

1                               **STATE OF NEW HAMPSHIRE**2                               **PUBLIC UTILITIES COMMISSION**

3  
4 **October 27, 2023** - 9:10 a.m.  
5 21 South Fruit Street  
6 Suite 10  
7 Concord, NH

8                   **RE: DG 23-067**  
9                   **LIBERTY UTILITIES (ENERGYNORTH NATURAL**  
10                  **GAS) CORP. d/b/a LIBERTY UTILITIES:**  
11                  Request for Change in Distribution  
12                  Rates. (*Hearing on Temporary Rates*)

13               **PRESENT:** Chairman Daniel C. Goldner, *Presiding*  
14 Commissioner Pradip K. Chattopadhyay  
15 Commissioner Carleton B. Simpson

16 Alexander Speidel, Esq./*PUC Legal Advisor*

17 Doreen Borden, Clerk

18               **APPEARANCES: Reptg. Liberty Utilities (EnergyNorth**  
19                  **Natural Gas) Corp. d/b/a Liberty**  
20                  **Utilities:**

21 Michael J. Sheehan, Esq.

22               **Reptg. Residential Ratepayers:**

23 Michael Crouse, Esq.  
24 Office of Consumer Advocate

**Reptg. New Hampshire Dept. of Energy:**

Paul B. Dexter, Esq.  
Mary E. Schwarzer, Esq.  
Molly M. Lynch, Esq.  
Faisal Deen Arif, Dir./Gas Group  
Ashraful Alam, Gas Group  
(*Regulatory Support Division*)

Court Reporter: Steven E. Patnaude, LCR No. 52

I N D E X	PAGE NO.
<b>PRELIMINARY STATEMENTS BY:</b>	
<i>(Re: Updated Rate Schedules)</i>	
Ms. Ralston	6, 7
Mr. Dexter	6, 7
<b>OPENING STATEMENTS BY:</b>	
Ms. Ralston	9, 13
Mr. Crouse	11, 14
Mr. Dexter	12, 13
* * *	
<b>WITNESS PANEL:</b>	<b>KENNETH A. SOSNICK</b>
	<b>C. DREW CAYTON</b>
	<b>TYLER J. CULBERTSON</b>
Direct examination by Ms. Ralston	16, 104
Interrogatories by Cmsr. Simpson	32
Interrogatories by Cmsr. Chattopadhyay	38, 63, 109
Interrogatories by Chairman Goldner	56
Redirect examination by Ms. Ralston	67
Cross-examination by Mr. Dexter	106
<b>WITNESS:</b>	<b>FAISAL DEEN ARIF</b>
Direct examination by Mr. Dexter	68
Interrogatories by Cmsr. Simpson	71
Interrogatories by Cmsr. Chattopadhyay	73, 89, 94
Interrogatories by Chairman Goldner	84
<b>QUESTIONS BY CHAIRMAN GOLDNER:</b>	116
<i>(Re: Temp. Rates as to other utilities)</i>	
<b>RESPONSES BY ERICA MENARD</b> <i>(Liberty Util.)</i>	116, 117
<b>FOLLOW-ON QUESTIONS BY CMSR. CHATTOPADHYAY</b>	117
* * *	

I N D E X (continued)

PAGE NO.

**CLOSING STATEMENTS BY:**

Mr. Crouse	123
Mr. Dexter	124
Ms. Ralston	129

\* \* \*

E X H I B I T S

EXHIBIT NO.	DESCRIPTION	PAGE NO.
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1	Direct Testimony of Tyler J. Culbertson and C. Drew Cayton, with attachments (07-27-23)	<i>premarked</i>
2	Revised Schedule T (09-27-23)	<i>premarked</i>
3*	Revised Rate Schedules (10-16-23)	<i>premarked</i>
4	Direct Testimony of Faisal Deen Arif (10-20-23)	<i>premarked</i>
5	<b>RESERVED</b> (Re: Rate Model as filed on 09-26-23)	122
6	<b>RESERVED FOR RECORD REQUEST</b> (Re: Temporary Rate Calculations Submitted in Docket DG 20-105 in Response to Staff Data Request 1-2)	122

**\* NOTE: Exhibit 3, as prefiled, to be replaced with an updated Exhibit 3 to be filed**  
(Ref. at Transcript Page 8 herein)

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

1  
2 CHAIRMAN GOLDNER: Okay. Good morning.  
3 This is the hearing for the settlement agreement  
4 on Liberty's temporary rates proposing an  
5 \$8.7 million revenue requirement level, supported  
6 by the Company, the Department of Energy, and the  
7 Office of the Consumer Advocate. I'm here with  
8 Commissioner Simpson and Chattopadhyay today.

9 This hearing is being held pursuant to  
10 Order Number 26,877, Commencement of Adjudicative  
11 Proceeding Order, issued on August 25th, 2023, as  
12 modified by the Commission's September 29th  
13 procedural order.

14 We see that the Company, DOE, and OCA  
15 have jointly proposed a witness panel and  
16 proposed Exhibit list. We also note that there  
17 have been no petitions to intervene.

18 We'll now take appearances, beginning  
19 with the Company.

20 MS. RALSTON: Good morning. Jessica  
21 Ralston, from the law firm Keegan Werlin, on  
22 behalf of Liberty Utilities.

23 CHAIRMAN GOLDNER: All right. Just a  
24 moment, technical difficulties.

1           Okay. Next, the Office of the Consumer  
2 Advocate?

3           MR. CROUSE: Good morning,  
4 Commissioners. My name is Michael Crouse, Staff  
5 Attorney for the Office of the Consumer Advocate.

6           CHAIRMAN GOLDNER: Very good. And,  
7 finally, the New Hampshire Department of Energy?

8           MR. DEXTER: Good morning,  
9 Commissioners. Paul Dexter, joined by  
10 co-counsels Mary Schwarzer and Molly Lynch,  
11 appearing on behalf of the Department of Energy.

12          CHAIRMAN GOLDNER: Very good.

13          At this time, we invite the parties to  
14 make their opening statements, if they have any  
15 to offer. Also, please indicate if there are any  
16 other preliminaries issues for the Commission to  
17 address, beginning with the Company?

18          MS. RALSTON: Sure.

19          First, one preliminary issue. Last  
20 night, Department of Energy brought an issue to  
21 our attention with respect to the exhibits. The  
22 Company filed their updated rate schedules on  
23 October 16th. That filing included a *pdf* and an  
24 Excel version of the schedules. The *pdf* version,

1           which has now been marked as "Exhibit 3", did not  
2           include the "Temporary Rate Summary" tab from the  
3           Excel, which has the actual rates being requested  
4           for approval.

5                        So, I would like to propose to either  
6           add an additional exhibit that just has that page  
7           from the Excel file, or, alternatively, we can  
8           move the Excel file that was submitted on  
9           October 16th into the record in its entirety. I  
10          don't know if the Commission generally likes  
11          Excel exhibits. So, either way.

12                       But it's just the same information  
13          provided on the 16th to everyone, but just for  
14          the Commission's full record.

15                       CHAIRMAN GOLDNER: Okay. Yes. I  
16          think, usually, we try to have the *pdf* file be  
17          the same as the Excel file.

18                       MS. RALSTON: Yes.

19                       CHAIRMAN GOLDNER: So, I think that's  
20          our goal. So, I think an additional exhibit, an  
21          Exhibit 6, would be perfectly fine. If that's  
22          acceptable to the OCA and the Department?

23                       MR. CROUSE: No objections.

24                       MR. DEXTER: I guess I had a question.

1           So, will Exhibit 6 just be the one tab  
2           that counsel referenced? I think there's  
3           multiple, multiple tabs in that Excel model. I  
4           just want to know what Exhibit 6 is going to be?

5           MS. RALSTON: And I guess we're  
6           amenable to whatever would be most helpful. I  
7           think that tab has the rates. But, if the  
8           Commission would like the calculations in the  
9           record as well, we can put the entire file in.

10          CHAIRMAN GOLDNER: Does the Department  
11          have a preference?

12          MR. DEXTER: Well, I don't know if we  
13          have a preference. But, at a minimum, I guess  
14          we'd want to have the proposed rates in the  
15          record. And we'd want to have the page that  
16          calculates the 10.3 percent increase. In other  
17          words, the proposed rates, as I understand it,  
18          are a 10.3 percent increase over the existing  
19          rates.

20          So, the question is, "how did they get  
21          to that 10.3 percent?" So, I think that needs to  
22          be in the record.

23          If the Company can put the entire model  
24          into the record, we don't have any objection to

1           that.

2                       MS. RALSTON:   Would it make it cleanest  
3           if we just replaced Exhibit 3 with the Excel  
4           version converted to *pdf*, so we have the  
5           one-for-one match?

6                       CHAIRMAN GOLDNER:   That could work as  
7           well.   Attorney Dexter, do you have a preference?

8                       MR. DEXTER:   I don't have a preference  
9           for that.   I'd leave that up to the Commission.

10                      CHAIRMAN GOLDNER:   Okay.   Attorney  
11           Crouse?

12                      MR. CROUSE:   That sounds fine to me.

13                      CHAIRMAN GOLDNER:   Okay.

14                      MR. CROUSE:   So, I'll leave it to the  
15           Commission as well.

16                      CHAIRMAN GOLDNER:   Okay.   Yes, I think  
17           replacement of Exhibit 3 sounds like the cleanest  
18           thing to do, that way everything is in one place.  
19           And, so, we'll just plan on replacing Exhibit 3  
20           then.

21                               *(Exhibit 3, as filed, to be replaced*  
22                               *with an updated Exhibit 3 to be filed.)*

23                      MS. RALSTON:   We'll make that  
24           correction after the hearing.



1 CHAIRMAN GOLDNER: Okay. Thank you.

2 MS. RALSTON: Thank you.

3 CHAIRMAN GOLDNER: And anything else,  
4 Attorney Ralston?

5 MS. RALSTON: No. Nothing else.

6 CHAIRMAN GOLDNER: Okay. Did you want  
7 to make any kind of opening statement?

8 MS. RALSTON: Oh, sure.

9 CHAIRMAN GOLDNER: Okay.

10 MS. RALSTON: So, as you will hear in a  
11 few minutes, and as seen in the filing submitted,  
12 the Company has reduced its temporary rate  
13 request, following settlement discussions with  
14 the Department of Energy and the Office of the  
15 Consumer Advocate. The reduction is based on  
16 four adjustments that the Company's witnesses  
17 will explain in more detail.

18 One of those adjustments is a reduction  
19 in the amount requested related to the Company's  
20 Customer First/SAP Project. The Company agreed  
21 to this reduction without prejudice, so the  
22 Company is seeking full recovery in final rates.

23 And, similarly, the Temporary Rate  
24 settlement amount does not preclude any other

1 parties from challenging issues not addressed by  
2 the settlement.

3 So, approval of the Temporary Rate  
4 settlement amount would allow the Company to earn  
5 its return, while providing customers with a more  
6 gradual increase to rates over the course of the  
7 proceeding.

8 The Company's witnesses are prepared to  
9 support this request in a few minutes, and are  
10 requesting rates effective November 1st that  
11 would allow for recovery of the full settlement  
12 amount during the period of November 1st through  
13 July 31st of next year.

14 CHAIRMAN GOLDNER: Okay. Thank you.  
15 Just a moment.

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

18 CHAIRMAN GOLDNER: Okay. Thank you.  
19 Yes, I'm a little out of sequence this morning.  
20 So, we'll take appearances at the same time as  
21 opening statements.

22 So, the Office of the Consumer  
23 Advocate?

24 MR. CROUSE: Thank you. You were just

1 saying "making appearances", but an opening  
2 statement instead?

3 CHAIRMAN GOLDNER: No, no. Just both  
4 at the same time. I went a little bit out of  
5 sequence this morning. My apologies.

6 MR. CROUSE: Oh, no. That's fine.

7 CHAIRMAN GOLDNER: So, please introduce  
8 yourself, and then any kind of -- any opening  
9 statement or any preliminary issues you'd like to  
10 address, sir.

11 MR. CROUSE: Certainly. My name is  
12 Michael Crouse, Staff Attorney for the Office of  
13 the Consumer Advocate.

14 Our position remains similar to the  
15 statement that we filed earlier, that we support  
16 the proposed settlement amount of approximately  
17 8,700,000.

18 The only concern that we had was that  
19 RSA 378:29, for temporary rates, we would just  
20 support the recoupment period being November 1st,  
21 should the Commission approve the temporary rate  
22 order.

23 CHAIRMAN GOLDNER: Okay.

24 MR. CROUSE: Thank you.

1 CHAIRMAN GOLDNER: Thank you. And the  
2 New Hampshire Department of Energy?

3 MR. DEXTER: Good morning,  
4 Commissioners. Good morning, Commissioners.  
5 Again, Paul Dexter, representing the Department  
6 of Energy, joined by co-counsel Mary Schwarzer  
7 and Molly Lynch. We are here today to provide  
8 support for the agreed-to temporary rate increase  
9 of \$8.7 million.

10 During the course of the hearing today,  
11 we will ask the Liberty witnesses to explain each  
12 of the four adjustments that were made to get  
13 from the originally requested \$15.3 million  
14 temporary rate increase, to the \$8.7 million  
15 increase that's presented today. And we will ask  
16 the Liberty witnesses to explain how the proposed  
17 rates were derived, and where the Commission can  
18 find those in the record.

19 We also believe that the Company will  
20 need, in a decoupled -- since they are a  
21 decoupled utility, and this is a base rate  
22 change, we also believe that the Company will  
23 need to present, at some point, updated revenue  
24 per customer targets. Those, as far as I can

1 see, are not in the record, and will be necessary  
2 when the Company comes in for its next decoupling  
3 request.

4 As far as preliminary matters, we were  
5 planning, although I can understand why the  
6 exhibit list would lead the Commission to  
7 conclude that we were proposing a panel of all  
8 the witnesses, our recommendation today would be  
9 for the Company witnesses to go first, and then  
10 the Department's witness to testify second, based  
11 on, you know, what he's heard from the Company's  
12 witnesses today.

13 We're not expecting to hear anything  
14 different, but I think that would be a better way  
15 to proceed.

16 CHAIRMAN GOLDNER: Attorney Ralston?

17 MS. RALSTON: No objection to that.  
18 And, also, with respect to Attorney Dexter's  
19 suggestion that RPC targets are necessary, the  
20 Company was anticipating providing those in a  
21 compliance filing. We agree they're necessary,  
22 but --

23 CHAIRMAN GOLDNER: Okay. Thank you.

24 MR. DEXTER: Well, and if I could just

1 finish. Sorry, I didn't mean to interrupt you.

2 With respect to the recoupment issue  
3 that the Consumer Advocate brought up, I'm not  
4 sure that's before the Commission in this  
5 particular case. My understanding is that we are  
6 going to set a temporary rate -- temporary rates  
7 based on a temporary rate revenue requirement  
8 amount today. And, under 378:29, that will be  
9 subject to recoupment.

10 Our position, like the Consumer  
11 Advocate's, would be that that recoupment period  
12 begin the date that the temporary rates are  
13 effective, essentially, November 1st. I believe  
14 the recoupment amount and recovery will actually  
15 be an issue in the full rate case. So, we can  
16 come back to that then. But I wanted to put on  
17 the record, since the Consumer Advocate brought  
18 it up, that we are in agreement that that's the  
19 way we read the temporary rate recoupment  
20 statute.

21 CHAIRMAN GOLDNER: Attorney Crouse,  
22 anything you would like to add to Attorney  
23 Dexter's statement?

24 MR. CROUSE: No. I think Paul

1 Dexter -- or, Attorney Paul Dexter is correct. I  
2 think the way he laid it out is right. I was  
3 just laying out our position for preliminary  
4 matters.

5 Thank you.

6 CHAIRMAN GOLDNER: Okay. Just checking  
7 alignment. Excellent.

8 Anything else, Attorney Dexter?

9 MR. DEXTER: Not at this time. Thank  
10 you.

11 CHAIRMAN GOLDNER: Okay. Very good.  
12 And, Attorney Ralston, anything to add to that  
13 discussion?

14 MS. RALSTON: No. I would just add  
15 that I would agree with Attorney Dexter's  
16 characterization, that it's not an issue this  
17 morning, the recoupment period. And it's  
18 something we'll take up with the final rates.

19 CHAIRMAN GOLDNER: Okay. Okay. At  
20 this point, we would invite the witnesses to the  
21 witness stand from the Company.

22 *(Whereupon **KENNETH A. SOSNICK,***  
23 ***C. DREW CAYTON,** and **TYLER J. CULBERTSON***  
24 *were duly sworn by the Court Reporter.)*

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 CHAIRMAN GOLDNER: Just a moment,  
2 Attorney Ralston.

