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1 invite Liberty to make this presentation after we
2 address the housekeeping matters for this
3 prehearing conference.

4 First, we will take appearances from
5 the parties. We note that no intervention
6 requests were filed in the docket in advance of
7 today's PHC. We'll proceed in alphabetical
8 order, starting with the Department of Energy.

9 Are there any citizen attendees here in
10 the hearing room today?

11 *[No indication given.]*

12 CHAIRMAN GOLDNER: No? Okay. All
13 right.

14 Well, let's proceed with appearances,
15 beginning with, in alphabetical order, the
16 Department of Energy?

17 MR. DEXTER: Good afternoon, Mr.
18 Chairman. Paul Dexter, appearing on behalf of
19 the Department of Energy. I'm joined by
20 co-counsels today Mary Schwarzer and Molly
21 Green **[Lynch?]**, as well as two members of the
22 Regulatory Gas Division, Deen Arif and Alam
23 Ashraful.

24 CHAIRMAN GOLDNER: Very good. And

1 Liberty Utilities?

2 MR. SHEEHAN: Good afternoon,
3 Commissioners. Mike Sheehan, for Liberty
4 Utilities (EnergyNorth Natural Gas). I'm also
5 joined by co-counsel, Jessica Ralston.

6 At the front table are Tyler
7 Culbertson, you've met before, who's our New
8 Hampshire Director; to his right is Jill
9 Schwartz, who is from our Corporate Regulatory
10 Team. And the two of them will make the
11 presentation.

12 At the table behind me, to the far
13 right, is Matt Decourcey, also a member of the
14 Corporate Regulatory Team; Erica Menard you know;
15 and directly behind me is Bob Schwartz [Garcia?],
16 who has been with the Company for two weeks, he
17 is also filling out the local Regulatory Team as
18 a Manager. We are -- an advantage of being part
19 of a bigger company is we have the support of
20 Mr. Decourcey and Ms. Schwartz of the Corporate
21 Regulatory Team that can provide support in more
22 complex cases like this one.

23 CHAIRMAN GOLDNER: Okay. Thank you.
24 And the Office of the Consumer Advocate?

1 MR. CROUSE: Good afternoon,
2 Commissioners. My name is Michael Crouse,
3 appearing on behalf of the Office of the Consumer
4 Advocate, representing the interests of
5 residential ratepayers.

6 Thank you.

7 CHAIRMAN GOLDNER: Okay. Thank you.
8 Having taken appearances, we'd like to invite the
9 parties to make their statements of position or
10 preliminary position as appropriate. These are
11 the areas of interest of the Commission at this
12 time. So, maybe we can start with the Department
13 of Energy?

14 MR. DEXTER: Yes.

15 The Department of Energy has made a
16 preliminary review of the case as filed by
17 Liberty. And we have several issues that we want
18 to note today that are issues of interest and of
19 concern to the Department, and which will receive
20 significant attention over the next twelve
21 months.

22 First of all, the Company's request is
23 to increase revenues by \$27 million. That's a
24 very, very large rate increase. And that's the

1 first concern that the Department of Energy has.
2 Using history as a reference point, we've had
3 three Liberty-Gas rate cases since Liberty
4 acquired EnergyNorth about a decade ago. And the
5 last two rate cases, the requests were in the
6 area of \$13 million, and the ultimate rate
7 increases were in the area of \$8 million.

8 So, the fact that this request is more
9 than double the last two requests combined is of
10 significant concern to the Department, and will
11 require significant review. And we understand,
12 and we'll hear, I'm sure, in the presentation,
13 that the large -- largest driving factor for the
14 magnitude of this increase is investment in
15 utility plant, and we will -- we will endeavor to
16 review the investment in utility plant.

17 The timing of this request is of
18 concern to the Department. You'll see in the
19 testimony of the Company that they implemented a
20 companywide billing and accounting system. I've
21 seen it referred to as "SAP" and I've seen it
22 referred to as "Customer First". And the
23 implementation of that system occurred on
24 October 1st, 2022, which is in the middle of the

1 test year in this case. And, from the
2 Department's perspective, that raises two
3 potential problems.

4 One, we have anecdotal evidence that
5 there were billing issues related to the issuance
6 of bills related to the implementation of this
7 Customer First system. The Department is
8 concerned that the test year revenues in this
9 case might not be representative of what would
10 actually have happened had the Company not
11 switched billing systems. And, to the extent
12 test year revenues are reduced artificially, or
13 unfortunately, or through happenstance, that can
14 have a direct dollar-for-dollar impact on the
15 revenue requirement and the revenue deficiency
16 requested. So, the Department will be
17 investigating whether or not there, in fact, were
18 significant problems with billing, and,
19 therefore, problems with test year revenues.

20 Secondly, the accounting system
21 transferred over on October 1st, 2022. And our
22 Audit Team has begun their review of the
23 Company's test year. And one of the first things
24 that they do is try to compare the Company's rate

1 case filing to the Company's general ledger, as
2 well as to the Annual Report that's filed with
3 the Commission, the report's number is the F-16
4 Report. And the preliminary assessment of our
5 Audit Team is that they're having difficulties
6 tying those numbers from the new system to the
7 rate case filing. So, that is an issue of
8 concern for the Department that we will be
9 looking into.

