STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

February 1, 2024 - 9:02 a.m. **[Day 1]**
21 South Fruit Street
Suite 10 *{REDACTED-For PUBLIC Use}*
Concord, NH

RE: **DE 23-081**
LIBERTY UTILITIES (GRANITE STATE ELECTRIC) CORP. d/b/a LIBERTY UTILITIES:
Request for Approval of Revenue Decoupling Adjustment for July 2022 through June 2023.

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

Alexander Speidel, Esq./*PUC Legal Advisor*

Doreen Borden, Clerk

APPEARANCES: **Reptg. Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities:**
Michael J. Sheehan, Esq.

Reptg. Residential Ratepayers:
Donald M. Kreis, Esq., Consumer Adv.
Marc H. Vatter, Dir./Economics & Finance
Office of Consumer Advocate

Reptg. New Hampshire Dept. of Energy:
Alexandra K. Ladwig, Esq.
Paul B. Dexter, Esq.
Elizabeth Nixon, Dir./Electric Group
Jacqueline Trottier, Electric Group
Jay Dudley, Electric Group
(Regulatory Support Division)

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

*** R E D A C T E D - F o r P U B L I C U s e ***

I N D E X

I N D E X *(continued)*

E X H I B I T S

P R O C E E D I N G

CHAIRMAN GOLDNER: All right. Good morning. I'm Chairman Goldner. I'm joined today by Commissioner Simpson and Commissioner Chattopadhyay.

Mr. Sheehan, did you make somebody angry? You're the only person on this side of the room? Everyone else is seated on the other side.

MR. SHEEHAN: I had garlic for dinner last night.

[Laughter.]

CHAIRMAN GOLDNER: It's unusual. I have never seen that before, I think. But your witnesses are on the witness stand. So, that's wonderful.

Okay. This is a continued hearing regarding the Liberty (Granite State Electric) Revenue Decoupling Adjustment rate proposal, scheduled pursuant to the procedural order issued on January 10th, 2024, and the Commencement of Adjudicative Proceeding and Notice order issued on September 25th, 2023.

We'll now take appearances, starting

with the Company.

MR. SHEEHAN: Good morning, Commissioners. Mike Sheehan, for Liberty Utilities (Granite State Electric) Corp.

CHAIRMAN GOLDNER: Very good. And the Office of the Consumer Advocate?

MR. KREIS: Good morning. I'm Donald Kreis, the Consumer Advocate. With me today is our Director of Economics and Finance, Marc Vatter.

CHAIRMAN GOLDNER: Very good. And the New Hampshire Department of Energy?

MS. LADWIG: Yes. Good morning, Mr. Chairman and Commissioners. My name is Alexandra Ladwig. I'm joined by Co-Counsel Paul Dexter. And, then, also with us today are Elizabeth Nixon, who is the Electric Director with the apartment -- with the Department; and Jacqueline Trottier, who is a Utility Analyst.

CHAIRMAN GOLDNER: All right. Very good.

Okay. For starters, we note that the witness -- Joint Witness and Exhibit List filed by the Company on January 25th, as in recent times past, there's no explanation as to whether the Office of the Consumer Advocate has signed on to the Witness List, nor is there a firm attestation that the Department of Energy has signed on.

With apologies for not having been more forceful in times past regarding this issue, I'd like to affirmatively urge the Company to add such attestations to its witness and exhibit list filings in the future, to avoid any time wasted associated with having to inquire about such matters in the hearing room.

Furthermore, the proposed witnesses, Culbertson, Yusuf, and Bonner, of Liberty, and Nixon and Trottier, of the DOE, are lumped together in a single list. It's our expectation, and I see that it is, there would be two witness panels, one for the Company and one for the DOE today. So, it looks like that's already been taken care of.

The plan for today is to give each party -- for each party to make brief opening statements on the record. During which, we'll ask for any objections regarding the proposed exhibits, positions regarding the Commission's proposed order of witnesses, or the need for the Commission to draw attention to any other procedural matters might also be raised.

Finally, we note the late filing of proposed Hearing Exhibit 4 by the Department of Energy, the Final Audit Report, on January 25th. It's our intent to issue a Bench ruling today granting leave for the filing of this exhibit. During your opening statements, please address whether you have any objections to Exhibit 4.

Okay. We'll now take opening statements, starting with the Department of Energy.

MS. LADWIG: Yes. Good morning. So, first of all, just addressing the preliminary procedural and exhibit issues.

As far as Exhibit 4, we filed it because we -- the Audit Report was issued after the deadline to file exhibits, and we thought it was important, and would aid the Commissioners in review and deciding on the Company's request in this case.

As for Exhibit 5, we don't have any

objection to the exhibit itself. However, we would note that, due to the time of its filing, and the time that the Department received the exhibit, the Department hasn't had a chance to thoroughly review the exhibit. Based on a cursory review, it appears that there is some information that is being presented for the first time, or that the Department is being made aware of for the first time. And, so, because of that, again, we don't object to the admission of the exhibit itself, because it is relevant.

However, we would ask that the Commission not make a decision on Liberty's request until we've had a chance to thoroughly review the exhibit, unless the Commission does decide to make a decision on the Company's request just based on the record as presented today. So, that would be what the Department would note as far as Exhibit 5.

Moving on from that, otherwise, the Department has reviewed the filings presented by Liberty. We went through pretty extensive rounds of discovery, including a technical session, and had discussions with the Company regarding their filing.

We have major concerns with the filing, as noted in the Department's technical statement, which is presented as "Exhibit 3" and "4". The reasons presented in the filing, mostly the two major concerns being unreliability in the Company's numbers presented, based on their conversion to SAP, as well as just the fact that we don't believe the Company should be charging the RDAF in rates now, because it was not approved as temporary rates as ordered by the Commission on July 1st, 2023. So, those are the major concerns that we'll dive a little bit more into today.

And, so, ultimately, we're recommending against the Commission approving the Company's RDAF request as presented in their filing.

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

MR. KREIS: Thank you, Mr. Chairman. And good morning again. Let me also start with all of the housekeeping issues that you very thoughtfully raised a moment ago.

I would say, first of all, let me

possibly apologize to the Commission, in that it might be the fault of the Consumer Advocate, more than the fault of this or any other utility, that you don't always hear from us about witness and exhibit lists. Let me just assure the Commission that, if we had any issues about the record as we think it's developing in a case, we would clamor audibly enough so that you would know we had concerns.

That said, we will do a better job of making sure that, when we receive draft exhibit lists, usually from utilities, given the way the Commission proceedings work, we will tell the utility that it should indicate to you that we concur with the list.

My position on the exhibits, and their admissibility, I guess is similar to the Department's. But I want to be candid with the Commission and say that this proceeding is part of a whole pile of RDAF proceedings for this, and other utilities, and various other reconciliation proceedings, that I don't have the bandwidth to birddog with the -- sorry about the mixed metaphors -- I don't have the bandwidth to birddog with the intensity and thoroughness that my friends at the Department of Energy do. I'm very impressed with the depth of their work here.

And I get worried when I hear them say something like "Well, we can't object to the admission of Exhibit 5, because it's relevant", and that's certainly true, "but we haven't had time to review it." And, so, I guess the Department asked you to hold off on making a decision until they had time to review it.

I guess that's okay, if that's the way everybody wants to proceed. But, you know, this process should be more orderly than that. I mean, the idea here is that everybody knows what's going to go into the record beforehand. Everybody has had a chance to think about the exhibits, and prepare whatever they want to say about them, or cross-examine about them at hearing. The hearing happens, everybody listens to the evidence. And the three of you learned gentlemen go back into your offices and write up a really awesome decision that's bulletproof on appeal. That's how this is supposed to work.

So, when the hearing becomes more of an

interim step, that's worrisome from a due process perspective, or maybe, more generically, just an orderly and process perspective. And, for me, a lot of this is subsumed in, just to continue to beat a dead horse and add another metaphor, into the greater problem of the fact that we're all operating under a set of procedural rules that predate the creation of the Department of Energy and the pandemic. The pandemic itself led to a lot of changes in the way the Commission operates, quite reasonably.

So, I have recently downloaded and converted the PUC 100 and 200 rules into a Word document. And I've done that, because I am at the point where I am going to sit down and really think about what changes I would like to see in the procedural rules. I have no idea where the Commission is with that process. But I guess my willingness to just sort of sit around and wait for other people to act has basically run its course. And, so, now I'm really going to dig into that particular problem, and I'm going to address, hopefully, all of these various issues that come along that result in the Commission's process not working very well.

On the merits, going into the hearing, having reviewed the -- all five of the exhibits, my views of this are the same as the Department's, but slightly more emphatic. The Department recommends that you not approve the Company's request. I think that is, in fact, what you must do, given your obligation to balance the interests of ratepayers against the shareholders, and approve rates that are just and reasonable.

I think the analysis that's contained in the Department's Exhibit 3 is extremely compelling, and really compels you to not only adopt the Department's recommendation, but to tell this Company that, really, this has to change. Again, you know, this is a theme that we're hearing and seeing in other dockets, and it certainly applies here. And I say that, as I've noted before, as the person who is as responsible as anybody in this state for our utilities moving into revenue decoupling. It wasn't supposed to work this way, and it shouldn't work this way, and it cannot work this way in the future.

That's a pretty outspoken little bit of rhetoric for an opening statement. So, I guess I'll stop now.

CHAIRMAN GOLDNER: So, let me come back, and I'll come to the Department on this as well, before we turn to Liberty.

Is the -- would the Department and the OCA like to break here, have an opportunity to spend some time, maybe a technical session this afternoon talking about Exhibit 5, come back together in a few weeks to have the hearing? Would that be your preference?

I don't think the Commissioners, I'll speak on behalf of everyone, would want to sit through a full day of hearings, only to be continued to have further review of documents. We would be more interested, to the OCA's point, of having a hearing where we can be decisive.

So, I'll first get the comment from the Consumer Advocate, and then the Department, as the recommendation would be to break, allow the parties to sit together, even this afternoon, since everyone is here, and then just reschedule the hearing out a few weeks?

MR. SHEEHAN: Mr. Chairman, I may be able to shortcut this conversation.

Exhibit 5 simply updates estimates to actuals. It has no impact on the proposed rate. It was simply trying to be more specific. And, if it would be helpful, to avoid this problem, I could simply withdraw Exhibit 5, and rely on the September filing.

Again, we're above the cap. So, none of this changes the proposed rate. We'd be willing to do that, simply to avoid the process you just laid out.

CHAIRMAN GOLDNER: Okay. Thank you, Attorney Sheehan.

I'll let the Consumer Advocate and the Department to respond.

MR. KREIS: I'm very curious to hear what the Department has to say.

I personally think that it's probably okay to go forward with today's hearing, as scheduled.

CHAIRMAN GOLDNER: Okay. The Department?

MS. LADWIG: Yes. So, the Department's

reason for asking or proposing the thing we did was because our ultimate position is recommending that the Commission deny the Company's request. That's not going to change with Exhibit 5.

And, so, we had asked the Commission, we believe the Commission could make a decision based on the record at hearing today. But, if they decide not to, then we would ask that we essentially have more time to be able to review Exhibit 5. And, so, that was the reason for our ask.

CHAIRMAN GOLDNER: Okay. Before I turn to the Company, Attorney Kreis, anything to add to that?

MR. KREIS: No.

CHAIRMAN GOLDNER: Okay. All right. Attorney Sheehan.

MR. SHEEHAN: Sure.

On exhibits, to let the Commission know, I received a message about being more clear on the fact of who we talked to or no. So you know, the practice is emails of all three parties, exchanging drafts, making changes, and then it gets filed. And Mr. Kreis is correct, sometimes he pipes up, sometimes he doesn't. I totally get why, he's spread rather thin. And we usually treat his silence as "okay", and thus we file it as a "joint witness list". But, to your point, we will confirm that in the future, to say "all parties have signed on."

For today, the position of the Company is, first, the tariff has a very specific formula on how to calculate the RDAF. And, remember, the RDAF is not distribution rates, it is reconciling what we recover or didn't over the course of a year. It is another reconciling charge, just like cost of gas, just like transmission costs, or whatever. We applied the formula properly, and it resulted in an overage of X dollars that we were under-recovered.

Second, the Granite State mechanism has this cap. If the amount we are owed is over the cap, we only collect up to that cap, and the balance is deferred. The witnesses will testify that we are sufficiently above the cap, that any concerns raised by DOE would not change the proposed rate, because the proposed rate is based or the 3 percent cap, and not the extra dollars.

And, so, any changes that would happen in the future would change the deferral amount, and could be reconciled next time around, it changes from X dollars to X dollars, plus whatever the change is.

So, that's the Company's core position, is that the rate was properly calculated according to the tariff.

DOE does raise some issues that we'll be talking about today. The first, not in any particular order, is the delayed bills. Did they have an impact on the calculation? And the answer is "yes". And, simply put, the way it affects the calculation follows: If we're supposed to bill a customer in December, we compare -- we apply the RPC to the billed amount that month. Each month, the RPC changes. So, if that bill is delayed until a later month, it is compared to the later month's RPC. And, so, you end up with a small change. So, if, in December, the RPC is $10, and the customer is $9, we have a one dollar delta. But, if that bill is delayed until January, and the RPC is now 11, not the delta is two dollars. So, there is a difference, and we acknowledge that.

Again, Mr. Bonner has started the calculation of how can -- can we figure out exactly what that impact was? The answer is we can't figure out exactly, but we can come pretty close. And Mr. Bonner is in the middle of it, and he'll be able to say today that the change that will result from that calculation does not bring us below the cap, not even close. So, we remain above the cap even with that question out there. So, again, the rate we're proposing is the same.

The second issue raised is that somehow the temporary rate order invalidates all of RDAF and the decoupling mechanism, which is simply incorrect. The temporary rate order only adjusted distribution rates. The RDAF, again, was a reconciling number that was sitting out there from last year. So, last year, you approved an RDAF, because we under-recovered the year before. That adder was on the rates. Nothing else -- none of the other reconciling numbers changed through the temporary rate process, because the temporary rates only changed distribution rates. And, so, the RDAF didn't change, the property tax mechanism didn't change, all the others.

And, so, the fact that there was a zero in the temporary rate schedules for RDAF was simply a placeholder to say the focus here is distribution rates, not RDAF.

If you look at a letter from Ms. Ralston filed in the rate case, dated August 16th, 2023, it lays out the issue precisely, because it was raised in the rate case as well, that somehow not including RDAF in the temporary rate hearing, was our acknowledgement that RDAF goes away, which was simply not the case.

The other issue, there was a -- the DOE raised an issue over the allocation of the -- I'm going to get this not quite right, but the allocation of the over or the under among the rate classes is a little odd, for lack of a better word. The witnesses will say "This is exactly what the tariff provides for." We acknowledge there may be a better way to do it, but that's a change in the mechanism. That is not part of a reconciliation hearing. It's something that should be addressed in a rate case, where we should, if there's a better way to do it, we'll sort it out there. But, again, we applied the tariff properly as part of that allocation.

So, the Company's position is, at bottom, the amount of the under-recovery is well over the cap. The proposed rate in September still holds, that it should be the proposed rate today. And that's what we're asking the Commission to approve.

CHAIRMAN GOLDNER: Okay. Thank you, Attorney Sheehan.

I'll thank the parties, in particular, the OCA, for attending to these administrative issues that were brought up earlier. We do acknowledge that the update to the 200 rules are long overdue. And we, of course, welcome input on the 200 rules. And I'll just mention that the Commission is actively working on the 200 rules, and we hope to move forward on that very shortly.

Okay. If there are no other issues, we'll grant the motion for the late filing of

Hearing Exhibit 4 by the Department of Energy, as just and reasonable and in the public interest.

And I see that the Liberty witnesses are on the stand. Mr. Patnaude, would you please swear in the witnesses.

(Whereupon ***TYLER J. CULBERTSON, ADAM R. YUSUF,*** *and* ***JAMES J. BONNER, JR.,*** *were duly sworn by the Court Reporter.)*

CHAIRMAN GOLDNER: Thank you. We'll now move to Liberty direct, and Attorney Sheehan.

MR. SHEEHAN: Thank you.

TYLER J. CULBERTSON, SWORN

ADAM R. YUSUF, SWORN

JAMES J. BONNER, JR., SWORN

DIRECT EXAMINATION

BY MR. SHEEHAN:

Q Mr. Culbertson, could you please introduce yourself, and your position with Liberty?

A (Culbertson) My name is Tyler Culbertson. I'm Director of Rates and Regulatory Affairs for Liberty Utilities. And, in that capacity, I perform the -- or, oversee the rates and compliance issues for New Hampshire, including Granite State Electric.

Q Mr. Culbertson, your name appears on both Exhibit 1 and Exhibit 5. Exhibit 1 is the September testimony that started this docket; Exhibit 5 is a technical statement filed last week. Is that correct?