3 *[Chairman Goldner and Cmsr. Simpson*  
4 *conferring.]*

5 CHAIRMAN GOLDNER: Okay. Thank you.  
6 We're sorted out up here.

7 Attorney Ralston, please proceed with  
8 direct.

9 MS. RALSTON: Sure. Thank you. I'll  
10 begin with Mr. Sosnick.

11 **KENNETH A. SOSNICK, SWORN**

12 **C. DREW CAYTON, SWORN**

13 **TYLER J. CULBERTSON, SWORN**

14 **DIRECT EXAMINATION**

15 BY MS. RALSTON:

16 Q Would you please state your full name, position,  
17 and responsibilities with respect to this  
18 proceeding?

19 A (Sosnick) Kenneth Andrew Sosnick. I'm a Managing  
20 Director at Black & Veatch Management Consulting.  
21 In this proceeding, I am a testifying witness on  
22 behalf of Liberty Utilities, discussing the  
23 marginal cost of service and rate design.

24 Q And are you familiar with the exhibits that have



[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1           been marked as "Exhibit 1" through "3" that  
2           support the Company's request for approval of  
3           temporary rates for effect November 1st?

4   A       (Sosnick) I am.

5   Q       And do you have any corrections or amendments to  
6           any of those exhibits?

7   A       (Sosnick) No, I do not.

8   Q       And are you adopting those portions of those  
9           exhibits that you have supported as part of your  
10          sworn testimony today?

11   A       (Sosnick) Yes.

12   Q       Thank you. Mr. Cayton, same questions. Can you  
13          please state your full name, position, and  
14          responsibilities in this proceeding?

15   A       (Cayton) Yes. Good morning. My name is Calvin  
16          Drew Cayton. I work at Black & Veatch Consulting  
17          as a Principal Consultant. In this case, I'm  
18          working with Liberty, supporting the revenue  
19          requirement for both the temporary and permanent  
20          rates, as well as the functional cost of service  
21          study.

22   Q       And are you also familiar with the exhibits  
23          marked at "Exhibit 1" through "3" that support  
24          the Company's request for approval of temporary

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 rates?

2 A (Cayton) I am.

3 Q And did you have any corrections or amendments  
4 this morning?

5 A (Cayton) I do not.

6 Q And are you adopting those portions of  
7 Exhibits 1 through 3 that you have supported as  
8 part of your sworn testimony today?

9 A (Cayton) Yes, I am.

10 Q Thank you. And, finally, Mr. Culbertson, would  
11 you please state your name, position, and  
12 responsibilities?

13 A (Culbertson) My name is Tyler Culbertson. I'm  
14 the Director of Rates and Regulatory Affairs for  
15 Liberty Utilities. And, in that capacity, I am  
16 responsible for the rate-related matters for  
17 EnergyNorth.

18 Q And are you familiar with the exhibits marked as  
19 "Exhibit 1" through "3" that support the  
20 Company's request this morning?

21 A (Culbertson) I am.

22 Q And do you have any corrections or amendments to  
23 Exhibits 1 through 3?

24 A (Culbertson) No.

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 Q And can you provide a high-level description of  
2 how the temporary rates are calculated?

3 A (Culbertson) The temporary rates are largely a  
4 "per books" calculation, and they're based on  
5 test year data, which is the year 2022.

6 Q As proposed in your joint testimony with Mr.  
7 Cayton, that's been marked as "Exhibit 1", what  
8 was the temporary rate level that the Company  
9 initially requested based on that analysis?

10 A (Culbertson) The temporary amount initially  
11 requested was approximately \$15 million.

12 Q And the Company is now proposing a temporary rate  
13 increase of approximately \$8.7 million, based on  
14 an agreement reached through settlement  
15 discussions with the Department of Energy and the  
16 Office of the Consumer Advocate, is that correct?

17 A (Culbertson) That is correct.

18 Q And this proposed settlement amount was  
19 calculated after -- by making four adjustments to  
20 the Company's initial request, is that correct?

21 A (Culbertson) That's correct.

22 Q And could you just briefly explain what those  
23 four adjustments were?

24 A (Culbertson) Yes. So, one of the adjustments was

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 noticed by the Company within the model we were  
2 using there. The accumulated depreciation had  
3 been understated by approximately \$30.4 million  
4 due to a formula error.

5 The second update that was made, we had  
6 proposed using the WACC of 7. --

7 A (Cayton) Yes. It was a little more than 7  
8 percent. I can give you the exact number, if  
9 you'd like, but it was a little more than 7  
10 percent.

11 A (Culbertson) Thank you. And we have reduced that  
12 to 6.96 percent, which is the previously approved  
13 WACC.

14 Thirdly, we made an adjustment of  
15 \$1.3 million in revenues, which that is  
16 associated with the Gas Assistance Program. And,  
17 so, essentially moving that out of the operating  
18 revenue and into the LDAC component.

19 And, finally, the one-half of the plant  
20 investment associated with SAP has been removed.

21 Q And, after those four adjustments were made, the  
22 temporary rate request was reduced to the  
23 proposed 8.7 million, correct?

24 A (Culbertson) That's correct.

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 Q Okay. And the Company had originally requested  
2 temporary rates for effect October 1st, correct?

3 A (Culbertson) That's correct.

4 Q Due to the postponement of this hearing,  
5 temporary rates did not go into effect on  
6 October 1st. So, can you explain the Company's  
7 proposal to recover the settlement amount through  
8 rates effective November 1st?

9 A (Culbertson) Yes. So, the Company is proposing  
10 to recover the full amount over the nine-month  
11 period starting November 1st, 2023, through  
12 July 31st, 2024.

13 Q And the rate schedules submitted on October 16th  
14 reflect that shortened recovery period, is that  
15 correct?

16 A (Culbertson) Yes.

17 Q And the Company also prepared bill impacts that  
18 have been marked as "Exhibit 3". Can you provide  
19 the bill impact for a typical residential  
20 customer?

21 A (Culbertson) Yes. For R-3, the bill impact over  
22 the nine-month period is \$65, approximately.

23 Q And that's the total bill impact?

24 A (Culbertson) The total bill, yes.

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 Q And, also in Exhibit 3, the cost of gas rate is  
2 shown as a "zero" rate. Is this because the  
3 Company is proposing a zero cost of gas rate  
4 during the temporary rate period?

5 A (Culbertson) No. The cost of gas was shown as  
6 "zero" as a placeholder. There is no proposed  
7 change to the cost of gas.

8 Q The Company -- would the Company need a proposal  
9 to change the cost of rates [sic] in a separate  
10 proceeding?

11 A (Culbertson) Yes.

12 Q And, finally, customers will be protected from  
13 any potential overcharge by temporary rates,  
14 because final -- temporary rates will be  
15 reconciled once permanent rates are established,  
16 is that accurate?

17 A (Culbertson) Yes.

18 Q Thank you. And, finally, are you adopting those  
19 portions of Exhibits 1 through 3 that you have  
20 sponsored as part of your sworn testimony today?

21 A (Culbertson) Yes. I am.

22 MS. RALSTON: Thank you. The witnesses  
23 are available for cross-examination.

24 CHAIRMAN GOLDNER: Thank you. We'll

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 begin with the Office of the Consumer Advocate?

2 MR. CROUSE: Thank you.

3 Following the extensive conversations  
4 we've had between the parties leading up to this  
5 time, the OCA does not have any questions. But  
6 is largely invested in the questions the  
7 Department may potentially ask.

8 Thank you.

9 CHAIRMAN GOLDNER: Okay. Thank you  
10 Attorney Crouse. And we'll move to the  
11 Department of Energy, and Attorney Dexter?

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

13 Good morning. I'd like to discuss the  
14 four adjustments that Mr. Culbertson just  
15 described. And I'd like to get a little more  
16 detail about how they led from a \$15.3 million  
17 request to an \$8.7 million request.

18 **CROSS-EXAMINATION**

19 BY MR. DEXTER:

20 Q And I have before me Exhibit 2, which is a  
21 calculation of the temporary rate increase. And,  
22 if I look at Exhibit 2, Page 1, the very first  
23 line, over in the second to the last column on  
24 the right, I see a figure of "8,706,258", roughly

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1           \$8.7 million. Would you agree that that's the  
2           proposed temporary rate increase?

3   A       (Culbertson) Yes.

4   Q       Okay. And behind this calculation, I would  
5           imagine there are multiple sheets that feed into  
6           this. This is more of a summary page, would you  
7           agree with that?

8   A       (Culbertson) That is correct.

9   Q       And the pages behind this summary sheet are not  
10          in the record, is that correct? In other words,  
11          this exhibit is a few pages, and we've agreed to  
12          put in -- the Company has agreed to put in a rate  
13          design model. But the actual calculation of the  
14          temporary rate increase is not provided here,  
15          would you agree?

16   A       (Culbertson) There is additional support on Pages  
17          2 and 3 of Exhibit 2.

18   Q       And the additional support, we'll explain those  
19          -- well, let me just ask about the four  
20          adjustments, and you can tell me maybe in where  
21          in the three pages they might be effective.

22                        The first change that you mentioned was  
23          a reduction -- or, was an increase, I guess, in  
24          the accumulated depreciation that was used in the



[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 calculation. Can you just explain, with  
2 reference to Exhibit 2, the three pages, in  
3 general, what numbers would have changed with the  
4 change in accumulated depreciation?

5 A (Culbertson) On Page 3, Line 82, the "Rate Base"  
6 component, as the accumulated depreciation moves  
7 up or down, that amount will move up or down  
8 inversely.

9 Q Very good. So, the accumulated depreciation is a  
10 rate base change?

11 A (Culbertson) That is correct.

12 Q Okay. The second issue you mentioned was a  
13 change in the weighted average cost of capital.  
14 Can you tell me where that would find itself  
15 displayed on Exhibit 2?

16 A (Culbertson) Yes. On Page 3, Line 83, you can  
17 see the "6.96 percent".

18 Q And, so, a reduction in the weighted average cost  
19 of capital would do what to the requested  
20 temporary rate increase? Would it increase it or  
21 decrease it?

22 A (Culbertson) So, a decrease in the weighted  
23 average cost of capital would decrease the  
24 operating income requirement that is calculated,

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1           which then decreases the overall difference  
2           between operating income at the present rates  
3           and, therefore, the ask.

4   Q       Thank you.  And, with respect to the third  
5           adjustment that you mentioned, a "recognition", I  
6           think you called it, of \$1.3 million in revenues  
7           that are collected through the LDAC, but are made  
8           to make up for the discount provided to  
9           low-income customers.  That's what the 8. --  
10          that's what the 1.3 million is, correct?

11  A       (Cayton) That is correct.

12  Q       And where on these sheets would the 1.3 million  
13          show up, and please demonstrate how that impacts  
14          the ultimate request?

15  A       (Cayton) Yes.  It's going to show up in the rate  
16          design portion of the sheets.

17  Q       Does it affect any of the numbers that are on --

18  A       (Cayton) It does not.  It would not change the  
19          ask from the Company.  It's just where the  
20          dollars are collected.

21                       MR. DEXTER:  Sorry, I lost my exhibit  
22                       for a minute.  I'll be right back.

23                       CHAIRMAN GOLDNER:  No problem.

24                               *[Short pause.]*

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 BY MR. DEXTER:

2 Q And, then, finally, with the fourth adjustment, a  
3 reduction of one-half of the cost of the Customer  
4 First system. Could you explain to me how that  
5 factors into the calculation, the revenue  
6 requirements calculation?

7 A (Culbertson) Yes. This is similar to the  
8 accumulated depreciation adjustment. It would be  
9 found reducing Line 82, on Page 3, and that is  
10 "Rate Base", which then reduces the operating  
11 income requirement, and the difference between  
12 what was currently earned by the Company and,  
13 therefore, the ask.

14 Q Very good. Now, now that we've traced the \$8.7  
15 million, I'd like the witnesses to explain to me  
16 how the \$8.7 million increase gets translated  
17 into the proposed rates?

18 And I think we're going to have to go  
19 into the model to do that. But I guess I'll  
20 leave that up to the witnesses.

21 A (Cayton) Sure. Start looking at Exhibit 3, I  
22 believe it's going to be the "Temporary Rate  
23 Summary".

24 MS. RALSTON: And, to clarify, you're

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 referring to the Excel file now, correct?

2 WITNESS CAYTON: That's much easier.

3 And, in fact, the "Temporary Rate Design" tab,  
4 which is the next tab over, has actually got the  
5 steps on there. So, it may even be a little  
6 easier for the parties to understand.

7 **CONTINUED BY THE WITNESS:**

8 A (Cayton) The first step is to take the \$8.7  
9 million, which you can see on Excel, Line 16,  
10 Column C. We then gross up the current rates to  
11 make the revenue requirement -- total  
12 distribution revenues, just like all of the  
13 dollars are being collected for distribution  
14 rates. We increase the rates on an  
15 across-the-board method, in this case, "10.332  
16 percent", produces, you know, if you multiply  
17 those rates times normalized billing  
18 determinants, you would reach the total company  
19 revenue requirement of roughly \$93 million.

20 BY MR. DEXTER:

21 Q I'm going to interrupt you for a second.

22 A (Cayton) Sure.

23 Q And you are Mr. Cayton, I believe, right?

24 A (Cayton) Yes, Counselor.

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 Q Mr. Cayton, I'm lost already. So, I was in the  
2 "Temporary Rate Design" tab. I think you're in  
3 the "Temporary Rate Summary" tab, is that right?

4 A (Cayton) No, sir. I'm on the "Temporary Rate  
5 Design" tab.

6 Q Okay.

7 A (Cayton) If you look at Excel, Line 16, Column C,  
8 you'll see the \$8.7 million in blue, and it has a  
9 yellow "Step 1".

10 Q Okay. Now, I'm with you. If you wouldn't mind  
11 just repeating that please?

12 A (Cayton) Oh, yes, sir. No problem. The revenue  
13 at current rates is on Line 15. So, that's the  
14 line directly above. We've added those two  
15 numbers together, the normalized revenue at  
16 current rates, plus the temporary rate increase,  
17 to get to roughly \$93 million, as shown on Line  
18 17.

19 We then increased, or "grossed up" may  
20 be another way to think about it, on an  
21 across-the-board basis, the current rates, such  
22 that, when multiplied times normalized billing  
23 determinants, you get \$93 million.

24 Then, in order to recognize that some

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 of the rates are discounted, we incorporate the  
2 discount into the undiscounted rates, to produce  
3 different rates. And the results of those rates,  
4 times the normalized billing determinants, gets  
5 you to the distribution revenue increase.

6 The difference between the undiscounted  
7 rates and the discounted rates, and, more  
8 specifically, the revenue difference between  
9 those two, is what flows into the LDAC program.

10 Q And can you show me where, if at all, on this  
11 "Rate Design" tab, the proposed rates show up?

12 A (Cayton) Yes, sir. Starting on Line 167, you'll  
13 see "R-4" and "R-7" discounted rates, customer  
14 charges, energy charges. But all of the rates --  
15 let me, I just want to make sure we get it all  
16 together. The discount, there's only a couple of  
17 rate classes that have a discounted portion. So,  
18 it was only necessary to calculate a difference  
19 for those particular rate classes. So, the  
20 R-7/R-4 discounts are where I suggested they  
21 were.

22 But the rate schedules that are not  
23 discounted, do not have a discounting component,  
24 you can find those a little bit further up.

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 Well, I'm not seeing them.

2 Yes, here we go. We have a "Rate  
3 Comparison" line, starting on 231.

4 Q That's "Line 231"?

5 A (Cayton) Line -- that's where the title is,  
6 Line 231, Column B, Excel, Column B. And you'll  
7 see the proposed customer charges for each rate  
8 class, beginning on Line 240 and 241. 240 will  
9 be the summer rates, 241 will be the winter  
10 rates. And, then, starting in Column H, all the  
11 way over, through Column AA, you'll see those  
12 rates presented, as proposed.

13 The energy charge rates, the actual  
14 rates begin on Line 255. And, again, for each  
15 rate class, it's broken out separately, starting  
16 in Column H, all the way to Column AA.

17 Q So, the energy charges are a "per therm" charge,  
18 I would imagine?

19 A (Cayton) Yes, Counselor.

20 MR. DEXTER: That's all the questions I  
21 had. Thanks.

22 CHAIRMAN GOLDNER: Thank you, Attorney  
23 Dexter. We'll turn now to Commissioner  
24 questions, beginning with Commissioner Simpson.

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 CMSR. SIMPSON: Thank you, Mr.  
2 Chairman.

3 So, just at a high level, appreciate  
4 the work that the Company engaged in with the  
5 parties.

6 BY CMSR. SIMPSON:

7 Q The difference in what was requested versus what  
8 we're here today discussing is significant. So,  
9 I just wanted you all to have a moment to explain  
10 to us, we understand the four corrections that  
11 were made, but, you know, how should we look at  
12 that, generally speaking?

13 A (Culbertson) So, this was a large difference from  
14 what was initially requested. I think one of the  
15 largest changes, the accumulated depreciation  
16 error. The amounts presented in these rates have  
17 gone through a significant amount of review, both  
18 with the Company, with our consultants, with the  
19 DOE, and even our external auditors had audited  
20 the 2022 financial statements and submitted a  
21 clean opinion on that.

