

8 Q Are there any Liberty affiliates that use the
9 same regulatory accounting structure matrix that
10 Granite State uses?

11 A (Read) All of them do, and Granite State is an
12 electric, FERC Electric. So, we have currently
13 three, including Granite State, two other
14 electric utilities, one in California and one in
15 Empire. California is live in SAP at this
16 moment. Empire Electric will go live next month.

17 Q Is there anything to distinguish Granite State
18 from those companies, in terms of your
19 implementation of SAP?

20 A (Read) There would be no difference, in terms of
21 the implementation. But there are probably
22 specific requirements to the California
23 regulation that may be a different way of
24 recording certain transactions that need to hit a

[WITNESS PANEL: Read|O'Brien|Dawes]

1 specific account that would be different than
2 Granite State Electric.

3 I don't know, Peter, if you want to --

4 A (Dawes) No. I mean, beyond that, I would just
5 say, so, I'm in contact all the time with my
6 cohorts in the West Region, where Calpeco is, and
7 in the Central Region, where Empire is. And we
8 talk a lot about SAP, the challenges, lessons
9 learned. So, I mean, I've certainly had a lot of
10 discussions with them about things they should be
11 aware of going in, to make sure that this --
12 these whole regulatory mapping things were
13 squared away, and they've spent a lot of time
14 getting their implementations. So, they were in
15 a better place than we were when we went live in
16 New Hampshire.

17 Q So, you may have answered this, but just so I
18 understand. Out of those three electric
19 operating companies, was Granite State the first
20 to transfer to SAP?

21 A (Read) That's correct. Yes.

22 A (Dawes) Yes.

23 Q Okay. So, this is, in your view, you won't face
24 the same problem in California and the Midwest

[WITNESS PANEL: Read|O'Brien|Dawes]

1 states that you will here, because you've
2 identified them here?

3 A (Read) That is correct.

4 Q Okay.

5 A (Dawes) Yes. Sorry. And Calpeco went live in Q4
6 of 2023. So, a year after we went live in New
7 Hampshire.

8 Q How have you communicated with customers about
9 this issue?

10 I'm not a customer of Granite State or
11 EnergyNorth. So, I haven't seen anything. How
12 have you communicated with your customers about
13 this issue?

14 A (Dawes) Yes. I don't think we can answer that.
15 We're not customer witnesses.

16 MS. RALSTON: I think that was probably
17 something Ms. Preston could have answered. We
18 would be happy to follow up, if it's of interest
19 to you. But I don't think these are the right
20 witnesses, unfortunately.

21 CMSR. SIMPSON: Okay.

22 BY CMSR. SIMPSON:

23 Q Are you aware of any customer communication? You
24 can answer "no."

[WITNESS PANEL: Read|O'Brien|Dawes]

1 A (Dawes) Nothing specific. I'm sure that we did.
2 But I'm not sure of anything specific that I
3 could point to.

4 Q Okay. And you mentioned a unique element of
5 Granite State living within a service company,
6 and I wanted to better understand that, if you
7 would?

8 A (Dawes) You can start.

9 A (O'Brien) So, Granite State, the New Hampshire
10 companies were the first companies brought on to
11 the SAP platform with a service company in place.
12 So, what we have since identified is that some of
13 the configuration in SAP allowed for costs to
14 come into the service company to the correct
15 regulatory account, but not follow down to the
16 operating company level.

17 So, for example, when payroll taxes are
18 recorded, they first come into the service
19 company, before they're allocated to the gas and
20 electric companies in New Hampshire. And they
21 were appropriately classified to the 408
22 regulatory account at the service company level,
23 but that designation didn't follow those costs
24 down to the operating companies. It landed them

[WITNESS PANEL: Read|O'Brien|Dawes]

1 in this 999 clearing --

2 Q Catch-all.

3 A (O'Brien) -- regulatory account. Exactly. So,
4 that has since been corrected for all charges
5 flowing through the service company. But that
6 was not something that we fully appreciated at
7 this time last year.

8 Q So, you effectively had two regulatory mappings.
9 You had your GAAP accounts, that were then mapped
10 to a service company regulatory account, which,
11 effectively, then need to be mapped to a Granite
12 State Electric and an EnergyNorth account --

13 A (O'Brien) Correct.

14 Q -- regulatory account?

15 A (O'Brien) Yes. That's right.

16 Q Okay. And when did you identify that issue?

17 A (O'Brien) That was identified through this
18 process and was corrected in our system in
19 November of 2023. And we recorded a manual
20 journal entry to correct for all charges prior to
21 that time.

22 Q So, more than a year from "go live"?

23 A (O'Brien) I'd say it was about a year from "go
24 live", when it was identified, and it took some

[WITNESS PANEL: Read|O'Brien|Dawes]

1 time to correct in the system. It goes through a
2 testing process, and to ensure that all of the
3 updates are done correctly.

4 Q Did that affect billing?

5 A (O'Brien) No. No.

6 Q So, how does -- how does the system tie to your
7 billing system?

8 A (Read) It's all on SAP. So, our customer
9 information system is a separate SAP module that
10 integrates to SAP financials, with the financial
11 ledger, in the natural accounts and the
12 regulatory accounts.

13 Q Okay.

14 A (Dawes) So, the billing, all of the activity
15 coming out of the customer information system are
16 pushed over into the "general ledger", if you
17 will, on an automatic basis, and it happens
18 daily.

19 CMSR. SIMPSON: I'm hoping one of the
20 attorneys could point me to an exhibit that had
21 the Department's customer contact, with respect
22 to rate class, calls that you received from
23 customers?

24 MR. DEXTER: Yes, Commissioner. That

[WITNESS PANEL: Read|O'Brien|Dawes]

1 was in the Motion. And, then, the numbers were
2 tweaked slightly, and should appear in a letter
3 that I filed in the case shortly after the
4 January 4th hearing. I'm not sure they were by
5 rate class.

6 And, of course, I'm talking about
7 contacts to the Department of Energy, not
8 customer contacts to Liberty.

9 In the original Motion, it's on Bates
10 Page 21.

11 CMSR. SIMPSON: Just a moment.

12 *[Short pause.]*

13 CMSR. SIMPSON: There was most
14 definitely a table that had customer by rate
15 class, in terms of calls, that the Department
16 received. I just -- I had it up, but I can't
17 find it now.

18 Is Ms. Noonan still here?

19 MR. DEXTER: If I can consult with Ms.
20 Noonan for a minute, we might be able to track it
21 down.

22 CMSR. SIMPSON: Thank you.

23 *[Atty. Dexter and Dir. Noonan*
24 *conferring.]*

[WITNESS PANEL: Read|O'Brien|Dawes]

1 MR. DEXTER: So, this morning we were
2 talking about a chart concerning bills that were
3 delayed as a result of the SAP implementation.
4 It talked about "684 customers", and that was
5 broken down by month and by rate class.

6 CMSR. SIMPSON: Yes.

7 MR. DEXTER: So, now, see if I can
8 remember where that was.

9 It was attached to the original Motion.
10 I believe it's Attachment 15 to the original
11 Motion. So, just give me a second.

12 *[Short pause.]*

13 MS. RALSTON: I referenced -- go ahead.

14 MR. DEXTER: I was going to say, it
15 looks like it's Exhibit 8, Bates Page 240. And
16 that has a "266" next to it.

17 CMSR. SIMPSON: That is the one. Thank
18 you. This is a big record.

19 BY CMSR. SIMPSON:

20 Q And I expect to get a response that this isn't
21 something that these witnesses could speak to.
22 But are any of you familiar with this table and
23 are you able to speak to it?