10 More substantively, with respect to the
11 specific request, as I said, looking first at the
12 Company's test year revenues, there are three
13 issues that the Department has flagged as
14 potential problems.

15 The first one I just mentioned, which
16 was the effect of the Customer Implementation
17 System, whether or not that had an adverse impact
18 on recording revenues.

19 Secondly, the Department has noticed in
20 the Company's filing that they have reported --
21 recorded \$8.5 million in decoupling revenue
22 during the test year. And, yet, that \$8.5
23 million has been removed from the revenue
24 deficiency calculation. And our preliminary view

1 is that that's not an appropriate way to treat
2 those revenues. And we need to talk to the
3 Company about that and find out why they did
4 that. But our view is that revenue -- decoupling
5 revenues, it would seem contrary that those would
6 be excluded when evaluating how much of an
7 increase is needed for the Company to earn a
8 reasonable rate of return.

9 Thirdly, we want to investigate how the
10 Company treated the revenues that are received
11 through the LDAC, but relate to the Gas
12 Assistance Program, the R-3 customers. This was
13 an issue that we discussed at length in the
14 recent and pending case involving prior years'
15 decoupling revenues. And we want to review that
16 very same issue in this case and see how that
17 revenue is treated, because, in the view of the
18 Department, although that revenue comes through
19 the LDAC, the Local Distribution Adjustment
20 Clause, it's received to recover base rate
21 expenses, and therefore has to be appropriately
22 treated in the revenue deficiency calculation.

23 With respect to return on equity, our
24 simple position is that the requested 10.35

1 percent is too high. We have hired the
2 assistance of Dr. Woolridge, who has testified
3 before this Commission many, many times before,
4 to evaluate that request. And we will report
5 back to the Commission on that. We find the
6 10.35 percent particularly high, when coupled
7 with the requested 55 percent equity ratio in the
8 capital structure.

9 Thirdly, going back to the last two
10 rate cases, there have gone specific treatments
11 for a special customer, called "iNATGAS". We
12 want to, at the Department, review the
13 treatment of iNATGAS in this case, and make sure
14 that it's consistent with the prior Commission
15 orders. And this issue was actually litigated in
16 DG 17-048, and there was an appropriate rate base
17 exclusion made, limited to that case, not a
18 permanent rate case exclusion. That rate case
19 exclusion was then carried through to the next
20 rate case, in 20-105, through settlement. So,
21 we'll be investigating to see how the iNATGAS
22 investment is treated in this case.

23 And a couple of other issues that have
24 caught our attention are perhaps more appropriate

1 for the step adjustments that are proposed.
2 Well, first, a word on the step adjustments. The
3 Company has proposed three substantial step
4 adjustments. Our preliminary position is that
5 three substantial -- that three step adjustments
6 is more than we would be willing to support at
7 this point. Of course, we're at the beginning of
8 the case, and we'll keep an open mind. But, in
9 past rate cases, the norm has been more one or
10 two step adjustments. And we have had the
11 generic investigation on step adjustments, and
12 received a lot of comment in that case. So,
13 we'll be reviewing that as well.

14 But, specifically, for these step
15 adjustments, the one issue that jumped out at us
16 is the \$24 million proposed to be spent for the
17 conversion of the Keene system to natural gas.
18 As the Company indicates, there are about 1,250
19 customers in Keene. So, this is a significant
20 increase. Due to the consolidated rate
21 structure, that increase would not be borne by
22 those Keene customers, but would be spread over
23 all of EnergyNorth's 95,000 or so customers. We
24 want to review the necessity for the

1 conversion -- for the conversion, we want to
2 review the amount of the investments. And, also,
3 we want to review how that fits in with the
4 risk-sharing arrangement, which was built into
5 the Settlement from 20-105 concerning future
6 growth in Keene.

7 And the second step adjustment item
8 that we will investigate is the \$10 million
9 proposed in cybersecurity. Which, again, does
10 not fall into the basic rate case, but falls into
11 the step adjustments.

12 So, we have many issues off the top to
13 investigate. And we will, of course, do our
14 usual evaluation of the test year. There is an
15 audit being performed. We have retained the
16 services of Blue Ridge Consulting, who has
17 assisted us in the last three or four Liberty
18 rate cases. We've already issued two sets of
19 data requests. And these are the issues that
20 we've uncovered at this point.

21 Thank you.

22 CHAIRMAN GOLDNER: Thank you, Attorney
23 Dexter. Let's move to the Office of the Consumer
24 Advocate, and Attorney Crouse.

1 MR. CROUSE: Thank you, Commissioners.

2 As you may be already aware, the OCA is
3 finally getting up to full steam, now that we
4 have contracted with Larkin & Associates,
5 consultants that will be aiding us in the review
6 of this rate case.

7 And, so, while we are just beginning to
8 dive deep into this matter, some of the
9 preliminary issues we would just echo what Paul
10 Dexter has already explained. But we're also
11 rather concerned with the increase that is being
12 requested by Liberty. So, we'll be looking into
13 not only -- excuse me -- not only the revenue
14 requirement, but also any potential or
15 alternative rate design that might better aid in
16 recommending what our consultants suggest as a
17 better way of moving forward.