A (Culbertson) Yes.

Q Do you have any changes or corrections you want to make to either of those documents this morning?

A (Culbertson) No.

Q And do adopt them as your testimony today?

A (Culbertson) I do.

Q Thank you. Mr. Yusuf, same questions. Please introduce yourself, your position?

A (Yusuf) I'm Adam Yusuf. I'm an Analyst for Liberty Utilities.

Q And, Mr. Yusuf, did you -- your name also appears on Exhibits 1 and 5. Did you participate in the preparation of those two documents?

A (Yusuf) I did.

Q And do you have any corrections or changes you'd like to bring to the Commission's attention this morning?

A (Yusuf) No, sir.

Q And do you adopt them as your testimony today?
A (Yusuf) I do.
Q Thank you. And, Mr. Bonner, please introduce yourself?
A (Bonner) Yes. My name is James J. Bonner, Junior. I'm a Senior Financial Regulatory Analyst for Liberty Utilities Service Corporation -- Company.
Q And, Mr. Bonner, you did not file testimony or a technical statement. But it is the Company's intent to have you help out with some of the issues that DOE raised in their technical statement here this morning, is that correct?
A (Bonner) That is correct.
Q Thank you. Turning back to you, Mr. Culbertson, I gave an overview of the mechanism in my opening, and I'll just have you confirm it, because I'm not a witness, and you are.
If you could tell us, again, at a very basic level, the purpose of the Granite State decoupling mechanism is to do what?
A (Culbertson) The purpose is to allow the Company to either collect or refund the difference between the approved revenue per customer and the

actual revenue per customer.

Q And this RDAF is an annual hearing to look at that over or under of the approved and allowed -- approved and actual revenues, is that correct?

A (Culbertson) Yes.

Q And this is Year 2 for Granite State, is that correct?

A (Culbertson) That is correct.

Q And please explain to us how the cap works on the Granite State mechanism, which does not exist in the EnergyNorth mechanism?

A (Culbertson) Yes. Granite State's cap, they have a 3 percent cap on the revenue for the year that allows the Company only to adjust by that given amount.

Q So, if the Company's revenue is $100, the adjustment for RDAF can only be $3.00 or less?

A (Culbertson) Yes.

Q And, if, in this case, the under-recovery is $5.00, only $3.00 goes into rates, and those $2.00 are deferred till another day?

A (Culbertson) Yes.

Q Okay. And this may be for you, Mr. Yusuf. And the calculation for this, in the September

filing -- let me back up. The September filing had a calculation. And if you could tell me what the purpose of that Exhibit 5, the technical statement, was? Why did we file that?
A (Yusuf) We updated the estimates to actuals on the collections amongst all the rate classes.
Q The filing, of course, projects how much we're going to sell and how much we're going to collect, and, by now, we have some actual numbers that were estimates back in September?
A (Yusuf) Correct. I believe, yes, from the original filing, we had August through December as estimates; whereas, in Exhibit 5, they're now actuals.
Q Okay. And what impact did Exhibit 5, your update, have on the amount of the -- what I'll call the "under-recovery"? Did it go up? Did it go down?
A (Yusuf) Sorry, my mouse is giving me issues.
Q While Mr. Yusuf is looking for that, Mr. Culbertson, did our request for a rate -- let me rephrase that. Is the rate that we're requesting for RDAF different as a result of Exhibit 5, or is it the same as what we proposed in the fall?

A (Culbertson) In comparison to which filing?
Q The fall filing, September, Exhibit 1, to Exhibit 5, the update.
A (Culbertson) The current -- the most recent filing is slightly higher.
Q And where would we find the number that we're proposing in Exhibit 5?
A (Culbertson) Bates Page 003 has a summary comparison, which shows the rates for the current RDAF, as well as the proposed, and the comparison of the December filing.
Q So, walk us through that table. It's "Table 2" you're talking about, right?
A (Culbertson) Yes. Table 2 is the comparison of what was filed as part of a data request. So, through the discovery process, we had identified a few issues with how the data was pulled out of SAP, and pivoted. And, so, several of those corrections were made in the December filing.
Q And, by "December filing", you mean what? Because what we have now is an August -- or, September filing, Exhibit 1, and a tech statement filed last week, Exhibit 5. What are you referring to as far as a "December filing", is

that the tech statement?

A (Culbertson) No. The tech statement is the most current filing as of January.

Q Okay. So, that "December filing" is the data response you're referring to?

A (Culbertson) Yes.

Q Okay. Where the Company updated numbers in the course of discovery?

A (Culbertson) Yes.

Q Okay. It wasn't actually a filing, it was a "discovery filing", if you will?

A (Culbertson) That is correct.

Q Okay. So, again, use Rate D, on Table 2, just tell us what that table is showing us?

A (Culbertson) That is the comparison filing or the comparison of the data response, which the DOE had, and they had submitted as part of their tech statement, to the filing we made in our tech statement and the RDAF calculation.

Q Okay. So that, for Rate D, the December update, the discovery one, is a rate of "0.00247". The proposed rate of, the next column, "0.00259", comes from what?

A (Culbertson) That is our most recent filing we

made as part --
Q And that --
A (Culbertson) -- with the tech statement.
Q Okay. And we're looking at the tech statement now?
A (Culbertson) Yes. And that is what we proposed.
Q Okay. So, the update done most recently, as Mr. Yusuf described, from estimates to actuals, changed it from "0.00247" to "0.00259", is that right?
A (Culbertson) Yes.
Q Okay. And there is an RDAF rate in place today, is that right?
A (Culbertson) That is correct.
Q And that's the rate the Commission approved in the first reconciliation?
A (Culbertson) Yes. And that is shown in Table 3.
Q And that rate has continued beyond its initial twelve months, because this hearing has been delayed, is that correct?
A (Culbertson) That's correct.
Q And the collection of that rate continues, and it's figured into this reconciliation we have before us in Exhibit 5?

A (Culbertson) Yes.
Q So, going back to the core question of the rate that the Company is proposing today, it is the proposed -- it is the middle column in Table 2, "Proposed Rate Effective March 1", is that right?
A (Culbertson) Yes.
Q And that rate is based on the maximum we could collect at the 3 percent cap, is that correct?
A (Yusuf) Correct.
Q Okay. How much -- do we have the number of what's being deferred this year, the dollars above the cap? Where can we find that?
A (Yusuf) It would be on the top of Bates Page 014 on Exhibit 5.
Q And that dollar amount is what?
A (Yusuf) Deferred amount would be the 2. -- yes, $2.547084 ($2,547,084).
Q And that's --
A (Culbertson) It's the 1.3 million.
Q Please point us to the number?
A (Yusuf) Line 155, on Bates Page 014.
A (Culbertson) 1.38 million.
Q Okay. And that's for Year 2?
A (Culbertson) That's correct.

Q And is Year 1 on this sheet at all?
A (Culbertson) The prior year's deferral balance?
Q Yes.
A (Culbertson) The piece that we were not able to collect, yes.
Q And where is that?
A (Culbertson) That is in Column B, Line 155, the 456,000.
Q Okay. Mr. Culbertson, the parties highlighted some of the issues that DOE raised in its technical statement. I'd like to have you folks address them.
First, and, Mr. Bonner, you'll chime in here, too, an issue of the allocation of the RDAF. Mr. Culbertson, if you could walk through what that issue is that the DOE raised?
A (Culbertson) So, the allowed adjustment that I had just pointed to, the 1.38, is a combination of all rate classes, and the revenue decoupling from all rate classes bucket goes into a single bucket, and that's the 1.38 million. That amount then gets allocated to each of the individual rate classes, based on the normalized test year revenues from the prior rate case.

And I believe the discrepancy that the DOE is highlighting is that, although residential customers maybe contributed 30 percent of the current period RDAF, the 30 percent is not actual, just illustrative, the amount of the current RDAF that is actually being allocated to the residential customers is 48.69 percent.

So, in that example, they would be receiving a greater amount of the adjustment than they had actually contributed during the current period.

Q And is that a function of using the rate case numbers, rather than more current numbers?

A (Culbertson) Yes.

Q I mean, the prior rate case numbers?

A (Culbertson) Yes.

Q And is there a way to fix that, if you will?

A (Culbertson) Yes. I think there are several methods we could use to allocate that in a different way. One way being, we could directly assign the amount of revenue decoupling from the current period to that specific rate class.

Q However, the tariff, as it's written, provides for what we did, is that correct?

A (Culbertson) Yes.

Q And to change that would, at least the Company's position, that's not an issue today, is that correct?

A (Culbertson) That's correct.

Q The second issue the DOE raised was the impact of delayed bills on this RDAF calculation. And I think, Mr. Bonner, if you could give us the high-level description of what the -- articulate that issue that DOE raised?

A (Bonner) Okay. With respect to how the delayed bills affect the calculation?

Q Correct.

A (Bonner) You gave an excellent summary of it in your opening remarks. It affects the allowed revenue side of the calculation, not the actual. Because, if the bill is delayed, the number of equivalent bills is counted in the month in which the bills are recorded, and the RPC for that calendar month is used in the calculation. In contrast to what would have happened had the bill not been delayed, it would have occurred in the month in which the bill would have ordinarily been posted.

An example would be, if a bill was normally read in the month of October, the bill would only have posted in that same month, and you would have used October's RPC in the calculation. If that bill was delayed to November, then what would happen is November's RPC would be used against the equivalent bills for that bill, even though the actual usage relates to the October time period.

Q And, again, the billed amount is the same in both months. It's the RPC that has changed from one month to the next?

A (Bonner) Correct.

Q And I think there was an example used in discovery, one particular customer who had five bills stacked up, and they were finally posted some months later, to illustrate what happens when you have a delayed bill, correct?

A (Bonner) Yes. It's a very good illustration. It's included in Exhibit 3, at Bates Page 114.

Q Okay. And, if you could just walk through, I think it's the same thing you just said, how that particular customer's five bills, what the math was to get to an RPC number -- or, an RDAF number

for that particular customer --
A (Bonner) Sure.
Q -- that we included in this filing?
A (Bonner) Yes. So, if we go to Exhibit 3, and to Page 114.
Q The page again?
A (Bonner) Bates Page 114.

CMSR. SIMPSON: So, I only have to Bates Page 078.

MR. SHEEHAN: Me, too.

WITNESS BONNER: Mine has a "114". Okay. Let me try a different reference. Maybe I've got the numbers wrong, and I'm thinking of something different.

CMSR. SIMPSON: No problem. Take your time.

BY MR. SHEEHAN:
Q So, when you say "Exhibit 3", what document are you referring to?
A (Bonner) Oh. Exhibit 3, which would be in this proceeding.
Q Yes.
A (Bonner) So, it's the technical statement, and it's in the attachments. Apologize if I misspoke

about it.

CMSR. SIMPSON: The Department's technical statement?

WITNESS BONNER: The Department's technical statement.

CMSR. SIMPSON: Okay.

BY MR. SHEEHAN:

Q For some reason, Mr. Bonner, the version filed of Exhibit 3 goes to Page 78.

A (Bonner) Yes.

Q So, do you have a --

A (Bonner) And, so, I am obviously looking at something different. Let me just take a moment. It is actually the response to TS 1-7, that's what I'm looking for.

MS. LADWIG: I think it's -- would it be Bates 009, Exhibit 13 -- or, Exhibit 3?

WITNESS BONNER: Bates 009? So, again, Exhibit 3.

CMSR. SIMPSON: That looks like what I have as well.

WITNESS BONNER: Yes.

CMSR. SIMPSON: "DOE TS 1-7", response date of "December 22nd, 2023".

WITNESS BONNER: Yes. Right. Nine, right. And, actually, the page that I wanted to turn to is Page 11. I'm sorry for the misreference.

BY MR. SHEEHAN:

Q So, we're looking now at Exhibit 3, the table on Bates 011?

A (Bonner) Right.

Q Please walk us through.

A (Bonner) And that's the customer in question. So, this is a Rate G-1 customer. A Rate G-1 customer -- Rate G-1 was one of the rate classes that was most severely affected by delayed billing. And, so, I wanted to find an illustration for this particular effect. And I wanted to select a customer that had a particularly, you know, egregious or very delayed billing. So, I'm going to try and explain the framework for the -- for the tables.

The information in blue is the information as it was rendered by the Company's billing system. So, at the very first column, where it says "Revenue Year Month", "RevYrMo", is the posting month for a particular series of bills.

And, then, the orange-colored columns are going to be recalculations and extensions based on a different pattern. So, the very first column is the actual customer's billing period for a particular bill that was rendered. And this particular illustration picks up two of the major effects that occurred during delayed billing. The first one is the fact that the bill were delayed, and the second one is they often made a mistake when they tried to render the bill the first time, and had to cancel and then rebill, which also resulted in a further delay.

So, the very first attempt for this customer to bill for is really what turned out to be his October, November, December, and January bills took place in January of 2023. And that very first block, you see all those bills, and you'll also see that they didn't amount to any kind of money. And the reason is, is they had initially rendered a bill, but, before they issued it, they also canceled it very shortly thereafter. So, the net result is zero.

Nothing happened in February of 2023.

But, in March, another attempt was made to bill this customer for those four particular months, plus the month now of January. And, so, they did, and they issued five bills all at the same time, and these were sent to the customer. And those five bills are listed by their document number and their amounts, and was an aggregate sum of "$18,632.43".

In the month of April, so, we're now caught up to the month of January, we're still behind, because we haven't done February yet. They were able to get out both February and March, his bill, and hence our April's bill -- let me step back. The March and April bills, and produced a consolidated bill that now is two months' worth, which was $6,900, "$6,944.17".

Beginning with May and June, and this analysis can be extended all the way down through the month of November, they were on time every month after that. I confined the analysis only to the decoupling year, so that I didn't confuse the issue.

Beginning with the column -- the block that's entitled "Normal" is my -- my re-estimation of what would have ordinarily happened had SAP not been -- had we not done the system conversion, it's not SAP. It's really the system conversion that, generally, is the issue.

And, so, the bills, I was able, from the billing periods for the customer, plus the fact, and it's not shown here, but it is in the underlying data, I know what the customer's new billing cycle is, this is a Cycle 2 customer, which is near the top of the month. So, they tend to be billed, and the meter readings often will be in the prior month, but their actual bills will actually be rendered in the month following. So, I was able to place what the bills would have been, that's how it came back with the 20, 10, 11 -- sorry, the October, November, December, January, February, March, April, May, and June bills.

I then know, from the table, what the RPCs are for each of those months. The top block really doesn't matter, because zero is still zero on both sides. But, now, I'm able to calculate the normal allowed revenue, by taking the RPC times the equivalent bill number, and you'll end up with the allowed revenue for this particular amount, say, beginning with the March bill of "$6,359.67".

The actual RPC, because there's only one bill involved, is, of course, the bill amount. And the actual revenue would be the same thing, the RPC times the number of equivalent bills, which is exactly the same number.

And, then, at the bottom, what I did is I summarized both the -- added up the actual revenues, and I added up the now allowed revenue that would have been the normal pattern. And I find there's approximately about a -- well, we'll get to that in a moment. There's about a $700 difference between the two.

The block marked "As Filed" is or as -- the "As Filed" refers to our filing, but "As Rendered" might be -- is a more appropriate way of putting it, is how the numbers would look like in the RPC calculation. When you get to the aggregate bill, everything is lumped together. So, that 18 -- so, the amount that, with the RPC, was going to be used for the allowed revenue that generates the "30,149.92", is the March RPC price of $6,000, "$6,029.98". And that will give you a larger -- will give you the aggregate RPC.

The actual RPC, you know, simply takes that total amount for the actual bills and divides by the number of equivalent bills to generate the RPC for that, so that is now really a composite average of the previous five months, which, when multiplied back out, will give you identically the same thing as the actual revenue.

So, what happens in the calculation is the actual revenue is not affected by the delay, provided all the bills have been captured in the period, and they were. But it's the allowed revenue that has a slightly different value, due to the difference in the RPC actually being used in the calculation between, as the filing captures it, and as what would have normally occurred, absent the conversion.

The decoupling adjustment is nothing more than a subtraction, the same difference that's between the allowed revenue shows up in the decoupling amount.