22 And, with all of that, I'm not  
23 concerned that the data is inaccurate. If we  
24 find an issue, we bring it to the Company, and we



[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 do that as accountability, and so that we can  
2 learn from these things, and put controls in  
3 place to make the corrections. But, errors, at  
4 times, unfortunately, will happen, and as much as  
5 we don't want them to.

6 So, with that, I believe that is the  
7 one error that occurred in the data. The other  
8 items were agreed-upon changes. And, of course,  
9 that was brought forth by the Company. If there  
10 were any other issues that we had found, we would  
11 have brought them to everyone's attention.

12 And, so, I mean, that is why I stand  
13 behind these numbers, and hope that you can feel  
14 comfortable doing so as well.

15 Q Okay. Thank you for that. I'll just give you  
16 some headlights.

17 One thing that we talk about in the  
18 Commission, with our staff, amongst the  
19 Commissioners, is that, when we have identified  
20 an error, we want to see that it isn't carried  
21 forward in other dockets. So, we discussed the  
22 "accumulated depreciation" issue. And our  
23 understanding was that we had talked about it in  
24 a step increase hearing. So, we felt that it

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 might have been carried forward here.

2 Furthermore, we have some dockets open  
3 on low-income revenue. And we want to see those  
4 issues resolved, and not carried forward in this  
5 case. That's why the tariffs have been  
6 provisional at this point.

7 So, I just give you headlights on that.  
8 That I'm relieved that the issue has been  
9 corrected and brought forward here today, I'm  
10 appreciative of that. Let's not repeat it in  
11 another docket or moving forward again. We'll  
12 keep the correction in place.

13 A *[Witness Culbertson nodding in the affirmative].*

14 Q Thank you. I think you touched on it, but what  
15 was the thinking in using a different capital  
16 structure, instead of the one that was last  
17 approved, to calculate the rate of return in the  
18 temp. rate ROR calculation?

19 A (Cayton) Subject to check, I believe that's the  
20 very same methodology that was filed in the last  
21 rate case. Where only the ROE from the prior --  
22 the DG 17 proceeding, --

23 Q Uh-huh.

24 A (Cayton) -- where only the ROE was frozen, and we

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 used the most up-to-date capital structure and  
2 cost of debt for the Company. I believe that was  
3 the reasoning behind, you know, using the most  
4 recent data -- copying what we did, or what the  
5 Company did, in the prior rate proceeding --

6 Q Uh-huh.

7 A (Cayton) -- seemed appropriate, and produced  
8 results that we think were fair to the Company.

9 Q What they did in the last temp. rate?

10 A (Cayton) Yes, sir.

11 Q And is that what carried forward from what was --

12 A (Cayton) The very same method.

13 Q -- proposed in their temp. rate in the last case  
14 to what was approved for temp. rates?

15 A (Cayton) Correct. We used in the -- what was  
16 used in the prior rate case, the same way -- I  
17 apologize. What was used in the prior rate case,  
18 again, was the ROE was frozen from the DG 17  
19 docket.

20 Q Uh-huh.

21 A (Cayton) And, then, the most up-to-date capital  
22 structure was used for the Company, along with  
23 the cost of debt, current cost of debt, current  
24 cost -- capital structure, to reflect the

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 Company's current capital situation.

2 Q Okay.

3 A (Sosnick) And if I may, just to clarify for the  
4 record?

5 Q Yes.

6 A (Sosnick) What was used can be found in  
7 Exhibit 1, Page 7 of 12, Line 13, which was "7.10  
8 percent" for a weighted average cost of capital.  
9 And, as Mr. Culbertson has pointed out, in  
10 Exhibit 2, Line -- Exhibit 2, Page 3, Line 96,  
11 the weighted average cost was "6.96 percent".  
12 So, just to clarify for the record, the movement  
13 from 7.10 to 6.96.

14 Q And do you both work on these types of topics for  
15 other utilities as well?

16 A (Sosnick) Yes.

17 Q Is that a typical application of the methodology?

18 A (Sosnick) It is, in terms of being consistent,  
19 right? As you pointed out, with, if you find an  
20 error, --

21 Q Uh-huh.

22 A (Sosnick) -- step up, report the error, don't  
23 make it again.

24 Q Yes.

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 A (Sosnick) So, a lot of what we have put forward  
2 is being consistent.

3 Q Okay.

4 A (Sosnick) And not to -- not to have surprises,  
5 not have new methodologies that leave  
6 counterparties in a situation that more questions  
7 arise, because you've done something uniquely  
8 different than what you've done in the past.

9 Q And I guess I ask, in terms of consistency, is it  
10 consistent among a peer group of gas utilities,  
11 in your experience?

12 A (Sosnick) It's consistent with what you do at  
13 certain commissions. There are methodologies and  
14 ways of handling things. Not every utility is  
15 the same, not every commission is the same. And,  
16 when I made my comment, it's per utility, per  
17 commission type of consistency, to ensure that no  
18 one is caught off guard --

19 Q Uh-huh.

20 A (Sosnick) -- or no one is suspecting that  
21 something radically has changed. It's the  
22 continuation of a methodology that folks have  
23 seen in the past.

24 A (Cayton) And, if I could just add, temporary

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 rates is not something that every jurisdiction  
2 has.

3 Q Uh-huh.

4 A (Cayton) So, the idea is that we rely on at least  
5 a piece of something that was approved in the  
6 prior rate docket, I think gives everyone, the  
7 public, Commissioners, hopefully, the OCA and the  
8 Department of Energy some comfort, that this  
9 number, at least the return portion, is something  
10 that's been vetted and confirmed by the  
11 Commission.

12 CMSR. SIMPSON: Okay. Thank you all  
13 for your responses. I don't have any further  
14 questions at this point. Thank you.

15 CHAIRMAN GOLDNER: Thank you. We'll  
16 move to Commissioner Chattopadhyay.

17 CMSR. CHATTOPADHYAY: First, thank you  
18 for the work that DOE and the Company did to  
19 correct some of the, I would say, mistakes. Some  
20 of them are repeated.

21 BY CMSR. CHATTOPADHYAY:

22 Q So, before I go there, can you, as consultants  
23 for the Company, is this the first time you're  
24 working with the Company?

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 A (Sosnick) No.

2 Q Did you work on the previous rate case?

3 A (Sosnick) We were engaged by EnergyNorth in the  
4 previous rate case.

5 Q Did you say "we weren't"?

6 A (Sosnick) We were.

7 Q "We were", okay. Do you know that the temporary  
8 rate in DG 20-105 would, subject to check, would  
9 you agree it says "Liberty also noted that the  
10 Company's original temporary rate proposal did  
11 not correctly account for the impact of the  
12 Residential Low-Income Assistance Program  
13 (RLIAP)", within brackets. "Correcting this  
14 impact also increased Liberty's earned rate of  
15 return and therefore reduced Liberty's need to  
16 temporarily increase rates."

17 So, you're aware that this correction  
18 was needed the last time around?

19 A (Sosnick) Yes.

20 Q So, that was repeated here again, that same  
21 error?

22 A (Cayton) The error, really, it's about who pays  
23 the rates. The total revenue requirement is  
24 still going to be collected, it's just a portion

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 of it would have been collected through the LDAC.  
2 So, it's not like -- it's not like the Company  
3 was earning too much money based on the rate  
4 design, it was just who was paying. So, the  
5 discounted customers were paying more under that  
6 particular scenario than they otherwise would  
7 have, when you move the dollars over to the LDAC.

8 Q I was recused from that docket, because I had  
9 worked with the OCA previously. And, I mean,  
10 this is sounding like an excuse, really.

11 I'm asking a very straightforward  
12 question. Was this error recognized the last  
13 time around? And I'm asking whether it was  
14 repeated this time around?

15 I don't need to know what the reasons  
16 are, how, it doesn't matter, it's your opinion.  
17 I'm just asking a particular question, and I  
18 would appreciate if you respond to that.

19 So, anyway, let's move on. I'm going  
20 to go to Exhibit 2, which is -- at least confirm,  
21 that was filed with the settlement, right, when  
22 the settlement was in place, there was a schedule  
23 that was filed, correct, that supported the \$8.7  
24 million increase?



[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 A (Sosnick) Correct.

2 Q Correct. Yes. Okay. And that, can we work  
3 through the Excel model? Okay. I'll give you  
4 some time to open that. Do you have it?

5 A (Cayton) Yes, I do.

6 Q If you go to the "Temporary Rate Design" tab, the  
7 cell C16 has the requested increase, correct?

8 A (Cayton) Yes, it does.

9 Q And, if you go to the worksheet, which is in  
10 yellow, "RATES-2WP\_TY C&W NrmRevs" --

11 *[Court reporter interruption.]*

12 CMSR. CHATTOPADHYAY: Let me repeat it  
13 then.

14 BY CMSR. CHATTOPADHYAY:

15 Q The worksheet is "RATES-2WP\_TY C&W", then  
16 "Normalized Revenues Undisclosed", or I am not  
17 sure what that --

18 A (Cayton) It's "Discounted" -- "Undiscounted".

19 Q "Undiscounted", sorry. "Undiscounted". So,  
20 that's what it is. If you go there, the way the  
21 rate design is done, that \$8.7 million is being  
22 recovered through the entire twelve months,  
23 right?

24 A (Cayton) No, it is not.

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 Q So, it's being recovered through what? This is  
2 the schedule that was filed initially. So, I'm  
3 just --

4 A (Cayton) Oh.

5 Q So, that --

6 A (Cayton) I apologize. Yes. Yes.

7 Q So, let's be clear, that we are talking about  
8 Schedule 2?

9 A (Cayton) The filing, yes, sir.

10 Q It was -- it was to be recovered through twelve  
11 months?

12 A (Cayton) Yes.

13 Q Correct?

14 A (Cayton) Yes.

15 Q The Company had filed that the rates should go  
16 into effect, these rates were calculated based on  
17 twelve-month -- through twelve months, you're  
18 going to be recovering \$8.7 million. But the  
19 rates are going to go into effect starting  
20 October 1st, correct? That was initially how it  
21 was filed?

22 A (Cayton) Yes, sir.

23 Q So, if the rates remain, and if these rates were  
24 made effective, the rates would be in place for

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1           October, November, December, January, February,  
2           March, April, May, June, July, if the permanent  
3           rates actually go into place on the 1st of  
4           August, correct?

5   A       (Cayton) Yes, sir.

6   Q       So, can we go there and calculate what the  
7           revenue would have been or the increases would  
8           have been for those ten months?

9                        So, if we can -- would you agree, if  
10          you go to Row 247, and let's stay with where  
11          you're beginning at AX, all the way to BL, --

12   A       (Cayton) I'm sorry, I just want to make sure that  
13          I have the twelve-month exhibit. I have the  
14          nine-month exhibit. So, if you just give me a  
15          moment to --

16   Q       Okay.

17   A       (Cayton) Thank you, sir.

18   Q       Take your time.

19                       CHAIRMAN GOLDNER: Which columns are  
20          you in, Commissioner?

21                       CMSR. CHATTOPADHYAY: So, I haven't  
22          identified the columns yet. I'm just saying go  
23          to the Row Number 248, and go to Columns AX  
24          through BL. And we will be more specific later.

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 So, start with AX.

2 CHAIRMAN GOLDNER: AX. And it's 247,  
3 correct?

4 CMSR. CHATTOPADHYAY: Yes.

5 CHAIRMAN GOLDNER: Okay.

6 CMSR. CHATTOPADHYAY: 247.

7 BY CMSR. CHATTOPADHYAY:

8 Q Row Number 247. And let me know when you're  
9 there.

10 MR. DEXTER: Commissioners, we're  
11 trying to -- we're trying to follow along here at  
12 the Department of Energy. So, could you tell us  
13 when this model was provided by the Company,  
14 because that would help us locate it?

15 CHAIRMAN GOLDNER: I can. It was in  
16 the -- well, I've got to locate it again here.  
17 It was in -- it was filed with the exhibits,  
18 about a week ago or so, yes.

19 MR. DEXTER: October 16th then?

20 CHAIRMAN GOLDNER: I believe so.

21 CMSR. CHATTOPADHYAY: No, this was --

22 MS. RALSTON: Yes, it's the October  
23 16th Excel file.

24 CHAIRMAN GOLDNER: Yes.

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 CMSR. CHATTOPADHYAY: The Exhibit 2.

2 CHAIRMAN GOLDNER: Yes.

3 CMSR. CHATTOPADHYAY: Yes.

4 MS. RALSTON: I think it corresponds  
5 actually to Exhibit 3, but it's from October  
6 16th. I think we're all looking at the same  
7 document, but --

8 CMSR. CHATTOPADHYAY: Yes. Can I  
9 confirm that Exhibit 2 is the schedule that  
10 supported the initial settlement filing?

11 MS. RALSTON: So, Exhibit 2 were the  
12 revised Schedule T that were dated September  
13 27th. And, then, Exhibit 3 are the revised  
14 schedules from October 16th.

15 CMSR. CHATTOPADHYAY: Okay.

16 MS. RALSTON: Is that consistent?

17 CMSR. CHATTOPADHYAY: Yes.

18 MS. RALSTON: Okay.

19 CMSR. CHATTOPADHYAY: Yes. So, it was  
20 filed September 26, 27, I forgot what that was.

21 MR. DEXTER: And, if I could, again, I  
22 want to make sure we're on the same level. The  
23 one that I'm looking at, that was filed October  
24 16th, says "Temporary Rate Settlement Model-Nine

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 Months".

2 CMSR. CHATTOPADHYAY: Yes, that's not  
3 the one we are looking at, because that is, if  
4 you look at the Exhibit List, that is, I think,  
5 Exhibit 3. Am I correct?

6 MS. RALSTON: Yes.

7 CHAIRMAN GOLDNER: Now, I'm lost, too,  
8 because I'm looking at the same one Attorney  
9 Dexter is, the one titled "Temp. Rates Settlement  
10 Model-Nine Months".

11 CMSR. CHATTOPADHYAY: Yes. That is not  
12 the one I'm looking at.

13 CMSR. SIMPSON: I think the one that  
14 Commissioner Chattopadhyay is looking at was  
15 filed on September 27th, and the title is "Temp  
16 Rate Settlement Model\_September 26th". Am I  
17 correct, Commissioner?

18 CMSR. CHATTOPADHYAY: Yes. You are  
19 correct.

20 MR. DEXTER: Thank you. Could I just  
21 take a moment to get to that?

22 CMSR. SIMPSON: Yes. I'll repeat:  
23 "Temp Rate Settlement Model\_September 26th". And  
24 I have it filed on Wednesday, September 27th, at

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 9:26 a.m.

2 MR. CROUSE: And, then, if I may just  
3 briefly confirm, 247 is the line that we're  
4 looking at for that Excel document?

5 CMSR. CHATTOPADHYAY: Correct. And go  
6 to the Rows AX onwards.

7 CMSR. SIMPSON: Which tab, Commissioner  
8 Chattopadhyay?

9 CMSR. CHATTOPADHYAY: Oh, sorry. The  
10 one that I mentioned. It's the yellow ones, with  
11 "RATES-2WP\_TY" --

12 CMSR. SIMPSON: Yes. Okay.

13 CMSR. CHATTOPADHYAY: And so on.

14 MR. CROUSE: Thank you.

15 MS. RALSTON: And I just want to  
16 confirm, the witnesses have this Excel file?

17 I think some of the confusion is that  
18 Attorney Sheehan had filed exhibits ahead of the  
19 September hearing -- the October hearing date,  
20 or, no, today is October, the September hearing  
21 date, and then we filed an updated Exhibit List  
22 for today.

23 So, are the witnesses all set?

24 WITNESS CAYTON: Yes. I have "TEMP

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 RATES MODEL\_September 26th" open.

2 MS. RALSTON: Okay. Thank you. I  
3 apologize for the confusion.

4 CMSR. CHATTOPADHYAY: Yes. It's -- I  
5 understand. I mean, it's, with the change, and  
6 what happened in September also created some  
7 confusion. So, I will go there, okay. So,  
8 please bear with me.

9 BY CMSR. CHATTOPADHYAY:

10 Q So, the Row 247 actually is based on the test  
11 year, and it's for the entire twelve months, what  
12 your revenue would have been. And, then, as far  
13 as the \$8.7 million increase is concerned, that  
14 is based on the twelve months as well?

15 A (Cayton) Yes.

16 Q So, to confirm, because we just -- in the  
17 settlement, it was filed that the rates will go  
18 into effect October 1st. So, that's why I went  
19 through October, all the way to July. And there  
20 are how many months there? Ten months, right?

21 And, then, later, because the --  
22 because it was -- because of the hearing being,  
23 you know, postponed and all of that, and it was  
24 apparent that the temporary rates can go into



[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 effect only beginning November. So, if you look  
2 at November through all the way to July, subject  
3 to check, will you agree that your actual  
4 revenues would be \$84,264,070?