18 Thank you.

19 CHAIRMAN GOLDNER: Thank you. And,
20 finally, the Company.

21 MR. SHEEHAN: As mentioned, I'll turn
22 it over to Mr. Culbertson and Ms. Schwartz, and
23 they will follow the PowerPoint presentation that
24 was filed.

1 CHAIRMAN GOLDNER: If we could, the
2 Commission has a few questions. So, if you have
3 a preliminary statement, we can take that now.
4 I've got some questions to go through, and then
5 we'll move to the presentation.

6 MR. SHEEHAN: Sure. I mean, we don't
7 have a preliminary statement prepared.
8 Obviously, we have a case in front of you, and
9 they're going to highlight it. But, if you have
10 some questions that you'd like to take first,
11 that's fine.

12 CHAIRMAN GOLDNER: Okay. That would be
13 great. And, then, we can do the presentation
14 after. Perfect. Okay. Just some administrative
15 things to sort out.

16 So, first, we'd like the -- and I'll go
17 through the three items, and then we'll come back
18 to them at the end. So, I'll just go through the
19 three items that we need to sort out here.

20 So, first, we'd like the DOE and the
21 OCA to state their positions regarding the two
22 outstanding motions for confidential treatment
23 made by the Company. The first relating to the
24 overall rate case, that is the compensation

1 information for Liberty's directors and officers.
2 And the second relating to the technical
3 spreadsheet information filed with the Commission
4 pursuant to Order 26,877. These two Motions for
5 Confidential Treatment made pursuant to RSA
6 91-A:5 and Puc Rule 203.08 were made on July 27th
7 and September 11th, 2023, respectively.

8 We'll also invite the Company to make a
9 statement in support of its motions, if desired.
10 So, that's issue one.

11 The second issue is the hearing on
12 temporary rates is next Thursday, September 27th,
13 with a requested effective date of October 1st
14 for the temporary rates effectuating the \$15.3
15 million increase that Attorney Dexter mentioned,
16 and revenue requirement on a temporary basis.
17 The Commission has not yet seen any filings from
18 the DOE or OCA regarding their position on this
19 request by Liberty. We do see that a Joint
20 Exhibit List has been tendered by the Company as
21 of last night that indicated only Liberty
22 witnesses will appear at the temporary rates
23 hearing.

24 Excuse me. We'd like the parties to

1 indicate, to the extent appropriate, the status
2 of any settlement discussions related to
3 temporary rates, and, in the alternative, any
4 positions of interest to the Commission regarding
5 the temporary rate request.

6 The Commission would like to indicate
7 to the parties that, if temporary rates will be
8 litigated among the three parties, there is a
9 likelihood of a later effective date of
10 October 1st for these rates, as the Commission
11 will require more time to assess these issues, or
12 potentially schedule additional dates for a
13 hearing.

14 Furthermore, if litigation positions
15 are taken by the DOE and OCA, the Commission
16 would require more specificity and argument and
17 analysis to enable it to render an informed
18 decision regarding such positions. That was
19 issue two.

20 Issue three, there's the matter of the
21 procedural schedule to be developed by the three
22 parties. This question would include appropriate
23 final hearing dates, and the amount of time or
24 spacing required for consideration of discrete

1 issues, such as the Keene Division natural gas
2 conversion proposal.

3 The one-year deadline for this rate
4 case is July 26th, 2024. The Commission would
5 expect that the final hearing would be concluded
6 well in advance of that date. The Commission
7 would -- the Commission also wants discovery and
8 other preparatory work to begin.

9 The Commission expects that a
10 procedural schedule proposal would be tendered by
11 October 16th, 2023. Parties should comment on
12 the reasonableness of that expectation being
13 embedded in a prehearing conference order.

14 So, I'll pause there, and then invite
15 the parties to address it one-by-one. So, we'll
16 just start with the preliminary statements from
17 the DOE, and then OCA, and then finally Liberty,
18 on the Motions for Confidential Treatment.

19 I'll begin with Attorney Dexter.

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

21 The Department doesn't have any
22 objection to the Motions for Confidentiality
23 filed.

24 CHAIRMAN GOLDNER: Thank you. And the

1 Consumer Advocate?

2 MR. CROUSE: I have no objections.

3 Thank you.

4 CHAIRMAN GOLDNER: Okay. Thank you.
5 Liberty, I suspect you don't have any comments?

6 MR. SHEEHAN: I don't object either.

7 CHAIRMAN GOLDNER: All right.

8 Okay. Let's move to temporary rates.
9 Can the DOE -- can the DOE comment on temporary
10 rates?

11 MR. DEXTER: Yes. Yes, I can. And I
12 should have mentioned that in my preliminary
13 statement.

14 That sort of in proportion to the size
15 of the permanent rate request, the temporary rate
16 request is quite high. The Department is not in
17 favor of a \$15 million temporary rate request.

18 We have not had a chance to put
19 together an analysis to put before you today.
20 And we have not had a chance to talk to the
21 Company about it, in hopes of reaching a
22 settlement. I had planned to do that after this
23 prehearing conference, if time allows, and if the
24 Company is willing, we would sit down and try to

1 work that out.