Q So, Mr. Bonner, the conclusion of this, as I understand it, is the orange, the left orange

block, you have the allowed revenue at the bottom of 55,700, and you have the actual revenue of 33,300, correct?
A (Bonner) Yes.
Q And your calculation of trying to recreate what would have happened if the bills were on time, you have the same actual revenue of 33,300, but the allowed revenue has changed by about $700, down to 55,000 even, is that correct?
A (Bonner) Yes.
Q And, so, that would have caused a corresponding $700 change in the over or under that would be part of the reconciliation?
A (Bonner) Yes.
Q Okay. As I said in the opening, you have started to try to do this analysis for all the unbilled -- or, "delayed bills", I should say, that were involved in this particular decoupling year, is that correct?
A (Bonner) Yes.
Q Have you finished that process?
A (Bonner) No, not yet. It's a bit more of a challenge. This is a single customer. There's 45,000 customers. Each have to be gone through

to determine which ones had the delayed bills, and then also you have to do the calculation in a more -- in a manner that's more conducive to a computer analysis.
Q Rather than line-by-line?
A (Bonner) Rather than doing it manually, customer-by-customer. So, you're trying to do things in a compositive fashion, so that you can do them all at once and produce an answer.
Q Have you gone far enough to have comfort with the order of magnitude that the total amount of under-recovery has -- would change? That's a terrible question, but --
A (Bonner) Yes. If I understand correctly, you're asking me whether or not do I have a sense about how big the adjustment might be, in terms of --
Q Right.
A (Bonner) -- what our recoveries would have been, as filed, compared to what the new number might be? And the answer is "yes".
Q And would it change -- would it get the under-recovery beneath the cap?
A (Bonner) No, it would not.

Q From what you can tell, is it close?
A (Bonner) No. Actually, the difference is actually fairly substantial.
Q And, I mean, why don't you put it out there, I guess?
A (Bonner) Sure.
Q Give your best guess, as you sit here today?
A (Bonner) Well, and currently in progress, so, the number is, of course, subject to final determination. But, right now, it looks to be -- the difference to be approximately $750,000.
So, right now, the Company's total amount of recovery was approximately about three and a half million, this would drop it by $750,000 or so.
Q And let's assume you confirm that number next week, or maybe next month, after an order comes out in this docket. It's your understanding that would simply reduce the deferred amount that would be addressed whenever we address the deferred amount, is that fair?
A (Bonner) That's correct.
Q And, if there's a year where we over-recover the deferred amount, we would now have to correct the

deferred amount to apply that over-recovery to?
A (Bonner) Yes.
Q Okay. And, again, assuming your number, your estimate as of today stands, it would not affect the under-recovery that faces -- that is -- let me strike that. It doesn't affect the capped amount that is before the Commission today?
A (Bonner) That's correct. It doesn't affect the proposed RDAF dollar per kilowatt-hour rates.
Q And the Commission is well aware, as we are, that there were issues with the conversion, and we are talking about them in other dockets. You've discussed the impact of the conversion on this delayed billing issue.

There are other numbers in this analysis that you rely on, the billed amounts, *et cetera*. Are you comfortable that the issues related to the conversion don't otherwise undermine what you just laid out in this docket that we're looking at?
A (Bonner) Yes. That's correct.
Q And, just to finish that thought, the Commission heard last week a lot about numbers getting put into the right FERC accounts or not. Does that

process occur at all here in this analysis that you've --

A (Bonner) No. The FERC accounting issues that were discussed in the context of the rate case did not affect the basic revenue streams.

Q You're looking at numbers before they get into FERC accounts, is that fair?

A (Bonner) Yes, that's true. In fact, I'm looking at the numbers that get into the natural accounts, which is the native accounting system inside SAP.

Q The third issue -- thank you, Mr. Bonner. I'll turn back to you, Mr. Culbertson. Concerning the impact of the temporary rate filing and order on this proceeding, I've referenced a letter by counsel filed in the rate case that explains what happened. Are you familiar with that letter?

A (Culbertson) Yes, I am.

Q And you agree with what was stated in that letter by Ms. Ralston?

A (Culbertson) Yes.

Q Could you just give us a high-level statement of why you think the -- what happened in the temporary rate proceeding should not impact today's hearing?

A (Culbertson) Yes. In its most basic form, the temporary rate hearing and discussion was 100 percent related to the distribution rates. And the RDAF being presented as zero had no intention of impacting the temporary rates or being proposed as a zero rate.

I believe that, if we were intending to remove RDAF in the collection process of RDAF, we would have also been required to amend the tariff and the language, which describes the collection and calculation.

Q As of the time of the temporary rate hearing, the Commission had recently approved, or sometime before, had approved the collection for the Year 1 RDAF, is that correct?

A (Culbertson) Yes.

Q And, so, in that order, the Commission said, and it was also capped by the 3 percent in Year 1, is that right?

A (Culbertson) Yes.

Q So, whatever the number was, the Commission said "You're entitled to recover X dollars", which is the 3 percent cap for Year 1. That was ongoing, and intended to continue for the whole year of that first year reconciliation, is that correct?

A (Culbertson) That is correct.

MR. SHEEHAN: I have no further questions. Thank you.

CHAIRMAN GOLDNER: Okay. Thank you. We'll move to DOE cross.

MS. LADWIG: Commissioners, if we could just ask for a ten-minute break? I just want to consult other people on our team, based on what happened on direct, if that's okay?

CHAIRMAN GOLDNER: Very good. Let's return at 10:15. Off the record.

(Recess taken at 10:00 a.m., and the hearing reconvened at 10:22 a.m.)

CHAIRMAN GOLDNER: Okay. We'll resume with DOE cross.

MS. LADWIG: Thank you.

So, I want to start with clearing up a couple of the questions that came up on direct.

CROSS-EXAMINATION

BY MS. LADWIG:

Q The first thing is talking about Exhibit 5, there was a discussion of whether the ultimate rates changed from the original ask back in September. So, I just want to confirm that the rates shown in Exhibit 5 are different from the rates shown in the Company's September filing?

A (Culbertson) Yes, that's correct. We do not have the September filing rates in Exhibit 5.

Q Okay. So, Exhibit 5 reflects what the Company is actually asking for today, in terms of decoupling rates?

A (Culbertson) Yes. In comparison to what we have listed there as the December filing, that is what we had provided to the DOE as part of the data request process.

Q Okay. Thank you. The next thing that Mr. Bonner talked about was calculating how SAP and the equivalent bills kind of -- I guess I'll put it, the bills being billed in different months than they otherwise might have been, kind of calculating how that might affect the decoupling under-recovery or the ask. You said that, even though you haven't finished the calculation, you can estimate at this point it might be about 750,000 less than the ask in this filing.

I want to, so, as far as that number,

if it does end up being close to what you estimated, the under-recovery being perhaps around 750,000 less than what's stated in the filing, even if that doesn't affect the cap, would that -- would the deferral balance still be collecting interest?

A (Bonner) Yes, it would affect the deferral balance, and it would affect the interest calculation.

Q Okay. So, I want to go then to Exhibit 5, Bates 017, it's the last page of Exhibit 5. So, there's a table there, and that shows the Deferred Balance Interest Calculation. So, if the decoupling ask were to be approved based on what the Company has requested as of today, the amount over the cap would go into that deferred balance, and it would start collecting interest?

A (Culbertson) That's correct.

Q Okay.

A (Culbertson) And we would account for that piece within the updated filings, or in the next filing. We would make sure that we are not collecting interest on an amount that we should not be.

Q Okay. And, when you say "next filing", what does that mean?

A (Culbertson) This is an annual filing.

Q Okay. So, next year's filing you reconcile whatever the difference ended up being?

A (Culbertson) No. We would change the amount shown. So, currently, the 3.47 million shown on Bates Page 017, would be revised to reflect the lower amount.

Q Okay. And, right now, in Line 17 of that table, Column (b), it shows a 3.4 million deferred balance that went in in November 2023. So, is that the Company's -- that reflects the number from the Company's original filing, the under-recovery, including, I guess, the entire under-recovery?

A (Culbertson) Yes. That is the amount of the most recent filing, not --

Q The "most recent filing" being the tech statement in Exhibit 5 or the September filing?

A (Culbertson) Yes. The tech statement, the most up-to-date filing.

Q Okay. So, did that amount start collecting interest in November then?

A (Culbertson) Yes. That is the date that we have put that into the deferral calculation.

Q Okay. The next thing I wanted to ask about is going back to the response to DOE Data Request TS 1 -- sorry -- TS 1-7, and that's in Exhibit 3, and that starts on Bates 009, the table itself is on Bates 011 of Exhibit 3.

So, just a quick question on, in that blue box, the "Billing Document Numbers", in the very far left it says "Revenue Year Month", and I believe that's saying "January 2023", right?

A (Bonner) Correct.

Q And, then, there's four bills reflected that the Company attempted to bill in January 2023, is that correct?

A (Bonner) Yes.

Q Okay. Were those -- do you know if those bills were billed for the first time in January 2023, or I guess if that's the first time the Company attempted to bill those?

A (Bonner) Yes. That's the first time the Company attempted to bill those.

Q Okay. And they have different billing document numbers than the bills that were ultimately sent, because they were canceled and rebilled, is that what you said?

A (Bonner) Yes. The billing number is a serial number assigned by the system, and cannot be reused.

Q Okay. And, then, turning to -- I guess you could look at either the normal or the "as filed", the orange boxes. The numbers at the bottom, the "allowed revenue" versus the "actual revenue" totals, in either, in either box, the allowed revenue comes out to somewhere around 55,000, versus the actual revenue, which is closer to 33,000. And that seems like a pretty significant difference between what the allowed revenue is under decoupling, versus what the actual revenue came in as.

So, I was just wondering, is that something that you would expect with decoupling?

A (Bonner) Yes, in this case. So, the decoupling RPC is set on -- based on class average. This particular customer is much smaller than the class average customer for Rate G-1. So, when you work this stuff on a customer-by-customer basis, you will find a relatively large difference on a per customer level.

Q Okay. So, the difference -- I guess this can -- a difference like this can be reflected in multiple different customer bills, that isn't necessarily unique in that way?

A (Bonner) Yes. It tends to be more concentrated on a particular customer's characteristic. For example, if I had selected the Company's largest customer, which is very much larger than the average customer in Rate G-1, you would find the numbers to be all negatives. It would be making, basically, an opposite contribution to the overall decoupling adjustment, in short, contributing to lowering it. Whereas, customers that are smaller than average, the calculation will work out the other direction, because the RPC is the average for the entire class. If you get a customer close to average, it will be a lot closer.

Q Okay. I want to go next to Exhibit 3. So, staying in Exhibit 3, Bates 059. It's the data response to DOE 1-3.

A (Bonner) I'm sorry, what page was that again?

Q Bates 059.

A (Bonner) Bates 059. Thank you.
Q And the Company's response to Part (a), which is at the bottom of that page, it indicates that the source of the distribution revenue inputs, including the equivalent bill inputs for the RDAF, was from the Bills and Volumes report generated by Cogsdale though September of 2022, and then from the Revenue Reports from SAP beginning in October 2022 and to present. So, October 2022 through the rest of the decoupling year. Is that correct?
A (Bonner) Yes.
Q Okay. And, then, there's a supplemental response to Part (a), at Bates 060, that says essentially the same thing, but it also mentions that the reports were "updated" due to an omission of the Optimal Demand Revenues, and also that Cycle 19 and MV-90 estimated data were excluded from the update, because they should not have been included originally. Is that correct?
A (Bonner) Yes. That's correct.
Q Okay. And, then, by "update" there, do you mean the SAP reports?
A (Bonner) In this particular case, the Optional

Demand Revenues are related to the SAP reports. And the Cycle 19 and MV-90 data that was estimated was actually based on Cogsdale information.

Q Okay. Going from there, to Exhibit 4, which is the Final Audit Report submitted from the Department of Energy's Audit Division, I'm looking at Bates 009. So, Bates 009 of Exhibit 4, in the Audit Report, that first full paragraph, it talks about Data Response DOE 1-3, and the omission of Optimal Demand Revenues for the G-1 and G-2 rate classes for October 2022 through January 2023. Do you see that in the report?

A (Bonner) Yes.

Q Okay. And a couple of lines down the report, it says "Audit is unclear how the Cogsdale September 2022 then SAP October through January 2023 revenue reports could have been updated. Audit has relied on the integrity of the revenue reports for audits in which verification of revenue figures is a critical component. Because of the updates, the integrity is not as certain as it was once understood to

be." Do you see that part?
A (Bonner) Yes.
Q Okay. And, then, staying in that same exhibit, Bates Page 017, which is the last page of the exhibit, and that page has "Audit Issue Number 1", and then the Company's response to Audit Issue Number 1 towards the bottom, or the "Company Comment". And the Company states that "the Company identified several pivot table corrections it needed to make in the Bills and Volumes reports after the SAP conversion." Is that right?
A (Bonner) Yes.
Q Okay. So, is it accurate to say that the omissions of the Optimal Demand Revenues were a result of a failure of the SAP system to recognize and integrate those revenues into the SAP revenue reports?
A (Bonner) No. The fault was in the report itself, was an Excel spreadsheet. The data in the report was correct. It's just that the filter did not include the Optional Demand Revenue.
Q Okay. Could you then describe the problems associated with the pivot tables that are

mentioned in the Company's response, I guess, in a little bit more detail?

A (Bonner) Yes, I can, actually, because I'm actually the person that prepares them. So, you've got the right person.

Let's see, for those who have used Excel pivot tables before. Excel does things a little differently than one would normally expect in certain situations. A pivot table is a type of query of a much longer data source, arranged in columns and rows. And the underlying source data is a data extract that comes from the SAP, or, before SAP, from the Cogsdale system.

The pivot tables now allow you to select, basically, the dimensions for what you want for the table, for example, rate class or general account number, and what kind of quantity you're looking for that's in the data, equivalent bills, kilowatt-hours, or dollars, and you make your selections. And you do that by applying the -- by selecting the correct data fields, for both the measure, which is the number you're trying to measure, and the dimension, what you're trying to measure it against, such as a general ledger account or a rate class.

So, what natively comes out, of course, are everything included, everything that's in the file. So, in order to get just, say, distribution revenues, you need to exclude certain parts from the total. So, you want to take out things like energy service and stranded costs, *et cetera*, *et cetera*. But there's a lot of different components the way the systems are architected to the various things. So, you have to click a lot of different boxes.

So, distribution service in the SAP system would be the customer charge, all the various distribution charges, as well as things, the High Voltage Metering Discount, the High Voltage Discount itself, which is separate from the metering discount, Optional Demand Revenues. If you're including things like street lights in the mix, you'll need to know the luminaire charges, you'll need to know the pole charges, that sort of thing.

Each report is a template for the month following. So, when you set them up, you set the filters correctly. And, then, when you import a new data source, everything should come out automatically.

If, for whatever reason, your new data coming in is missing a value that was in the former data, the pivot table reports self-adjust. So, say, in the month of October, you had Optional Demand Revenues, and the month of November we didn't. Optional demand, it's a small provision, that affects a very limited amount of Rate G-2 and Rate G-1 customers. There's only a handful. I think there's like five or six, if I recall correctly. If they weren't billed, let's say, in November, but they were billed in October, then Excel will actually turn off the filter. It won't tell you about this. The box will be unticked. You go into the following month, and the problem doesn't occur in the month in which the missing data is placed, it occurs in the following month. You go to December, if you didn't recognize that the information was missing in the previous month, when you go to the run the December report, you update that same Excel workbook, then the Optional Demand Revenues will be still excluded.

And that's how the data propagates.

The SAP system, during its early days, was not performing in a consistent and regular manner. So, things were popping in and out. That's how the filters got incorrectly set. So, all the information was correctly entered by SAP, into the Company's master data, it's already there, the revenues are actually counted on the books. It was the report that was affected by the problem. Turning on the filters correctly instantly corrects the deficiency.

Q Okay. And, so, in the Company's comment to that response, when it says "the Company identified several pivot table corrections it needed to make in the Bills and Volumes report after the SAP conversion", that was for the reasons you described?

A (Bonner) Yes. And, in addition, I can supplement the answer, I put together a testing program, using a different set of software that doesn't suffer from that same particular problem that Microsoft Excel pivot tables do, and compare the output of that for each of the tables in the report, to be sure that I'm now picking them up each and every month when we do the closing process.

Q Okay. And is that -- is the problem with the issues you talked about that were -- those were specifically related to the Optional Demand charges?

A (Bonner) There were a couple of others. I think we were missing a pole charge somewhere along, but that didn't affect this, because the street lighting rate is excluded from the RDAF. But it's still important for other revenue reporting purposes. So, it wasn't the only element.

Q Okay. And I think the only classes that were mentioned that had issues like that were G-1 and G-2?

A (Bonner) For Optional Demand, that's correct.

Q Okay. So, just -- when, in the Company comment, when it says "the several pivot corrections it needed to make", those were only related to G-1 and G-2?

A (Bonner) For Optional Demand, it was. But we made other changes. I just gave you another one, the pole charges, which affected Rate M.

Q Okay. These next questions are probably going to go a little bit more to Mr. Culbertson and Mr. Yusuf's testimony.

I want to look at Exhibit 3, on Bates 006, which is the technical statement itself, from the Department, from Ms. Trottier and Ms. Nixon. It's Bates 006 of Exhibit 3.

A (Culbertson) Okay.