24 A (O'Brien) I'm sorry.

[WITNESS PANEL: Read|O'Brien|Dawes]

1 Q Okay.

2 A (Dawes) No.

3 A (O'Brien) I'm sorry, no.

4 A (Read) No.

5 MS. RALSTON: Yes. I would just say,
6 this is again for Ms. Preston. We would be happy
7 to make her available on another day.

8 CMSR. SIMPSON: Okay.

9 MS. RALSTON: If that would be helpful?
10 I just wanted to put that out there.

11 CMSR. SIMPSON: Okay.

12 MS. RALSTON: This wasn't expected.

13 CMSR. SIMPSON: All right. I think
14 that's all I have. Thank you.

15 CHAIRMAN GOLDNER: Thank you. We'll
16 move now to Commissioner Chattopadhyay.

17 BY CMSR. CHATTOPADHYAY:

18 Q So, I'm going to go to Exhibit 5 first, and that
19 was a record request. And, so, if you have it,
20 are you ready with that?

21 A (O'Brien) Yes.

22 Q Okay. So, Number 5, I'm looking at the responses
23 now. Number 5, Number 8, Number 9, Number 10,
24 and I'm just trying to confirm I didn't miss

[WITNESS PANEL: Read|O'Brien|Dawes]

1 anything. So, those are the ones for which the
2 impact on rate revenue requirement has not yet
3 been included, correct?

4 A (O'Brien) That's correct.

5 Q Do you have a sense of what the impact would be,
6 if you include those four additional adjustments?

7 A (O'Brien) I am not aware of the impact to the
8 revenue requirement, no.

9 A (Dawes) Yes. So, if you take the December items,
10 I mean, if you net them down to the impact on the
11 income statement, so, the effect on earnings,
12 it's about \$167,000. So, the revenue requirement
13 impact might be different, based upon how it's
14 incorporated into the case, if it's labor,
15 non-labor, the inflation rate or other escalators
16 that are used.

17 But the raw adjustment itself is
18 167,000 of reduced expense, if you will.

19 Q And that has not been included yet?

20 A (Dawes) Correct.

21 Q I'm just trying to get a confirmation. Okay.

22 A (Dawes) Yes.

23 Q Have you unearthed or have you found anything
24 additional that you noticed beyond January 4th

[WITNESS PANEL: Read|O'Brien|Dawes]

1 yet?

2 So, I'm looking for, again, SAP issues
3 that you have isolated or identified, after the
4 hearing on the 4th of January?

5 A (O'Brien) No.

6 Q Okay. Do you have other SAP issues that are not
7 listed here, these are the top ten, that are,
8 let's say, between 11 and 20, that can also
9 matter, in terms of what the revenue requirement
10 would be? Or, is it the case that your number,
11 which was \$167,000, that includes everything?

12 A (O'Brien) That includes everything.

13 A (Dawes) So, everything identified on here as
14 "December 2023".

15 Q So, everything identified in December. So, how
16 many others are there that were identified in
17 December that are not in this list?

18 A (O'Brien) I don't recall exactly how many there
19 were. But the net impact was that \$167,000.
20 These shown here may go in opposite directions,
21 they're not all presented in the same manner.

22 Q Okay. So, you don't know how many more SAP
23 issues --

24 A (Dawes) Yes. We have --

[WITNESS PANEL: Read|O'Brien|Dawes]

1 Q -- popped up?

2 A (Dawes) I'm sorry. We have the details of what
3 makes up the 167,000. We don't have it right
4 here, but --

5 Q Okay.

6 A (Dawes) -- it's certainly something that we do
7 have.

8 Q Okay. And I'll think about it. But let's
9 continue.

10 So, I'm going to go back to the
11 attestation issue that we were talking about.
12 And I want to make sure I followed what was
13 relayed.

14 A (Dawes) Uh-huh.

15 Q So, it doesn't matter whether you look at the
16 Tab 11 or Tab 6, because, you know, so, let's
17 stay with 11, because that's when the rate case
18 was filed. And, if you go to, I can't tell what
19 page number it is, but it's your attestation.
20 And I'm just trying to understand, based on the
21 questioning from Attorney Dexter, the attestation
22 at one point says "the utility's books during the
23 test year have been expressly noted", correct?

24 A (Dawes) Yes.

[WITNESS PANEL: Read|O'Brien|Dawes]

1 Q And this was signed on the 24th of April?

2 A (Dawes) Correct.

3 Q At that point, did you provide anything that
4 expressly noted any changes in the manner of
5 recording an item on the utility's books, "during
6 the test year have been expressly noted"? And,
7 so, I'm trying to get a confirmation. Did you do
8 that or, based on what I heard, appeared that
9 that happened after, like, and there was some
10 back-and-forth that led you to get it done by
11 October?

12 A (Dawes) So, I'm not -- I wasn't involved in what
13 was filed in the revenue requirements. That
14 would be Kristin Jardin and Daniel Dane.

15 So, what I was referring to is my
16 comfort with the numbers in the FERC Form 1, plus
17 the other adjustments that we identified, as
18 being proper to include in the filing.

19 But I'm not generally aware with what
20 they included in the filing. But my
21 understanding since is that the adjustments were
22 not called out specifically.

23 Q So, you agree that there weren't, they -- even
24 though you understood that they were, they were

[WITNESS PANEL: Read|O'Brien|Dawes]

1 actually not expressly noted?

2 A (Dawes) Yes. They were included in the balances
3 in the filing.

4 Q Okay.

5 A (Dawes) They weren't separately shown as an
6 adjustment to the FERC Form 1 numbers.

7 Q All of the adjustments that are noted in
8 Exhibit 5, and the ones that you mentioned you
9 undertook and you actually flagged in
10 December 2023, these are all about 2022 test
11 year. Can you just confirm that all of these
12 will be appropriately addressed for 2023 going
13 forward?

14 A (O'Brien) Yes. They will.

15 Q Is it already taken care of?

16 A (O'Brien) The majority have already been taken
17 care of. And, as mentioned, we are making final
18 adjustments to the regulatory accounts currently,
19 to ensure that the figures are accurate at
20 year-end 2023.

21 A (Dawes) So, in --

22 Q Go ahead.

23 A (Dawes) And, in fact, we haven't finished closing
24 the books for 2023, from a regulatory account

[WITNESS PANEL: Read|O'Brien|Dawes]

1 standpoint.

2 Q Do you know how many SAP issues you're taking
3 care of in finalizing the 2023 books?

4 A (O'Brien) We are undertaking one analysis
5 currently, to ensure that the net income between
6 U.S. GAAP and regulatory accounting agrees. It's
7 an exercise done at each month-end period. And
8 that's what's currently being done for the
9 December period close.

10 Q So, there isn't any specific, like, you know,
11 these are the issues that you're dealing with?

12 A (O'Brien) There is -- so, this is meant to
13 capture, for example, if there was a WBS created,
14 and utilized during the month, that may have been
15 set up incorrectly, this analysis would capture
16 that and correct for any such differences.

17 A (Dawes) So, this is finalizing the review of the
18 so-called "999 clearing accounts", to make sure
19 everything was cleared out of that appropriately
20 to the correct regulatory account. I think we're
21 just about done, and should have final
22 adjustments in fairly soon, and be able to
23 prepare our final year-end trial balance for
24 2023, from a regulatory account standpoint.