2 CHAIRMAN GOLDNER: Okay. Very good.
3 The Office of the Consumer Advocate?

4 MR. CROUSE: Thank you.

5 Similarly to the Department, the OCA
6 hasn't had a chance to fully dive into that
7 request yet, especially since we've just recently
8 contracted with Larkin & Associates. So, the OCA
9 would be very supportive of having a conversation
10 that Paul Dexter just proposed.

11 CHAIRMAN GOLDNER: Okay. Any comments
12 from the Company?

13 MR. SHEEHAN: Same. We often have
14 temp. rate conversations around now, and we're
15 prepared to do so as well. And I think, frankly,
16 we will start as soon as this session is over.

17 CHAIRMAN GOLDNER: Okay. Very good.

18 CMSR. SIMPSON: Could I ask one
19 question on that?

20 CHAIRMAN GOLDNER: Of course.

21 CMSR. SIMPSON: On the Witness List, it
22 was labeled as a "Joint Witness List"?

23 MR. SHEEHAN: So, I circulated that
24 list over the last couple of days, and exhibit,

1 and there were no comments, no changes, no
2 additions.

3 Now, obviously, as the Chairman
4 noticed, if this is going to be litigated, I
5 would expect to see more on there. But I won't
6 put words in their mouth, but my sense was no one
7 was quite ready yet to make commitments on the
8 temp. rates.

9 CMSR. SIMPSON: Okay. Thank you.

10 CHAIRMAN GOLDNER: All right. And,
11 then, finally, we'll ask for positions on the
12 procedural schedule, and also invite general
13 statements of -- well, just the comments on the
14 procedural schedule. And this includes a scoping
15 of issues as presented in Commission Order
16 26,877.

17 So, Mr. Dexter, any comments on the
18 procedural schedule?

19 MR. DEXTER: Yes. We've actually been
20 spending quite a bit of time trying to come up
21 with a procedural schedule. We don't have, and
22 when I say "we", it's the three parties here,
23 we've been trading draft schedules. And we've
24 tried to keep a couple of parameters in mind.

1 One is the twelve-month suspension period. And
2 the other is the desire that we heard in the
3 electric -- Liberty-Electric rate case, to spread
4 hearings out over a multi-month period, and have
5 discrete topics for the various hearings. And to
6 have those hearings wrap up a substantial --
7 leave a substantial amount of time between the
8 last hearing and the required decision date.

9 Unfortunately, we haven't been -- and
10 the other parameters we've been working with are,
11 in fact, the dates that have already been
12 established for the electric case.

13 So, we haven't actually been able to
14 come to agreement on that. But we were going to
15 continue to work on that after the prehearing
16 conference today.

17 Basically, there is a lot of overlap
18 with the electric case, and that's causing some
19 problems. But we will continue to work on that.
20 And I think I heard you mention that a date for
21 reporting back on the schedule by October 16th.
22 I think we'll be able to do it much earlier than
23 that, since we've already gotten a head start on
24 it.

1 CHAIRMAN GOLDNER: Oh, very good.

2 Okay. Thank you, Attorney Dexter.

3 Attorney Crouse?

4 MR. CROUSE: Yes. Thank you.

5 In respect to developing a procedural
6 schedule, as you might imagine, the OCA has a
7 limited staff size. And, so, we've been looking
8 at the delta between when the electric filing
9 took place and the gas filing. And, if it's
10 constructive to the parties, we've been looking
11 at somewhere between a two- and three-month
12 difference between when that started and when the
13 gas case started, and that's what we've been
14 looking to resolve with some of the scheduling
15 conflicts, in terms of when testimony is due by.

16 So, we think we can be collaborative
17 with Paul Dexter and the other parties to get to
18 that option.

19 CHAIRMAN GOLDNER: I think the issue
20 that you're running into, if memory serves, is
21 that the Liberty-Electric case had an extension.
22 And, so, now you've got kind of a collapsed --
23 so, it's not three months anymore, it's more like
24 one month, I think.

1 MR. CROUSE: Right. And that's where
2 that bit of a delta analysis is referring to.

3 CHAIRMAN GOLDNER: Comes from. Okay.
4 Very good.

5 And Liberty?

6 MR. SHEEHAN: More of the same. The
7 draft we have in front of us has the proposed
8 dates for this and the existing Liberty-Electric
9 case lined up trying to make the -- make them
10 workable.

11 So, I think we can get there, and we're
12 probably three-quarters of the way already.

13 CHAIRMAN GOLDNER: Okay. Thank you.
14 That is helpful. Just a minute please.

15 *[Chairman Goldner and Atty. Speidel*
16 *conferring.]*

17 CHAIRMAN GOLDNER: Okay. We just -- we
18 have a quick topic to discuss. And we'll just
19 take a five-minute break, returning at 2:00, just
20 a brief break. We'll be right back. Just want
21 to maybe clarify a couple of things, and then
22 we'll return with the presentation.

23 *(Recess taken at 1:55 p.m., and the*
24 *prehearing conference resumed at*

1 2:03 p.m.)

2 CHAIRMAN GOLDNER: Okay. We're back on
3 the record.

4 So, before we get to the Liberty
5 presentation, just a brief comment from the
6 Commission. That we have a lot of interest and
7 perhaps even discrete hearings on the Keene
8 issue, the decoupling issue, and, obviously, on
9 the base rate case. So, as you work through your
10 procedural schedule, please keep in mind that we
11 want to allocate time, and a fair amount of time,
12 for each of those discrete issues.