Q And, so, in the first full paragraph -- or, sorry, in the secondary full paragraph on that page, it quotes testimony from Liberty in various RDAF-related filings dating back to the original rate docket that established RDAF, DE 19-064. And it says, essentially, that "revenue decoupling is meant to recover the base revenue requirement as approved in the Company's most recent base-rate proceeding, no more/no less", and that's "despite fluctuations or reductions in sales due to conservation or other factors outside of the utility's control."

Do you remember making those statements along those lines in your testimony?

A (Culbertson) Yes.

Q Okay. And, then, staying in that same exhibit, I want to go to Bates 69, which is the Company's response to Data Requests DOE TS 1-12. And the Company's response themselves that I'm going to refer to start on the next page, on Bates 070, specifically the Company's response to Part (c), addresses the fact that the total annual target revenues as calculated in the filing come out to around 46 million, but the Company's decoupling ask, as it's filed now in the most recent technical statement filing on January 22nd, that under-recovery amount comes out to almost 4 million total. Meaning that, if there was no cap, the Company is saying they should have collected, basically, almost 50 million in revenues over the decoupling year.

Can you -- it's my understanding is that's essentially what Part (c) is saying. Could you elaborate a little bit more on the Company's response there?

A (Culbertson) So, the entire basis of the RDAF calculation is that it is done on a revenue per customer basis. This is -- so, this is my first time coming in and doing this calculation. I reviewed the prior filing, which was approved, using a revenue per customer basis, and reviewed the orders approving the RDAF calculation, which was approved on a per customer basis, and feel that it follows both what was approved in the order, and what was approved last year.

I understand the concern that has been put forward. However, I'm struggling with where the issue lies, when it has been approved, and we are continuing to follow what was approved?

So, the fact that it's done on a per customer basis, and we are trying to compare that to this one fixed amount is -- it's a little confusing to me.

We approve an amount, a revenue requirement amount, and it gets translated into a revenue per customer basis. That difference is then multiplied times the current number of customers to give what is truly your approved amount.

Does that give you the additional context you're looking for?

Q Yes. So, I should clarify. We're not saying in this proceeding that you used the incorrect methodology, or that the methodology should be changed. Because we understand it's done on a revenue per customer basis, and we understand that this is how it is, that's what the tariff says, it's what the settlement language says.

I guess I'm just trying to confirm that there's testimony going all the way back to the creation of the RDAF saying "it's designed to recover no more than the allowed revenue requirement." And I understand, you know, the cap kind of helps in making sure you're not recovering the full 4 million in under-recovery. But it just appears that the Company's response to (c) says that, essentially, if there was no cap, the Company should have been collecting an extra $4 million beyond what it did, when the Company's filing shows that actual revenues were a little over 45 million.

A (Culbertson) No. The amount that we show, the 49 million in this response, that is the amount that was approved for the Company to earn. So, there is the initial revenue requirement amount that is approved, which then goes into a revenue per customer basis. So, the amount that is approved can be looked at as the initial amount, or it can be viewed as the revenue requirement per customer, and that is really what we are comparing our actual revenue per customer to.

And that, so, stepping back, the approved revenue requirement amount, you then go into a revenue per customer, based on the normalized equivalent bills from the rate case. That revenue per customer amount, times the current number of equivalent bills, is the amount that the Company is approved. And that is based on my understanding of the tariff, what was approved in the prior filing, and what was approved in the rate case. So, that's where I'm coming from.

Q Right.

A (Culbertson) And I think, in the testimony, it would have been more clear, and I believe we responded this way in one of our data requests, that that should say "on a revenue per customer basis".

Q Okay. And I think, just wrapping up that question, relating to the part -- the part of the testimony that references one of the purposes of revenue decoupling, or one of the drivers of it, is recovering, essentially, lost revenue to the

Company due to energy efficiency or things outside of the utility's control. My understanding of that same Bates page we were looking at, 070, Exhibit 3, the Company's response to Part (d), it says that "The amount of the decoupling adjustment that can be attributed to a declining use per customer is about 149,000." Is that correct?

A (Culbertson) Using the -- I believe that was using what we have shown as the December model, yes.

MS. LADWIG: Okay. That's all the questions from the Department. Thank you.

CHAIRMAN GOLDNER: Thank you. We'll turn now to the Office of the Consumer Advocate, and Attorney Kreis.

MR. KREIS: Thank you. I'm not going to take up a lot of time with the witnesses, because time is growing short.

BY MR. KREIS:

Q Just picking up on what we just heard a minute ago, I just want to make sure I understand the situation that we're in here.

It's based on what it says on Page 70

of Exhibit 3. What we know is that, on an annual basis, there is $3,000,406 and 452 -- $3,406,452 of revenue that the Company is entitled to collect pursuant to the revenue decoupling mechanism that it hasn't collected. Do I have that right?

A (Culbertson) Yes.

Q And some of that is deferred, because there's a cap, and some of it isn't?

A (Culbertson) Yes.

Q When the Company doesn't collect that revenue, it earns interest on that under-collection, correct?

A (Culbertson) Correct.

Q And the tariff says that the interest that the Company earns is equivalent to the Prime Rate?

A *[Witness Yusuf indicating in the affirmative].*

A (Culbertson) Yes. That's correct.

Q Does Liberty borrow money at the Prime Rate?

A (Culbertson) I do not know all of Liberty's rates, no.

Q You don't know what Liberty's cost of debt is, in other words? It's okay, if you don't. It's not a trick question.

A (Culbertson) Yes.

Q I don't know either. Would it be reasonable, if I wanted to just roughly approximate what the Company's cost of debt probably is, that, if I took note of the Company's BBB credit rating, if I looked at the BBB Bond Rate, would that be just a reasonable approximation?

MR. SHEEHAN: I object on relevance. The Prime -- the tariff dictates what rate is charged. Counsel seems to be going to say that "may not be an appropriate rate." But that's, again, a question for another day in another proceeding. We have a tariff that tells us what to charge.

MR. KREIS: So, Commissioners, you can tell me if you don't want me to beat this particular dead horse, because that isn't my point. I agree that the tariff says what it says, and, in this instance, it says that "the Company earns interest at the Prime Rate."

But the point I was going to make here is a point I've made in other -- at least one other proceeding, which is that there's quite a delta between the Prime Rate and the BBB Bond Rate, such that, essentially, I think it's reasonable for the Commission to assume that the Company makes money off of the arbitrage between what it costs to borrow money, and what the Company earns on the revenue deficiency.

And, so, therefore, the point would be, the Company doesn't have much of an incentive to make sure that the delta between what it actually collects and what it then picks up through the decoupling mechanism is as small as possible. The Company actually has every incentive to make sure that it's always under-collected, and that it's always picking up more revenue under the decoupling mechanism.

So, you folks up on the Bench can say "We get that, Mr. Kreis. So, move on."

CHAIRMAN GOLDNER: I think we'll let it in and give it the weight it deserves.

MR. KREIS: Okay. I think those are all the questions I have.

CHAIRMAN GOLDNER: I hope I didn't discourage you from asking more questions?

MR. KREIS: No. No. I just feel like I've made the point, and that's perfectly fine.

CHAIRMAN GOLDNER: And would an

appropriate place to discuss the Prime Rate for, you know, under-recovery, in your opinion, Attorney Kreis, be in the rate case? Would that be the next opportunity to review that topic?

MR. KREIS: Well, given that you confront a motion to dismiss the rate case, it's a little hard to answer that question, because it's a bit hypothetical. But, hypothetically, a rate case is the appropriate place to hash out the details of what a decoupling mechanism should be, or, probably more aptly, whether there should be any decoupling mechanism.

CHAIRMAN GOLDNER: And, if I'm not mistaken, and you can correct me on this, because I think you have visibility in all the utilities in New Hampshire, I think the Prime Rate is a rate that's used consistently across New Hampshire. And I think the point you're bringing up is, is that appropriate? And, in an upcoming rate case, is that something that should be reconsidered by the parties, and, ultimately, the Commission, as sort of a general issue that spans utilities across New Hampshire?

MR. KREIS: Yes. That is the point

I'm -- well, that is a point I'm trying to make. But the specific point I'm trying to make here is that, you know, there have been all sorts of concerns about the way the Company manages the decoupling mechanism and calculates what the revenue per customer should be, and all of that sort of thing.

And the only point I would make about that is that the Company has every incentive to make sure that it is under-collected, and gets to both recover, in the near term, a revenue deficiency, and then defer a revenue deficiency into the future, because it's making money off of the interest rate spread.

CHAIRMAN GOLDNER: And I think, in future rate cases, the Commission would be very interested in understanding why utilities don't recover at the cost of debt. So, we would be interested in that exact topic in future rate cases, just for the record.

Okay. Let's toggle over to Commissioner questions, beginning with Commissioner Simpson.

CMSR. SIMPSON: Thank you. So, I'll

start with you Mr. Culbertson.

BY CMSR. SIMPSON:

Q You know, the scope of the SAP conversion continues to spill over into so many different proceedings. And there's real concern from the Bench about the data that the Company has put forward to the Commission. And I share that with you not to state the obvious, but to hope to communicate that, you know, we need to find a path forward here, where there is faith in what the Company is presenting, and confidence that we can rely on it, and not need to be an active participant in identifying errors that are uncovered by the Department, the Consumer Advocate, by us, our staff.

So, I'll share that with you. And, you know, I'll offer an opportunity to respond from any of you, if you would like to, but you don't need to.

A (Culbertson) Well, just to let you know, we hear you loud and clear. We understand, we need to find errors in any of our data, too.

Q Uh-huh. I'm sure.

A (Culbertson) A lot of these are immaterial

errors. I hate to say that, because I want to correct every error, and make sure we don't have any errors in our filings.
Q Uh-huh.
A (Culbertson) I would be surprised any company, if you do enough digging into your data, and you go down into the weeds far enough, you're going to find immaterial errors.
Q Do you feel like you're being singled out?
A (Culbertson) No. I don't feel like a victim in any way.
Q So, tell us about day-to-day, like, what remedial steps are you guys taking? You know, we've heard about the conversion in multiple proceedings. It continues to spill over. Where do you stand today? What are you doing in order to ameliorate issues that you're uncovering? What confidence do you have in the reports that you're generating from SAP, in the translation of your general ledger, to your regulatory accounting? You know, where do you stand as of today?
A (Culbertson) Yes. I think, with every filing we are doing, I mean, I'm almost coming up on one year now being with Liberty, we are adding a

significant number of controls. So, everything that we find in a data request, or that comes out in an audit, or that we find ourselves, we are adding controls into all of our filings, to ensure that things are tying to the general ledger. That the way Audit is reviewing our workbooks, we are incorporating all of those reviews into our processes as well.

I know accounting is doing their own controls and reviews themselves. And, so, we have to rely on them somewhat, and then also identifying ways in which we can parse the data and view the data ourselves in a better manner, to ensure that our data is accurate, is helping.

So, just lots of controls, and hoping that we can just continue to get better with it.

Q Okay. Because we definitely spend a disproportionate amount of time on proceedings related to the Company and its affiliate. And, so, we really are motivated to work to find a solution where we can rely on the information that's presented.

We go into every proceeding with an open mind, and we're seeing a pattern. So, we're hoping, at someday, there's some reassurance that the Department has confidence in your figures, that our staff can have confidence in your figures, and that the Company comes in, from the beginning, with figures that they have vetted and can rely on.

A (Culbertson) Yes. We hear you, and we will get there.

Q Okay. Thank you. We were just talking about Exhibit 3, Bates Page 006, and the general topic of decoupling. And I'll admit, I haven't quite fully understood the Company's explanation that we just went through, with respect to what the Company should have collected, versus what the rate case allowed revenue was for this period.

So, I'm hoping you might be able to explain that again for me, because I'm just not connecting the pieces?

A (Culbertson) Sure. So, within the prior rate case, we determined a normalized amount of revenue for each of these customer classes, by month. Associated with that revenue is a certain number of bills, which we are referring to as the "equivalent bills", and we take that normalized revenue, divided by those equivalent bills, --

Q Uh-huh.

A (Culbertson) -- to get your approved revenue per customer. That amount does not change throughout the process, until the next rate case.

As we move forward with actuals, in a particular month for a particular rate class, we have a certain dollar amount of revenue. With that revenue is the equivalent bills associated with that, and that amount of money, divided by those equivalent bills, gives you your actual revenue per customer.

The delta between that actual and the previously approved is going to be multiplied times the current number of customers or equivalent -- current equivalent bills. That gives you your decoupling adjustment.

Q So, the Company noted that an aspect of the increase in revenue is driven by the Tuscan Village development, that you've invested significantly in the Tuscan Village area in Salem. Am I understanding that correctly?

A (Culbertson) Yes. And that one was called out because of the customer growth. So, really, there are two components impacting the RDAF number. It is the changing customer usage and the change in customers.

Q So, if you have a new customer, or you have -- so, a new customer being a new meter, and I'm sure you have many new meters there. And, then, for the meters that you had, presumably you're seeing increased usage. Generally speaking, is that a fair assessment?

A (Culbertson) The usage was almost the same. It wasn't -- that wasn't a huge component.

Q For preexisting meters?

A (Culbertson) Yes.

Q Okay. So, then, what's driving it is the new customers, the additional meters?

A (Culbertson) Yes.

Q Okay.

A (Culbertson) Because, in our example, we took the difference between the current revenue per customer and what was previously approved, and we take that, times the current number of customers. And, so, as that number of current customers goes up, so does the impact of the change, and that can go in both directions.

Q And there's no normalization relative to your rate case test year, where you've now added new meters, so, that's growth, but you don't normalize that, relative to your test year?

A (Culbertson) That's correct.

Q Okay. And, then, Mr. Bonner walked through, also in Exhibit 3, the comparison of actual billing versus normal billing for a G-1 customer. That's on Bates Page 011.

A (Bonner) Yes.

Q So, you -- in this example, did you try to identify a customer, where the delay was most significant or -- and I'll be clear, the delay in billing for that customer was the most significant, or where the allowed versus actual revenue was most significant, or the spread of the normal allowed revenue versus as filed was most significant? What were you trying to pinpoint for us?

A (Bonner) I was trying to pinpoint for you the -- an extreme case of significant billing delay, and the effect of cancellation and rebills.

Q So, the time?

A (Bonner) Yes. So, it's really the distortion that would be induced by a system conversion.

Q Okay. And what I took from your testimony was that you were trying to say that the difference of approximately $700 for the decoupling adjustment, this is for a large G-1 customer, and that that variation, that uncertainty, of around $700, if you spread that over your entire customer pool, you would still be above the 3 percent cap allowed for the decoupling adjustment. Am I understanding that correctly?

A (Bonner) With a bit more context, I think.

Q Please.

A (Bonner) If you took in the entire population of all customers who were affected by the delay, whose bills were not rendered in the period of time they normally otherwise would have been under the old system, and you try to estimate all of that, that's where the three-quarter of a million dollar adjustment to the deferral balance would occur.

And it would be a downward adjustment in the deferral balance. So, the effect was significant.

Q So, you've done this for this customer, and some other customers as well, you've conducted this analysis?

A (Bonner) Not one at a time, but on a programmatic basis globally, working certain assumptions. So, when an individual bill, from the available information in the system, would have normally been rendered, and then comparing it to when it actually went out. So, the system captures when the bill was actually posted, the system captures the actual dates of the meter readings. The assumption I was using was that, under normal condition, a customer, whose meter is read in a given month is billed in that same month. That's not strictly true, that's a conservative assumption. There are some that will normally cross over. You can see it in this case, just looking at the meter readings. The very first meter reading was on October 4, and that would normally come out to be an October bill. The next one might -- wouldn't be immediately obvious. The bill meter reading ends on October 27th. That's actually a November bill. And that's because this customer is close to the borderline, he's a Cycle 2 customer, indicating that that possibility that the meter readings may actually be in the month prior.

Q And, so, you batch bill --

A (Bonner) In this case, using the assumption I just gave you, I would have included both of those programmatically in October.

Q So, you batch bill, you have all of your data for the month, but you send a portion of bills beginning of the month, another portion a week later, another portion a week later, is that correct?

A (Bonner) Essentially. And that was more true of the older system, because there are still billing cycles. So, the meters are read in, basically, 21 different patterns, which correspond to the 21 working days of the month.

Q So, every working day --

A (Bonner) Every working day, we send out the crews. When I first started in the business, these were people that actually walked the route, and wrote down the numbers, read the meters. It's now done by vans. We have an automated meter reading system, and they're picked up from a radio signal. But you end up with the same thing. The meter readings are collected. They are then processed in the billing system, they're screened, and there's a quality control process, and then they're entered into the billing system.

The billing program is run at scheduled times, and runs the issues. If there's no problems at all, the machine automatically posts the entries into the general ledger.

Q And, with respect to those different billing cycles, would the customer's specific billing cycle date or frequency change the variance that you've discussed here, with respect to the revenue decoupling calculation? If you're billed on the first day of the month cycle, versus the middle day, versus the last day, would that billing cycle difference change the calculation that you've walked through here?

