

Liberty Utilities (EnergyNorth Natural Gas) Corp.
d/b/a Liberty
Docket No. DG 23-067

Exhibit JD-1
Accompanying the Direct Testimony of
John Defever, CPA
On Behalf of the OCA

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Overall Financial Summary

Line No	Description	Rate Year Per Liberty Amount	Rate Year Per OCA Amount	Adjustments	Reference
1	Rate Base, as adjusted	\$ 527,941,042	\$ 527,579,282	\$ (361,760)	Schedule B
2	Operating Income, as adjusted	\$ 20,415,206	\$ 24,783,132	\$ 4,367,926	Schedule C
3	Earned Rate of Return	3.87%	4.70%	0.83%	L.2 / L.1
4	Requested Rate of Return / Cost of Capital	<u>7.68%</u>	<u>6.18%</u>	<u>-1.50%</u>	
5	Required Operating Income	\$ 40,545,872	\$ 32,602,817	\$ (7,943,055)	L.1 X L.4
6	Income Sufficiency / (Deficiency)	\$ (20,130,666)	\$ (7,819,685)	\$ 12,310,981	L.2 - L.5
7	Gross Revenue Conversion Factor	<u>1.3686</u>	<u>1.3686</u>	\$ -	Schedule A-1
8	Revenue (Increase)/Decrease required	<u>\$ (27,549,837)</u>	<u>\$ (10,701,636)</u>	<u>\$ 16,848,201</u>	L. 6 X L.7

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Gross Revenue Conversion Factor

<u>Line No.</u>	<u>Description</u>	<u>Rate Year</u>
1	Federal Income Tax Rate	21.00%
2	New Hampshire State Income Tax	7.50%
3	Combined Income Tax Rate	<u>26.93%</u>
4	Gross-up Factor	<u><u>1.3686</u></u>

Source: _____
Schedule RR-EN-1

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Adjusted Rate Base

Line No.	Description	Liberty Rate Year (A)	OCA Rate Year (B)	OCA Rate Year (C)
1	Utility Plant	\$ 818,583,027		\$ 818,583,027
2	Depreciation Allowance	\$ (188,019,704)		\$ (188,019,704)
3	Net Utility Plant	\$ 630,563,323	\$ -	\$ 630,563,323
<u>Additions to Rate Base</u>				
4	Materials and Supplies	\$ 6,463,310		\$ 6,463,310
5	Regulatory Assets	\$ 12,610,917		\$ 12,610,917
6	Cash Working Capital	\$ 3,148,063	\$ (361,761)	\$ 2,786,302
<u>Subtractions to Rate Base</u>				
7	Customer Deposits	\$ (3,027,697)		\$ (3,027,697)
9	Deferred Tax Liability	\$ (84,710,759)		\$ (84,710,759)
10	Excess Accumulated Deferred Income Taxes	\$ (37,106,114)		\$ (37,106,114)
11	Total Adjustments	\$ (102,622,280)	\$ (361,761)	\$ (102,984,041)
12	Adjusted Rate Base, per OCA	\$ 527,941,042	\$ (361,761)	\$ 527,579,282

Source:

Column A: Schedule RR-EN-5

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Working Capital

Line	Description	Test Year Pro Forma
1	O&M Expenses	
2	Distribution, before Adjustments	\$ 85,315,973
3	Less: Depreciation and Amortization	\$ (24,926,507)
4	Less: Deferred Income Taxes	\$ (11,942,273)
5	Known and Measurable Adjustments (excluding depreciation and amortization)	\$ (2,220,127)
6	OCA Adjustments - Schedule C	\$ (5,312,201)
7		<u>\$ 40,914,865</u>
8		
9	Cash Working Capital Required - Days	24.86 <u>6.81%</u>
11		
12	Cash Working Capital Required	<u>\$ 2,786,302</u>
13		
14	Company Cash Working Capital	<u>\$ 3,148,063</u>
15		
16	OCA Adjustment	<u><u>\$ (361,761)</u></u> L12-L14

Source:
RR-EN-5-2

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Operating Income Adjustments