13 Okay. So, we invite the Liberty
14 representatives to make their presentation at
15 this time.

16 Please introduce yourselves when
17 speaking during the presentation for the
18 stenographer and the benefit of the record.
19 Thank you.

20 Mr. Sheehan.

21 MR. SHEEHAN: I'll turn it over to
22 Mr. Culbertson and Ms. Schwartz.

23 MR. CULBERTSON: Good afternoon,
24 Commissioners. We will be starting on Slide 5,

1 the "Rate Case Overview".

2 CHAIRMAN GOLDNER: If you could give us
3 just a minute.

4 MR. CULBERTSON: Sure.

5 CHAIRMAN GOLDNER: I've misplaced the
6 presentation. So, it will be just a moment.

7 MR. DEXTER: Mr. Chairman, while
8 there's a pause in the action, you mentioned
9 three issues, "Keene", "Decoupling", and I didn't
10 hear the third one?

11 CHAIRMAN GOLDNER: And then just the
12 base rate case, the rest of it.

13 MR. DEXTER: The rest of it.

14 CHAIRMAN GOLDNER: Everything, but
15 Keene, yes. Sorry about that.

16 Okay. Ready to go. Okay, we have it
17 up here.

18 MR. CULBERTSON: The reason we are here
19 today is that the present rates are longer
20 sufficient to provide the Company with an
21 opportunity to earn a reasonable return on its
22 investments. EnergyNorth filed its rate case on
23 July 27th, 2023, with an historical test year of
24 2022. The Company is proposing the continuation

1 of step adjustments as a mechanism to recover
2 certain capital costs from 2023 through 2025.
3 The last rate case was completed in July 2021,
4 based on a 2019 test year.

5 Liberty's revenue deficiency that needs
6 to be recovered in this case is 27.5 million.
7 And the filing includes testimony on a broad
8 range of topics, which are listed on the right
9 side of Slide 5, includes the Company Overview,
10 Revenue Requirement, Operations and Capital
11 Investments, customer-focused programs,
12 cybersecurity, conversion of Keene to CNG and
13 LNG, and then special studies, the lead/lag, cost
14 of service study, and the cost of capital.

15 Moving onto the next slide. The
16 investments Liberty has made in the Company since
17 the prior rate case align with its overall
18 commitment to provide safe, reliable, and
19 reasonably priced gas service, in a
20 customer-centric manner. And, in order to
21 accomplish all of this effectively, Liberty is
22 investing in its local workforce, through
23 training and retaining highly skilled employees,
24 while also attracting top talent. As a

1 relatively new employee and resident of the
2 Granite State, I can attest to the importance
3 Liberty places on having its employees be a part
4 of the community it serves.

5 Next slide. Since Liberty's prior rate
6 case, it has invested over \$177 million from 2020
7 through 2022. The pie graph on this slide shows
8 the various components of that investment. The
9 biggest component being distribution plant,
10 followed by intangible plant, which includes the
11 Customer First. Of this \$177 million, 123
12 million of capital investments are not reflected
13 in the current rates.

14 And, now, I'll hand it over to Jill to
15 discuss Customer First.

16 MS. SCHWARTZ: Good afternoon. My name
17 is Jill Schwartz.

18 As Tyler mentioned, a large portion of
19 the investment that the Company has made in the
20 test year includes our investment in Customer
21 First, which is a series of multiple linked
22 enterprisewide projects encompassing upgrades and
23 systemic changes to core IT infrastructure.
24 Operational technologies, and business processes.

1 These include our enterprisewide -- our
2 enterprise resource planning system, the customer
3 information system, the enterprise asset
4 management system, the implementation of new
5 payment options, and the ability for customers to
6 access their account and get service in different
7 ways. The "eCustomer Program" it's called.

8 Customer First was deployed in
9 October of 2022, and it was recorded -- it was
10 recorded on -- as an asset on the Company's books
11 in December of 2022 during the historic test
12 year.

13 Moving onto the next slide. In
14 addition to Customer First and the investments
15 that we've made in infrastructure and assets, the
16 customer -- the Company is also proposing to
17 implement a low-income -- some additional
18 low-income assistance for qualifying customers,
19 to forgive up to \$1,200 for eligible low-income
20 customers of arrearage balances. We're also
21 proposing to incorporate the credit card fees
22 that customers have to bear individually, when
23 they pay -- when they choose to pay their bill
24 online or with an electronic check. We would

1 like to eliminate those fees and roll those in to
2 base rates.

3 I'm turning it back over to Tyler.

4 MR. CULBERTSON: All right. We can
5 move to Slide 11, which has the revenue
6 requirement.

7 As mentioned, this is a historical test
8 year ending 12-31-2022. The revenue requirement
9 of 130.7 million. Rate base is 527.9, with
10 operating expenses of 90.1 million.

11 The requested return on rate base is
12 7.68 percent. And this is derived using a 55
13 percent equity ratio, and a 10.35 percent return
14 on equity. The base revenue deficiency in this
15 case is 27.5 million, or 26.71 percent.