A (Bonner) No. No. Under normal conditions, regardless of which billing cycle you were in for a given month, everybody in that, for those cycles that were read in and processed in that month, would be counted. So, the billing cycle doesn't matter, whether you're in Cycle 21, which is the last, or you're in Cycle 1, which is the first.

Q And, then, this customer, it's a small G-1, how does the customer's consumption change the variance in the decoupling adjustment, the uncertainty that exists? If you're a very large G-1 customer, would you expect a larger difference?

A (Bonner) Customers -- yes. Customers don't see this calculation. From their point of view, the only thing that applies to them is the actual rates themselves.

Q Yes.

A (Bonner) And the rates are much more detailed. Rate G-1 is a time-of-use rate, it is also a demand rate, and also has several other sub provisions, which don't apply to this particular customer. Those characteristics, and it has a customer charge as well, are radically different than a single average price.

So, if I have a customer, and we have some very big ones, that use, say, a million kilowatt-hours a month, and I get somebody in the same class that uses only 10,000, and I'm going to center this on the middle somewhere, say, and the middle, by the way, the average is going to be toward the lower end. So, between the very largest guy that was over a million, and the small guy that was at 10,000, the average may be only about 50,000. So, people that are below the average, their -- if you run the calculation of them individually, looks like we're always short, which is true. We're supposed to get so many dollars from that customer, he's not going to contribute, because he's just nowhere near the average.

When you get to the big guy, it's going to work the other way around. He's now going to be bringing in a lot more money, when we recompute his, based on the average, it's going to look like sort of a contribution to lower the net.

So, when you aggregate it altogether, what you're comparing is now one composite average to another composite average, and that difference is what produces the net adjustment. So, --

Q And the decoupling -- oh, please.

A (Bonner) I have just one more thing. So, in that sense, the RPCs are an alternative rate design. That's what you've, in fact, done. But the customer doesn't see the alternative design. This particular customer would reject it, because he would pay more. But I guarantee you that one of our largest customers is _________________, would very happily be glad to pay only the average price for a Rate G-1 customer. That wouldn't be correct.

So, the RPC mechanism is designed to work on a rate class basis, not an individual basis. But every customer does make an individual contribution to the overall number, when you disaggregate it all.

CMSR. SIMPSON: Can we go off the record for a second?

[Brief off-the-record discussion ensued.]

CMSR. SIMPSON: Sure. Put it back on the record. And if you'd work with Attorney Sheehan on that redaction.

BY CMSR. SIMPSON:

Q You don't time-vary your calculation for revenue decoupling for those time-varying customers, do you?

A (Bonner) No.

Q Okay. Good.

A (Bonner) No. Only their actual rates is a time-of-use rate.

Q Okay. So, then, I just have a few questions with respect to the Department's Audit Report, Exhibit 4. And I'm going to point out some statements, and I'm looking for your response to them.

So, we're looking at -- I'm looking at Bates Page 006 and 007, it's split between the two pages. "Audit reviewed the specifics of each month's billing system details, in an effort to understand the significant change in Equivalent Bill figures. Audit can conclude that the reported figures represent specific customer charges, but the reason for the swing in the count cannot be determined through use of the revenue report details." Can you respond to that?

A (Bonner) Yes. No, the statement is factually accurate. All the report captures is what happened. It doesn't give you any indication as

to why.
Q So, do you know why?
A (Bonner) Well, that's what we've been kind of working on. That's one of the effects, and the one -- most significant one that we've been able to identify is this delayed billing issue.
So, if we were supposed to, and you can see it through that one customer, remember, we didn't till finally until March of the following year got out the bills that related to the prior fall.
Q Yes.
A (Bonner) If you have a lot of that going on, you can produce these swings from month-to-month that do not correspond to the historical trend. And that's the system conversion. So, the system is reporting accurately what it's processing, but what it's processing isn't a normal workload, because of other issues.
Now, I've had conversations, so, it's anecdotal, I don't have any, you know, analysis that supports it. But what happened initially is that -- well, when handling 45,000 customers, and this is just Granite State Electric. EnergyNorth

was converted at the same time. So, we've got another 100,000.

Q Yes.

A (Bonner) So, just dealing with the New Hampshire companies, talking to the Billing folks, is what they received was what you might call a "billing exception", basically, rejects. The system says "We cannot process this bill, because there's something wrong with it." They give you an error code, and they cull them all out. They have a, excuse me, a very large stack of these, far in excess of the normal proportion. Unfortunately, every one of those has to be processed one at a time.

Q Manually?

A (Bonner) Manually.

Q Okay.

A (Bonner) They're also learning a new system all at that same time. And how you clear them in the new system isn't the same procedure that you follow -- how you clear them in the new system isn't the same procedure you followed in the old system. All of that compounds the problem.

Typically, these sort of happened in

the early days or the early months of the system conversion. The first three, four, five months are always the worst. And, then, you start to, you know, first of all, if you've cleared the backlog, your understanding of the system is better. You've also identified perhaps things that were not done correctly, and can be fixed on a programmatic basis, where you can do large batches at once, and things begin to assume a steady-state condition again.

In this particular customer case, this was a good illustration, because we see how badly it was worked out. And G-1 is a complicated rate. So, it had a higher percentage of these problems than did ordinary residential customers, which are simpler.

So, once we got past that April timeframe, and then I checked it, because I actually ran this analysis after the November close, once we -- once they got it back on track, every bill has gone out on time ever since. And I would find that same pattern. Now, we could pick and choose individual customers. What I'm trying to do is do this on a more systematic basis and get the aggregate effect, which is what would affect the decoupling calculation.

Q So, the Company didn't bill customers under the old system while shadow billing under the new system?

A (Bonner) No. There was no period of parallel operation. It was a cutover.

Q Uh-huh.

A (Bonner) One system was shut down, the next system was activated.

Q Do you have any insight into that decision?

A (Bonner) No, I don't. I simply know what the effect was. But I was not part of the team in making those choices.

Q Sure. Okay. So, then, Exhibit 4, Page 9, it's the very first line, related to the reported September 2022 bills. And there's a underlined statement "how the inclusion of the estimates impacted the revenue per customer was not addressed."

A (Bonner) Yes, I see that.

Q Would you be able to address that for us please?

A (Bonner) Sure. The cutover for SAP, what is referred to as the "go live" date, took place in early October. You need to shut down your older system in advance of activating the new one, because there is what takes place in between that period of time, between the old system shutdown and the new system activation, is actually when the conversion is done. You're reading all the data from the old system, and you're converting it into the new form and populating the new database, and activating the new programs.

For Granite State Electric, this was not true of EnergyNorth, EnergyNorth, they managed to get all the billing for September substantially, essentially, all of it done in September. In Granite State Electric, they were unable to do that before the cut-off date in September had arrived.

Under Cogsdale, one of the largest billing cycles is Cycle 19, in fact, it's the single largest billing cycle. It was decided that they would defer that, and actually bill that out of the new SAP system once we went over into October.

Also, the other one, which is called "MV-90", MV-90 is a subsystem, which records data on load research interval recorders. Some of these is for our largest customers, as well as those that are in the sample population.

Q That's a metering system, correct?

A (Bonner) That's a metering system. And the reason why it's significant is the size of the customers. There are relatively few of these, but their effect on the Company's books, in terms of revenue, is disproportionate to their population size.

So, what the Finance management had to do was make a determination, in order to be able to properly close the September books, so that the September financial results were not distorted by the missing billing cycles, whose information we did not find out until sometime in October, we had to put in an estimate. It was decided to use the prior year's September Cycle 19 and MV-90 numbers as the proxy, and they were entered onto the books. And they were carried over, because the Accounting Department also does a monthly posting of the -- for internal financial purposes of the revenue decoupling calculation. So far, so good.

When you get to prepare the RDAF filing, however, you needed to remove the estimate that we had put in for September, and substitute the actuals that really occurred in November -- I'm sorry, October and thereafter. And that part of it was not -- that part was initially omitted. So, we were essentially double-counting the customers that were in the estimated Cycle 19 and the ones that were coming from the actual figures. Once you removed them, everything now comes up.

The data -- the data is now complete, although we still have that delayed billing problem to solve.

Q So, even with SAP, do you still export a report from it, and then move that data into Microsoft Excel, to then calculate the RDAF adjustment, or will SAP perform that calculation for internal purposes, or run a report for internal purposes, without a manual step?

A (Bonner) No. The steps right now are still done the same way as they were in Cogsdale, with data extract, a series of, essentially, revenue reports, which I prepare, --

Q Okay.
A (Bonner) -- on behalf of EnergyNorth and Granite State Electric. And those are used, which then get turned over to the accounts, are used to source for all kinds of entries, including the decoupling.
Q Okay. And, then, moving further on, Bates Pages 015 and 016, there's a statement: "Based on the billing system conversion issues, and the associated customer invoicing issues, it is unclear if the reported under-collected decoupling revenue is accurate."
And, then, on the next page: Audit cannot conclude if the "true-up" entries are accurate, as the Company subsequently provided different Revenue Reports for the months of October '22 through January of '23."
So, I mean, what I'm taking from you is that you're coming to us with a forthright description that you know there's a variance versus actual versus your estimate. But that your estimate is within a margin of error that, with your confidence behind it, puts you above the 3 percent cap. Am I understanding that

correctly?
A (Bonner) Well, actually, it was corrected in the later submissions by the Company. So, the issue that you have identified does not exist in the January update, and/or the one that was done for December.
I'm just looking over to Adam?
A *[Witness Yusuf indicating in the affirmative].*
A (Bonner) So, those issues have already been corrected.
Q So, this report -- or, this Audit Report is dated "January 24th". Did the Company just not follow up with the Department on these issues when the draft report was circulated, prior to resubmitting figures to us?
A (Culbertson) So, we were in the middle of preparing the most recent filing, as they were issuing -- as they were finalizing the Audit Report. So, we, unfortunately, were not able to get a version filed that they could issue a clean audit on.
Q Did you tell them you were coming forward with an update?
A (Culbertson) Yes, I did. And I believe that was

mentioned in the -- at the end of the audit, in the Audit Conclusion. I had a call with Karen late in the audit process, and learned a lot about what they are able to audit, when they're able to audit, based on what actually is filed into the docket, which I was, unfortunately, not aware of, and, knowing that now, will help clear up a lot of these things going forward.

CMSR. SIMPSON: Okay. I think that's all I have. Thank you for your testimony.

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

BY CMSR. CHATTOPADHYAY:

Q So, let's go to Exhibit -- I think it's Exhibit 5, Bates Page 003. And, if you're there, should I -- okay. So, I'm just trying to understand what's going on with the rates.

So, if you look at Table 3, the current rates -- RDAF rates are the second column, right, for the different classes?

A *[Witness Culbertson indicating in the affirmative].*

Q And, when you filed the request in September, what were the rates?

A (Culbertson) Do you want us to list all of them or would you like a particular one?
Q Let me make it easier. So, I'm really trying to compare what you have in second column of Table 2, with the ones that you had in September. And give me a sense, overall, whether those rates were higher or lower?
A (Yusuf) So, compared to the Initial filing, they are higher in those cases. But, also, in the filing for Exhibit 5, we're also collecting on a shorter time period, versus the initial filing was set for November through -- or, yes, November to October. This is collecting from March to October. So, there's less months. So, that's why it's caused the rate to be higher.
Q So, let me confirm, just pick, for example, Rate Class D, the rate that you filed in September was lower than "0.00247"?
A (Yusuf) Correct.
Q And you have -- you have explained that, and I'm not 100 percent sure, you're explaining that there are multiple reasons why it went up, one of them is going for a shorter period, perhaps. Or, when you're talking about the "shorter period",

is it just something that is impacting Column 3, in Column 3, in Table 2?

You talked about you had fewer months to collect the money. Is that also impacting Column 3 of Table 2?

A (Yusuf) Yes.

Q Okay.

A (Yusuf) And, then, also, on the Initial filing, we had also omitted inadvertently the deferral balance from -- which was pointed out from the DOE, we were not including that 337 in the Initial filing itself. It was then added in the December filing.

Q Okay. So, currently, just speaking of Rate Class D, the rate is in dollars per kilowatt-hours, "0.00281". And you're requesting that the rates go down to "0.00259". So, the RDAF is really going down, correct?

A (Culbertson) Yes.

Q Okay.

A (Culbertson) And part of that is because of the prior period recovery. And, with the longer period that we have been collecting, --

Q Correct.

A (Culbertson) -- that has gone into the over-collected balance.
Q Okay. Just wanted to understand that. In collecting -- in calculating what is allowed revenue -- okay, let me start off differently here.
When did the temporary rates go into effect, you know, with the rate case, 039?
A (Culbertson) August 1st.
Q August 1st. So, there's that allowed revenue there. Is that informing the RPCs for the months that have followed, August through September, October, November, December, January?
A (Culbertson) Yes.
Q So, --
A (Culbertson) Those are not in this current decoupling year, just to be clear.
Q Okay. So, all of the allowed revenues -- the monthly allowed revenues are really based on what was previously in place, meaning the RPCs are based on not the temporary rates, but from previous months? Just trying to get a confirmation?
A (Culbertson) Yes. That's correct.

Q And all of the months that are being considered are related to before August?
A (Culbertson) For the decoupling adjustment, yes. We are collecting the prior year decoupling adjustment continually. So, that piece is included in this analysis.
Q But what I'm trying to understand is the RPC is being -- they are based on -- they're not impacted by the temporary rates?
A (Culbertson) That's correct.
A *[Witness Yusuf indicating in the affirmative].*
Q And that is because you're taking a historical look, that doesn't have to include the months that have the temporary rates, correct?
A *[Witness Yusuf indicating in the affirmative].*
A (Culbertson) Correct.
Q Okay. I'm going to go to Exhibit 3. And, again, going to Bates Page 011, I believe the table that we were talking about. So, just a moment.
So, again, the questions I'm going to ask you, just I'm trying to make sure I followed everything that you shared in conducting this analysis.
So, really, the difference, in this

case, the $700 difference has to be purely about the allowed revenue?
A (Bonner) Yes.
Q So, there is a right allowed revenue, and what was being calculated as allowed revenue that was different from that, that is those two things resulted in that $700 difference?
A (Bonner) Correct.
Q And this is happening -- just please confirm that this is happening mainly because of the billing -- because of the billing delays that are resulting due to the move to SAP?
A (Bonner) Yes.
Q So, the billing cycles do not create that issue?
A (Bonner) They do not.
Q Okay. And you had -- you've not done your calculations fully, but you have indicated that this issue is a $750,000 issue, as of now, you're still probing?
A *[Witness Bonner indicating in the affirmative]*.
Q So, it does impact the deferred balance. How quickly can you wrap that up? Do you have a sense of when you'd be able to finish?
A (Bonner) I should be able to finish it up within

the next week or so.
Q Okay.
A (Bonner) Maybe a day or two longer. One of my responsibilities is the monthly close, and it began today.
Q Okay.
A (Bonner) The SAP -- the SAP Reports that we've been referring to.
Q So, once you have done it, and once you have now, if you can tell me whether this problem has been solved, meaning, going forward this will not happen, then we don't have that issue?
A (Bonner) That's correct. Although, I do want to point out, we may have to just double-check. When you move things around in the data, from one period of time to another, it sometimes can have an effect in the following period if it overlaps. So, one of the things that we'll need to just be careful about is that, to the extent it falls outside of Decoupling Year 2, we may have to make an adjustment to Decoupling Year 3, if we're counting things that are now being booked in Decoupling Year 3, which should have been booked in Decoupling Year 2.

I don't think we're going to run into that issue. But that's one of the things that I do need to check.

Q But that is not about billing cycles?

A (Bonner) That's not about billing cycles.

Q Okay.

A (Bonner) And, just for clarification, the billing cycles are reflected by those bill period dates that you see there.

Q Correct. Okay. So, this is a question generally for the Company, and whoever wants to address it.

There is a motion for dismissal in the -- for the rate case. So, we do have the temporary rates in effect, okay, and we have this RDAF thing being requested. This RDAF, because it's based on the previously allowed revenues, because that's what you confirmed in the first settled back and forth.

If we decide to -- let's say that we go and we end up dismissing the rate case, the calculations here, will they be impacted? Because, essentially, you're going back to the previous regime, and calculating the RDAF based on that.

My understanding is, that is exactly what's going on even now. Because this is about historical months that are not beyond August, when the temporary rates were set. So, I'm just trying to understand what happens in that case? And, then, you can also provide your thoughts, what happens if we proceed with the -- you know, we don't dismiss the rate case, and what -- does that have any implications here?

A (Culbertson) Yes. There aren't many implications with the current filing. You know, I think we will have to consider our options on what we use for the revenue requirement piece. As it currently stands, we use the revenue requirement that is in place in that month, and, because we don't retroactively adjust that, we just continue using what's in place going forward.