[WITNESS PANEL: Read|O'Brien|Dawes]

1 Q Can you -- so, as I understood, based on the
2 testimony, you know, Granite State was the first
3 electric company that you had to deal with with
4 respect to SAP, you know, transition. Correct?

5 A (Dawes) Correct.

6 Q You have gas utilities. Of course, you have one
7 here. How many gas utilities do you have, like,
8 distribution utilities?

9 A (Dawes) So, in the East Region, for which I'm
10 responsible, we have a gas utility in New
11 Brunswick, one in New Hampshire, one in
12 Massachusetts, one in New York, and one in
13 Georgia.

14 Q And where was the SAP implemented first, as far
15 as gas utilities are concerned?

16 A (Dawes) So, New England Gas, in Massachusetts,
17 was first, in May of 2021. It was more of a
18 pilot implementation. Then, we had two more in
19 May of 2022. That would be the Georgia gas
20 utility and St. Lawrence Gas, in Upstate New
21 York. And, then, in October of 2022, we did
22 Granite State Electric and EnergyNorth, and Gas
23 New Brunswick. And, then, New York Water was in
24 November of 2022. And Tinker Transmission was

[WITNESS PANEL: Read|O'Brien|Dawes]

1 sprinkled in there somewhere. It's so small, I
2 don't recall.

3 Q Can you provide some thoughts on whether you
4 learned something from the implementation of SAP
5 in the gas utilities that happened previous to
6 what you did in New Hampshire? And that -- and
7 does that help or did that create less of a
8 problem than what you've seen in the electric
9 company?

10 A (Dawes) Most definitely. I mean, Erin can
11 probably talk to it better, since she was
12 knee-deep in the New Hampshire implementations.
13 But, I mean, because we had gone live with three
14 other companies beforehand, I mean, we certainly
15 knew a lot about how the system worked, the
16 complexities around this regulatory account
17 derivation, the settlements.

18 So, SAP is interesting, because it has
19 assessment and settlement rules built in that the
20 old system didn't have. So, we certainly
21 understood how that worked, from the initial
22 implementations.

23 So, clearly, we learned quite a bit
24 going into the New Hampshire implementation,

[WITNESS PANEL: Read|O'Brien|Dawes]

1 other than the impacts that this service company
2 that we didn't have in the prior implementations.

3 CMSR. CHATTOPADHYAY: I have to share
4 this. I'm in New Hampshire and I am a gas
5 customer of Liberty Utilities. At one point, for
6 whatever reason, I had to call. And being their
7 customer for the last eight years or seven years,
8 and they couldn't locate my account.

9 So, I'll stop there. So, I'm still
10 concerned whether the SAP was implemented
11 properly even there.

12 Thank you.

13 CHAIRMAN GOLDNER: All right. There's
14 an ice storm coming at 9:00. We'll have you out
15 of here before then.

16 *[Laughter.]*

17 WITNESS DAWES: Thank you.

18 CHAIRMAN GOLDNER: You're welcome.
19 Even though, if there's an hour commute, we
20 should be all right.

21 Just some clean-up questions.

22 BY CHAIRMAN GOLDNER:

23 Q The general ledger closing for the regulatory
24 accounts, when will that be? You mentioned it

[WITNESS PANEL: Read|O'Brien|Dawes]

1 was not quite done yet.

2 A (O'Brien) It will be done in the coming week.

3 Q The coming week, okay. And is that done before,
4 do you -- when you're doing your annual report,
5 and all of your GAAP accounting, your standard
6 reporting that you give to shareholders, and so
7 forth, are your regulatory accounts closed before
8 you complete your GAAP work? Or, is it -- it's
9 not related, so you really keep those separate?

10 A (Dawes) The latter. So, we've already finished
11 the GAAP closing of the books, and we're
12 finishing up some of the regulatory entries. So,
13 they're not too far apart, probably a week or two
14 apart.

15 Q We used to close GAAP in like three days. Is
16 that standard for you or is that not normal in
17 this case?

18 A (Dawes) Five, five would be standard.

19 Q Five.

20 A (Dawes) We took a little extra time at year-end,
21 just because we had some companies in the West
22 Region that were new on SAP. And just making
23 sure that we had the requisite time to make sure
24 everything was in the system correctly.

[WITNESS PANEL: Read|O'Brien|Dawes]

1 Q Okay. So, five days for GAAP, and then call it
2 "four weeks" for the regulatory piece?

3 A (Dawes) Yes. I mean, we close the books all at
4 the same time. But we recognize at year-end, I
5 mean, we need to get those, again, the "999s"
6 cleared out. And we wanted to make sure that we
7 got all the GAAP information cleared first, and
8 spent the right time making sure the regulatory
9 accounts were correct.

10 Certainly, under the -- well,
11 considering what's been happening with our New
12 Hampshire rate cases, it was incumbent that we
13 get the regulatory accounts exactly right at
14 year-end.

15 Q So, that 999 account, for year-end '22, so, when
16 you're closing the books in January '23, did you
17 zero out the 999 accounts at that time or was
18 there still a balance left in those accounts?

19 A (Dawes) No, we did. But it got put into the 920
20 account. But, I think, as Erin mentioned, there
21 were some amounts going in both directions within
22 the account. And, so, 7,000 seemed like a pretty
23 small number. But it was made up of much larger
24 numbers going in both directions.

[WITNESS PANEL: Read|O'Brien|Dawes]

1 Q So, this \$7,000 you talked about earlier was the
2 net of everything or that was --

3 A (O'Brien) That was the net, yes.

4 Q Okay.

5 A (Dawes) Yes, at the end of 2022. At the end of
6 2023, the 999 will be zero.

7 Q Okay.

8 A (Dawes) Cleared out appropriately.

9 Q So, I'll just repeat that back. So, at the end
10 of 2022, year-end 2022, so, closing the books
11 January '23, the balance of 999 was 7,000, lots
12 of ins and outs. But, for this year, it will be
13 zero?

14 A (Dawes) Yes. It was zero last year. It's just
15 how it was cleaned out differently last year,
16 versus what we're doing this year.

17 Q So, then, I'm sorry. Walk me through the 7K
18 thing again, what was that?

19 A (Dawes) So, there was a net 7,000 -- or a \$7,000
20 balance sitting in the 999. It was moved to the
21 920 FERC account to zero out the 999 last year.

22 Q I see.

23 A (Dawes) Then, we subsequently determined that
24 that was not the appropriate classification of

[WITNESS PANEL: Read|O'Brien|Dawes]

1 certain amounts within the 920 account.

2 Q Was the 920 account kind of where you dumped
3 everything you didn't know about, or was that
4 just one instance of dumping 999 into 920?

5 In other words, were there other
6 accounts dumped into 920 that weren't right?

7 A (O'Brien) It was the one instance of the small
8 dollars. We just -- we weren't aware at the time
9 that it was -- yes, that it was made up of larger
10 balances going in opposite directions.

11 A (Dawes) The 999 would just indicate there's a
12 problem in the system, and needs to be resolved
13 and put into the appropriate account. And I'd
14 say we certainly know a lot more, subsequent to
15 the end of 2022, as to how to treat the 999s.

16 Q How many line items was that that netted to the
17 7K, roughly? Ten? Twenty? One hundred? Six
18 hundred?

19 A (O'Brien) I would say it's in the range of
20 twenty.

21 Q Twenty?

22 A (O'Brien) Yes.

23 Q Okay.

24 A (O'Brien) It's not hundreds.

[WITNESS PANEL: Read|O'Brien|Dawes]

1 Q Okay. Very good. You may have answered this
2 earlier, and I may have missed it. Were any of
3 you personally involved with Ms. Moran in the DOE
4 audit?