16 On the next slide, we have a waterfall
17 graph showing the incremental drivers from the
18 previously approved revenue requirement of 103.5
19 million on the left, and those walk through to
20 the 130.7 million on the right.

21 So, on the left, the Rate Base, this is
22 the difference between the previously approved
23 rate base and the current rate base, times the
24 proposed weighted average cost of capital, or

1 WACC. From there, we have A&G expenses, property
2 tax expenses, income taxes, the WACC, which is
3 the difference between the previously approved
4 WACC and the currently proposed WACC, times the
5 prior rate base. Other items of increase include
6 the depreciation expense and pension costs.

7 On the right, we have a few items that
8 decreased. Amortization, which includes the
9 regulatory assets and liabilities, gas production
10 and distribution expenses, and payroll taxes.

11 The next slide provides the proposed
12 residential rates, showing both the current and
13 proposed, for R-1, R-3, and R-4. The Residential
14 Non-Heating customers, using on average 21 therms
15 per month, will see an increase of \$7.33. The
16 Residential Heating customers, using
17 approximately 64 therms per month, would see an
18 increase of \$15.18. And the Low Income
19 Residential Heating customers, using
20 approximately 59 therms per month, would see an
21 increase of \$9.74.

22 And the next slide, we have the
23 proposed commercial and industrial rates for the
24 Low and Medium Annual Use customers.

1 And following that, on Slide 15, we
2 have the proposed rates for the High Annual Use
3 customers.

4 Moving on to Slide 17, the Temporary
5 Rate Request. This is a distribution revenue
6 increase of \$15.3 million, with an effective date
7 of October 1st, 2023. And it's primarily driven
8 by capital investments made since the Company's
9 last rate case, which are not currently included
10 in the distribution rates.

11 Under the temporary rates, Residential
12 Non-Heating customers will see a monthly increase
13 of \$3.94. Residential Heating customers, using
14 64 therms per month, would see an increase of
15 \$8.66. And Low Income Residential Heating
16 customers, using approximately 59 therms per
17 month, would see an increase of \$5.48.

18 On Slide 18, we have the proposed
19 Capital Step Adjustments. The amounts shown here
20 are the capital expenditures for the year-end
21 2023, 2024, and '25. Those rates associated with
22 those investments would be effective in the
23 following year, on August 1st.

24 And, now, I'll turn it back over to

1 Jill.

2 MS. SCHWARTZ: On Slide 19, we talk a
3 little bit about the Cybersecurity Program. And
4 as noted in the slide -- in the previous slide,
5 the proposed capital steps include the Company's
6 request for recovery of cybersecurity investments
7 that are being made across the enterprise. In
8 the case, our Director of Cybersecurity,
9 Mr. Shawn Eck, provides testimony on these
10 investments, and the necessary -- the necessity
11 of them to ensure the continuation of safe,
12 secure, and reliable service of all of Liberty's
13 utilities, including Liberty EnergyNorth Natural
14 Gas distribution facilities.

15 It's about \$9.9 million, it's estimated
16 to be \$9.9 million over the life of the program.
17 And, like I said, those are included in the step
18 adjustments. And Tyler's testimony talks about
19 the unpredictability of these costs, and the
20 variability of them, and a proposal to defer any
21 over -- overspent or underspent investments of
22 those -- well, I guess underspent wouldn't be an
23 issue, because it would be included in the step,
24 but anything over them. These are necessary and

1 they're highly unpredictable. And, so, there is
2 a proposal included in Tyler's testimony to defer
3 anything that's over what the Company had
4 proposed in its step adjustments.

5 MR. CULBERTSON: On to Slide 20, which
6 discusses Keene. So, the Keene gas distribution
7 system is a stand-alone system. It has
8 approximately 1,250 customers on it. And it
9 currently supplies propane-air.

10 The Company is proposing a new
11 facility, which will provide a safe and reliable
12 natural gas supply using LNG and CNG. And this
13 will provide an opportunity to serve more
14 customers in the future who may want to convert
15 from oil and propane to cleaner natural gas.

16 Additionally, this provides a pathway
17 towards renewable energy sources, as with the
18 natural gas, we have the ability to mix RNG or
19 hydrogen in the future.

20 Slide 21 provides a few of the tariff
21 updates. The first modification listed there is
22 to separate the rate case expense and temporary
23 rate recoupment. This is not a change in the
24 calculation. It's simply taking these two

1 components that are combined into one currently
2 and splitting them out.

3 The rate case expense does not have
4 carrying charges applicable to them. And, so,
5 currently, as they're commingled, it makes it
6 difficult to track that.

7 We're also proposing additional cost
8 recovery components to be included in the LDAC.
9 This includes a Regulatory Reconciliation
10 Adjustment, which recovers changes in
11 Commission -- recovers, yes, changes in the
12 Commission assessments, DOE and OCA consultant
13 expenses, and other Commission-approved
14 consultant expenses incurred to respond to
15 Commission dockets.

16 The second cost recovery mechanism is
17 the Residential Assistance Factor. And this is
18 intended to recover the costs associated with the
19 Arrears Management Program, which Jill had
20 discussed.

21 And, finally, the Fee Free Adjustment,
22 which reconciles the estimated Fee Free Payment
23 Program costs with actual costs incurred, and
24 that was the second item that Jill had discussed.