If the rate case were dismissed, that period of time, from August to whenever that's decided, would be using the higher revenue requirement. And, yes, we would have to look to see what we can do there to make that as accurate as possible.

A (Bonner) Maybe I can supplement that just a bit.

Mr. Culbertson has it right. It has no effect at all on this current filing, whether you continue the rate case or dismiss it.

That's -- what I think he was alluding to is an internal calculation. As I mentioned before, as part of the closing process, we book, basically, on our books what we think the decoupling adjustment is going to be for a particular month.

Since we've been using, since August, the temporary rates, and the RPCs are based thereon, if the case were dismissed, we would have to go and make adjustments in our books and records to pull that back out again.

Q Okay. That's --

A (Bonner) And that would affect the Decoupling Year 3 filing.

CMSR. CHATTOPADHYAY: Correct. That is my understanding. Thank you for confirming it.

That's all I have.

CHAIRMAN GOLDNER: Okay.

BY CHAIRMAN GOLDNER:

Q So, we've talked a lot today, and we'll talk to the DOE as well, about, you know, the SAP issues, the Excel issues, that were exposed by the audit and the DOE's discovery. We've got some evidence of missing charges, we've got estimates and assumptions that have been used.

So, my question for the Company is, why should the Commission have confidence in the numbers that we're looking at today?

A (Culbertson) I think all of the adjustments that we have made have been found as a result of some very thorough and deep dives into the data. The one material item, correcting the model for the cap, that the model required some adjustments, because it was the second year that it was being used. That was the one big piece, outside of the data.

The other pieces, where we were pulling the data, I mean, we've gone back and scrubbed that. And we've gone through it multiple times, DOE has gone through it multiple times.

I understand that the number of issues that have been corrected would give pause. I also hope that the number of issues that have been found and corrected can give you some comfort that we found those because we have scrubbed the data so much.

Q And I'm personally confident that the witnesses here today are working very, very hard towards that -- towards that end. But it seems to me, this is like an onion. You know, you're working really hard to work on the issues, and as you dig in, you find more, and as you dig in, you find more, and as you dig in, you find more. And those issues might be getting smaller over time, and, after some time, maybe approaching zero perhaps at some point.

But, right know, when I listen to the testimony, I read the testimony, I'm not sure where we are in the onion. So, I want to give you the opportunity to maybe help me understand how far into the onion are we here?

A (Culbertson) At this point, I feel very confident in the numbers. I feel that the adjustments have been small, although numerous. And I'm glad we've made those, and we'll incorporate the controls necessary in the future to get those. But I do feel like the adjustments are becoming very small.

Q You know, and I want to go, Mr. Bonner, to your analysis and your -- and, as you said earlier, your $750,000 number, right now, and you're still, you know, working through your analysis. And I can see this is incredibly complicated, and I appreciate the example that you created here to help us, you know, understand what you're going through. And you have, you know, something like 45,000 customers to go through, times twelve, times the number of records. And it's a very complex problem. You have to make assumptions and so forth.

But I'm just struggling how the Commission can gain confidence, when you're through with your analysis, what would you show us to say "You know what, this $750,000 number", or whatever it turns out to be, "I'm absolutely confident in this number", and how could the Commission gain confidence in that analysis?

A (Bonner) Yes. I think the proper course of action actually is to have it vetted before it ever reaches you, which would mean that I would, in a technical session, go in great detail and answering following data requests from the Department of Energy, to be sure that they comprehend and agree that the analysis was, you know, correctly done, and it represents a best estimate.

No one can recreate history. What happened happened. So, we're now doing a simulation. Is the simulation I'm doing a reasonable way to do it? Is it -- all things considered, does it tend to favor the customer side, as opposed to the Company side? Would be kind of material questions that should be addressed.

So, I would go over, in great detail, the methodology, be able to provide sample calculations. Clearly, one can't audit all 45,000 individual customers. But you can take meaningful samples, and answer as many questions as possible as to what we're finding in the data.

Q So, I'll -- and, Attorney Sheehan, if you care to weigh in as well, that would be fine. What I'm hearing is a need, at a minimum, for a continued hearing, because the Company, while providing data here today, that's helpful, there's continued calculations, there's technical sessions required with the DOE and the OCA, and that the Company needs more time to solidify the number. Because, if that 750,000 number is instead 4 million, then that creates a different answer, in terms of rates.

MR. SHEEHAN: Yes. I think our position today is, we have reasonable comfort in the order of magnitude of 750, and that does not affect the proposed rate.

It's a fair question, what if that does turn into a number that would have been below the cap? And, again, I think that's -- well, I'll break it into two pieces.

Number one is the next reconciliation. Okay, we over-collected this year, we'll pull it all out. Number two, if we find such a big number, in the next months, we can certainly come back here in short order.

But my first proposal would be approve the rate we have now, and this is where it falls into next year's reconciliation.

CHAIRMAN GOLDNER: Okay. I think that would get perhaps into the Prime Rate discussion again. So, we'll maybe cross that bridge -- cross that bridge later. Okay. Thank you.

That's helpful.

BY CHAIRMAN GOLDNER:

Q And this question was asked maybe in a different form earlier, I'm going to ask the same question of the DOE. So, I want to give the Company a chance to respond as well.

Just to the simple question of, is decoupling working as intended?

A (Culbertson) That one is hard for me to respond to, because I don't know everyone's intent at the time that this was placed into service. From what I see, it is not an overly complex calculation. It's based on the revenues per customer, and it's multiplied times the number of current customers.

There seems to be a lot of surprise reactions to this amount being greater than the flat revenue requirement that was approved. And, so, I think, because of that, some would argue that it's not working as intended. That revenue per customer calculation makes me believe that there was intent to allow the Company to make up for additional customers, or take a hit if we lose customers. And, in some regards, I think that is actually a really good thing.

The magnitude for which that's happening, that I don't know.

Q And it seems to me somewhat disconnected. And I think that's one of the challenges that we're facing. And I know we'll have the DOE up on the stand here, it looks like after lunch, and we'll ask these questions of Ms. Nixon, in terms of the logic and the reasoning behind decoupling. And Ms. Nixon has just testified in 039 about the Legislature establishing the level of energy efficiency, and decoupling enabling the utilities to file less often and this kind of thing.

So, when I talk about "is decoupling working as intended?", it was really in that vein that I was -- that I was thinking, is the underlying logic for decoupling, is that still valid, is it working as intended, is it performing the intended results?

So, I don't know if you want to supplement your answer. But I'll just give you the opportunity, before I ask the DOE in their turn.

A (Culbertson) I think, in the sense of accounting for energy efficiency, I think it is doing that. We haven't -- the analysis has shown that we don't have a lot of change in that regard. But it is accounting for that.

CHAIRMAN GOLDNER: Okay. Thank you.

So, I think what we can do at this point, it's five to noon. I think what we can do is, this will give the Commissioners a chance to confer, wrap up any additional questions we have, before we move to redirect. I'm sure that won't take belong when we return from lunch. And, then, we'll move to the DOE's testimony. And, then, we'll wrap things up.

So, would an hour be okay for everyone for lunch? I know we have guests here. So, not everyone has their lunch in the refrigerator.

[Multiple parties indicating in the affirmative.]

CHAIRMAN GOLDNER: So, let's take an hour. And let's, just to make it even, let's return at one o'clock. Thank you, off the record.

(Lunch recess taken at 11:55 a.m., and the hearing reconvened at 1:04 p.m.)

CHAIRMAN GOLDNER: Okay. The Commissioners have no further questions for the witnesses.

So, we'll turn now to Attorney Sheehan for redirect.

MR. SHEEHAN: Thank you. And I just have one for Mr. Bonner.

REDIRECT EXAMINATION

BY MR. SHEEHAN:

Q Mr. Bonner, the Commissioners and DOE had some questions concerning the reliability of the information in this filing, in light of the October '22 conversion. And what has not happened today, but there's been hearings in this room with the rate case that also discussed issues arising out of the conversion in October '22.

Can you give us any clarity on any distinction of what impact the conversion had to the numbers in this case, as opposed to the ones that are being discussed in the rate case?

A (Bonner) Yes, I think I can. It's easy to distinguish the difference effect between what would happen in a general rate case with regard to the conversion and with respect to the RDAF filing.

For the rate case, the entire SAP system comes into play. Principally, the ERP system, which has the accounting data in it, and its interface to the Company's property records system, which establishes the plant in service and things like appropriate base calculations, as well as the billing system, which provides, of course, the principal source of revenue.

In the case of RDAF, you're only really dealing with the revenue side billing system, which has not experienced the same issues with regard to account mapping or performance in the same fashion as the accounting systems have that have been discussed in the rate case.

The principal issue that's affected billing hasn't been accuracy of billing, it's been the delay of getting the bills out in a timely fashion, on the same basis that we're able to do under the Cogsdale system.

Q I lied, I have one or two more follow-ups. And it's the timing of the bills that you discussed earlier, through that one example, the impact that it had. It's not all 45,000 bills that were delayed, is that correct?

A (Bonner) No. No. Only a small fraction actually were.

Q Okay. And, as you testified before, the few that you've tracked through '23, beyond the decoupling year, they were billed timely, things got better through the course of '23?

A (Bonner) Yes. The decoupling year runs from July 2022 through June of 2023. The principal problems were concentrated in the early months, October and November, December of 2022, January, February of 2023. Things started to approach a more normal state beginning in March, April. And, by the time June had rolled around, it looks like that we're pretty much on the same track as we were when we were operating under the Cogsdale system.

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

CHAIRMAN GOLDNER: Okay. Thank you.

The Liberty witnesses are now excused. Thank you for your testimony today.

And we'll invite the DOE witnesses to

take the stand.

While the witnesses are getting seated, I'll just take care of an administrative issue.

So, the Commission will admit Exhibit 5, and give it the weight it deserves. So, just cleaning up that issue from earlier.

(Whereupon ***ELIZABETH R. NIXON*** *and* ***JACQUELINE M. TROTTIER*** *were duly sworn by the Court Reporter.)*

CHAIRMAN GOLDNER: Okay. Thank you. We'll now turn to the DOE for direct.

MS. LADWIG: All right.

ELIZABETH R. NIXON, SWORN

JACQUELINE M. TROTTIER, SWORN

DIRECT EXAMINATION

BY MS. LADWIG:

Q Could you please identify yourself, by stating your name and your position with the Department?

A (Nixon) My name is Elizabeth Nixon. And I'm the Electric Director at the Department of Energy.

A (Trottier) My name is Jacqueline Trottier. And I'm a Utility Analyst with the Regulatory, Support Division.

Q Did you prepare and submit a technical statement

in this docket on January 17th, 2023 **[**2024**?]**, that's marked as "Exhibit 3"?
A (Nixon) Yes.
A (Trottier) Yes.
Q And do you have any corrections that you'd like to make to that technical statement at this time?
A (Trottier) Yes. So, we had one correction that we wanted to make on Bates Page 0002. We mistakenly stated that "The Prime Rate used should be based on the quarterly reports in The Wall Street Journal." When what we actually meant to say was that "The Prime Rate used should be based on The Wall Street Journal as of the first of each month."
A (Nixon) And I also wanted to make another clarification. That we stated the updated calculation appeared to be correct, and that's on Page 5, under Item 3, which discusses the cap and deferral.

But, on further review, we don't believe that they calculated the deferral balance and associated interest accurately. This error affects the overall revenue decoupling adjustment, too.

We don't support the inclusion of the whole ask from this filing in that calculation, because it has not been approved.

Q Thank you. And did you review the filing submitted by Liberty on September 1st, 2023, in this proceeding?

A (Nixon) Yes.

Q Was there any other information that you reviewed in preparing your recommendation in this docket?

A (Trottier) Yes. On top of reviewing the information provided by the Company in its original filing, the Department also reviewed numerous data responses, and participated in a technical session with the parties. We note that the Company filed a technical statement last week. And it's unclear to the Department at this time if there were substantive changes included in that filing that may warrant further review.

Q Did you review the RDAF calculation methodology contained in the Settlement Agreement in Docket Number DE 19-064, as well as the Company's tariff?

A (Trottier) Yes.

Q And, in reviewing the filing in this docket, do you believe the Company performed the RDAF calculations correctly, according to that methodology?

A (Trottier) Yes. If we ignore the concerns surrounding the validity of the data used by the Company, it does appear that the appropriate methodology has been used.

A (Nixon) And, also, we don't want to note, though, that after submitting our tech statement in preparing for this hearing, we did notice that, in the data response version in DOE TS 1-20 of their calculations, they made many updates that they have not described in detail, there was no supporting tech statement with that. It was only a data response.

And, as I mentioned earlier, we neglected to note in our tech statement that we don't agree with the calculation of the deferred balance and interest. In that deferred balance calculation, it appears that they included the total amount of the revenue adjustment that they are asking for in this docket. Since that amount has not been approved, nothing from this docket should be included in that deferred balance. We don't believe that even the deferred amount should be included in that until it's approved.

Q And that, that deferred amount that you're talking about, that was what we brought up on cross, that about 3.4 million that was entered in November 2023?

A (Nixon) Correct.

Q And could you explain a little further how you reviewed the Company's RDAF calculations, and came to the conclusion that they performed them according to the proposed methodology, with the caveat that you just described?

A (Trottier) Sure. So, DOE first reviewed the Settlement language from 19-064, as well as Commission Order 26,748, in DE 22-051 **[**22-052**?]**, which was last year's RDAF filing, and the Company's current tariff.

We then compared those stipulations with what was filed by the Company in this docket, and determined that, with the caveats mentioned, they did apply the correct methodology.

Q You note in your technical statement that there were four base distribution rate changes during the decoupling year. Can you describe whether and how that affected your review of the target RPCs?

A (Trottier) So, sure. Each time that the base distribution revenue requirement changed throughout the year, that change had to be accounted for in the calculation. The calculation methodology in the tariff and in the Settlement Agreement only envisioned one revenue requirement in a year. The Company calculated the target revenues using the revenue requirement applicable at the time and associated monthly percentages, and the rate class percentages. But one could also interpret that those monthly percentages should be applied to the total annual revenue requirement, which is not what they did.

Q And, so, when you're saying that the "monthly percentages, by class", you're saying, I believe, in the Settlement Agreement, and in this filing as well, it demonstrates an example of "Okay, for Rate Class D, for example, X percent of their revenues should come in January, and X percent in February." And you're saying, because of the multiple changes throughout the decoupling year,

that ends up not being the case?
A (Trottier) Correct. So, because the -- you know, say, 58 percent had been received, and gets allocated across the month, that percentage ends up being disproportionate when you have multiple rate changes.
Q And did the Company file updated target RPCs each time the base distribution rate changed?
A (Trottier) Not that we were able to find. We did ask the Company about that, and they are only able to reference one updated RPC filing. As per the Settlement Agreement and prior orders, they are required to file a new target RPC with every distribution rate change.
Q And, while we're on the topic of methodology, I want to talk a little bit about the Company's proposal that we heard from Mr. Bonner on direct, to essentially isolate the effect of the SAP conversion on equivalent bills, and thus revenue decoupling overall during the decoupling year. Had you heard of this proposal before today's hearing?
A (Nixon) No, we had not.
Q And I want to pull up some pages to illustrate

what this effect -- what effect this might have or what you think the effect might be. I'd look at Exhibit 5, Bates 011 through 013. And Bates 011, in Exhibit 5, that's calculating -- that's the target RPC calculation, correct?

A (Nixon) Yes, I believe so. Yes, it is.

Q So, that's the Company's targets for the decoupling year?

A (Nixon) Yes.

Q And, then, the next page, Bates Page 012, that's the actual numbers for the decoupling year?

A (Nixon) Yes.

Q Okay. And can you just kind of briefly explain or walk through what Mr. Bonner's proposal would do to those numbers that are presented on the actual page?

A (Nixon) So, if you refer to, for example, Column "G01", "General TOU", "G01", under "Equivalent Bills". So, you can see that the equivalent bills vary from, as I think was mentioned earlier, like "103" in October 2022, to up to a max of "182" in January of 2023.

And, basically, what our understanding is, he would try to even that out better, so that there wouldn't be that fluctuation using estimates. And, as we've been told before, that's not part of the methodology. The methodology is to use actual revenues, equivalent bills, and then the actual RPC.

So, what would happen is, all of this whole calculation would change. And, so, all -- on this page, all the equivalent bills would change, all the distribution revenues would change, and then all the actual revenue per customer would change.

And, then, I can take it one step further to the next page. And, then, where the adjustment is actually calculated, all the numbers on that page would presumably change as well.

So, it would be all based on estimates at that point, not actual, and, then, ultimately would affect that bottom right corner, from what he's estimated as $750,000.

Q And what are your thoughts on the Company's proposal as described by Mr. Bonner?