5 And let me state it again:  
6 \$84,264,070, it's simply the summation of the  
7 months beginning November through July?

8 A (Cayton) "84,264,070"?

9 Q Correct.

10 A (Cayton) Yes, sir.

11 Q Okay. And, so, I think there was some confusion  
12 as to what our order was saying. And I think it  
13 also depending -- it depended on how it was  
14 petition by the Company. And, so, there was some  
15 confusion there, okay.

16 So, really, the Company had said that  
17 "Please allow us to recover the dollar that we  
18 would lose in October." So, and, if you look at  
19 October, okay, that would be Column BG, correct?  
20 And, in BG, the existing rates, based on the test  
21 year, would allow you to recover, go to Cell  
22 BG247, correct?

23 A (Cayton) As long as you realize that these are  
24 the undiscounted rates, yes, sir.

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 Q Okay. And that -- but, because you're applying  
2 8. -- I forget what's the percentage increase,  
3 8.9, 8. -- something like that. 8.7, and that  
4 was a -- I can check quickly, sorry. It's not --

5 A (Cayton) I see "8.9".

6 Q "8.9", yes. That is applied for all throughout  
7 the -- through all months. For October, the  
8 revenue that the Company would have lost would be  
9 \$514,165, roughly. So, basically, it's the 8.9  
10 percent off the Cell BG247, roughly. So, it was  
11 actually mentioned in the Petition that we would  
12 lose 500,000 some dollars.

13 So, we were -- what the Commission --  
14 at least I interpreted it as "Okay, this revenue  
15 requirement is for the test year, and it's  
16 usually calculated for the twelve months." And  
17 the revenue that you were requesting was simply  
18 for October, and that is the number that I just  
19 mentioned, that would be on top of what would  
20 have -- what would go into place beginning  
21 November, okay?

22 So, if you were looking at allowing --  
23 let me step back. And just think about November  
24 through July, you have already mentioned what the

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 revenue -- test year revenue would have been, it  
2 was 84,264,000. If you applied the 8.9 percent  
3 to that, the additional revenue requirement would  
4 have been, and you can try and do it, it's  
5 \$7,498,170. Actually, let me state it again.  
6 It's \$7.498170 million, correct?

7 A (Cayton) Subject to check, sure.

8 Q Subject to check, okay. And, then, if I allowed  
9 that 500,000, roughly, number, the revenue  
10 requirement going forward for the temporary  
11 rates, if you add the \$500,000 to that \$7.5  
12 million roughly, it would be roughly \$8 million,  
13 okay?

14 A *[Witness Cayton indicating in the affirmative].*

15 Q This is all predicated on this increase that we  
16 were talking about in the initial filing, is that  
17 you are allowed -- you should be getting a cost  
18 of capital of 6.96 percent, correct?

19 A (Cayton) Yes.

20 Q And the way it has been proposed in the other --  
21 in the one with the nine-month, the increase is  
22 10. some percentage, for all of these months  
23 going forward, your allowed return would be more  
24 than 6.96 percent. But you don't -- I'm just

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 saying it, so no question yet.

2 If that \$8 million was allowed, because  
3 that was my understanding, then the percentage  
4 increase over those nine months, you can  
5 calculate it, subject to check, it would be 9.5  
6 percent, okay?

7 A *[Witness Cayton indicating in the affirmative].*

8 Q But this is all, as I understand it, when you  
9 talk about rate cases, temporary rates, in New  
10 Hampshire, the way I understand it, you're being  
11 allowed to recover the allowed cost of capital  
12 that's in -- that was approved. So, anything  
13 beyond that, even though there may be a  
14 reconciliation coming in later, in my opinion, is  
15 not the right approach.

16 But, if you did what I just mentioned,  
17 go with the 9.5 percent increase, given what has  
18 happened with Liberty Utilities with other  
19 issues, I don't have the confidence that the  
20 permanent rate are definitely going to be in  
21 place August 1st. And, if we are putting it in  
22 place later, then you're again making more money,  
23 because this, even with this 9.5 percent, you  
24 will be allowed more return than 9. -- sorry,

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 6.96 percent.

2 So, I'm just -- this is a temporary  
3 rates. But I'm philosophically not in agreement  
4 with how it was done. And, so, would you, under  
5 that premise, to ensure that you don't make more  
6 than 6.96 percent, the way temporary rates work  
7 is, there's always this lag, which is -- it's not  
8 just true for this time around, it's true other  
9 times as well.

10 So, I would almost propose that the  
11 temporary rate increase should be, let me go  
12 there, to make things simple, was as requested in  
13 the initial filing, which is 8.898 percent, and  
14 because it was our intention to allow you to  
15 recover the October amount, that would be part of  
16 the reconciliation, meaning, when the permanent  
17 rates come into place, be whatever the rates are,  
18 we would compare it with what the existing rates  
19 were in October, and the difference would be  
20 allowed to be recovered. That would be, in my  
21 opinion, the better approach. Do you have any  
22 comments?

23 A (Cayton) Just to make sure I understand the  
24 Commissioner's concern. I believe what I heard

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1           you say was "We proposed an annual revenue  
2           requirement to collect over nine months." And  
3           you're saying that "Once we hit that tenth month,  
4           we've effectively over-recovered." Is that the  
5           Commissioner's concern?

6    Q       No. That was based on -- I was just simply  
7           analyzing Schedule -- sorry -- Exhibit 2. In  
8           your approach, you're actually making more money  
9           throughout every month, more than 6.96 percent.  
10          So, it's not just happening in the tenth month,  
11          it's happening every month.

12                        So, I would -- I'm just trying to get a  
13           sense, would the Company be okay if we stick with  
14           the 8.98 percent increase, and we will make sure  
15           that the reconciliation is taken care of  
16           appropriately?

17                        Otherwise, I have a philosophical  
18           difference here, because the rates are --  
19           temporary rates are not meant to give you, you  
20           know, we go back and say "Okay, I'm going to  
21           allow you a year's worth", that's not how it  
22           works.

23                        CMSR. CHATTOPADHYAY: Okay. So I'm  
24           just -- and if you don't have an opinion right

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 now, I mean, maybe the question is really for the  
2 Director, and, you know, please let me know.

3 CHAIRMAN GOLDNER: And, Commissioner  
4 Chattopadhyay, I'll just add that, after your  
5 line of questioning is done, I'll ask a few  
6 questions. We'll take a break, with leaving the  
7 witnesses on the stand so they can confer. And  
8 that will also give the Department some time to  
9 confer as well, before Dr. Arif goes on the  
10 stand.

11 So, we'll have some additional process  
12 here on this question.

13 CMSR. CHATTOPADHYAY: And, before you  
14 respond, I want to be -- I'm asking these  
15 questions, I'm not trying to trick anyone, please  
16 understand that. And I really appreciate the  
17 work that has gone into figuring out what the  
18 errors are. But I'm just -- I think it's in the  
19 spirit of making sure what typically is done is  
20 what we should be doing, because it's not clear  
21 to me.

22 MS. RALSTON: If I may? Would it be  
23 okay if the witnesses thought about that over the  
24 break that you just mentioned, and we come back

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 and respond? We'd appreciate that.

2 CHAIRMAN GOLDNER: Thank you. I think  
3 that's a great opportunity. We'll take a  
4 15-minute break after a few more questions, and  
5 let everyone confer. Then, we'll come back to  
6 Commissioner Chattopadhyay.

7 MS. RALSTON: Thank you. We appreciate  
8 it.

9 CHAIRMAN GOLDNER: Thank you. Anything  
10 else, Commissioner?

11 CMSR. CHATTOPADHYAY: We can -- I mean,  
12 I was really hoping you would respond. So, you  
13 can respond after the break, think about it, and  
14 then, okay.

15 CHAIRMAN GOLDNER: Okay. I just have a  
16 few questions before the break.

17 I'm focused today on the Company's  
18 processes. And, so, the line of questioning is  
19 along the lines of this "accumulated  
20 depreciation" error that was found.

21 BY CHAIRMAN GOLDNER:

22 Q So, the first question is, who found this error,  
23 right? It sounds like it was found in the  
24 Company. Was it the Accounting Department? The



[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 auditors? Operations? Who found the error?

2 A (Culbertson) I actually found it when we were  
3 comparing the model submitted with the separate  
4 model that we had just recently created to  
5 automate the calculation of rate base on a more  
6 summarized basis.

7 Q Okay. Thank you. That's encouraging. That is  
8 the best possible answer. So, thank you for  
9 that.

10 And, then, when you found it, and  
11 you -- tell us a little bit more about -- a  
12 little bit more about how you found it and, you  
13 know, the process that you use, like what exactly  
14 did you do to locate the error? Maybe, can you  
15 elaborate a little bit on that? Was it Tuesday  
16 morning, you came into the office, you know, just  
17 tell us the story of how you found it?

18 A (Culbertson) So, being a fairly new department,  
19 with all new faces, we have been trying to  
20 improve processes where we can, implement new  
21 controls where we can. And part of that was  
22 trying to automate the rate base calculation, so  
23 that we can monitor this on a monthly or  
24 quarterly basis, and to be more efficient about

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 it.

2 And I asked one of the analysts to  
3 compare that model that was created with the  
4 model that we had submitted with the rate case.  
5 And it was in that that we noticed this error.  
6 That was shortly before we had met with the DOE.  
7 And, so, there wasn't a lot of time before that  
8 to reach out to anybody and flag this issue. It  
9 was almost right before our initial meeting.

10 Q Okay. And, so, you were just doing a compare,  
11 you had the old model, you had the new model, you  
12 did a compare, and you said "Oh-oh, there's a  
13 significant difference here." That was kind of  
14 the fundamentals of how you found it, old model  
15 versus new model?

16 Just trying to understand exactly what  
17 you did to find it, because it was an important  
18 find.

19 A (Culbertson) Yes. It wasn't comparing an old  
20 model to a new model; it's two different models  
21 for different purposes. The model that we submit  
22 for the rate case is very detailed, and the model  
23 that we were calculating was very summarized.

24 Q And which model was right?

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 A (Culbertson) The model that we had created  
2 pointed out a material error, I don't want to say  
3 that it was more accurate than the one we  
4 submitted for the rate case, I don't believe that  
5 was the case. I think it just helped us identify  
6 that there's something we need to look at here,  
7 because there is a large variance.

8 Q Okay. So, it was really -- it was a flag, you  
9 saw "Oh, there's a difference. We need to look  
10 deeper into this"?

11 A (Culbertson) That is correct.

12 Q Okay. And, then -- so, now that you have this  
13 finding, you have this experience, you've brought  
14 a fresh set of eyes to the Company, and you're  
15 looking at these things, talk to us about maybe  
16 the controls you have in place to address this  
17 specific issue, and then any other controls that  
18 have been implemented since you've come to the  
19 Company to help prevent this from happening  
20 again?

21 A (Culbertson) Yes. One of the major things that  
22 we've started putting into all of our models is a  
23 tab that includes just a check summary. So, it  
24 goes through various tabs, it points out a dollar

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 amount, and the dollar amount that it needs to  
2 tie to, typically, in the General Ledger. And,  
3 so, that is one major control that we've put in  
4 place.

5 We've recently put additional controls  
6 in place for monitoring General Ledger accounts,  
7 because, as we've seen, if the General Ledger has  
8 something similar to the cost of gas issue that  
9 was discussed, we need somebody monitoring that.  
10 And, so, now I've built a dashboard, so that I  
11 can monitor where our regulatory balances sit.  
12 And, if something significant happens, I can look  
13 more into that and be sure that I fully  
14 understand the details.

15 Q Excellent. So, I'm just going to try to repeat  
16 that back.

17 So, now you're matching your -- the  
18 critical lines on your spreadsheet to the General  
19 Ledger, to make sure everything ties. Is that a  
20 good summary?

21 A (Culbertson) Yes.

22 Q If it's not, then correct me?

23 A (Culbertson) Yes. And the model that we had  
24 submitted had one check to the General Ledger,

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 but it didn't check every balance throughout the  
2 workbook. And that's where I feel a tab with all  
3 of the different amounts that need to tie can be  
4 put on the one tab, so you can quickly go through  
5 and check all of those different balances.

6 Because, if the one check worked out, we didn't  
7 have a second check to find this issue.

8 Q And is an "accumulated depreciation" line a line  
9 on your General Ledger? In other words, is that  
10 a direct tie? The "accumulated depreciation"  
11 line that you're showing here today ties to the  
12 General Ledger?

13 A (Culbertson) Yes.

14 Q Okay.

15 A (Culbertson) There are several accounts that make  
16 up what is shown as "accumulated depreciation".

17 Q Okay. Okay. So, there's several accounts in  
18 your General Ledger, you sum them up, and then  
19 that's your check to make sure that everything  
20 lines up with your spreadsheets?

21 A *[Witness Culbertson nodding in the affirmative.]*

22 Q And you have a tab now that checks your General  
23 Ledger accounts against your spreadsheets?

24 A (Culbertson) That is a work-in-progress. I

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 wouldn't say that we have that for everything.  
2 We are trying to implement that control, as well  
3 as any others as time permits.

4 CHAIRMAN GOLDNER: Okay. Well, that  
5 would certainly be an encouragement from the  
6 Commission to resource that project, and make  
7 sure that that's something that the Company is  
8 prioritizing. That "check" tab I would say is  
9 probably a "best industry practice", I would say.  
10 Tying to your General Ledger is a "best  
11 practice", and I would definitely encourage the  
12 right resourcing on that within the Company.  
13 Because I think what you're working on is  
14 absolutely critical, to the issues that we've  
15 seen, the Department has seen, and the OCA has  
16 seen over the last some years at Liberty. So,  
17 I'll just make that point.

18 Okay. Thank you for that. I think, at  
19 this point, what we'll do, and I'll ask Attorney  
20 Ralston and Attorney Dexter how much time they  
21 would like to have a break to confer on  
22 Commissioner Chattopadhyay's issue, and we'll  
23 defer to your assessment of how much time is  
24 needed for the break?

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 MS. RALSTON: Can we come back at  
2 10:45?

3 CHAIRMAN GOLDNER: 10:45, would that be  
4 acceptable to the Department?

5 MR. DEXTER: Yes. Thanks.

6 CHAIRMAN GOLDNER: Okay. Thank you.  
7 So, we'll go off the record and return at 10:45.

8 *(Recess taken at 10:24 a.m., and the*  
9 *hearing resumed at 10:50 a.m.)*

10 CHAIRMAN GOLDNER: Okay. We'll go back  
11 on the record, and resume with Commissioner  
12 Chattopadhyay.

13 BY CMSR. CHATTOPADHYAY:

14 Q So, yes. I had a question before we ended. Do  
15 you have any response to what I asked before?

16 A (Culbertson) Yes, Commissioner. The Company is  
17 respectfully unable to agree with this, because  
18 it differs with the settlement agreement between  
19 the Company, the OCA, and the DOE, where we had  
20 agreed to an \$8.7 million recovery.

21 Q The schedule that got filed with the settlement,  
22 do you agree it was the one that we were going  
23 over?

24 A (Culbertson) Yes.

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 Q Then, how can you say that that disagrees with  
2 how we were describing it, or I was describing  
3 it?

4 I don't understand your point about  
5 what you have agreed upon in the settlement is  
6 what you are sticking to. And, indeed, the  
7 Exhibit 2 is about that, and I'm explaining how  
8 that was altered. So, I just don't understand  
9 your point. Anyway, --

10 A (Sosnick) Commissioner, may I try?

11 Q Yes.

12 A (Sosnick) So, as you look at the settlement, it's  
13 a fixed-fee number, in terms of revenue  
14 requirement, 8.7 million. And what you saw with  
15 the 8.98 percent is what we believe to be  
16 calculated in terms of a percentage rate  
17 increase, if you had \$8.7 million to be recovered  
18 starting October 1st. However, that did not go  
19 into effect.

20 So, the fact that you lost October, you  
21 lost one month, you saw the percentage rate  
22 increase go to 10.3 percent, because that is our  
23 calculation, based on our normalized billing  
24 determinants, to try to get as close to the



[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 recovery of \$8.7 million for the temporary rate  
2 time period. So, there's no -- whether it's an  
3 increase or a decrease, whatever you miss the  
4 mark high or low, in terms of the revenue,  
5 compared to 8.7 million, that isn't impacting the  
6 permanent rates when they go into effect.

7 So, if you under recover, then the  
8 permanent rates, when they go into effect, will  
9 have to absorb that under-recovery. And, also,  
10 the opposite is true, that, if there was an  
11 over-recovery, that the permanent rates would  
12 reflect -- reflect that over-recovery as a  
13 credit, if you will.

14 So, at the end of the day, the  
15 temporary rate time period, and the revenue  
16 requirement for that time period, is only  
17 establishing recovery of the 8.7 million. And  
18 that's how, not to speak directly for the  
19 utility, how the consultants are interpreting and  
20 have calculated the percentage rate increase per  
21 the settlement agreement.