5 A (O'Brien) I was.

6 Q You were. Okay. So, you heard the Department of
7 Energy represent earlier significant mapping
8 issues, that's where we spent the bulk of our
9 afternoon. And, then, I think you mentioned
10 earlier that there were "sixteen accounting lines
11 that made up those mapping issues." Did I -- is
12 that the correct understanding?

13 A (O'Brien) Yes. That's right.

14 Q So, then, just help me understand here, as we
15 close this hearing out. Why do we have one party
16 that says "Hey, we've got huge issues. We cannot
17 deal with this rate case. There's a lot of stuff
18 that's really, you know, not right on the
19 Company's books."

20 And we have the Company saying "Hey,
21 it's only sixteen line items, not a big deal, 999
22 account with 7K, ten or twenty line items."

23 Tell me more about the Company's
24 position, because I'm flummoxed by the difference

[WITNESS PANEL: Read|O'Brien|Dawes]

1 in the perspective?

2 A (O'Brien) I think it's a difference in the
3 presentation of the adjustments. We're able to
4 identify the specific accounts, the specific
5 regulatory accounts that were impacted by the
6 adjustments, and that is the sixteen accounts
7 that I mentioned.

8 I believe that the Audit Issue 1 breaks
9 it down into just a different level of detail,
10 and is, in looking at an adjustment, obviously,
11 you'll have two sides to each transaction. And
12 so, it's listing each those, and then breaking
13 some of them down into further levels of detail,
14 which is how you get to the difference between
15 it's sixteen accounts, but can be presented up in
16 more detailed views, which is what was done in
17 Audit Issue 1.

18 Q Okay. Thank you -- whoops. Thank you.

19 Maybe you can give the Commission an
20 answer to this question, which is, can you give
21 us your top three lessons learned from this
22 Granite State Electric SAP implementation?
23 You're doing it all over again, you have an
24 opportunity, what are your lessons learned? What

[WITNESS PANEL: Read|O'Brien|Dawes]

1 would you say to us?

2 A (O'Brien) I think that the work that we're doing
3 right now in our regulatory account analysis has
4 been a learning, that was something that we
5 didn't appreciate in the system in January of
6 2023. And our work there, and the timing of it,
7 is important. It was a change for us, in having
8 the Chart of Account structure in SAP. And, so,
9 the timing of that regulatory analysis, and
10 getting the adjustments recorded in SAP, is
11 certainly a key item.

12 As well as the layout and presentation
13 of any changes that we make to Audit Staff, and
14 what they may need to see. I think what we
15 learned throughout the audit, which we didn't --
16 we didn't appreciate until well into the audit,
17 was the manner in which some of our reports
18 present the accounts, and focused on the natural
19 account, rather than the regulatory account.
20 And, obviously, Audit Staff is focused on the
21 regulatory accounts. And, so, just working to
22 run reports differently and pull the information
23 in a manner that makes it easiest for Audit Staff
24 is a learning as well.

[WITNESS PANEL: Read|O'Brien|Dawes]

1 Q Okay.

2 A (Dawes) I would probably just add the service
3 company. So, better testing and understanding of
4 sort of the double costs coming in and then going
5 down again. Ensuring that, when you've got a
6 service company setup, that you're following it
7 all the way through to the ultimate place on the
8 books, that that's set up correctly.

9 Q And, I think, maybe said differently, you were
10 surprised by the complexity. You thought you had
11 a small electric utility in New Hampshire. We're
12 going to go forward. We could have done this in
13 some other areas, with gas and so forth, should
14 be okay. And, then -- and you were surprised by
15 the ultimate complexity?

16 A (Dawes) Well, I think we knew going in it was
17 going to be challenging. I mean, SAP is a pretty
18 significant implementation when you're putting in
19 a system like that.

20 But I think we felt comfortable,
21 knowing that we had been on the system for eight
22 months, we had made the corrections to FERC
23 Form 1. I think we felt comfortable, from a rate
24 case filing standpoint, that we had the right

[WITNESS PANEL: Read|O'Brien|Dawes]

1 numbers in the filing at that time.

2 Q And I am puzzled by the timing. So, I think it
3 was September of '22 when you implemented SAP, is
4 that right? September/October?

5 A (O'Brien) October.

6 Q October. And, so, you closed the books. You're
7 probably starting to notice some things aren't
8 tying out. You've got some surprises in there.
9 And you closed the books for year-end '22. You
10 filed a rate case in I think it's May or
11 something of 2023. You must have seen lots of
12 issues at that time, but yet you went ahead and
13 you filed the rate case.

14 So, I'm at least puzzled, in terms of
15 why the Company went ahead with the filing of the
16 rate case, when there were issues to tie out,
17 there's lots of complexity. Why did the Company
18 move forward with the rate case?

19 A (Dawes) Yes, I think -- I think that was a
20 question earlier that I had answered. So, we, I
21 mean, obviously, we had nine months old system,
22 three months new system.

23 Q But my question, sir, is different. It's --

24 A (Dawes) I was going to take you through the

[WITNESS PANEL: Read|O'Brien|Dawes]

1 thought process to get there, though.

2 Q It's just when you filed in May, I don't
3 understand why you filed the rate case in May,
4 given everything you knew in May of '23?

5 A (Dawes) Yes. So, I think I said, so, when we
6 updated the FERC Form 1 for the adjustments, we
7 found the other adjustments, we incorporated in
8 the filing. We felt that our numbers were fair
9 and accurate at that point. So, we felt it was
10 good to go.

11 And I think we did, I can't recall if
12 we held off a little bit on the filing, I mean,
13 we were finalizing the analysis, making sure we
14 got the FERC Form 1 in the right place, and those
15 other adjustments. But we felt it was the right
16 time to file.

17 And it had been a number of months
18 since we went live. And we knew that there were
19 only three months in the new system. And we
20 didn't feel that we could wait another year,
21 given the significance of certain investments
22 that we had made in infrastructure, the Salem
23 investments in Tuscan Village, that we really
24 couldn't wait another year.

[WITNESS PANEL: Read|O'Brien|Dawes]

1 Q Yes. Because I think the risk was high, right,
2 because you have, if the rate case is dismissed,
3 and rate case expenses, these kinds of things
4 become shareholder expenses. And, so, the
5 Company's decision to move forward was -- had
6 some risk. So, you said you felt like you
7 "couldn't wait", but there's risk in not waiting,
8 too. So, I'm sure the Company balanced that risk
9 at an executive level. But that's -- that's the
10 line of questioning that I was aiming for. So, I
11 appreciate your answer on that.

12 I think I'll just wrap up here with --
13 I just want to give any of the witnesses an
14 opportunity to share with the Commission on how
15 they would propose or you would propose moving
16 forward?

17 We have the Department saying "We
18 cannot move forward." I think the OCA has said
19 the same thing. Dartmouth College has been
20 silent. The Company is saying "To move forward."

21 Would you have any final thoughts for
22 the Commission, in terms of the Company's
23 position, based on the questioning from the
24 parties and the Commission today, on how you

[WITNESS PANEL: Read|O'Brien|Dawes]

1 would want to move forward?

2 A (Dawes) So, I'm certainly not a regulatory person
3 or a lawyer. But I think there are still some
4 open adjustments that need to be incorporated
5 into the revenue requirement. I think Staff and
6 other parties need to get comfortable with that
7 all the adjustments that have been identified
8 have been incorporated.