A (Nixon) As I mentioned a little bit here, I mean, it's, again, the methodology is to use actuals.

But, as we've noted in our tech statement, we can't rely on the actuals either here, and the SAP did affect the actuals, it was the Company-imposed actuals.

What this really shows is that the Company really has control on what the equivalent bills are, what the revenues are, and what the revenue per customer is. Because, if they delay a bill or cancel a bill, it really affects this calculation. And the whole point of this calculation is to be relied on in doing the calculation.

I mean, we did talk to the Company in a tech session, and they said "Well, we wouldn't intentionally do that." But whether it was intentional -- it sounds like it was intentional, in this case, because of the SAP, they said they did not bill for that month. So, the Company had a direct effect.

So, that was not the purpose of revenue decoupling, for Company actions; that it was customer actions.

Q And, so, would you say revenue decoupling does rely on timely billing by the Company?

A (Nixon) Yes, it does. Definitely.

Q Okay. Now, I want to go to SAP, which we've talked about in this proceeding, as well the rate case proceeding, that's come up a couple times.

One of the concerns you've highlighted in your technical statement is that the Company's implementation of the SAP software conversion during the decoupling year affected the revenues collected. You reference the Company's response to Data Request DOE 1-1, which can be found in Exhibit 3, Bates Page 008.

I'll just give a couple moments for people to get there.

So, in the response to DOE 1-1, can you explain your understanding of what the Company's response means, with regard to SAP implementation affecting revenue collected during the decoupling year, and how does that impact the revenue decoupling calculation?

A (Nixon) Yes. As you can see in that response, the Company states that the new SAP system did affect the billing, meaning that bills were delayed. This delay affected the actual revenues, the equivalent bills, and the resulting revenue decoupling calculation, as I've been saying. And, as I note, for G-1 customers, and as I mentioned earlier, the equivalent bills were a low of "103" in October 2022, and a high of --

[Court reporter interruption.]

WITNESS NIXON: I'm sorry.

CONTINUED BY THE WITNESS:

A (Nixon) -- and a high of "182" in January of 2023. These delays result, again, in Company-imposed impacts to the revenue decoupling calculation, not customer-imposed.

BY MS. LADWIG:

Q Okay. What are your concerns regarding the effect of SAP conversion, as described by the Company, has on the RDAF rates proposed in this docket?

A (Nixon) Again, not to beat this up, but the SAP conversion results in the Company-imposed impacts to the revenue decoupling calculation. In Attachment 2 in our tech statement, with the response to Data Request DOE TS 1-7, it shows the effects of that SAP conversion. And I don't think you need to go there. That's the one, I believe, that we've been looking at all morning for that G-1 customer.

But the revenue adjustment is different. This is just an example of one customer. But, as was testified by the Company, multiple customers would also show such a variation, to the tune of $750,000. And, again, the purpose of revenue decoupling is to address revenue effects resulting from customer actions, not the Company's.

And, again, in addition, because of this SAP conversion, as we stated last week in the rate case hearing, we have concerns with the reliability of that data as well.

Q And it came up a bit on direct the issue that's inherent to the RDAF methodology, where there might be some cross-class subsidization, depending on if one class contributes more to the revenue under-collection than another.

In this particular case, in this actual year's decoupling calculation, is there any potential for cross-class subsidization that is specifically associated with the SAP conversion effects on different classes?

A (Nixon) Yes, we believe there is. We don't have the specific data to that effect, but you can actually see it. And, depending upon what bills were delayed, and in what class, the revenue adjustments would definitely affect the adjustment, and there would be cross-class subsidization.

Q In your view, is the data the Company has presented, in the months including and following the SAP conversion, reliable?

A (Nixon) No.

Q In your view, is there anything the Company can do that would give you confidence that the SAP data they have supported -- they have presented in support of their proposed RDAF charge is reliable?

A (Nixon) Well, as we mentioned in the rate case hearing, we believe that the Company needs to do a third party audit, to ensure the accuracy of the mapping and of the data. But, again, as we stated there, that would -- we still have major concerns with the data, especially for 2022, but we also mention for 2023.

But, even if the data is confirmed, as a result of this SAP conversion, as we've mentioned, the SAP conversion had a direct effect on the RDAF calculation, which was Company-imposed, and that in and of itself would -- was not the purpose, and the Company should not be compensated by the customers for their actions.

Q I want to move now to the 2023 Audit Report, which is marked as "Exhibit 4". Have you read the Audit Report, which was issued on January 24th, 2024, by the Audit Staff of the Department?

A (Nixon) Yes.

Q And, in that Report, I want to go to the bottom of Bates 008 and top of Page -- Bates 009, which was brought up in the Commissioner questioning as well of the Company's witnesses.

So, it describes how the billing system was frozen in September for a portion of customers; notes that the Company did not address how the inclusion of estimates impacted the revenue per customer. And I want to hear, in your view, what are the impacts and possible concerns of this on the Company's revenue decoupling request?

A (Nixon) Well, the Company is supposed to provide actual data, not estimated data, in calculating the Revenue Decoupling Adjustment. And it's very concerning that their Initial filing used estimates, and there was no indication give that the estimates were used, not actual.

And we note that they have indicated that they have updated that data in subsequent data responses, and today as well.

Q And this came up in front of the Company's witnesses as well. But, in that first full paragraph, on Page 9, audit explains how updated RDAF schedules and SAP revenue reports were provided in response to a DOE data request. The audit states that "Audit is unclear how the Cogsdale September 2022 then SAP October through January 2023 revenue reports could have been updated. Audit has relied on the integrity of the revenue reports for audits in which verification of revenue figures is a critical component. Because of the updates, the integrity is not as certain as it was once understood to be. Audit reviewed the "noted changes" only within the updated schedules. A full audit of the entire revision was not done."

Does this statement in the Audit Report affect your confidence in the numbers supplied by the Company in support of their revenue decoupling request?

A (Nixon) Yes. We still do not have -- we don't have confidence in the numbers.

Q And, then, on the final page of the Audit Report, Bates 017, again, this has come up previously in this hearing, Audit Issue Number 1. The last sentence under the "Issue" section says "The integrity of the data as filed, and the supporting Revenue reports, as a result of the supplemental information provided to the DOE, resulted in Audit being unable to conclude if the calculated monthly variances are accurate."

Below that is the Audit "Recommendation", which states that "The Company must ensure that the substantive reports on which their filings to the PUC and the DOE are based, are accurate."

After "Company Comment", the "Audit Conclusion" ends by stating that Audit did not review the updated filing" provided by the

Company.

Do these statements in the Audit Report affect your confidence in the numbers supplied by the Company in support of their revenue decoupling request?

A (Nixon) Yes. We are still very concerned with the data. Audit could not verify the data. And we don't believe that we can have confidence with this data at all.

Q After reviewing the Audit Report, is there anything the Company could do to give you confidence that the numbers supplied by the Company in support of their revenue decoupling request are accurate?

A (Nixon) I mean, I mentioned a little earlier, but, in this instance, I feel like, no, there isn't anything. And this is not just based on the Audit Report, but review of our data, and understanding of the impacts of the SAP. The SAP conversion has not only impacted the reliability of the data, but has also had a major impact on the actual revenue decoupling adjustment.

Q And I want -- if both of you could answer this next question. Do you believe you could recommend approval of the Company's revenue decoupling request, based on the data and information provided by the Company in support of their request?

A (Nixon) No. As we stated in our tech statement, we do not recommend approval.

A (Trottier) The same.

Q And, now, turning to the second major issue that you highlighted in your technical statement, that decoupling was not approved in temporary rates that went into effect July 1st of 2023.

MS. LADWIG: Just as a reference for everyone, I'm going to be referring to Docket Number DE 23-039, which is the Company's base distribution rate case for this next portion, if you'd like to pull that up as we walk through it.

BY MS. LADWIG:

Q Are the two of you involved in Docket Number DE 23-039? And, if so, did you review Liberty's request for approval of temporary rates effective July 1st, 2023, in that docket?

A (Nixon) Yes, to both.

Q As part of your review, did you review Liberty's initial Petition and associated documents, submitted in their May 5th, 2023, filing in that docket?

A (Nixon) Yes.

Q And I want to turn to that May 5th filing, which is Tab 11 in Docket DE 23-039. It's the "Attachments K. Jardin and D. Dane and G. Therrien".

CHAIRMAN GOLDNER: Attorney Ladwig?

MS. LADWIG: Yes.

CHAIRMAN GOLDNER: Did you want to take administrative notice of that docket? I don't think we've done that.

MS. LADWIG: Yes. Apologies for that. If I could request that the Commission take administrative notice?

CHAIRMAN GOLDNER: Any objections?

MR. SHEEHAN: No, sir.

CHAIRMAN GOLDNER: Attorney Kreis, any objections?

MR. KREIS: None whatsoever.

CHAIRMAN GOLDNER: Thank you. Then, we'll take administrative notice of Docket Number 23-039.

[Administrative notice taken of Docket

Number DE 23-039.]

MS. LADWIG: Thank you, Mr. Chairman.

CMSR. SIMPSON: And, just to confirm, Attorney Ladwig, you're looking at Tab 11, Testimony of Jardin and Dane?

MS. LADWIG: Yes. It's the attachments to the testimony.

CMSR. SIMPSON: The attachments?

MS. LADWIG: Correct.

CMSR. SIMPSON: Thank you.

MS. LADWIG: Oh, sorry. It's -- my co-counsel just corrected, it's Jardin, Dane, and Therrien.

CMSR. SIMPSON: Attachments?

MS. LADWIG: Correct, the attachments.

BY MS. LADWIG:

Q And, in those attachments, Bates II-084, it would be Pdf Page 46. It's a "Comparative Monthly Bill Impacts" page. On that page, did Liberty include an RDAF charge in the temporary rates they requested?

A (Nixon) No.

Q Can you explain your understanding of what this page, and the preceding page, which would be

Bates II-083, Pdf Page 45, where the title at the top of that page says "Temporary Rate Design Rates Effective July 1st, 2023".

What do these pages show with regard to revenue decoupling and temporary rates?

A (Nixon) Starting with Page -- Pdf Page 045, this shows the Temporary Distribution Rate, the REP/VMP Adjustment Factor, and then the Net Distribution rate, but no RDAF is shown here.

And, then, if you go to the next page, Pdf Page 46, this page shows the bill impact of the new rate for a residential customer using 650 kilowatt-hours per month. And, as you can see, the RDAF rate is shown as "zero".

MS. LADWIG: And, then, we're going to go, in that same docket, DE 23-039, if I could have people look at Tab 37. There's "Revised Temporary Rate Schedules", dated June 26th, 2023.

CMSR. SIMPSON: Can you just repeat that for me please?

MS. LADWIG: Sure. It's Tab 37, the "Revised Temporary Rate Schedules", dated June 26th, 2023.

CMSR. SIMPSON: And page?

MS. LADWIG: Page -- it's going to be Pdf Page 47, which is Bates II-084.

CMSR. SIMPSON: Thank you.

BY MS. LADWIG:

Q And, as a preliminary question, I just want to ask, do these schedules reflect the parties' settlement agreement on temporary rates in that docket?

A (Nixon) Yes.

Q Okay. And, on Bates 11-084, which is Pdf Page 47 of the document, there it's a "Comparative Monthly Impacts" page, similar to what we were just looking at. And, then, the page right before that, Bates II-083, similarly, a "Temporary Rate Design" page, similar to what we were just looking at.

Can you explain your understanding of what those pages show with regard to the settlement agreement on temporary rates?

A (Nixon) Yes. Starting again on the first page referenced, on Pdf Page 46, this shows an updated Temporary Distribution Rates, an updated REP/VMP Adjustment Factor, and an updated Net Distribution rate, but, again, no RDAF is included.

And, then, going to the next page, on Pdf Page 47, this page, again, shows the bill impact for a residential customer using 650 kWH. And, as you can see again, the RDAF rate is shown as "zero".

Q Okay. And I'm going to reference that page again, if others could keep that open just for reference.

And I want to go now to Tab 40, in that same docket, it's an order from the Commission, "Order Number 26,855 Fixing, Determining, and Prescribing Temporary Rates", dated June 30th, 2023. And I want to turn to the table on top of Page 3 of that order.

What is your understanding of what that table represents?

A (Nixon) This table summarizes the rates at the time, and the approved rates for Rates D and G-3. Specifically, it shows the Customer Charge, the Net Distribution Charge, as well as the percent increase, and the total bill impact.

Q And I want to compare that table to the Temporary Rate Design page in the Temporary Rate Settlement schedule we were just looking at. Bates II-083, Pdf Page 46, it's the settlement attachment. The far right column is labeled "July 1st, 2023 Net Distribution Charge". Can you please compare the Net Distribution Charge for Rate Class D and G-3 in the order and in these schedules?

A (Nixon) Yes. The table in the order, and the rates shown for those classes, match the tables in the June 26 filing by the Company, which is what we agreed to in that case, and was part of the Settlement Agreement.

Q And going back to the Commission's order approving temporary rates, the ordering clause at the bottom of Page 4 states that it is "Ordered, that the temporary rates presented at the hearing on temporary rates and in Liberty's supplemental schedules filed on June 26, 2023, are approved as set forth herein above."

Based on your review of Liberty's temporary rate proposal in that docket, including the documents we just reviewed, do Liberty's temporary rates, as approved on June 30th, 2023, for effect on July 1st, 2023, include an RDAF charge?

A (Nixon) No.

Q Still in that same docket, DE 23-039, I want to go to Docket Tab 43. That's dated July 5th, 2023, and there's an "Exhibit 3" in that tab.

If you open that exhibit, and you turn to Pdf Page 46, which is also Bates Page 046, there's a Temporary Rate Design table that looks very similar to the other two we were just looking at. And, again, that's Bates 046 of Exhibit 3.

And, then, the next page, Bates 047, that shows Comparative Bill Impacts, which, again, looks pretty similar to the two prior ones we were looking at.

What is your understanding of these schedules?

A (Nixon) We did not agree to these schedules. They were not part of the settlement agreement, and they were not the basis for the order. The Net Distribution rate shown in these tables are not the Net Distribution rate approved in Order Number 26,855.

Q And did the "Revenue Decoupling Adjustment Factor" column that's included here, did that

show up in the other tables we were looking at previously?
A (Nixon) No.
Q Did the "REP/VMP Adjustment Factor" show up in those prior two tables?
A (Nixon) Yes.
Q And, then, the last tab I want to go to in that docket is Tab 47. There's a compliance tariff filing. I want to open the tariff pages, to the very first page of that filing, which shows "Rate D", which is the rate that we just looked at in the Customer Bill Impact pages in the Company's temporary rate filings.
Do you have an opinion on what that page shows, with regard to revenue decoupling and temporary rates, and how that tariff page fits with all of the temporary rate schedules we've been looking at?
A (Nixon) Yes. These rates do not match the rates that we agreed to, and do not match the Net Distribution rates approved by the Commission. The rate should not include the Revenue Decoupling Adjustment Factor as we just outlined.
For Rate D, the total energy charges or

Net Distribution Charges should be 6.635 cents per kilowatt-hour, not the "6.916" cents per kilowatt-hour, and should not include the RDAF.

Q What is your understanding of where things stand regarding approval of the July 14th, 2023, compliance tariff?

A (Nixon) We filed a letter on August 3rd, 2023, which is included as Tab 52 in Docket -- in this same docket, Docket DE 23-039, which summarizes our position on the Company's July filing of the revised schedules, and the July 14th and 20th compliance tariff filings.

As we explained in that letter, in our tech statement in this docket, and in our testimony today, the rate in those filings were not approved by the Commission, and the Commission -- and the compliance tariff filings were not approved by the Commission. Therefore, our understanding is that Liberty was not approved to collect RDAF starting on July 1, 2023, which is actually when the temporary rates went into effect, was July 1, not August 1.

Q Thank you. I want to move now to some additional observations you noted in your technical statement regarding the Company's RDAF.

And, to be clear, I know the Company talked on cross about how the RDAF methodology was approved, it's what's in the tariff, the settlement agreement, and the substantive portions of the methodology itself can't be changed, and you're not saying that in this document you recommend changes to the methodology itself, correct?

A (Nixon) Correct. We're not suggesting any changes to the methodology.

Q But I do want to talk about those additional observations that you noted.

And one of those concerns is that decoupling does not seem to be serving its intended purpose regarding promotion of energy efficiency and conservation, while still allowing the Company to recover its approved base revenue requirement.

Can you explain why you have that concern?

A (Trottier) Sure. The Company has stated in its testimony here in this docket, as well as previous dockets, including the settlement in its previous rate case, that decoupling is necessary to incentivize the Company to promote energy efficiency and conservation by removing the link between customer usage and the Company's revenues.

Here, we are presented with a case where the Company itself has claimed that a small portion of their request is attributable to set energy efficiency and conservation, while the rest is due to growth. The Department is concerned that this is not what the Commission intended when it approved revenue decoupling for the Company.