22 CMSR. CHATTOPADHYAY: In the Excel  
23 file, we just went over it, your -- the way it's  
24 being effective, 8.7 percent increase -- or,

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 8.9 percent increase is being applied from  
2 October onwards. So, I just don't understand  
3 your way of describing it.

4 Also, in the Petition, the initial  
5 Petition, the Company had said something like "a  
6 temporary increase in distribution revenues of  
7 15.287114 million annually to be effective  
8 October 1st, 2023." And that is exactly how the  
9 initial filing was with the schedules, and then  
10 you updated it to change it based on the DOE's  
11 input, and you used that approach. And, now,  
12 you're explaining to me that 8.7 -- sorry, 8.9  
13 percent is being applied only to, you know --  
14 sorry, not the 8. -- the \$8.7 million is being  
15 recovered over the nine months. That is not how  
16 you filed it in your settlement. That's all I'm  
17 pointing out.

18 Because if you -- otherwise, I would  
19 have been able to show you right now, that when  
20 you were talking about it, the total would have  
21 come out to be the right one that you had  
22 requested -- or, the one that you had requested,  
23 but it's not.

24 So, we can only take the settlements as

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 it was filed at its face value. So, I'm just  
2 going to disagree with the way you have  
3 interpreted it.

4 I'm going to leave it at that. And we  
5 can -- I'll have questions for DOE later, okay.

6 CHAIRMAN GOLDNER: Commissioner  
7 Simpson, anything else?

8 *[Cmsr. Simpson indicating in the*  
9 *negative.]*

10 CHAIRMAN GOLDNER: Okay. That's all  
11 from the Chairman as well.

12 So, we'll move to redirect.

13 MS. RALSTON: Thank you. And I just  
14 have a brief line of questioning for Mr.  
15 Culbertson.

16 **REDIRECT EXAMINATION**

17 BY MS. RALSTON:

18 Q Earlier, Commissioner Simpson asked you about the  
19 accumulated depreciation error that was  
20 identified. And Commissioner Simpson referenced  
21 an earlier step adjustment proceeding. Was the  
22 accumulated depreciation error identified in this  
23 proceeding the same as a previous error  
24 identified by the Company?

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 A (Culbertson) I believe that this error was an  
2 isolated incident. It was simply a formulaic  
3 error in the model in pulling the correct General  
4 Ledger accounts into this model.

5 MS. RALSTON: Thank you. That's all I  
6 have.

7 CHAIRMAN GOLDNER: Thank you. Thank  
8 you. So, we'll thank the witnesses for your time  
9 today. The witnesses are excused. You may  
10 return to your seats.

11 And we'll invite up the DOE's witness,  
12 Dr. Arif.

13 *(Whereupon **FAISAL DEEN ARIF** was duly*  
14 *sworn by the Court Reporter.)*

15 CHAIRMAN GOLDNER: Thank you. Mr.  
16 Dexter.

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

18 **FAISAL DEEN ARIF, SWORN**

19 **DIRECT EXAMINATION**

20 BY MR. DEXTER:

21 Q Would you please state your name and your  
22 position with the DOE?

23 A My name is Faisal Deen Arif. I am the Director  
24 of the Gas Division with the New Hampshire

[WITNESS: Arif]

1 Department of Energy.

2 Q And, Mr. Arif, I'm looking at a document that has  
3 been marked in this proceeding as "Exhibit 4",  
4 it's titled your "Direct Testimony". Do you have  
5 that in front of you?

6 A I do.

7 Q Was that prepared by you or under your  
8 supervision?

9 A Yes. It was.

10 Q And do you have any corrections or updates to  
11 make to that testimony at this time?

12 A No.

13 Q And, Dr. Arif, if I were to ask you the questions  
14 contained in that written Exhibit 4, would your  
15 answers be the same as those contained therein?

16 A It will be.

17 Q Dr. Arif, you were present this morning for the  
18 questioning of the Company's panel of witnesses,  
19 were you not?

20 A I was.

21 Q And your testimony, as I understand it, your  
22 written testimony, which you just adopted,  
23 recommended the approval of the proposed rates  
24 that were based on the revised revenue deficiency

[WITNESS: Arif]

1 calculation of \$8.7 million, is that right?

2 A That is correct.

3 Q And you heard the description of the calculation  
4 of the \$8.7 million, the four elements, in fact,  
5 the same four elements you outlined in your  
6 testimony?

7 A That is correct.

8 Q And, so, do you agree that those four elements  
9 were calculated correctly, based on the  
10 information that we have?

11 A To the best of my knowledge, yes.

12 Q And, similarly, you were here from the discussion  
13 with the calculation of the proposed rates that  
14 we found in the rate design model that the  
15 witnesses discussed today?

16 A I was.

17 Q And, based on the discussions this morning, do  
18 you have any changes in your opinion that the  
19 rates proposed should be approved, and are just  
20 and reasonable, and are consistent with the  
21 settlement?

22 A I don't have any.

23 MR. DEXTER: Okay. Thanks. That's all  
24 I have.

[WITNESS: Arif]

1 CHAIRMAN GOLDNER: Thank you. We'll  
2 move to the Office of the Consumer Advocate, and  
3 Attorney Crouse?

4 MR. CROUSE: Thank you. The OCA  
5 doesn't have any questions for Dr. Arif.

6 CHAIRMAN GOLDNER: Thank you. And  
7 we'll move to the Company, and Attorney Ralston?

8 MS. RALSTON: The Company doesn't have  
9 any questions.

10 CHAIRMAN GOLDNER: All right. We'll  
11 move to Commissioner questions, beginning with  
12 Commissioner Simpson.

13 CMSR. SIMPSON: Hello. Thank you, Dr.  
14 Arif.

15 BY CMSR. SIMPSON:

16 Q Do you have any response to the line of  
17 questioning from Commissioner Chattopadhyay, in  
18 your experience of the reconciliation over the  
19 nine months of temporary rates? And do you have  
20 a response you might share with us?

21 A I would very respectfully save my following words  
22 appropriate when Commissioner Chattopadhyay was  
23 asking the questions, the calculation did make  
24 sense to me. But that's the analytical aspect of

[WITNESS: Arif]

1 it.

2 Q Uh-huh.

3 A As we understand it, it's a combination of both  
4 legal and analytical aspects, and the legal  
5 aspect is also procedural. So, in light of this  
6 is a settled proposed amount, Department of  
7 Energy stands by with what it has already stated  
8 into the record.

9 Q And you don't have a concern about over-earning,  
10 that this settlement would lead to over-earning  
11 by the Company?

12 A I would respectfully go back to the four  
13 adjustments that was made in this, --

14 Q Uh-huh.

15 A -- in the process of arriving at that 8.7 million  
16 proposed amount. One of those was to recognize  
17 the investment the Company has identified, has  
18 made, if my memory serves me well, to the tune of  
19 \$30.4 million, only 50 percent of that, as a part  
20 of the discussion, good-faith discussion, was  
21 accepted by all parties to be recognized into  
22 this process. That has a dollar amount attached  
23 to it. I mean, the one that the Company agreed  
24 not to recognize for the purposes of temporary



[WITNESS: Arif]

1 rate calculation.

2 If one is to include the full 100  
3 percent, I'm just saying a hypothetical in this  
4 context, the numbers -- the calculations would be  
5 probably different.

6 Q Uh-huh.

7 A But, respecting the procedural aspect, we had  
8 good-faith discussion, and agreed upon a figure,  
9 which has been presented here this morning.

10 CMSR. SIMPSON: Very good. Thank you.  
11 And I appreciate your work with the Company on  
12 this.

13 WITNESS ARIF: Thank you.

14 CMSR. SIMPSON: That's all I have. I'm  
15 sure Dr. Chattopadhyay will have some questions.

16 CHAIRMAN GOLDNER: All right. Sounds  
17 good. We'll move to Commissioner Chattopadhyay.

18 CMSR. SIMPSON: I should have said  
19 "Commissioner".

20 CMSR. CHATTOPADHYAY: That's okay.

21 BY CMSR. CHATTOPADHYAY:

22 Q Do you agree that the temporary rates adjustments  
23 are based on the calculation over twelve months  
24 of the test year?

[WITNESS: Arif]

1 A I do.

2 Q Okay. Can we go to the same exhibit that I was  
3 on, which is Exhibit 2? Let's go to the Excel  
4 file, if you have it handy.

5 CHAIRMAN GOLDNER: Are you in the  
6 nine-month model, Commissioner Chattopadhyay, or  
7 the twelve-month model?

8 CMSR. CHATTOPADHYAY: No. The one that  
9 was filed with the settlement.

10 CMSR. SIMPSON: "MODEL\_September 26th".

11 CHAIRMAN GOLDNER: Okay.

12 CMSR. SIMPSON: Correct?

13 CMSR. CHATTOPADHYAY: Yes.

14 WITNESS ARIF: One of the benefits of  
15 going second is I have all -- all of them are  
16 open in front me. So, I'm prepared.

17 CHAIRMAN GOLDNER: Ready.

18 CMSR. SIMPSON: That's why it's always  
19 tough to go first.

20 BY CMSR. CHATTOPADHYAY:

21 Q So, do you agree that Cell BJ247, in the  
22 worksheet "RATES-2WP\_TY C&W" and so on, is the  
23 calculation of the existing revenue based on the  
24 test year for twelve months?

[WITNESS: Arif]

1 A I do.

2 Q Okay. Do you agree that going to the tab "Temp  
3 Rate Design", Cell C16, let me know when you're  
4 there?

5 A Yes, I'm there.

6 Q Is being applied to Cell C15, which is the same  
7 number we just talked about, and it leads to the  
8 new revenue requirement in Cell C17?

9 A So, just so that I'm very clear, we're on the tab  
10 "Temp Rate Design"?

11 Q "Temp Rate Design", yes.

12 A And you are referring to Cell C16, which has a  
13 figure "8,706,258"?

14 Q Yes. And I'm saying that, when added to Cell  
15 C15, --

16 A That's correct.

17 Q -- leads to the number in Cell C17?

18 A Yes.

19 Q So, and that addition is being compared with the  
20 revenue in Cell C15, to arrive at the rate  
21 increase, right, which is -- which appears in  
22 Cell C18. Would you agree to that?

23 A I do.

24 Q Okay. So, that percentage increase is in -- that

[WITNESS: Arif]

1 is based on the twelve-month total revenue, and  
2 the increase is also based on the twelve-month  
3 increase required?

4 A That is correct.

5 Q And, if the rates were based on these, at that  
6 time, they are going to be effective October  
7 1st, --

8 A That was the --

9 Q -- would you have collected the entire twelve  
10 months?

11 A No.

12 Q Okay.

13 A That is not my -- I should be probably more  
14 careful. Assuming that the permanent rate is  
15 determined by the original proposed timeline, it  
16 would not be full twelve-month.

17 Q Okay. Are you aware of what was the approach in  
18 the previous rate case?

19 A I am partly aware. I was not there, just for the  
20 record. My involvement with Department of Energy  
21 is since June 2022. And the last rate case, if I  
22 am correct, was in 2020. And I'm going by the  
23 docket number, 20-105.

24 So, I am partially aware. And, in the

[WITNESS: Arif]

1 process of the current filing, I am making myself  
2 more and more aware of that.

3 Q Can you go back and check that docket, 20-105, --

4 A Uh-huh.

5 Q -- to see what was the temporary increase  
6 allowed? Would you agree it was \$6.5 million?

7 A In docket 20-105?

8 Q Yes.

9 A With all due respect, Commissioner Chattopadhyay,  
10 I thought that earlier in this proceeding the  
11 discussion was that there was some adjustments  
12 that were made for the temporary rate in that  
13 docket. And I think it was a settled approach  
14 that was taken there as well, and the temporary  
15 rate may have been, like, I'm just --

16 Q Okay. Let me repeat. I'm basically just trying  
17 to know whether you know what the temporary  
18 increase in distribution revenues, based on the  
19 test year, was in the temporary rates in that  
20 case?

21 If you don't remember, that's fine,  
22 just let me know.

23 A If you direct me to specifics, I can look at it,  
24 and I can --

[WITNESS: Arif]

1 Q So, but can -- I cannot. But can you -- can you  
2 tell me what it was? Like, you can take your  
3 time, you don't have to do it right now. You can  
4 go back, and that would be a request that I would  
5 have.

6 A Thank you.

7 Q And can you -- sorry. Can you also confirm  
8 there, when the rates became effective October  
9 1st, in that rate case, going forward, from  
10 October 1st to the time of the temporary --  
11 sorry, to the permanent rate being effective,  
12 would you be able to confirm whether what was the  
13 test year revenue, was that all recovered during  
14 those nine months, or, you know, it was done  
15 prorated based on it only went into effect on  
16 October 1st?

17 So I would like you to confirm that,  
18 and I probably don't have the numbers right you,  
19 but I'd like you to go back and check that. That  
20 would be very helpful to us.

21 A Just for the record, if that's put as a record  
22 request, that would help Department of Energy,  
23 and we will follow through.

24 CHAIRMAN GOLDNER: If it's a quick

[WITNESS: Arif]

1 check, and I think Attorney Dexter might be able  
2 to find it more quickly, we can maybe take care  
3 of it on another break, like we did last time.  
4 And that might be more efficient than having a  
5 record request, especially given that we have a  
6 rate request for November 1st.

7 Would that be okay, Mr. Dexter, or  
8 would that take more time?

9 MR. DEXTER: No, that would be fine.  
10 But, honestly, my understanding is that the  
11 temporary rates in the last rate case were set at  
12 zero increase, in other words, they were set at  
13 the permanent rates. So, I don't -- I think the  
14 answer is going to be a bunch of fractions, where  
15 you're dividing, you know, zero over --

16 CMSR. CHATTOPADHYAY: Okay.

17 MR. DEXTER: That's my recollection,  
18 without checking it.

19 My understanding was that, as a result  
20 of the temporary rates in 20-105, the existing  
21 rates stayed in effect. So, this wasn't an issue  
22 last year. But we can double-check that.

23 BY CMSR. CHATTOPADHYAY:

24 Q In this docket, the instant docket, did the

[WITNESS: Arif]

1 Company submit any rates that were to go into  
2 effect during the temporary phase, based on the  
3 initial increase that they had requested before,  
4 is 15 million roughly, and do you know? Did they  
5 provide the temporary rates associated with this  
6 initial filing on temporary rates?

7 A To the best of my reconciliation, I may have seen  
8 some Excel model that was submitted as a part of  
9 the initial filing, which would have calculated  
10 the rates for both permanent and temporary.

11 Q Okay. Can you go there and confirm how the rates  
12 were being set for October 1st, 2023, through all  
13 the way to the month before, when the permanent  
14 rates are -- were being requested?

15 And you -- I think I agree with  
16 Chairman Goldner, that, if you want to go take a  
17 break and just quickly check it and come back,  
18 that would be good.

19 Did you participate in the other rate  
20 cases, like the Northern rate case, 21-104?

21 A I was not there.

22 Q You weren't there? Okay. But can the DOE check  
23 how the temporary rates were set, based on the  
24 temporary -- sorry, based on the test year



[WITNESS: Arif]

1 revenue requirement calculation for the temporary  
2 rates?

3 A Sure.

4 Q So, really, what I'm asking is, those -- were the  
5 rates so set to allow you to cover all of the  
6 dollars that were for the test year, or was it  
7 beginning just for the period when it went into  
8 effect, prorated for the months until the  
9 permanent rates were put in place?

10 A Thank you for that clarification.

11 Q If the \$8.7 million is allowed to be recovered in  
12 its entirety beginning October, and it goes all  
13 the way to end of July, do you, for those nine  
14 months, if you were just taking a snapshot of  
15 those nine months, will the revenue that you  
16 receive, will that have given a return of 6.96  
17 percent or would it be higher, for those nine  
18 months?

19 MR. DEXTER: Commissioner, I'm sorry to  
20 interrupt. But I thought your question said  
21 "from October 1st" --

22 CMSR. CHATTOPADHYAY: Sorry.

23 MR. DEXTER: -- "to July", and I  
24 believe that's ten months. That would be

[WITNESS: Arif]

1           October, November, December, plus seven months  
2           for next year.

3                        So, I don't know if the question meant  
4           to say "nine months", "ten months", or --

5                        CMSR. CHATTOPADHYAY: No. From  
6           October, did I say "nine"? I should say "ten".

7                        MR. DEXTER: Okay. So, the question  
8           is, if --

9                        CMSR. CHATTOPADHYAY: Yes.

10                      MR. DEXTER: Well, sorry to interrupt,  
11           but if you could restate the question, that would  
12           be really helpful.

13                      CMSR. CHATTOPADHYAY: Yes.

14 BY CMSR. CHATTOPADHYAY:

15 Q           So, from -- if the Company was allowed to recover  
16           \$8.7 million, that's the test year revenue, over  
17           the ten months, okay, would it have resulted,  
18           over that ten months, a higher return for the  
19           Company than the 6.96 percent?