9 And, certainly, I'm a proponent, if
10 people are amenable, to having a third party come
11 in and just ensure that there's nothing else that
12 hasn't been found, as far as mapping errors or
13 anything like that.

14 Q Okay.

15 A (Dawes) And I know there were some commentary
16 around "it could take up to a year." We've had
17 discussions, and we feel comfortable it could be
18 done within 90 days.

19 CHAIRMAN GOLDNER: Okay. Thank you. I
20 just wanted to give you that last opportunity.

21 So, we can, at this point -- do my
22 fellow Commissioners have any additional
23 questions?

24 [*Cmsr. Chattopadhyay and Cmsr. Simpson*]

[WITNESS PANEL: Read|O'Brien|Dawes]

1 *indicating in the negative.]*

2 CHAIRMAN GOLDNER: Let's move then to
3 Company redirect.

4 MS. RALSTON: Thank you.

5 **REDIRECT EXAMINATION**

6 BY MS. RALSTON:

7 Q I'm just going to build on what you were just
8 discussing, Mr. Dawes.

9 So, earlier, the OCA asked you a
10 question along the lines of "at what point does
11 the regulatory accounting become reliable, and
12 when can the Commission rely on that?" And, so,
13 my first question to you would be, as you sit
14 here today, do you think the Commission can rely
15 on what has been submitted by the Company?

16 A (Dawes) I think, once we submit the additional
17 information for the 167,000 of adjustments, then,
18 yes.

19 Q And I think this is what you just stated, but
20 I'll just confirm. The Company has specifically
21 proposed this third party review to make sure
22 that everyone feels that way, that everyone is
23 comfortable that we can move forward and have
24 that assurance, is that true?

[WITNESS PANEL: Read|O'Brien|Dawes]

1 A (Dawes) Correct.

2 Q And the Company has already spoken to PwC to
3 ensure that the review could occur during a
4 90-day period, is that accurate?

5 A (Dawes) Yes, we have. They have the requisite
6 expertise in regulatory accounting, they
7 certainly have the IT audit expertise, and
8 they're independent. I mean, all of the big
9 accounting firms are governed by independence.

10 And, I mean, I think I heard like "the
11 chicken guarding the henhouse" or something
12 like -- or, "the fox", sorry, "guarding the
13 henhouse." I mean, that doesn't happen with
14 relationships with parties like PwC. I mean,
15 they're bound by such strict standards that it
16 can't happen.

17 Q And, to ensure that everyone is comfortable with
18 what you just described, the Company did
19 anticipate making this third party available for
20 Commission and party questions, is that true?

21 A (Dawes) Yes. I think the basis for which they
22 would be providing something would be called --
23 it's called an "expert report", which would mean
24 they could testify, they could be available for

[WITNESS PANEL: Read|O'Brien|Dawes]

1 questions.

2 And we certainly have put it out there
3 that we would be very comfortable talking through
4 the scope of the work, to make sure that the
5 folks were comfortable with what was being
6 proposed to get comfortable.

7 Q Great. Okay. And, Ms. O'Brien, a few minutes
8 ago you stated that one of the lessons you've
9 learned during this process is that the same
10 types of reports that the Company had been able
11 to pull from the legacy system are no longer
12 available. And, so, some time and effort was
13 needed to create information in a format that
14 made it easy for the Audit Division to review.

15 Is that an accurate synopsis of what
16 you were stating?

17 A (O'Brien) Yes.

18 Q And did that need to try to get information into
19 a format that the Audit Division could easily
20 review, did that contribute to some of these
21 delays we've heard referenced, did that take some
22 extra time in this audit investigation?

23 A (O'Brien) They did.

24 Q Okay.

[WITNESS PANEL: Read|O'Brien|Dawes]

1 A (Dawes) And, Jessica, I would just say, I know
2 there's been discussion around the allocations
3 information. So, I mean, we spent time working
4 on getting reports that can support a couple of
5 the audit issues that were raised, one around the
6 CapEx/OpEx Report and the Allocation Report.
7 Things that weren't available in SAP originally,
8 we've now been able to produce.

9 Q And a few minutes ago, Mr. Dawes, just to stay
10 with you, Chair Goldner asked you about the
11 timing of the filing, and said he was kind of
12 perplexed, that the Company identified a number
13 of adjustments, and then still moved forward with
14 the filing. But, just to clarify, at the time
15 the filing was made, the Company had made those
16 adjustments, correct?

17 A (Dawes) Correct.

18 Q Okay. So, just to be totally clear, the lion's
19 share of the adjustments, if you will, had been
20 made before the filing, and so that was part of
21 why the Company felt comfortable?

22 A (Dawes) Yes.

23 Q Okay. And, on a similar line of questioning, Ms.
24 O'Brien, the December 2023 adjustment, that is

[WITNESS PANEL: Read|O'Brien|Dawes]

1 all related to one issue, is that accurate?

2 A (O'Brien) Yes. It was done through one analysis,
3 that's correct.

4 Q So, the reason that there are a number of lines
5 in Exhibit 5, related to December 2023, is
6 because I think you said approximately twenty
7 accounts or line items were implicated, but it's
8 all related to one issue with the system,
9 correct?

10 A (O'Brien) That's correct.

11 Q Okay. And, then, I also just wanted to clarify,
12 we've heard about some different mapping issues,
13 and information ending up in the wrong account.
14 And those issues are related largely to errors of
15 configuration, not -- it's not an IT issue, it's
16 when new transactions are being set up, is that a
17 fair assessment?

18 A (O'Brien) Yes. That's right.

19 MS. RALSTON: That's all from the
20 Company.

21 CHAIRMAN GOLDNER: Okay. Thank you.

22 And thank you to the Company witnesses.

23 The Company witnesses are excused. You can stay
24 seated where you are, if you like, or return to

1 the hearing room.

2 We'll strike identification on Hearing
3 Exhibits 4 through 9, and enter them into
4 evidence.

5 We'll invite the parties to make
6 closing statements on the record, beginning with
7 the Department of Energy, followed by the OCA and
8 other parties.

9 But, before we do that, we'll just take
10 a quick five-minute break so the Commissioners
11 can confer. And we'll go to close at ten of.

12 MR. DEXTER: Mr. Chairman, before we go
13 off the record?

14 CHAIRMAN GOLDNER: Yes, sir.

15 MR. DEXTER: I was planning to close
16 last as the moving party. I can do it first.
17 But, since we went first, usually, the party that
18 goes first, closes last.

19 CHAIRMAN GOLDNER: Thank you. Yes.
20 Attorney Dexter, that would be fine.

21 MR. DEXTER: Okay.

22 CHAIRMAN GOLDNER: Off the record.

23 *[Recess taken at 4:45 p.m., and the*
24 *hearing reconvened at 4:55 p.m.]*

1 CHAIRMAN GOLDNER: Okay. Before we
2 close, just want to give everyone a heads-up
3 before closing, that the Commission needs time to
4 consider what we've heard today, review the
5 transcript. So, what we're going to do is we're
6 going to extend the stay until February 16. And
7 we're going to cancel the prehearing conference
8 that's currently scheduled for January 30th. So,
9 procedurally, that is the plan.

10 And, if you're ready, and there's no
11 other items, we can begin closing with the
12 Company.

13 MS. RALSTON: Thank you.

14 First of all, thank you to the
15 Commission for your attention today. We
16 appreciate you allowing us to present witnesses
17 and produce exhibits. This is, obviously, a
18 Motion that has consequences to the Company.
19 And, so, we really do appreciate your time.