1 We are also proposing to update
2 non-recurring, miscellaneous charges to more
3 accurately reflect actual costs incurred by the
4 Company for connections/reconnections and meter
5 tests.

6 And that concludes our presentation.

7 CHAIRMAN GOLDNER: So, thank you. So,
8 first of all, thank you for Liberty for the
9 presentation. This kind of high-level view is
10 very helpful to us. And I think this is a really
11 nice job of highlighting the key issues that are
12 in front of us. So, thank you for that.

13 At this time, I'll open it up to my
14 fellow Commissioners for any questions. And I
15 think, at least when I get to the questions that
16 I have, it will be more of things that may be to
17 interesting topics, from at least my point of
18 view, as you go through the rate case, I'll sort
19 of put some headlights on that.

20 But I want to let my fellow
21 Commissioners make any comments that they wish?

22 CMSR. SIMPSON: Nothing for me.

23 CHAIRMAN GOLDNER: Okay.

24 CMSR. CHATTOPADHYAY: So, I think you,

1 in one of the slides, didn't you mention the rate
2 base, which was --

3 MR. CULBERTSON: Slide 11.

4 CMSR. CHATTOPADHYAY: It's 527.9
5 million, in Slide 11.

6 MR. CULBERTSON: Yes.

7 CMSR. CHATTOPADHYAY: Do you remember
8 what was the rate base in the previous rate case,
9 so, 2019 test year, that was approved?

10 MR. CULBERTSON: One moment, we can
11 pull that.

12 *[Short pause.]*

13 MR. CULBERTSON: 427.5 million.

14 CMSR. CHATTOPADHYAY: Okay. And,
15 again, just out of curiosity, I think it would
16 have been helpful if a comparison would have been
17 provided in this chart.

18 In terms of number of customers, has
19 things changed a lot from 2019 to 2022? Again, a
20 comparison would be helpful. So, how many
21 customers do you have right now?

22 MR. SHEEHAN: Those are numbers we can
23 pull, if you want to keep going. I'll pull up
24 the annual reports that we file, just to give

1 you --

2 CMSR. CHATTOPADHYAY: I'm just curious.
3 So, right now, you have how many customers?

4 MR. SHEEHAN: So, the growth rate is in
5 the IRP dockets. And it's one percent, two
6 percent, somewhere in that neighborhood.

7 CMSR. CHATTOPADHYAY: Okay.

8 MR. SHEEHAN: So, it's been a steady, I
9 forget the numbers, but that was a much discussed
10 topic in the IRP.

11 CMSR. CHATTOPADHYAY: I'm just
12 suggesting one of the slides should mention the
13 number of customers and a comparison.

14 And that's all I have. Thank you.

15 CHAIRMAN GOLDNER: I just have a couple
16 of quick questions.

17 First, actually a question for the
18 Department of Energy. Is this what you were
19 expecting in the ballpark, in terms of the base
20 revenue deficiency? I know we've had LCIRP
21 dockets, and there's been other sort of forums,
22 ideally, at least for this kind of discussion.
23 Was this a surprise to the Department or is this
24 roughly what you were expecting?

1 MR. DEXTER: In terms of the \$27
2 million?

3 CHAIRMAN GOLDNER: Yes, sir.

4 MR. DEXTER: It comes as a surprise,
5 because, as I said, just looking at the last
6 three cases, it is out of line with the last
7 three cases.

8 Now, I understand that, in the LCIRP
9 dockets and the other dockets that we have on an
10 ongoing basis with Liberty, that plant investment
11 is a continual, I won't call it a "problem", but
12 it's a continual phenomena at their company. But
13 this would indicate that plant investments are
14 increasing faster in the last three years,
15 because I don't think we would see sort of a
16 corresponding huge change in things like interest
17 rates or inflation or other things over the last
18 three years. And all of the last rate cases have
19 been three years apart. So, yes, I would think,
20 yes, I think it was a surprise.

21 Now, I'm not saying that we, you know,
22 that we studied this and were surprised. I'm
23 just saying, when the case came in, we knew the
24 case was something, yes, the amount was a

1 surprise.

2 And, as my colleague, the Manager of
3 the Gas Division, points out, the last rate case
4 was followed by three step adjustments. So, that
5 added to the surprise.

6 CHAIRMAN GOLDNER: Yes. Okay. That's
7 helpful.

8 There was nothing in the LCIRP process
9 or anything like that that gave you any
10 headlights on this. So, it was -- because, also,
11 from my point view, I didn't have an
12 understanding that it would be this much. So, I
13 was wondering if I missed something or if the
14 Department's information was similar?

15 MR. DEXTER: Well, again, the LCIRPs
16 are a different phenomena, and they no longer
17 exist by statute, as we all know. But the
18 Department's view of the LCIRP was more of a
19 process for matching investments and revenues and
20 growth, and, you know, optimizing resources and
21 things like that. So, you know, certainly, plant
22 investments were reviewed in LCIRPs. But I don't
23 think the analysis that you're suggesting, like
24 what would that translate into for a potential

1 rate request, I don't believe that that was a
2 focus of the LCIRPs.

3 But, as I said, we spent a lot of time
4 with Liberty and the other utilities, and we've
5 heard loud and clear that aging infrastructure
6 requires replacement, and, therefore, plant
7 investments are important, and they're ongoing,
8 and they're not going away.