20 A           Yes. I believe that it's more than likely that  
21           that would be the case.

22 Q           Okay. What is the approved cost of capital in  
23           place?

24 A           6.96 percent.

[WITNESS: Arif]

1 Q And I'm not going to ask you a legal opinion,  
2 because you're not a lawyer. But, you know,  
3 it's -- you know what, I'll leave it at that. It  
4 will be more for the attorney. So, --

5 MR. DEXTER: If you have -- if you have  
6 a question, --

7 CMSR. CHATTOPADHYAY: Yes.

8 MR. DEXTER: -- and you want me to  
9 address it in closing?

10 CMSR. CHATTOPADHYAY: Yes. So, I would  
11 like you to tell me, like, is -- when the  
12 Commission looks at the temporary phrase in any  
13 rate case, it is sort of trying to make sure that  
14 the Company is recovering the return that was  
15 approved previously, right? That's why you were  
16 sticking with the 6.96 percent, as far as the  
17 cost of capital is concerned. Correct.

18 So, if you end up getting more than --  
19 if you end up, through the Commission approval,  
20 getting a higher return, that is essentially  
21 changing that, that what we had approved  
22 previously, correct?

23 That's a question, I mean. And would  
24 you agree with that?

[WITNESS: Arif]

1 MR. DEXTER: If the Company were  
2 earning more than 6.9 percent, they would be  
3 earning more than the last allowed return.

4 CMSR. CHATTOPADHYAY: Okay.

5 MR. DEXTER: I agree with that.

6 CMSR. CHATTOPADHYAY: I had put the  
7 question differently, but I think I will accept  
8 that.

9 So, I think that's all I would ask  
10 right now. Thank you.

11 CHAIRMAN GOLDNER: Okay. Dr. Arif, my  
12 questions will move from interval calculus to  
13 multiplication and division, you'll be happy to  
14 know. So, --

15 CMSR. SIMPSON: I'm better at addition  
16 and subtraction.

17 CHAIRMAN GOLDNER: We can -- we'll move  
18 to that in the next phase of the questioning.

19 BY CHAIRMAN GOLDNER:

20 Q So, I'm just looking at the simple numbers. So,  
21 the original spreadsheet from September 26th that  
22 Commissioner Chattopadhyay was referring to shows  
23 a rate of return of 8.9 percent rounded. So far  
24 so good?

[WITNESS: Arif]

1 A Yes.

2 Q And, then, in the spreadsheet that was updated,  
3 the one called "Temp Rates Settlement Month --  
4 "Settlement Model-Nine Month", it shows a 10.3  
5 percent return. And I think what the parties are  
6 suggesting is that 10.3 percent is the percentage  
7 you're proposing to put forward for the temporary  
8 rates?

9 A That is my understanding, too.

10 CHAIRMAN GOLDNER: Just a moment.  
11 Commissioner Chattopadhyay has something.

12 CMSR. CHATTOPADHYAY: I think you may  
13 have misspoke. You said "return", and you meant  
14 the "increase in rates"?

15 CHAIRMAN GOLDNER: Yes. Sorry, yes,  
16 the "increase in rates". Commissioner  
17 Chattopadhyay is correct.

18 BY CHAIRMAN GOLDNER:

19 Q So, the difference between the original filing,  
20 8.9 percent, and the updated filing of 10.3  
21 percent, you would agree that that's a fair  
22 summary of the -- of the updated files?

23 A That's why I prefer differential calculus over --  
24 *[Court reporter interruption.]*

[WITNESS: Arif]

1 **BY THE WITNESS:**

2 A I would agree, yes.

3 BY CHAIRMAN GOLDNER:

4 Q Okay, sir. Okay. So, the difference, and you  
5 can pull out your handy calculator, if this is  
6 helpful, but, if you take 10.3 percent, as it  
7 relates to 8.9 percent, I get about a 16 percent  
8 difference, 1-6?

9 A I would agree.

10 Q Something like that, makes sense. But -- and  
11 here's where I'm stuck. So, the whole -- it's  
12 still \$8.7 million. So, nobody is suggesting  
13 that that changes. And all we're talking about  
14 is the missing month of October. So, I'm just  
15 trying to understand, at 10,000 feet, why I'm not  
16 seeing more like an 8 percent difference, one  
17 month, 1 divided by 12, versus a 16 percent, or  
18 twice as much? Why am I seeing that delta from  
19 8.9 to 10.3?

20 A I think that what you described, in terms of the  
21 math, that does check out, and 8.7 million that's  
22 been proposed. The difference that I was trying  
23 to get to, or trying to understand, is that 16  
24 percent you just quoted is between 8.9 to 10.3,

[WITNESS: Arif]

1 10.3 being that it is to account for the missing  
2 month of October. We may have a different  
3 opinion about the missing month of October,  
4 that's a separate issue, legal issue, perhaps.  
5 But, assuming that that is October, we begin in  
6 October, I think that it is also fair to say that  
7 this has an anticipated timeframe until the next  
8 July, with ten or nine months, and the math works  
9 out that way. But I don't necessarily have a  
10 very thorough explanation as to why we wouldn't  
11 expect that.

12 But I'm just merely recognizing  
13 on-the-fly that everything that you've said, in  
14 terms of the math, and the expectation, they all  
15 seem reasonable, but there may be just a simple  
16 mathematical explanation to it.

17 Q But I think I've now determined there are three  
18 options. There's the 8.9 percent, as originally  
19 proposed, that I think Commissioner Chattopadhyay  
20 was speaking to; there's the 10.3 percent, that I  
21 think the parties are representing is the right  
22 answer; and a third answer, which is the one I  
23 just described, which is a number almost  
24 precisely in between, which is accounting for a

[WITNESS: Arif]

1 one-month difference, in terms of what is being  
2 asked for.

3 So, is there any further research or  
4 anything you can do to sort of help me  
5 understand? Because I can see a one-month  
6 difference, that would make sense to me. But I  
7 can't see a two-month difference. And I'm not  
8 sure, based on what I've heard so far, I'm  
9 grasping why the difference is there.

10 A I can certainly take a look at it.

11 CHAIRMAN GOLDNER: You can look. Maybe  
12 we can take another quick break, and we can -- we  
13 can discuss.

14 So, here's what I would propose. Let's  
15 take a quick break with Dr. Arif on the stand, so  
16 that -- and Commissioner Chattopadhyay would like  
17 to ask a question before we break, which we'll  
18 do. We can take a quick break, finish up with  
19 Dr. Arif. And, then, that will also give the  
20 attorneys a chance to sort out anything that they  
21 would want to mention in closing as well.

22 So, Commissioner Chattopadhyay, you'd  
23 like to ask a follow-up?

24 CMSR. CHATTOPADHYAY: Yes.



[WITNESS: Arif]

1 BY CMSR. CHATTOPADHYAY:

2 Q I'm going to go back to Exhibit 2.

3 A I'm there.

4 Q You're there. And I'm trying to go there, too.  
5 So, just bear with me.

6 And, again, when I had the  
7 back-and-forth with the utility, I was talking  
8 about how there was, for the month of October,  
9 the revenue that they would have lost they had  
10 said was 514,000, roughly, okay? And I went  
11 through the steps. And, subject to check, would  
12 you agree that that's the correct calculation?  
13 So, for the month of October, that is what the  
14 Company had said, roughly, that we would miss if  
15 we don't get the money in October?

16 A Respectfully, Commissioner Chattopadhyay, if you  
17 do not mind, would you be able to take me  
18 through --

19 Q Sure.

20 A -- the calculation that you were referring to.  
21 So, just to help the process, I do have that  
22 figure "514,256.54", that's straight out applying  
23 8.9 percent, on, if I recollect correctly, it's  
24 at Cell BG247, which identifies "5,778,163".

[WITNESS: Arif]

1 Q Yes. Uh-huh.

2 A And I just simply applied 8.9 percent on that,  
3 not -- and like maybe it's off by a little bit,  
4 but it's "514,256", I do have that.

5 Q Okay. That's why I said "roughly", because I  
6 actually used the cell reference, and the number,  
7 that "8.9", is actually not "8.9", it slightly  
8 different. Okay, that's why.

9 A Right.

10 Q So, we are having slight differences. So, it  
11 is -- but, for the purpose of this discussion,  
12 it's -- that month, you're roughly losing  
13 \$514,000, correct?

14 A That's how it appears.

15 Q Will you be able to calculate how much now they  
16 will be getting, okay, ultimately, will they be  
17 getting 514,000 or are they getting more than  
18 that, with the new -- with the nine-month  
19 modeling?

20 Okay, I would like you to -- I mean,  
21 I'm just -- it will probably incur a little bit  
22 of time, but I want you to tell me how much money  
23 they will get out of, you know, going with the  
24 new nine-month approach?

[WITNESS: Arif]

1 A May I seek a quick clarification?

2 Q Yes.

3 A Commissioner Chattopadhyay, prior to we arriving  
4 at that figure, based on Row 247, you took us  
5 through in terms of the overall calculation for  
6 nine-month versus ten-month, that figure. I'm  
7 just curious as to were you just using the test  
8 year data for the purposes of ten-month, and the  
9 ten-month starting with October, all the way to  
10 July, were you just adding the figures that we  
11 have on Excel here?

12 And the reason why I'm asking is,  
13 because I would -- that the question that you  
14 just ended up asking would help me determine an  
15 overall figure, because that figure is important  
16 for the purpose of this calculation.

17 Q I don't know whether this will help, because I'm  
18 not fully grasping what you're asking. But I  
19 think I would repeat, hopefully, this will help.  
20 So, the Exhibit 2 that was filed with the  
21 settlement --

22 A Uh-huh.

23 Q -- had the test year revenues shown in Row 247 of  
24 the "RATES-2WP\_TY", that particular Excel sheet.

[WITNESS: Arif]

1           So, if you were applying the 8.8 percent --  
2           sorry, 8.9 percent increase to all of those  
3           months, because the rates are now going to be  
4           higher to allow that based on this filing, you  
5           could calculate how much, you know, like, for the  
6           different months you will be getting with 8.8  
7           percent, and as opposed to beginning, this is  
8           really for a check for my part, beginning  
9           November, if you're applying 10.23 -- sorry,  
10          10.33 percent, and go all the way ten months, but  
11          look at it based on the test year, what would you  
12          be getting?

13                        So, that's my question. And you don't  
14          have to provide any opinion, I'm just asking do  
15          that calculation. That's all. So, thank you.

16   A       Thank you.

17                        CMSR. CHATTOPADHYAY: Yes.

18                        CHAIRMAN GOLDNER: Okay. Thank you,  
19          everyone. Would fifteen minutes be sufficient,  
20          Department?

21                        MR. DEXTER: Mr. Chairman, I wonder if  
22          we could take longer, and maybe have a chance to  
23          talk to the Company about this off the record?

24                        CHAIRMAN GOLDNER: Of course. Of

[WITNESS: Arif]

1 course. What would be helpful?

2 MR. DEXTER: Well, I wonder if we could  
3 have a lunch break maybe, and then --

4 CHAIRMAN GOLDNER: Sure. Sure. Would  
5 you like to come back at 12:30, would that be --

6 MR. DEXTER: I mean, I haven't had a  
7 chance to talk to the Company about this. Is  
8 that something you'd be interested in?

9 MS. RALSTON: Yes. We'd be happy to  
10 speak to DOE.

11 CHAIRMAN GOLDNER: Would that be enough  
12 time? Would an hour be enough time?

13 MR. DEXTER: Yes. That would be fine.

14 CHAIRMAN GOLDNER: Okay. So, let's go  
15 off the record, and return at 12:30. And, when  
16 we return, we'll finish up with Dr. Arif, and  
17 then we'll just moving to closing after that.  
18 So, thank you. Off the record.

19 *(Lunch recess taken at 11:30 a.m., and*  
20 *the hearing resumed at 12:35 p.m.)*

21 CHAIRMAN GOLDNER: Okay. We'll go back  
22 on the record. And we'll finish up with  
23 Commissioner Chattopadhyay and Dr. Arif.

24 CMSR. CHATTOPADHYAY: Okay.

[WITNESS: Arif]

1 BY CMSR. CHATTOPADHYAY:

2 Q Before the break, we had asked a few things. Do  
3 you have anything to share at this point?

4 A I do. You asked, and just for refreshment of  
5 everybody's mind here, I believe you were asking  
6 me to calculate the difference for the month of  
7 October, based on the two rates, namely, the  
8 8.898 percent, from September 27th filing, as  
9 opposed to 10.332 percent from --

10 Q Yes.

11 A -- from October 16th filing.

12 Q Yes. And, if I wasn't clear, I was looking at  
13 the twelve months. I did mention something like  
14 that. It's the entire twelve months I want it  
15 to.

16 A So, we very quickly looked at the calculation,  
17 between -- if we are to look at the full  
18 twelve-month, Commissioner, based on the 8.898  
19 percent, the twelve-month figure would come down  
20 to 8,706,257, as it was identified. And that is  
21 the figure that's been proposed as a settlement  
22 amount.

23 If we are applying 10.332 percent, for  
24 the whole twelve-month period, that would turn

[WITNESS: Arif]

1 out to be, if the calculation is correct,  
2 10,108,989.

3 Q Okay.

4 A I would like to offer some more explanation to  
5 it. On the surface, the two amounts look  
6 different, quite different. I think the  
7 underlying premises and the assumption behind it  
8 are important to consider. The underlying  
9 premise is that the settlement amount is 8.7  
10 million, roughly speaking. The underlying  
11 premise is that that 8.7 million is based on 6.96  
12 percent of the cost of capital that was approved  
13 from 20-105. And the third important underlying  
14 premise is that the filing was made based on a  
15 full twelve-month test year period. That full  
16 twelve-month is an important consideration here.

17 I believe, and the Company -- the  
18 attorney and the Company could possibly, too,  
19 comment on that as well, but I believe that what  
20 has been proposed here, on 16th, is to collect  
21 the full 8.7 million settled amount over a much  
22 shorter period of time, which is from November to  
23 July, assuming that the permanent rate is in  
24 place on August 1st, 2024.

[WITNESS: Arif]

1           And, now, that 8.7 million, Chair  
2 Goldner, if you -- you asked me that question,  
3 about the 16 percent, and I quickly did, your  
4 math is impeccable. If you go back and you are  
5 trying to recoup -- or, rather "recoupment" has a  
6 different meaning in this context, to collect the  
7 full 8.7 million with the shorter time period,  
8 that inevitably would give you higher  
9 percentages, which is being proposed, 10.332.

10           The 8.898 percent was premised under  
11 the assumption that the same 8.7 million is being  
12 collected over ten-month period, including  
13 October. The twelve-month test year period  
14 assumes that the Company has underlying cost  
15 structures starting from the day one of the  
16 submission.

17           Now, for all valid reasons, the  
18 proceeding takes some time before a temporary  
19 rate order is in place, that does not negate the  
20 fact that the Company is incurring the costs,  
21 underlying costs, and which is all based on a  
22 twelve-month period. If -- and it is important  
23 to recognize that that twelve-month period  
24 calculation and 8.7 million is based on 6.96



[WITNESS: Arif]

1 percent cost of capital, which is the approved  
2 cost of capital.

3 So, if this proceeding continues from,  
4 and I'm assuming that it continues with the  
5 10.332 percent figure, that would give the  
6 Company to collect full \$8.7 million over a much  
7 shorter nine-month period. Beyond that  
8 nine-month period, if we are unable to complete  
9 the proceeding by then, it would appear that the  
10 Company would continue to collect all rates which  
11 have been raised, for all rate classes, that have  
12 been raised be 10.332 percent.

13 What is important to also recognize is  
14 that, at that -- from that point -- time period,  
15 from that point on, a twelve-month period would  
16 begin. The test year, it would continue that  
17 way. So, it's -- what I'm trying to draw at is  
18 that that this -- the cost, underlying cost for  
19 the Company, is in continuation, it has been  
20 before the submission of the rate case, with the  
21 submission of the rate case, until this point,  
22 and it will continue. So, that continuity is  
23 important.

24 It does, if we collect the 10.332

[WITNESS: Arif]

1           percent and that rate, it does come out to be  
2           part of, over a twelve-month period, 10.1  
3           million, as I was mentioning. But that does not  
4           necessarily mean that the agreed-upon amount of  
5           8.7 million, the Company is collecting more than  
6           that.

7                         And, in that context, given this  
8           explanation, I'm hesitant to say whether they  
9           would be under-earning or over-earning, just  
10          recognizing the facts before us as is.

11                        CHAIRMAN GOLDNER: Okay. Any  
12          follow-up, Commissioner Chattopadhyay?

13                        CMSR. CHATTOPADHYAY: Yes, I do. I'm  
14          just --

15 BY CMSR. CHATTOPADHYAY:

16 Q       Are you ever -- are you aware of any instance  
17       previously, in other rate cases, where, in the  
18       temporary rate phase, the approach that you have  
19       settled on was applied?