20 We've heard a lot of testimony today
21 from the Department of Energy, from the Company's
22 witness panels, and a lot of different issues
23 have been raised, including customer
24 satisfaction. But the Commission should just

1 remain focused on the one question that's really
2 before it today, and that is "Whether the
3 Department of Energy has met its burden and
4 demonstrated that there is no basis to adjust the
5 Company's rates?"

6 And nothing said today has changed the
7 fact that the Commission has the authority to
8 adjust the Company's rates, and that the Company
9 has filed sufficient information to allow the
10 Commission to determine a just and reasonable
11 rate base and a just and reasonable rate of
12 return, consistent with RSA 378:28.

13 What the Department of Energy has
14 successfully demonstrated is something that has
15 never been disputed by the Company. The
16 Company identified a number of adjustments to its
17 2022 general ledger following the closing of the
18 2020 [2022?] books. The identification of those
19 adjustments led to a FERC Form 1 and a revenue
20 requirement schedule filed in this proceeding
21 that do not identically match the 2022 general
22 ledger. That is all true.

23 However, what is more important is that
24 the Department of Energy has not supported its --

1 excuse me -- has failed to provide support for a
2 determination that would support granting the
3 Motion to Dismiss. The DOE hasn't demonstrated
4 that the Company should not have made those
5 adjustments in preparation of the FERC Form 1,
6 should not have made those adjustments in
7 preparation of the revenue requirement schedules.
8 DOE has not demonstrated that the Company can't
9 explain the variance between those -- the basis
10 for those adjustments and the variance between
11 the datasets. And they have not supported their
12 conclusion that the financial data cannot be
13 relied on.

14 RSA 378:28 specifically states "Nothing
15 contained in this section shall preclude the
16 commission from receiving and considering any
17 evidence which may be pertinent and material to
18 the determination of a just and reasonable rate
19 base and a just and reasonable rate of return."
20 There is no reason the Commission cannot review
21 the adjustments, and the Company's explanations
22 for those adjustments, as part of its
23 determination of rates. There is no reason the
24 Commission couldn't adopt the Company's proposal

1 to continue the stay of this proceeding and
2 engage the third party that the Company has
3 proposed, at the Company's expense, to assess the
4 overall reliability of the Company's regulatory
5 filing and the Company's basis for asserting the
6 underlying data is reliable.

7 Rate cases are complicated. Rate cases
8 following a substantial system conversion add to
9 that complexity. But the solution to this
10 complexity is not to delay the Company's request
11 to adjust rates. Delaying the rate case, by
12 dismissing it, would mean the Company doesn't
13 recover the costs of its significant capital
14 investments. Delaying the rate case means that
15 important policy issues, like battery storage and
16 rate design, would go unaddressed.

17 We've heard a lot of retrospection and
18 questions about why the Company didn't make
19 different decisions based on information it
20 didn't have at the time the decisions were made.
21 The Company was asked why they filed the rate
22 case that relies on a test year that included a
23 system conversion. The question implies that a
24 rate case relying on data from a system

1 conversion is a wrong decision to make. But that
2 ignores all the considerations that were taken
3 into account, all the decisions the Company
4 discussed today; checklists, testing, training,
5 verification.

6 The Company provided testimony this
7 morning -- this morning and afternoon about all
8 of those factors that went into its decision.
9 The Company also explained that all of those
10 steps led to the adjustments that were made prior
11 to the filing of this case. And that the Company
12 can trace those adjustments from its 2022 ledger,
13 to the FERC Form 1, and the revenue requirement
14 schedules.

15 The Company has accounted for and
16 explained each of the adjustments, consistent
17 with its obligation to ensure its filings are
18 accurate. This is an ongoing obligation that the
19 Company has met by making these adjustments.
20 Where the Company discovers a discrepancy, it
21 identifies it and corrects it. This is a
22 standard practice; it's not a basis for
23 dismissing a filing.

24 The issue before the Commission is

1 really simple today: Has the Department of
2 Energy met its burden? And the only way it could
3 meet that burden is if they could demonstrate
4 that the Commission could not set rates based on
5 all of the information it has already received,
6 and information it could receive, if this
7 procedural schedule is reinstated, and continues
8 with hearings and rebuttal testimony.

9 The Company recognizes that the
10 complexity of this case has raised concerns by
11 the Commission, because the Commission does look
12 to the Department of Energy to investigate the
13 filing, and here, the Department of Energy is
14 saying it didn't have sufficient time to confirm
15 the data supporting the Company's filings due to
16 the variances that exist between the general
17 ledger and the FERC Form 1. This is exactly why
18 the Company offered the third party review that I
19 discussed earlier. The Department of Energy
20 should not be permitted to reject this proposal
21 for a third party review, while simultaneously
22 arguing that it didn't have time to perform its
23 audit function and cannot confirm the reliability
24 of the data.

1 Thank you for your time.

2 CHAIRMAN GOLDNER: Thank you. We'll
3 turn now to the Office of the Consumer Advocate.

4 MR. KREIS: Thank you, Mr. Chairman,
5 Commissioners.

6 I would like to thank everybody who
7 participated in today's hearing. I enjoyed the
8 opportunity to interact with the Liberty
9 witnesses in particular. And I appreciate the
10 high quality of the presentations and the
11 arguments that I heard today. And, of course,
12 the questions from the Bench were highly astute.
13 And I appreciate everybody indulging us trying to
14 breathlessly keep pace with all of the stuff that
15 you all are doing.

16 That said, I have to say that I remain
17 convinced that the Commission should grant the
18 Motion that my colleagues at the Department of
19 Energy have made. And I would like to point out,
20 respectfully -- or, I would like to respectfully
21 disagree with the premise of the closing argument
22 that you just heard from the utility.

23 Ms. Ralston told you that "it is the
24 Department of Energy's burden to demonstrate that

1 there is no basis to adjust the Company's rates."
2 And she didn't cite any case law for that
3 proposition. And I actually don't agree that the
4 Department of Energy carries any burden here.
5 This is a rate case. And it is the utility's
6 burden to demonstrate that it is entitled to the
7 rate increase that it is requesting.

8 So, all the Department of Energy is
9 doing here is bringing to your attention the
10 ineluctable reality that the Company, because of
11 an unfortunate confluence of events, can't meet
12 its burden based on the rate case that it has
13 filed here.

14 Now, I find myself arguing fairly often
15 about what appears to the OCA as a bunch of
16 perpetually moving targets. I mean, in all kinds
17 of dockets, utilities make filings at the PUC,
18 file petitions, ask for new rates. And, really,
19 what their initial filing turns out to be is just
20 kind of an opening volley, and then, as the
21 docket goes on, they make updates and corrections
22 and changes. And what they end up ultimately
23 presenting to you at the hearing is something
24 that differs pretty substantially from the relief

1 that they originally requested of you by way of
2 their initial petition or request.

3 Well, I'm inured to that reality, I
4 guess. It's probably part and parcel of a
5 regulatory process that needs to be somewhat
6 flexible. But there has to be a limit. And I
7 think what we're facing here is something that
8 exceeds the limit.

9 Now, I don't want to be overly clever,
10 but the reason I read those excerpts to the
11 Liberty witnesses of the Algonquin 2022 Annual
12 Report, which was issued in March of 2023, is to
13 make clear that this Company knew and understood,
14 its upper management knew and understood, because
15 they acknowledged in writing that they were
16 undertaking a significant risk here by filing a
17 rate case and undertaking other initiatives at
18 the same time that it was rolling out major
19 changes to the way the Company does its billing
20 and keeps its books and records for regulatory
21 purposes.