9 So, we, you know, we weren't surprised
10 that there would be a rate case, but we were
11 surprised by the level.

12 CHAIRMAN GOLDNER: Okay. Yes, I think
13 the Commission had started to ask some questions
14 relative to capital investment in the LCIRP
15 dockets. Now that they no longer exist, there's
16 no -- that's been mooted, I suppose. But I was
17 just trying to understand your perspective. So,
18 thank you, Attorney Dexter. That's helpful.

19 And, then, the only other comment that
20 I had was, I really like Slide 12, that's a very
21 helpful breakout of, you know, why the rates are
22 proposed to increase. And you can imagine that
23 the Commission will have many questions on each
24 of those categories as we go through time.

1 And just, without asking for an answer,
2 just, you know, things -- when pensions are
3 increasing by 2 million, the question that would
4 come to mind are things like "Well, if that was a
5 Company decision to increase pensions at the
6 Company level, you know, that maybe that's a
7 shareholder expense, and not a ratepayer
8 expense?" Things like that will come up from the
9 Commission. And, so, just to give you headlights
10 in terms of helping preparation for the eventual
11 rate case, I would highlight those kinds of
12 issues.

13 But, outside of that, Attorney Sheehan,
14 thank you very much for pulling together the
15 presentation. This is really good, exactly what
16 we were looking for. And you're the benchmark in
17 New Hampshire utility rate cases, because this
18 is, I think, what we would want the other
19 utilities to do as well. So, thank you very
20 much.

21 MR. SHEEHAN: You're welcome. And the
22 folks to my right did all the work, and behind
23 me.

24 CHAIRMAN GOLDNER: Are there -- are

1 there any other matters that parties would like
2 to discuss today?

3 MR. DEXTER: We're puzzling a bit over
4 the answer that the rates from the last case was
5 in the \$400 million range, because we had
6 actually saw that number ourselves. We thought
7 it was in the \$350 million range.

8 I'm trying to come up with the actual
9 number. I'm looking at the Company's --

10 CHAIRMAN GOLDNER: Yes.

11 MR. DEXTER: -- rebuttal testimony from
12 the last case, and I see a rate base of "346
13 million", my colleagues got "356 million". So,
14 as long as the issue has been raised. I'm not
15 sure it's all that significant to what's
16 proposed. But you're trying to get an idea what
17 happened last time, we were surprised by the
18 answer of I think we heard "413 million" or
19 something.

20 MR. SHEEHAN: Which is always the risk
21 of grabbing a number on-the-fly. I'm not sure.

22 And, while we're looking, just a brief
23 response to the surprise factor. We did file the
24 five-year look in our IRP, we do file annual

1 construction budget reports, and we do file
2 regular rate of return reports that all have what
3 we're investing every year and the changes in
4 rate base. So, those numbers aren't -- these
5 numbers in this case aren't new. They have been
6 building regularly and been reported regularly
7 over the years.

8 CHAIRMAN GOLDNER: Yes. And that was
9 really my intention of addressing the DOE and
10 asking for their input, in terms of what they
11 were seeing.

12 So, does the Consumer Advocate have any
13 thoughts on this particular topic?

14 MR. CROUSE: Not at this time. As we
15 further engage with our analysts, we are going to
16 be heavily scrutinizing everything, for better or
17 worse, and communicating that going forward.

18 CHAIRMAN GOLDNER: Okay. Thank you.
19 Any comments on the prior rate base and the
20 discrepancy in the numbers from the Company?

21 MR. SHEEHAN: I guess, to be safe, if
22 you'd like the number, let us maybe file a letter
23 and make sure we get you the right number.

24 CHAIRMAN GOLDNER: Yes. I'm just

1 interested in making sure that Mr. Dexter is
2 taken care of.

3 MR. SHEEHAN: Sure.

4 CHAIRMAN GOLDNER: So, from a
5 Commission perspective, no problem. But I just
6 want to make sure that the Department is getting
7 what they need.

8 Yes. Just a moment, Commissioner.

9 CMSR. CHATTOPADHYAY: I didn't mean to
10 stop you. But I just wanted to say the
11 presentation was done really well. But, please,
12 it would help if you, whenever you have a new
13 rate case, provide a little bit on the
14 comparatives. So that, maybe one slide on that
15 would have helped us even more.

16 Thank you.

17 CHAIRMAN GOLDNER: Okay. Anything
18 else?

19 *[Multiple parties indicating in the*
20 *negative.]*

21 CHAIRMAN GOLDNER: All right. So, we
22 expect to issue a prehearing order in the next
23 business week. And, as we talked about before,
24 the parties are planning to file a procedural

1 schedule no later than the 16th, but,
2 Mr. Dexter, as you pointed out earlier, hopefully
3 sooner.

4 And I'll just check one more time if
5 there's anything else that we need to cover?

6 *[Multiple parties indicating in the*
7 *negative.]*

8 CHAIRMAN GOLDNER: Okay. Seeing none.
9 The prehearing conference is adjourned.

10 ***(Whereupon the prehearing conference***
11 ***was adjourned at 2:32 p.m., and a***
12 ***technical session was held***
13 ***thereafter.)***

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