Line No	Description	OCA Rate Year Adjustments	Reference
1	Operating Income per Company	20,415,206	RR-EN-1
2			
3	<u>Operating and Maintenance Expense Adjustments:</u>		
4	Payroll Expense	\$ 1,335,204	C-1
5	Severance Expense	\$ 7,932	C-2
6	Incentive Compensation	\$ 780,574	C-3
7	SERP	\$ 56,631	C-4
8	D&O Expense	\$ 43,185	C-5
9	BOD Costs	\$ 532,949	C-6
10	Investor Relations	\$ 19,260	C-7
11	Customer First Expense	\$ 1,737,945	C-8
12	Legal Expense	\$ 51,383	C-9
13	Liberty Days Expense	\$ 34,863	C-10
14	Benefits Expense	\$ 546,609	C-11
15			
16	<u>Other Taxes</u>		
17	Payroll Tax Expense	\$ 165,665	C-12
18	Interest Synchronization	\$ 486,301	C-13
19	Income Tax Expense - Impact of Adjustments	\$ (1,430,576)	C-14
20			
21	Operating Income per OCA	<u>\$ 24,783,132</u>	

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Payroll Expense

Line No.	Description	Rate Year	
1	Liberty Payroll	\$ 15,792,241	Line 4
2	OCA Recommended Payroll	\$ 14,457,037	Line 1 + Line 3
3	OCA Adjustment	\$ (1,335,204)	Line 8
4	Rate Year Payroll	15,792,241	Schedule RR-EN-3-2
5	Rate Year Number of Employees	343	OCA TS 1-5
6	Average Payroll per Employee	46,042	Line 4 / Line 5
7	Unhired Employees	(29)	Line 5 - 314
8	OCA Recommended Reduction	\$ (1,335,204)	Line 6 x Line 7

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Severance Expense

<u>Line No.</u>	<u>Description</u>	<u>Rate Year</u>
1	Company Amount	\$ 7,932
2	OCA Recommended Amount	\$ -
3	OCA Adjustment	<u>\$ (7,932)</u>

Source

OCA 1-116

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Incentive Compensation

<u>Line No.</u>	<u>Description</u>	<u>Rate Year</u>
1	Liberty Incentive Compensation	\$ 1,561,147
2	OCA Recommended Reduction	<u>50%</u>
3	OCA Incentive Compensation Adjustment	<u><u>\$ (780,574)</u></u>

Source

OCA 1-50

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SERP

<u>Line No.</u>	<u>Description</u>	<u>Rate Year</u>
1	Company Amount	\$ 56,631
2	OCA Recommended Amount	<u>\$ -</u>
3	OCA Adjustment	<u><u>\$ (56,631)</u></u>

Source

OCA 1-111

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D&O Expense

<u>Line No.</u>	<u>Description</u>	<u>Rate Year</u>
1	Company Amount	\$ 57,580
2	Percent Allocated to shareholders	<u>75%</u>
3	OCA Adjustment	<u><u>\$ (43,185)</u></u>

Source

OCA 1-36

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BOD Costs

<u>Line No.</u>	<u>Description</u>	<u>Rate Year</u>
1	Company Amount	\$ 710,599
2	Percent Allocated to Shareholders	<u>75%</u>
3	OCA Adjustment	<u><u>\$ (532,949)</u></u>

Source:

OCA TS 1-3

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Investor Relations

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<u>Line No.</u>	<u>Description</u>	<u>Rate Year</u>
1	Company Amount	\$ 25,680
2	Percent Allocated to Shareholders	<u>75%</u>
3	OCA Adjustment	<u><u>\$ (19,260)</u></u>

Source:

OCA 1-81

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Customer First Expense

<u>Line No.</u>	<u>Description</u>	<u>Rate Year</u>
1	Company Amount	\$ 1,737,945
2	OCA Recommended Amount	<u>\$ -</u>
3	OCA Adjustment	<u><u>\$ (1,737,945)</u></u>

Source: _____
OCA 1-29

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Legal Expense

<u>Line No.</u>	<u>Description</u>	<u>Rate</u>	<u>Year</u>
1	Company Amount	\$	105,390
2	OCA Amount	\$	54,007
3	OCA Adjustment	\$	(51,383)