20 A       I am not aware, because this is my first rate  
21       case under this jurisdiction.

22                        CMSR. CHATTOPADHYAY: Does the DOE have  
23          any opinion, from the legal side?

24                        If you're not aware, let me know this.

[WITNESS: Arif]

1 MR. DEXTER: I can't, off the top of my  
2 head, say whether or not this is consistent. As  
3 I said, I did go back and verify that the 20-105  
4 temporary rates were set at current rates. So,  
5 this would have been a nonissue in that case.

6 CMSR. CHATTOPADHYAY: Yes.

7 MR. DEXTER: Going beyond that, all of  
8 the rate cases I've been involved in have been  
9 settlements on the temporary rates, with the  
10 exception of one that I can think of. But I  
11 don't recall how this rate design issue factored  
12 in, you know, to the final rates that were  
13 approved in those cases.

14 CMSR. CHATTOPADHYAY: Okay. Can you  
15 take me to the settlement terms? Like, where was  
16 it filed? Where is it?

17 MR. DEXTER: In this docket?

18 CMSR. CHATTOPADHYAY: In this docket,  
19 sorry.

20 MR. DEXTER: There is not a settlement  
21 document. There was an agreement that was  
22 reached between the parties on the \$8.7 million  
23 revenue deficiency. And, then, the rates that  
24 were proposed to collect that were filed first in

[WITNESS: Arif]

1 the model that came right after the settlement, I  
2 think we've been calling it the "September 26th  
3 model", and, then, based on the Commission's  
4 procedural order, were filed again on October  
5 16th.

6 CMSR. CHATTOPADHYAY: Was the agreement  
7 filed? Is it available in a written form?

8 MR. DEXTER: No. No, just those  
9 documents that I mentioned were filed.

10 CMSR. CHATTOPADHYAY: So, the DOE did  
11 file something on the 26th of September to  
12 make -- I'm not talking about necessarily  
13 "settlement" documents, as you described, where  
14 you had -- you had indicated that you were making  
15 four adjustments and all of that.

16 MR. DEXTER: Yes. That was a letter  
17 that I wrote.

18 CMSR. CHATTOPADHYAY: That was in  
19 agreement with the Company, right?

20 MR. DEXTER: Correct. That was an  
21 attempt to summarize an agreement that had been  
22 reached, I believe, that day, after about a week  
23 of meetings between the parties.

24 CMSR. CHATTOPADHYAY: Okay. Going back

[WITNESS: Arif]

1 to the other point, which is that you haven't  
2 really checked what happens in other rate cases,  
3 except for the one that we talked about where it  
4 was a nonissue. You don't have a position right  
5 now, you don't -- because you haven't looked at  
6 it?

7 MR. DEXTER: I don't have a position as  
8 to whether what's been presented here is  
9 consistent or not consistent with prior temp.  
10 rate cases.

11 CMSR. CHATTOPADHYAY: Okay. Thank you.  
12 That's all I have. Thanks.

13 CHAIRMAN GOLDNER: Okay. Thank you.  
14 Anything else for Dr. Arif?

15 CMSR. SIMPSON: I don't think so.

16 CHAIRMAN GOLDNER: Okay. Then, we can  
17 move to redirect.

18 MR. DEXTER: I don't have any redirect.

19 CHAIRMAN GOLDNER: Okay. Thank you.  
20 The witness is excused.

21 WITNESS ARIF: Thank you.

22 MS. RALSTON: Chairman Goldner?

23 CHAIRMAN GOLDNER: Yes.

24 MS. RALSTON: If I may, based on these

[WITNESS: Arif]

1 additional questions that were directed at DOE's  
2 witness, would it be helpful for the Company's  
3 witnesses to get back on the stand and just clear  
4 up a couple of items?

5 I know that would be unusual. But,  
6 given the discussion this morning, I just didn't  
7 know if it would be helpful?

8 CHAIRMAN GOLDNER: I think it would be.  
9 Attorney Dexter, Attorney Crouse, any objections?

10 MR. DEXTER: No objection. I actually  
11 think it would be helpful. Or, it could be  
12 helpful. I guess we'll hear what they say.

13 MR. CROUSE: I concur with the parties  
14 that it would be helpful. If Commissioner  
15 Simpson will humor me entertaining his joke, I am  
16 a simple lawyer, making additions and  
17 subtractions. So, I would appreciate it.

18 CHAIRMAN GOLDNER: Excellent.

19 CMSR. SIMPSON: That is my joke, but  
20 I'll allow it today.

21 *[Laughter.]*

22 MR. CROUSE: Thank you.

23 CHAIRMAN GOLDNER: Thank you. You may.  
24 We'll invite the Company back to the stand.

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 MS. RALSTON: Thank you.

2 (*Whereupon **KENNETH A. SOSNICK,***

3 ***C. DREW CAYTON, and TYLER J. CULBERTSON***

4 *were recalled to the stand, having been*  
5 *previously sworn.)*

6 CHAIRMAN GOLDNER: Did you want to  
7 direct questions at the witnesses, Attorney  
8 Ralston?

9 MS. RALSTON: Yes, I just had a few  
10 questions that I would like to point out, and  
11 then, of course, they would be available for  
12 additional cross-examination.

13 CHAIRMAN GOLDNER: Thank you.

14 MS. RALSTON: So, I'll just direct  
15 these to the panel, and you can respond as  
16 appropriate.

17 CMSR. SIMPSON: And I'll just say  
18 they're still under oath.

19 MS. RALSTON: Understood.

20 **KENNETH A. SOSNICK, Previously Sworn**

21 **C. DREW CAYTON, Previously Sworn**

22 **TYLER J. CULBERTSON, Previously Sworn**

23 **DIRECT EXAMINATION (*resumed*)**

24 BY MS. RALSTON:

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 Q So, the \$8.7 million settlement amount that's  
2 been proposed, is it correct that that is an  
3 annual revenue requirement?

4 A (Sosnick) Yes.

5 Q And the Company's proposal is to recover that  
6 annual revenue requirement amount over a  
7 nine-month period, correct?

8 A (Sosnick) That is correct.

9 Q And embedded in the calculation of this \$8.7  
10 million amount is a WACC of 6.96 percent, is that  
11 also correct?

12 A (Sosnick) Yes, it is.

13 Q Okay. And, so, if the Commission were to approve  
14 the Company's proposal to recover the entire  
15 \$8.7 million over the nine-month period, would  
16 the Company be over-earning, or is there a risk  
17 of the company over-earning?

18 A (Sosnick) Under the rates that were designed,  
19 which I will call "black box", if you will,  
20 rates, because you don't have the settlement  
21 agreement that was asked for, basically, what you  
22 saw in the settlement agreement filed on October  
23 16th is the designed rates to recover 8.7  
24 million, with the embedded WACC of 6.96 percent.



[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 So, there wouldn't be, if our design is perfect,  
2 there wouldn't be an over-recovery or an  
3 under-recovery, it would be 6.96 percent over  
4 that nine-month period.

5 Q And, similarly, if the Company were only to  
6 recover nine months of costs that were used to  
7 calculate the \$8.7 million revenue requirement,  
8 would the Company earn 6.96 percent or something  
9 lower?

10 A (Sosnick) They would recover something  
11 significantly lower. And I would add that, if  
12 that was the scenario, at the end of the  
13 temporary rate period, you're more or less taking  
14 a quarter of the costs and putting them into the  
15 reconciliation at the end of the temporary rate  
16 period when the permanent rates would go into  
17 effect.

18 So, what we're really trying to do is  
19 ensure that the costs are recovered during the  
20 temporary rate time period. It just happens to  
21 be that that time period now is shortened to nine  
22 months.

23 MS. RALSTON: That's all I have for the  
24 witnesses.

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 CHAIRMAN GOLDNER: Any questions from  
2 the Consumer Advocate or the Department?

3 MR. CROUSE: I will leave it to the  
4 Department's analyst to ask better questions than  
5 I have at this time. Thank you.

6 CHAIRMAN GOLDNER: Thank you, Attorney  
7 Crouse. Attorney Dexter?

8 MR. DEXTER: I do have a question.

9 **CROSS-EXAMINATION (resumed)**

10 BY MR. DEXTER:

11 Q What's the time period over which the -- you said  
12 that "the Company would earn, if everything was  
13 perfect, 6.96 percent." What's the time period  
14 over which the costs were measured in that  
15 calculation?

16 A (Sosnick) So, the time period would be, and Mr.  
17 Cayton will correct me if I'm wrong, August 1st,  
18 2023, to July 31st, 2024.

19 Q Well, let me rephrase the question then. So,  
20 under this proposal, under the agreed-to  
21 proposal, the rates would go into effect  
22 November 1st, correct?

23 A (Sosnick) That is correct.

24 Q And they would provide for a 10.3 percent

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 increase, which is reflective of the \$8.7 million  
2 revenue requirement amount that we all agreed to,  
3 is that right?

4 A (Sosnick) That is correct.

5 Q What's the time period over which the \$8.7  
6 million revenue requirement was calculated?

7 A (Cayton) The time period was calculated over an  
8 annual twelve-month period beginning August 1st,  
9 and ending July 31st, 2024. The recovery period  
10 for that cost of service would be October 1st --  
11 I'm sorry, November 1st, 2023, through July 31st,  
12 2024.

13 Q And isn't it correct that the \$8.7 million is  
14 premised on a 2022 test year?

15 A (Cayton) Yes, it is.

16 Q And, so, isn't it, in fact, that 2022 would be  
17 the period where the costs were measured, not the  
18 period starting August 2023, but the costs  
19 themselves, the revenue requirement is based on  
20 2022 numbers, is that --

21 A (Cayton) As adjusted, yes, sir.

22 Q As?

23 A (Cayton) As adjusted.

24 A (Sosnick) As designed, yes. But, when you are

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 measuring against the costs that you're  
2 incurring, it would be the time period we're  
3 discussing.

4 Q Okay. And maybe this is for Mr. Culbertson. But  
5 isn't it correct that there are virtually no *pro*  
6 *forma* adjustments in the temporary rate revenue  
7 requirement of \$8.7 million? And, when I say  
8 "*pro forma*", accounting for things beyond the  
9 test year, would you agree with that?

10 A (Cayton) I would say, the adjustments to the test  
11 year were mainly to normalize the revenues for  
12 the billing determinants, and to adjust the  
13 amortizations of certain regulatory assets and  
14 liabilities.

15 Q Right. But there's no additional payroll, no  
16 additional plant, no additional --

17 A (Cayton) There is no -- it would be as reported  
18 in 2022.

19 Q Okay. And, as Dr. Arif testified earlier, in  
20 fact, by agreement, that rate base amount was  
21 reduced by about \$15 million, to reflect a  
22 splitting of the Customer First system, would you  
23 agree with that?

24 A (Cayton) I would agree.

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 MR. DEXTER: Okay. Thanks. That's all  
2 I have.

3 CHAIRMAN GOLDNER: Thank you. We'll  
4 move back to Commissioner questions, beginning  
5 with Commissioner Simpson.

6 CMSR. SIMPSON: I don't have anything  
7 right now. I may, after a follow-up from  
8 Commissioner Chattopadhyay or you, Mr. Chairman.

9 CHAIRMAN GOLDNER: Thank you.  
10 Commissioner Chattopadhyay.

11 BY CMSR. CHATTOPADHYAY:

12 Q Were you involved in the Docket 20-105, I'm  
13 asking the consultants?

14 A (Sosnick) Yes.

15 Q Do you remember what was the initial filing, in  
16 terms of what the temporary rates were?

17 A (Cayton) Off the top of my head, no, sir. I do  
18 not remember.

19 Q Would it be fair if I asked that you provide the  
20 Excel file that supported the calculations of the  
21 rates there that was proposed as temporary -- for  
22 the temporary rates, initially? And would you  
23 have --

24 A (Cayton) For the prior rate case?

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 Q Yes.

2 A (Cayton) I believe it would be on file with the  
3 Commission.

4 Q So, I would like to have a copy of that. Okay.

5 A (Sosnick) And, if I may, just for the record,  
6 just so we're clear. Mr. Cayton and myself did  
7 not testify on rates in the previous proceeding.  
8 So, just to --

9 Q Okay.

10 A (Sosnick) Just so you have that information.

11 Q Yes. Thank you. For me, I don't think that  
12 would matter. I just wanted to -- I was  
13 basically trying to get the Excel analytics that  
14 was there.

15 You've been involved in other rate  
16 cases, right?

17 A (Sosnick) Yes.

18 Q Can you tell me an instance, from New Hampshire,  
19 where the approach that you've used in this  
20 docket for temporary rates you have used it  
21 anywhere else?

22 A (Cayton) I'm unaware of any instance.

23 Q Are you aware of any such instance in other  
24 states where you have provided testimony?

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 A (Cayton) I am unaware.

2 A (Sosnick) I'm not aware of any other states I've  
3 testified in having this, the temporary rate  
4 structure. So, my answer would be the same, no.

5 Q So, in New Hampshire, as well as in other states,  
6 right? So, you're not aware of anything that --

7 A (Cayton) Unaware.

8 Q -- is similar that was done. Even with the  
9 Docket DG 20-105, when you filed the rate case,  
10 the temporary rates were supposed to go into  
11 effect starting October 1st. So, you're not  
12 aware how that was also beginning October 1st,  
13 all the way up to the end of the temporary rates  
14 phase, you're not aware whether you've used this  
15 approach there?

16 A (Sosnick) I believe that that approach -- it was  
17 more or less that there was no temporary rate  
18 offered.

19 Q I'm sorry.

20 A (Sosnick) Before the --

21 Q Go ahead.

22 A (Sosnick) In the filing, and again this method  
23 was not presented in this docketed filing, it was  
24 part of the settlement process and the process of

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 getting the Commission order. So, I just want to  
2 be clear that the last proceeding had no  
3 temporary rate. It went from the current -- the  
4 then current rate to the now current rate. That  
5 there was no temporary rate.

6 Q I think it wasn't clear. I understood that  
7 already. But what I'm asking is, at the time of  
8 the filing, what did you file as the temporary  
9 rate increase as a request? And did you also  
10 support it with rates? And, you know, you -- and  
11 I asked you whether you used the approach that is  
12 part of this settlement in that, the previous  
13 filing?

14 And I'm not talking about what the  
15 Commissioners had decided.

16 A (Cayton) Yes, I apologize.

17 Q Yes.

18 A (Cayton) As proposed in the last docket, I  
19 believe it was based on a twelve-month recovery  
20 period. If that is the question you're asking, I  
21 believe that's the answer.

22 Q Okay. So, this time around, it's a different  
23 approach?

24 A (Cayton) Well, this is a result of a settlement



[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 agreement between the parties. So, it's  
2 fundamentally different between what the Company  
3 would propose in a rate case filing, to  
4 ultimately the ultimate rate result, where we,  
5 you know, give-and-take over the course of  
6 negotiations in order to find an amicable  
7 settlement that everyone is happy with.

8 Q First of all, there is no "settlement agreement",  
9 as such. That has been not filed. You had an  
10 agreement. And, when you filed the supporting  
11 Excel analytics that went with the settlement,  
12 that came out on September 27th, that had the  
13 twelve-month approach. Do you agree?

14 A (Cayton) I do agree.

15 Q Okay. So, --

16 A (Cayton) But may I add?

17 Q When you keep saying that you had a settlement  
18 that is going to go nine months, I'm talking  
19 about what was the understanding during  
20 September -- or, on September 27th? And it's --  
21 and I'm getting the sense that you're not -- at  
22 that time, it was twelve months, is that correct?

23 A (Sosnick) Yes.

24 Q Okay.

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 A (Sosnick) And, just to be clear, the last docket,  
2 this docket, the filings were consistent, with  
3 the September --

4 Q Okay.

5 A (Sosnick) -- as well. And, then, based on, and  
6 this is -- I would look to the attorneys for  
7 this, based on the settlement order, what you've  
8 had filed on October 16th was in response to the  
9 order asking for the nine-month calculation.

10 Q Okay.

11 A (Sosnick) So, just trying to clarify things for  
12 the record. That is, as I understand it, and  
13 many people in the room with libraries *[sic]* can  
14 correct us, that was the process in which -- how  
15 we got to where we are today.

16 CMSR. CHATTOPADHYAY: So, I really  
17 appreciate that. Because that's what I started  
18 off with today, and it appears to be there's  
19 some -- we intended it to be something else. And  
20 the way the order read, it led the Company to  
21 think differently.

22 And, so, if I go to what the order had  
23 said: "Having reviewed the jointly proposed  
24 procedural schedule presented by the DOE with the

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 concurrence of Liberty and the OCA, and the  
2 Motion, the Commission makes the following  
3 rulings. We concur that, subject to review and  
4 hearing, the approach delineated by Liberty as an  
5 alternative form of relief requested in its  
6 Motion is reasonable, insofar as the recovery of  
7 the proposed settlement revenue requirement for  
8 temporary rates could be effectuated over a  
9 slightly shorter recovery period of November 1st,  
10 2023, through July 31st, 2024."