22 That's a risk the Company undertook,
23 and the result is the situation that we are in
24 here, in which this Company, if you grant what --

1 the relief that the Department of Energy is
2 requesting, is going to take a substantial
3 financial hit that is not going to make the
4 management or the shareholders of this Company
5 happy.

6 But I contend, as the ratepayer
7 advocate in the room, that that is exactly the
8 kind of business risk that utility management
9 undertakes. And, to tell this utility that it
10 can't suffer the consequences of the bad
11 decisions it made, to undertake risks that it
12 probably shouldn't have undertaken, is to indulge
13 in exactly the kind of plenary indemnification,
14 to quote Justice Souter, that the New Hampshire
15 Supreme Court precluded in 1988, when it
16 confronted another very dire utility situation,
17 that had to do with a utility that became
18 insolvent because it continued to double down on
19 its investment in a nuclear power plant.

20 Now, this doesn't sink to that level by
21 any means. But, in a way, it's the same old
22 story, right? You know, utility management makes
23 business decisions, sticks with them, doubles
24 down on them, and now has to suffer the

1 consequences.

2 So, I think it's unfair to ratepayers,
3 who ultimately has to carry the -- who ultimately
4 pay the Company back, in terms of both a return
5 of and a return on their investment, and bear all
6 the costs of rate cases, it's really unfair to
7 impose all of this on customers.

8 We didn't undertake any risks. Our
9 customers, our constituents are captive
10 ratepayers of this Company. And it just isn't
11 fair to do anything other than agree with the
12 Department of Energy, which doesn't, I assume,
13 make requests like this lightly. I've been
14 around here since 1999, just like Ms. Moran, and
15 I have never seen the PUC Staff or the Department
16 of Energy, or the OCA, for that matter, make a
17 request as drastic as this one. That's because
18 we're in a dire situation that you should take
19 very seriously. And, ultimately, at the end of
20 the day, I think you really do need to grant the
21 Department's Motion, and send everybody back to
22 square one.

23 So, that's my closing statement.

24 CHAIRMAN GOLDNER: Thank you.

1 And, Mr. Dexter, in your closing, if
2 you could address whose burden this is. Because,
3 if it's not your burden, I need to let Attorney
4 Ralston go again. So, please proceed.

5 Oh, I'm sorry. Commissioner Simpson is
6 reminding me, Mr. Getz, that you may want to make
7 a statement in closing?

8 MR. GETZ: Thank you, Mr. Chairman.
9 But I have no closing on behalf of Dartmouth.

10 Thank you.

11 CHAIRMAN GOLDNER: Thank you. Thank
12 you.

13 Attorney Dexter.

14 MR. DEXTER: Well, the burden of proof
15 on a rate case is clearly on the utility. So, I
16 don't know what else to say about that.

17 CHAIRMAN GOLDNER: Well, I think the
18 question was, in the Motion to Dismiss, whose
19 burden is it?

20 Because I think what you said before
21 break was that "I'd like to go last", for that
22 reason. And, then --

23 MR. DEXTER: Well, we are the moving
24 party.

1 CHAIRMAN GOLDNER: Right.

2 MR. DEXTER: Whether the -- I don't
3 think that shifts the burden of proving
4 reasonable rates from the utility to the
5 Department of Energy. The burden of proving
6 reasonable rates is on the Company.

7 CHAIRMAN GOLDNER: Okay.

8 MR. DEXTER: Now, that said, if the
9 Company wants to add something to what I say
10 here, I don't have any problem with that.

11 CHAIRMAN GOLDNER: Okay. That would be
12 helpful, because I understood Attorney Ralston to
13 say that "It's very simple, has the Department
14 met its burden of the Motion to Dismiss?" And,
15 so, that's what I'm responding to.

16 Attorney Ralston, would you like to
17 jump in?

18 MS. RALSTON: Yes. I mean, I would
19 just clarify, I'm not suggesting the burden, with
20 respect to the rate case, has shifted to the
21 Department of Energy. I was specifically
22 referring to the Motion to Dismiss.

23 And I think, unless I also misheard
24 Attorney Dexter earlier incorrectly, he agrees

1 that the burden is on the moving party. And
2 that's what I was referring to.

3 CHAIRMAN GOLDNER: Okay. Attorney
4 Kreis, Attorney Dexter, are we all in
5 synchronicity here or --

6 MR. KREIS: We -- I am not in
7 synchronicity with the position the Company just
8 took, that's for sure.

9 I mean, again, what Ms. Ralston said to
10 you at the beginning of her closing was "that
11 it's the Department's burden to demonstrate there
12 is no basis to adjust the Company's rates." That
13 is basically telling the Department it has to
14 prove a negative. That's not the way this works.

15 I mean, the whole idea of a "burden"
16 doesn't really make any sense in the context of
17 where we are now, right? I mean, the burden of
18 going forward with evidence that proves its case,
19 meaning its rate case, that belongs to the
20 Company. I mean, I suppose you could say that
21 "the Department has a burden of persuasion to
22 carry here", in that they made a motion and,
23 ultimately, they have to convince you that their
24 arguments are sound. But that's different than

1 saying that "this Department was obliged to come
2 forward with evidence that demonstrates there is
3 no basis to adjust the Company's rates." What
4 there's no basis for is that proposition. I
5 don't know of any cases, either of the Commission
6 or of the New Hampshire Supreme Court, whose
7 precedents are binding here, that says that.

8 CHAIRMAN GOLDNER: Okay. I'm going to
9 give Attorney Ralston an opportunity to reply.
10 And, then, as the moving party, I'll let Attorney
11 Dexter go last. And, then, we'll wrap up the
12 hearing.

13 Attorney Ralston, anything that you
14 would like to say?

15 MS. RALSTON: I don't think there's
16 really a lot else to say here. I mean, I was
17 not -- again, I wasn't suggesting that the burden
18 of proof for the case has shifted. It's, you
19 know, the Department of Energy made a motion.
20 They have to be able to support their Motion. My
21 closing statement was suggesting their Motion has
22 not demonstrated that there's a basis here to
23 dismiss this case.

24 And I'm not going to get into

1 semantics, you know, with Attorney Kreis. But
2 that is what I was stating. I wasn't trying to
3 shift burdens. And I think that is sufficient
4 for today.

5 CHAIRMAN GOLDNER: Okay. Thank you,
6 Attorney Ralston.

7 We'll wrap things up today with
8 Attorney Dexter.

9 MR. DEXTER: Well, thank you, Mr.
10 Chairman and Commissioners. And I hope I am able
11 to convince you that granting the Motion is the
12 right resolution in this case.

13 I, too, want to thank the Commission
14 for the time today, and for the attention to
15 the -- to, first of all, granting this hearing,
16 and then hanging in here for seven or eight hours
17 of testimony.

18 I think what we've learned today,
19 clearly, is that 2022 did not make a good test
20 year. I'm not going to go through all the
21 various adjustments, and I'm not going to quibble
22 whether there were 200 adjustments or 20
23 adjustments. But I will point out, the Audit
24 Report is very detailed and it's very clear. I

1 urge you to read the Audit Report, especially
2 Audit Issue Number 1, concerning the state of the
3 2022 books.