	<u>Year</u>
2018	\$ 75,104
2019	\$ 17,946
2020	\$ 15,785
2021	\$ 55,809
2022	\$ 105,390
Average	\$ 54,007

Source

OCA 1-69

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Liberty Days Expense

<u>Line No.</u>	<u>Description</u>		<u>Rate Year</u>
1	Company Amount	\$	34,863
2	OCA amount	\$	-
3	OCA Adjustment	\$	(34,863)

Source

OCA 1-70

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Benefits Expense

Line No.	Description	Rate Year	Reference
1	OCA Adjustment to Payroll	\$ (1,335,204)	Schedule C-1
2	Benefit Expense Percentage	40.94%	Line 6
3	OCA Adjustment to Benefits Expense	<u>\$ (546,609)</u>	Line 1 x Line 2
4	Pension & Benefits Expense	\$ 6,465,068	Line 10
5	Payroll	<u>\$ 15,792,241</u>	Schedule RR-EN-3-2
6	Benefits Expense Ratio	<u>40.94%</u>	
7		\$ 9,322,377	Total Rate Year Benefits Schedule RR-EN-3-4
8		30.65%	Capitalized % Schedule RR-EN-3-4
9		\$ 2,857,309	Rate Year Benefits Capitalized
10		\$ 6,465,068	Rate Year Benefits Expense Line 7 - Line 9

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Payroll Tax Expense

Line No.	Description	Rate Year	Reference
1	OCA Adjustment to Payroll & Incentive Compensation	\$ (2,115,778)	JD-1 Schedule C-1, C3
2	Payroll Tax Rate	<u>7.83%</u>	Schedule RR-EN-3-3
3	Reduction to Rate Year Payroll Tax Exp	<u>\$ (165,665)</u>	Line 1 x Line 2

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Interest Synchronization

<u>Line No</u>	<u>Description</u>	<u>Rate Year</u>	<u>Reference</u>
1	Rate Base, as Adjusted	\$ 527,579,282	Schedule B
2	Debt Portion	<u>52.78%</u>	Schedule D
3	Debt Component	\$ 278,456,345	L1 x L2
4	Weighted Cost of Debt	<u>4.42%</u>	Schedule D
5	Pro Forma Interest Deduction for Tax Purposes	\$ 12,299,417	L3 x L4
6	Interest Deduction, per Company	<u>10,493,620</u>	Schedule RR-EN-3-8
7	Increase/(Decrease) in Interest Deduction for Tax Purposes	\$ 1,805,797	L.3 - L.4
8	Federal and Stated Combined Income Tax Rate	<u>26.930%</u>	Schedule C-14
9	Increase/(Decrease) in Income Tax Expense	<u>\$ (486,301)</u>	-L.5 X L.6

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Income Tax Expense - Impact of Adjustments

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Rate Year</u> <u>Amount</u>	<u>Reference</u>
1	Adjustments to Net Operating Income, Excluding Income Taxes	\$ 5,312,201	Schedule C Lines 4-17
2	Combined Income Tax Rate	<u>26.93%</u>	Schedule RR-EN-1
3	Increase in Income Taxes	<u>\$ 1,430,576</u>	Line 1 x Line 2

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Rate of Return

Per Company Rate Year		(A)	(B)	(C)
Line		Capital	Cost of	Rate Year
No.	Description	Structure	Capital	Weighted Cost
1	Long Term Debt	45.00%	4.417%	1.99%
2	Common Stock	55.00%	10.35%	5.69%
3	Total Capital	100.00%		7.68%

Per OCA Rate Year

	Description	Capital	Cost of	Rate Year
		Structure	Capital	Weighted Cost
4	Long Term Debt	52.78%	4.42%	2.33%
5	Common Equity	47.22%	8.15%	3.85%
6	Total Capital	100.00%		6.18%

Source:

Lines 1 - 3 Liberty Schedule RR-EN-4
 Line 4 - 6 OCA Witness Aaron Rothschild