11 And, then, it says: "To that end, we  
12 order Liberty to re-submit its proposed rate  
13 schedules for temporary rates incorporating the  
14 proposed settlement revenue requirement of 8." --  
15 sorry -- dollar 8 -- how do I put it, "\$8,706,258  
16 for a proposed recovery period of November 1st,  
17 2023 through July 31st, 2024, no later than  
18 October 16, 2023."

19 So, I -- that's why, when I started  
20 off, I said "there is some misunderstanding."  
21 Whenever one talks about the dollar amount, it is  
22 associated with the test year for the purposes of  
23 temporary rates. And that's how we were viewing  
24 it, at least I was viewing it. And, so, there is

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 a disconnect between how the Company and the  
2 other parties took the order, and I think there  
3 is -- this wasn't clear enough. I'm being very  
4 transparent here. So, that did create some  
5 issues.

6 But it's just raising the point about,  
7 I mean, for me, it's, like, can we do something  
8 typically that is not allowed in the temporary  
9 rate phase? So, I'll just leave it at that.

10 Thank you.

11 CHAIRMAN GOLDNER: The answer key might  
12 be sitting in front of us, Commissioner  
13 Chattopadhyay.

14 Ms. Menard, you have some experience in  
15 this state as well. Can you perhaps address the  
16 Commissioner's questions relative to what other  
17 utilities do?

18 I know you're not on the stand. So, it  
19 would be more in the spirit of, you know, just a  
20 guidance or your thoughts.

21 MS. MENARD: And, so, what was the  
22 question specifically? How are temporary rates  
23 implemented for other cases in New Hampshire? Is  
24 that -- am I understanding that?

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 CHAIRMAN GOLDNER: So, Commissioner  
2 Chattopadhyay, you were asking about I think the  
3 nine- and twelve-month periods, and what other  
4 utilities in New Hampshire did. Is that -- was  
5 that you question?

6 CMSR. CHATTOPADHYAY: Yes. When you  
7 set the temporary rates, is it, in other places,  
8 based on your experience, you use the twelve  
9 months, and -- or, you have this expedited  
10 recovery, without even having a rate case,  
11 temporary rates are like you're not -- you don't  
12 have the time to look at everything. So, you --  
13 so, I'm just trying to understand, since Chairman  
14 Goldner asked you, so you might be able to give  
15 us some sense of what happens in other utilities  
16 that you have worked? Or, if you don't, you  
17 know, let us know.

18 MS. MENARD: I mean, I can look around  
19 in dockets, just like anybody else can. And, so,  
20 I have seen some of the utilities will implement  
21 it over a twelve-month period. You know, there  
22 are -- have been other situations where, you  
23 know, COVID has created some havoc in some of the  
24 more recent cases, too. So, some of the

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 timelines have been extended.

2 But, at the end of day, it is an  
3 annual --

4 CMSR. CHATTOPADHYAY: Okay.

5 MS. MENARD: It's a -- you're trying to  
6 close the gap, and allow the Company to earn its  
7 allowed return through temporary rates. And, so,  
8 you know, the extended timelines, you know, the  
9 delayed timelines have created some of this  
10 confusion and issues.

11 I don't want to testify, but --

12 CMSR. CHATTOPADHYAY: Okay. Thank you.

13 MS. MENARD: I'll just say, at the end  
14 of day, we are trying to, you know, get to the  
15 annual, and I know we've had this confusion in  
16 other dockets, what's an annual revenue  
17 requirement? How does it get collected? When  
18 does it get collected? So, this is, you know,  
19 \$8.7 million over an annual revenue requirement  
20 period.

21 CMSR. CHATTOPADHYAY: So, it's --  
22 sorry. I just want to make sure that folks  
23 understand that I am all in favor of setting the  
24 rates as soon as possible. We've already left

[WITNESS PANEL: Sosnick|Cayton|Culbertson]

1 the station, I mean, and it's -- October has gone  
2 by. So, we want to do it as soon as possible.

3 And I also know that this is all  
4 reconcilable. It's really about whether this has  
5 been done before. And, ultimately, if it's  
6 reconcilable, then I just still want to make sure  
7 that I don't do anything that is not allowed.

8 So, that's all. Thank you.

9 MS. MENARD: That's fair.

10 CHAIRMAN GOLDNER: Okay. Very good.

11 Any other questions for the witnesses?

12 CMSR. SIMPSON: No.

13 CHAIRMAN GOLDNER: Any redirect?

14 MS. RALSTON: No thank you.

15 CHAIRMAN GOLDNER: Okay. Thank you.

16 The witnesses are excused again. But be prepared  
17 for a third round.

18 *[Laughter.]*

19 CHAIRMAN GOLDNER: Only kidding. All  
20 right.

21 Okay. So, having heard no objections,  
22 we'll strike the markings on Exhibits 1  
23 through 4.

24 Commissioner Chattopadhyay, was there

1 anything else that you wanted in an exhibit? Or  
2 was that -- are you satisfied that you have  
3 access to all the documents you need?

4 CMSR. CHATTOPADHYAY: Sorry. The one  
5 that I asked about, 105, I'm -- at this point,  
6 I'm not sure whether I have access to the Excel  
7 files. To the extent we can get the Excel files  
8 that supported the rates that were proposed  
9 initially for the temporary rate phase, we would  
10 like to have it. And we may have it, but I'm not  
11 100 percent sure.

12 CHAIRMAN GOLDNER: Okay. So, that  
13 would be a request for an "Exhibit 5". And I  
14 should have recalled earlier that, Attorney  
15 Ralston, you're going to replace Exhibit 3. And  
16 I think we're all aligned on that. I'll just  
17 repeat that back though.

18 Attorney Dexter, you have a question?

19 MR. DEXTER: No. I was just wondering  
20 if that question was directed at us or to the  
21 Company?

22 MS. RALSTON: I think that record  
23 request is for us.

24 CHAIRMAN GOLDNER: Yes.



1 CMSR. CHATTOPADHYAY: Okay.

2 MR. DEXTER: Okay.

3 MS. RALSTON: And, I guess, actually, I  
4 have one follow-up questions on the exhibits.

5 Commissioner Chattopadhyay referenced  
6 the Excel that was filed on September 26th, which  
7 was not included with the Company's exhibits.  
8 And I'm wondering if maybe it should be added,  
9 because it was referenced quite a bit this  
10 morning?

11 CHAIRMAN GOLDNER: Yes. I think that's  
12 a good idea.

13 CMSR. CHATTOPADHYAY: Oh, that's a good  
14 point. We should.

15 MS. RALSTON: Okay.

16 CHAIRMAN GOLDNER: Thank you. So, let  
17 me --

18 MS. RALSTON: So, will be that  
19 Exhibit --

20 CHAIRMAN GOLDNER: Whoops.

21 MS. RALSTON: Sorry.

22 CHAIRMAN GOLDNER: Sorry.

23 MS. RALSTON: Will that be "Exhibit 5"  
24 or --

1                   CHAIRMAN GOLDNER: That's a good idea.  
2                   So, let's make the September 26th spreadsheet  
3                   "Exhibit 5". And, then, the spreadsheet from  
4                   20-105 will be "Exhibit 6".

5                   *(Exhibit 5 and Exhibit 6 reserved)*

6                   CHAIRMAN GOLDNER: And sorry for the  
7                   rush order, but, if we could, given the timeline  
8                   in this proceeding, if we could file by the end  
9                   of the week, that would be helpful, which is  
10                  tomorrow.

11                  MS. RALSTON: I don't anticipate any  
12                  problems.

13                  CHAIRMAN GOLDNER: Thanks.

14                  MS. RALSTON: Today is Friday.

15                  CHAIRMAN GOLDNER: Oh, it's today.

16                  *[Court reporter interruption - multiple*  
17                  *parties speaking simultaneously.]*

18                  MS. RALSTON: First, I said "I don't  
19                  anticipate any problems." And, then, I said "I  
20                  think today is Friday.

21                  So, I think that's potentially fine.  
22                  But would Monday, at noon, be a second option?

23                  CHAIRMAN GOLDNER: I think that would  
24                  be fine, yes.

1           Okay. So, you guys aren't working on  
2 Saturday, I got you. All right. Neither am I.  
3 So, that's fair.

4           MS. RALSTON: I am, but I can't ask  
5 everyone to.

6           *[Laughter.]*

7           CHAIRMAN GOLDNER: Okay. All right.  
8 Very good. So, I think we're straight on the  
9 exhibits. We'll have an Exhibit 5 and an  
10 Exhibit 6.

11           Okay. Is there anything else that we  
12 need to discuss, before we go to closing?

13           *[No verbal response.]*

14           CHAIRMAN GOLDNER: Okay. Seeing none.  
15 Let's start with the Office of the Consumer  
16 Advocate for close.

17           MR. CROUSE: Thank you. My second  
18 verse will be the same as the first.

19           We continue to stand by the proposed  
20 settlement as discussed today. We very much  
21 appreciate the level of discussion that the  
22 Department, the Company, and the Commission has  
23 taken an interest in this. We are open to being  
24 as collaborative as possible. But we recognize

1 the Department has done a lot of the heavy  
2 lifting. And we just remain open to being  
3 cooperative.

4 Thank you.

5 CHAIRMAN GOLDNER: Okay. Thank you,  
6 Attorney Crouse.

7 We'll move to the New Hampshire  
8 Department of Energy, and Attorney Dexter.

9 MR. DEXTER: Thank you, Commissioners.

10 I guess I should start by saying that  
11 we continue to support the settlement, although  
12 it was not reduced to a settlement agreement, but  
13 we continue to support the revenue requirement  
14 calculation and the rates that were proposed and  
15 discussed today. And we think that the result  
16 will be just and reasonable.

17 We greatly appreciate the  
18 Commissioners' inquiry today. And it is a topic  
19 that we will pay close attention to in future  
20 rate cases. The importance of the design of the  
21 rates, so that it does collect the revenue  
22 requirement that it's supposed to. So, yes, we  
23 were listening very carefully to today's  
24 questions.

1           You know, on a higher level, temporary  
2 rates are a difficult -- are a difficult task. I  
3 think you've heard the witnesses say that they're  
4 not typical, they're not aware of a temporary  
5 rate statute in other states. And I think that  
6 goes for recoupment as well.

7           And, when I say "it's difficult", the  
8 statute requires that the Commission set rates  
9 that are not -- that are going to yield not less  
10 than a reasonable return on the cost of the  
11 property, less accrued depreciation. So, in a  
12 sense, that would ask all the parties to sign off  
13 on rate base. And we're asked to do this in a  
14 six- to eight-week time period, when the actual  
15 analysis of rate base for the permanent rates  
16 will take place over, you know, a ten- to  
17 twelve-month period. So, it's a difficult task.

18           And, so, what the Commission has done  
19 in the past, and as the statute says, it's best  
20 to tie these calculations to "per books" numbers.  
21 And, basically, that's what the Company did with  
22 respect to the calculation that they came in,  
23 where they asked for \$15 million.

24           We made -- we, the group, agreed to

1 four significant changes to those, to the \$15  
2 million original request. One of them was a  
3 simple correction -- not a simple correction, one  
4 was a significant correction, that the Company  
5 brought to the parties, I believe during the --  
6 one of the first two days of settlement  
7 conferences, and we've discussed that at length  
8 today. We appreciate the Company pointing that  
9 out in time to get that calculation -- to get  
10 that number factored into the temporary rate  
11 calculation. And that, I believe, was probably  
12 the most significant of the four changes that we  
13 made.

14 The other three -- or, the next two,  
15 the weighted average cost of capital and the  
16 treatment of the R-4 revenues, I guess our --  
17 they are more ratemaking techniques, I would say,  
18 where there was some back-and-forth about how we  
19 would get a reasonable number. I don't know that  
20 there is a right answer to which weighted average  
21 cost of capital to use. And whether or not the  
22 R-4 revenue should be counted in the revenue  
23 calculation, I suspect will be an issue that we  
24 look at further in the permanent case. We have a

1           pretty strong position on that. But we  
2           understand that this was a settlement, and there  
3           was some give-and-take.

4                        The weighted average cost of capital, I  
5           believe we relied on past precedent. The idea  
6           there being to use a number that was at least  
7           blessed by the Commission in a prior case. There  
8           was some talk today about the Company's original  
9           proposal having been an updated or an actual  
10          calculation. But, in fact, most of the  
11          companies, including this one, base their rates  
12          on a hypothetical capital structure. So, I'm not  
13          sure that this is an instance where you could go  
14          and get a more recent number, and that would  
15          therefore be more accurate. So, the idea of  
16          using the last approved weighted average cost of  
17          capital was to just focus in on a number that's  
18          been fixed and approved by the Commission.

19                       As far as the Customer First  
20          investment, this temporary rate statute does tell  
21          you to use the rate base according to the books.  
22          And, then, there's a final clause that says  
23          "unless there appears to be reasonable grounds  
24          for questioning the figures in the report." Our

1           understanding is that the Customer First system  
2           cost EnergyNorth about \$30 million. And I don't  
3           think we're likely to find that that \$30 million  
4           isn't the right number. We're pretty sure, if  
5           they said that's what they spent, that's what  
6           they spent.

7                        But we do know that there will be  
8           significant inquiry by the Department as to  
9           whether or not that \$30 million was prudently  
10          incurred. And that was the basis for us  
11          requesting an adjustment be made, and the parties  
12          got together and agreed, again, for purposes of  
13          temporary rates, nothing precedent-setting for  
14          the permanent rates, but that that 50 percent of  
15          that Customer First system would be removed.

16                       Adding that all up together, we came up  
17          with an \$8.7 million revenue requirement. It's  
18          about half what the Company asked for. Again,  
19          temporary rates I don't think is an exact  
20          science. I think it's more of a -- can be a  
21          give-and-take, or it can be a bit of an art.  
22          There isn't necessarily, you know, one correct  
23          answer. We're comfortable, on the whole, that  
24          the \$8.7 million revenue requirement is certainly



1 reasonable. And it certainly won't require the  
2 Company to earn less than a reasonable return,  
3 which is what the statute requires.

4 This question that we got to today, on  
5 the rate design, is an interesting question. And  
6 we will go back and see how this has been done in  
7 the past for our own education. I probably  
8 should have had that information today. But it's  
9 a level of detail that I haven't gotten into in  
10 past cases. But it is certainly something that  
11 we will study and apply going forward.

12 So, having said all that, we do believe  
13 that the settlement, again, not a written  
14 settlement, but that the rates resulting from the  
15 agreement and the revenue requirement are  
16 consistent with the temporary rate statute. And  
17 we do believe the Commission can approve those,  
18 without any concerns about being noncompliant  
19 with the statute.

20 Thank you.

21 CHAIRMAN GOLDNER: Thank you, Attorney  
22 Dexter. And we'll wrap up with the Company, and  
23 Attorney Ralston.

24 MS. RALSTON: Thank you.

1 I'll just echo the sentiments of  
2 Attorney Dexter and Attorney Crouse. We had some  
3 really productive discussions, and we appreciate  
4 their willingness to sit down and talk to the  
5 Company and reach the settlement amount that was  
6 presented this morning.

7 I also want to thank the Commission for  
8 all the thoughtful questions this morning. We  
9 think that a lot of good questions were raised.

10 Ultimately, the Company, you know, is  
11 just going to reiterate its request to approve  
12 the \$8.7 million settlement amount for all the  
13 reasons that Attorney Dexter just outlined. We  
14 feel like that was a reasonable settlement  
15 position.

16 Obviously, the Company will seek full  
17 recovery of Customer First in final rates, or  
18 continue those discussions at a minimum.

19 And, then, with respect to the recovery  
20 period, there's been a lot of discussion,  
21 obviously, today about "twelve months" or "nine  
22 months". The Company does think that the  
23 nine-month recovery period is appropriate. It  
24 was designed to allow the Company to earn a

1 reasonable return, while also mitigating that  
2 final rate increase to customers at the time of  
3 permanent rates. And, as the witnesses testified  
4 not that long ago, if the Company were to only  
5 recover the nine months of costs, it would not  
6 earn the return of 6.96, which was how these  
7 rates were designed in the schedule.

8 So, we thank you for your time. And  
9 thank you.

10 CHAIRMAN GOLDNER: Thank you. Anything  
11 else that we need to cover today?

12 *[No verbal response.]*

13 CHAIRMAN GOLDNER: Okay. Seeing none.  
14 I'll thank everyone, and, in particular, the  
15 witnesses today, for their time and effort.  
16 We'll take the matter under advisement, and issue  
17 an order in advance of November 1st. The hearing  
18 is adjourned.

19 ***(Whereupon the hearing was adjourned***  
20 ***at 1:18 p.m.)***