4 We've heard, on and on, that there were
5 significant adjustments that had to be made to
6 the 2022 books to get from closing of the books,
7 to presentation of the rate case. That presented
8 challenges. And the challenges were not aided in
9 any way by Liberty Utilities in this case.

10 Liberty Utilities did not acknowledge that they
11 made these adjustments to the books before coming
12 before you with the rate request. They certainly
13 didn't highlight them, they didn't even
14 acknowledge that they existed.

15 They are required to detail the
16 differences in the attestation that we went over
17 today, and they didn't do that. Their testimony
18 that I read to you, from Witnesses Jardin and
19 Dane, didn't even mention these accounting
20 adjustments that needed to be made. So, frankly,
21 if there's confusion in this case, it falls on
22 the lap of Liberty Utilities.

23 Their witness today, who I believe is
24 the Vice President of Accounting, tried to draw a

1 distinction between whether or not the books and
2 records were the FERC Form 1 or the Rate Filing.
3 And the fact of the matter is, that there were
4 differences between the books and records and the
5 Rate Filing; they were not highlighted, as
6 required. There were additional differences
7 between the FERC Form 1 and the Rate Filing; they
8 weren't highlighted. So, I don't know where that
9 distinction was coming from. The fact of the
10 matter is, the Company did not highlight these
11 significant changes, and they actually submitted
12 an attestation to the contrary. You can read
13 that for yourself and make your own judgment.

14 Why have we moved for dismissal? From
15 the beginning, we've moved for dismissal, rather
16 than a repair, because of the significant
17 problems with the 2022 books, as indicated in the
18 Audit Report. And what we heard today -- well,
19 first of all, you know, the notion that the
20 Company has now offered to have a third party
21 auditor come in and verify that the books in the
22 rate cases are all lined up and everything has
23 been accounted for, that's great. That should
24 have happened before the case was filed.

1 It's not the Department's role to go
2 through this exercise that we've been talking
3 about for the last -- for today, and back on
4 January 4th, to try to find these issues,
5 highlight them, or have the Company find them in
6 the course of an audit, and address them as we go
7 along. This is supposed to be done before the
8 case is filed. It's the Company's burden of
9 proof to present a rate case that has this
10 information.

11 The notion that I think I heard today
12 from the Vice President of Accounting is that
13 "you don't base a rate base" -- "you don't base a
14 rate case on the books of the company, you base
15 it on the FERC Form 1", makes absolutely no sense
16 to me. Because the FERC Form 1 doesn't have any
17 transactions, it just has balances. The general
18 ledger of the company is essentially the diary of
19 what happened to the company all through the test
20 year. You can't look at balances that are
21 included in a FERC Form 1 and decide whether
22 anything is reasonable and prudent. You have a
23 plant balance of a million dollars, it doesn't
24 tell you what's in it. In order to know what's

1 in it, you have to go to the general ledger. You
2 have to look transaction-by-transaction to find
3 out what's in -- what's in rate base, what's in
4 payroll, what's in O&M.

5 You know, the notion that "you don't
6 base the rate case on the general ledger" is just
7 absurd. And I -- and I urge the Commission to
8 recognize that and call the Company out for that
9 statement.

10 The notion that "only 16 accounts were
11 affected" is what we heard at the end of the day,
12 equally absurd. Plant, that's one account, okay,
13 O&M, payroll, benefits, maintenance of poles,
14 veg. management, I could list 16 accounts that
15 would take care of 90 percent of these revenues
16 and expenses on the Company's books. To try to
17 minimize this to say "Well, it was only 16
18 accounts that were affected", is absolutely
19 absurd. And, again, the Company -- the
20 Commission should call the Company out on that,
21 and not brush away serious problems, you know, by
22 looking at the absolute value of the offsetting
23 adjustments, again, an absurd notion. If you've
24 got a problem with an account that goes down, and

1 then you've got a problem with another account
2 where it goes up, and the two of them balance
3 themselves out, to say "Well, that's not a
4 problem, they balance themselves out", absolutely
5 ridiculous. And, again, the Commission should
6 call the Company out for that.

7 So, what's the Commission's role here?
8 According to 378:28, it starts by saying, and
9 that's the RSA on setting permanent rates: "So
10 far as possible, the provisions of 378:27 shall
11 be applied [to] the Commission in fixing and
12 determining permanent rates, as well as temporary
13 rates."

14 So, what does 327:7 -- 378:27, on
15 temporary rates, says that the Commission can set
16 rates designed "to yield not less than a
17 reasonable return on the cost of the property of
18 the utility used and useful in public service
19 less accrued depreciation, as shown by the
20 reports of the utility filed with the commission
21 and the department of energy, unless there
22 appears to be reasonable grounds for questioning
23 the figures in such reports."

24 So, today, we heard from the Company

1 that "reports" is defined as the "FERC Form 1".
2 I think that's a bit of a leap. There are a lot
3 of reports filed with the Company -- filed by the
4 Company with the Commission, including the rate
5 case itself. I believe you could read that as a
6 report. And I don't think that this is limited
7 to the FERC Form 1.

8 The important clause in this statement
9 is that you can set these rates "unless there
10 appears to be reasonable grounds for questioning
11 the figures in such reports." I urge the
12 Commission to go back and look at Audit Issue
13 Number 1; Audit Issue Number 12, involving
14 payroll; Audit Issue Number 25, involving
15 Corporate allocations; and Audit Issue Number 13,
16 and I can't remember what Audit Issue Number 13
17 covered. Significant issues that I think you
18 should look at. You should look at Exhibit 4;
19 you should look at Exhibit 5. And you should ask
20 yourself "Do I have any doubts, if I have
21 reasonable grounds for questioning the figures
22 that were put forth in the Company's rate case
23 when these issues have been raised?"

24 So, in closing, we continue to

1 recommend dismissal as the appropriate remedy.
2 Again, the offer for the third party offer
3 would -- the offer for the third party offer
4 should have been done by the Company before this
5 case was filed. Had it been done, many of these
6 issues might have been avoided. But that's not
7 an appropriate remedy, as we sit here in January
8 of 2024, to go back and try to look at 2022
9 books.

10 We heard from the Company's accountants
11 today that the 2023 books are a significant
12 improvement over the 2022 case, and that the
13 mapping issues are largely behind them. So, it
14 seems to us that, in order for the Commission to
15 remove any of the reasonable grounds it has for
16 questioning the figures in such report, you
17 should require the Company to file a rate case
18 based on a test year no earlier than 2021 -- I'm
19 sorry, 2023.

20 Your questions to the Company about
21 "why on earth would you file a rate case on the
22 same year that you are implementing an accounting
23 change to the significant degree that you did?",
24 and with the excellent excerpts from the

1 Company's Annual Report that the OCA brought
2 forth today, those questions are right on,
3 they're spot on. And the answer is "that they
4 shouldn't have."

5 And, for all of the reasons that we put
6 forth today, and on January 4th, there is
7 grounds, reasonable grounds, for questioning the
8 figures that were presented to you. And it's our
9 opinion that you should not set rates based on
10 the 2022 books.

11 Thank you.

12 CHAIRMAN GOLDNER: Thank you, Attorney
13 Dexter.

14 Is there anything else that we need to
15 cover today?

16 *[No verbal response.]*

17 CHAIRMAN GOLDNER: Okay. You've got an
18 hour and 40 minutes to vote, if you haven't yet,
19 which I haven't. And the hearing is adjourned.
20 Thank you.

21 ***(Whereupon the hearing was adjourned***
22 ***at 5:19 p.m.)***