Q You also note that, although the Company appears to have performed the RDAF calculations correctly, in terms of the Settlement and tariff language, except as you've noted, the Company is essentially asking for more than its approved revenue requirement.

Can you explain why you have that concern?

A (Trottier) Sure. So, the Company has provided testimony multiple times that states that "the Company will collect no more and no less than the revenue requirement." But they're asking here for much more than the revenue requirement. Whether they perceived the revenue requirement to be different, it seems like the intention is not the same.

Q These other observations, as we've asked, and maybe don't need to say again, but just to confirm, they don't form the basis of your opinion regarding the Company's RDAF in this request, correct?

A (Nixon) Not necessarily. But we do have these major concerns with revenue decoupling.

Q Right. And I could have phrased it better. I just would, like you said, I wanted to clarify that you could have left these other observations out of your technical statement, and your recommendation on the Company's revenue decoupling request would still be the same?

A (Nixon) Correct. We'd still recommend no approval.

Q And, so, can you explain the reason for including them in your technical statement?

A (Trottier) We mainly just wanted to make sure that the Commission was aware of how revenue decoupling is playing out, and show the elements that need to be addressed if revenue decoupling continues.

MS. LADWIG: Thank you both. That's all the questions the Department has for direct.

CHAIRMAN GOLDNER: Thank you. We'll move to cross, and the Office of the Consumer Advocate?

MR. KREIS: I have no questions, other than to say "thank you" to the two Department witnesses for their excellent contribution to this discourse.

CHAIRMAN GOLDNER: Thank you. And we'll move to the Company.

MR. SHEEHAN: Thank you. Good afternoon.

CROSS-EXAMINATION

BY MR. SHEEHAN:

Q Starting with the issue of the temp. rates, what was in and what was not in temp. rates. Are you aware that, in 2022, the Commission approved an LDAC -- an RDAF rate to be collected for twelve months, from Fall of 2022 through Fall of 2023?

A (Nixon) Yes.

Q And that was based on a finding that the RDAF calculation that year showed a deficiency of X dollars, and they calculated the cap, and they authorized the Company to collect to that cap amount through the next twelve months?

A (Nixon) Yes.

Q If the Commission were to remove that charge, as you have argued, isn't it true that the Company still has the authority to collect those dollars at some other time?

A (Nixon) Can you repeat that question?

Q Sure. You're suggesting that the rate -- the RDAF rate that we were collecting until July 1, and we continue to collect, should have been stopped then.

My question is, the right to that recovery would have remained, we were still owed those dollars, correct?

A (Nixon) It's unclear. I mean, it appears that the proposal was that the RDAF goes to zero as of July 1. So, I don't know what -- how that would affect the prior.

Q So, you agree with me that nowhere in the temporary rate discussion did anyone say we are changing the RDAF order that approved recovery of the million and a half dollars, whatever the number was?

A (Nixon) There was no discussion of RDAF. But everything that we saw showed "zero". So, we assumed that the Company had impled it as, because of the rate case, they were pushing it to zero as of the time of the temporary rates, because that's all we saw in all the schedules that we had reviewed.

Q So, you're suggesting the Company decided, in temporary rates, to give up a half a million dollars?

A (Nixon) I don't know what the Company decided. All I can say is, what we saw was "zero" for RDAF. So, that's what we went with, is that was what we were reviewing and agreeing with.

Q All of the schedules you reviewed are distribution rate schedules, correct?

A (Nixon) Are you referring -- what are you referring to?

Q With regards to the temporary rates?

A (Nixon) Yes.

Q You were -- the line items were all distribution

rate line items?
A (Nixon) I'm not really sure what you're getting at. But I think I understand that, yes, this is a distribution rate case. So, we're looking at distribution rates.
Q And the temporary rate change was a distribution rate change?
A (Nixon) Yes.
Q The RDAF is not a distribution rate, is that correct?
A (Nixon) Well, it is in the distribution rate.
Q That's not my question. RDAF is not a distribution rate, correct?
A (Nixon) I guess I don't -- I would say -- I would say that it's part of the Net Distribution rate. So, I would have to say it is part of the distribution rates.
Q You agree with me that the RDAF is the plus or minus of a reconciliation of the decoupling tariff, is that correct?
A (Nixon) Yes.
Q Under-recovery or a return, whatever it is?
A (Nixon) Yes. I would agree with that.
Q And reconciling mechanisms typically are not

distribution rates?

A (Nixon) Well, I mean, I would say, typically, reconcilings aren't included. But, in your case, you have two included there. So, here, the Net Distribution rate does include two other items. So, it is part of the distribution rate, I would argue.

Q One of the other items is the REP, which is distribution rates, correct?

A (Nixon) Well, I would -- they're both part of distribution rates, at this point.

Q You've said many times you're "concerned with the reliability of the data". You heard Mr. Bonner testify that the data used for the RDAF calculation is the billing data, and that Mr. Bonner is comfortable that the billing data is accurate.

Do you have any basis to challenge those statements of Mr. Bonner?

A (Nixon) Based on the Audit Report, they were not able to verify anything. And we just have major concerns that the underlying data is -- we are still concerned with the underlying data and the potential reports generated from that underlying

data.
Q And the Audit Report didn't say they "couldn't confirm it", they said they "didn't confirm it because of time", correct?
A (Nixon) I don't remember the reason. But they just said they were "not able to verify it".
Q If they could verify it, and I believe the Company witnesses testified that they looked at the audit issues, and they have resolved them, they fixed them, if you will. And Audit didn't -- my reconciliation is the Audit Report said "We didn't have time to go back and check that." If Audit could confirm that, would that change your opinion?
A (Nixon) Not about whether this rate should be approved or not, no.
Q And what about the billing data, and I'm going to carve out the timeliness of the billing, the delayed bills, what of the billing data itself, the dollars coming in and the bills going out, did you find -- where is it not accurate?
A (Nixon) Well, again, based on the Audit Report, --
Q Okay.

A (Nixon) -- that said it was -- it's not verifiable.
Q So, that's not your testimony, that's the Audit Report that you're rely on?
A (Nixon) Partially. But, because, I mean, it's our experience with this SAP conversion that the data is not reliable. So, we're still very concerned with that data.
Q And that's --
A (Nixon) And, especially, the fact that it has such a major impact on the equivalent bills, the revenues, the revenue per customer. I mean, it's all -- you have to take all the factors into consideration together. You can't segment them individually.
Q Yes. And, frankly, the frustration I'm having is you keep saying "the data is not good", but you're not saying what about it is not good. You say "it's bad." What about it is not bad? That's why --
A (Nixon) We haven't been given anything to assure us that we can have confidence in it. For example, I mean, you've made a filing on September 1. You provided data responses that,

within the same set of data responses, you gave us several different updates to the filing that were different. And, then, after our tech statement, you filed yet another update to this.

So, we really -- how do we know when we can be confident in the data that you've provided to us?

Q You could look at the data that we provided, and see if it's accurate.

A (Nixon) Well, we try. But, I mean, it's not our job to QA/QC your work. Our job is --

Q Fair enough.

A (Nixon) -- to review it to make sure it meets the methodology.

Q Mr. Bonner described the reason for the variation in equivalent bills through that single example. If you recall, there were those five bills that weren't billed until a later month. So, that later month would have five equivalent bills. The months that were supposed to have those bills would have zero.

A (Nixon) Correct.

Q Did he not?

A (Nixon) Correct.

Q So, there is an explanation for the variation in the equivalent bills, correct?
A (Nixon) Based on that example, yes.
Q Do you have any reason to doubt that that's the reason for the variation in the equivalent bills?
A (Nixon) No. I mean, the Company has admitted to the fact that the bills were the Company -- they were self-imposed by the Company, that the bills were delayed or canceled, and that some were delayed.
Q Right. In order to get them correct?
A (Nixon) Correct.
Q You're not suggesting, are you, that we shouldn't have made the conversion to SAP?
A (Nixon) I can't have an opinion on the SAP conversion yet. I don't --
Q You filed testimony, and your testimony in the rate case did not suggest that the conversion to the SAP wasn't --
A (Nixon) I'm not going to micromanage the Company. They can -- they can make conversions. We just want it to be accurate and the data verifiable.
Q The Company made a number of other reconciling filings in 2023 that were approved by the

Commission, and the DOE raised no concerns about the data: The transmission costs filing, the retail rate filing, the VMP filing, the storm cost filing, and the default service reconciliations. All those went through with 2022/2023 data, is that correct?

A   (Nixon) I was not involved in all of those. I mean, I believe some of those do include reconciling information. But, at the point, when those were looked at, we were not in the depths of the rate case and seeing the results of the SAP conversion.

Q   But it had data from before October and after October 2022, right?

A   (Nixon) Again, I'd have to look at those filings.

Q   Okay.

A   (Nixon) I don't recollect those.

Q   Mr. Bonner testified that "The mapping issues that are front and center in the rate case are not present here." Do you disagree with that?

A   (Nixon) Again, I am not like the auditor and I don't do the mapping, but that's what I heard him say. But I still am concerned with the data that comes from the system, and then how that is interpreted into reports to be used for this filing.

Q You testified that, although you said it's not part of your recommendation in this case, you did essentially make the argument that "we are collecting more through decoupling than we should", the 49 million versus the 46 million, whatever the numbers are, correct?

A (Nixon) We did make that observation.

Q And I'm going to walk through what I understand to be the way the decoupling works that explains why the $49 million is the right number, without getting into the math, the concepts, and tell me where I'm wrong.

So, decoupling is approved in Year 1, with a rate case -- with a revenue requirement of X. The Commission says "For the test year, the costs are $46 million", to use a number, "and that's what you're entitled to recover in Year 1." And, then, the Company bills the RPCs, the revenue per customer amounts, to collect that 46 million. Do you agree with that basic description?

A (Nixon) More or less, yes.

Q And, since this is a revenue per customer mechanism, if we add customers, we have a bigger number to multiply by the revenue per customer amount. So, to use a very simple example, in the test year, we had ten customers, our revenue requirement was a thousand dollars. So, the revenue per customer was 100 bucks. Ten customers, times 100 bucks, we get a revenue requirement.

In Year 2, we have 11 customers. Now, we have 11 customers, times the 100 bucks. Now, our revenue requirement is $1,100. Do you disagree with that concept?

A (Nixon) I have to admit, I got lost a little. But I think what you've described is the methodology you used. And I think we testified that the basic, and, for the most part, agree that you followed the approved methodology. It's just that our observation was that the result is not what we envisioned is the original intent.

Do you have anything to add to that?

A (Trottier) Yes. Just that, I understand what you just explained very well. But I think that it's misrepresented in your testimony, as you base on the approved distribution rate. And that doesn't equate. You don't express in your testimony that that approved distribution rate somehow raises every time you get a customer. I understand that that's how the calculation works. But what you're saying and what you said -- what the Company has said in its testimony contradicts each other.

Q I'm just trying to find the data response. The data response that explains the delta between the 46 million and the 49 million explains that we added 3,200 customers, or whatever the number was, correct?

A (Trottier) Yes.

Q And the revenue per customer mechanism says now we have 3,200 more customers, times their respective RPC, to generate the appropriate revenue requirement, correct?

A (Trottier) Yes.

Q Okay. So, your recommendation today is to approve no rate?

A (Nixon) Correct.

Q Do you -- there are no dollars above -- below the cap that the Company should collect this year?

A (Nixon) Based on everything we've said today and in our technical statement, it's just -- it's, one, the data reliability, the temp. rate issue, the SAP conversion. The fact that the Company -- that, you know, majority, if not all, of the collection is a result of the Company's actions, not as a result of customer actions.
Q Going back to the temporary rate, though, that predates today. Let's assume you're right on the temporary rates, and that we shouldn't have collected temporary rates from the day of temporary rates forward. We're asking for a decoupling rate to go into effect tomorrow, or whatever the effective date is. What's the basis for the argument that the temporary rate order somehow bars the Commission from approving recovery for the next year, Year 2 decoupling, starting tomorrow?
A (Nixon) I guess the leap that I made is, because we were starting into the rate case with the temporary rate, that we would be dealing with revenue decoupling in the rate case from that point forward.
I mean, you have a point, that the

Commission could change its mind and could implement it now. But our position was that we thought that, because there was zero RDAF rate there, that it would not be dealt with until after the rate -- that we would deal with this in the rate case, and then revenue decoupling, if it's approved, would then proceed after that.

Q So, your argument is that the -- having zeroes in these schedules, your erase the entire decoupling mechanism?

A (Nixon) Correct. Until the rate case was over.

MR. SHEEHAN: No further questions.

CHAIRMAN GOLDNER: Okay. We'll move to Commissioner questions, beginning with Commissioner Simpson.

CMSR. SIMPSON: Thank you both for being here.

BY CMSR. SIMPSON:

Q So, continuing on the last line of questioning from Attorney Sheehan. So, effectively, with the temporary rates, the current RDAF that's in place is zero dollars. That's your position, correct?

A (Nixon) That was our understanding.

Q And, in your technical discussions with Liberty,

did you air that concern when they made this filing?
A (Nixon) This filing? I don't recall.
Q Okay. Are you aware of the Company responding to the issues that were raised in the Audit Report? Like, have they been responsive to the Department as issues have been raised? Or concerns have been raised?
A (Nixon) I guess it's -- I mean, today, I think they tried to respond to some of those issues. We're not part of the Audit Team, and we don't -- we actually don't interact with them about it, until we get the audit report.
So, I'm trying to think on anything specific. I mean, I think they're aware of them, and are trying to. But I can't think of anything off the top of my head that I can think of where they specifically.
But I don't know if you have anything to add.
A (Trottier) Is this limited to the Audit Report? Or are you asking if the Company was responsive, in general, during discovery?
Q In general.

A (Nixon) Oh.

A (Trottier) So, I think they were. There are instances where I believe they, at least one instance, where they did say they were going, for the VM&P *[sic]*, where they included the revenues for VM&P *[sic]*, they did say they were going to provide us with updates. We didn't receive those until they filed their technical statement last week. So, in that instance, no. But --

A (Nixon) Yes. I thought you were limiting it to the audit.

Q I'm sorry if I wasn't clear.

A (Nixon) So, the other thing is, we were the ones that highlighted to them about the deferral, how the deferral was not calculated -- or, the actual calculation was not done correctly, specifically to the deferral balance, and not having any interest included.

I think there's probably others. I mean, so, a lot of times, I'm thinking of the rate case, and here as well, when we highlight issues and ask questions, usually, it's because something jumps out at us as not looking to be accurate. And, usually, once they dig in, they often find that it isn't inaccurate, and then provide us with what they believe should be the accurate.

A (Trottier) Yes. I don't think that was the Company's responsiveness that was necessarily at play here. It's more that every error that was, like, it was like every error that was found, another was behind it. And, so, it starts to become very confusing, what data we're even supposed to be looking at. Or, what changes have been made, because sometimes there are changes made in the spreadsheet that weren't explained.

Q And I don't recall who, but one of you testified that "the Company's Initial filing was based on estimates, when the revenue decoupling mechanism relies on actuals." How did you determine that the Initial filing was based on estimates?

A (Trottier) We asked in a data request if there were any estimates.

A (Nixon) And, In addition, the Audit Report refers to that. But we learned during a response where they said "We've corrected those now with actuals."

Q So, are we at actuals today or are we at

estimates today?
A (Nixon) We believe we're at actuals.
A (Trottier) As far as we know.
A (Nixon) Yes.
Q Okay. And, then, the exercise that Mr. Bonner said he would go through, in order to verify the delta between the cap and what the calculation would actually produce, do you have any insight into that? I mean, do you -- would that be helpful to you? I mean, how would you participate in that activity? What's your response to it? Does it change your perspective?
A (Nixon) I mean, our biggest concern with that is, I mean, there's an approved methodology for the revenue decoupling. And the Company has been the first to mention that. If that were to be done, that would not follow the approved methodology. I recognize it's trying to get at a better place. But it's not the approved methodology.
So, if we're going to start changing the approved methodologies, we'd propose many changes to the approved methodology. So, we have concerns, major concerns with that.
A (Trottier) I'd also argue the same point that we

made in the rate case, which is that this is further extending the time that this docket is carrying on. And, as we've seen in the Company's filing, they have already put this into deferral. And, so, they're getting 8.5 percent interest on that. And I'd be a little bit concerned about further dragging that out.

Q The recommendations that the Department has put forward certainly give me pause, and my colleagues pause, because they're significant. I mean, you've suggested pretty significant remedies, and that could be impactful to the Company.

Can you share with us your thought process of why you've come forward with significant remedies and recommendations that are not typical? I mean, we've -- many of us have worked together for years, and we know each other, and work with the companies. I mean, I personally haven't seen this degree of recommendation from Commission Staff or the Department in the past.

A (Trottier) Well, I'll start with, I'm new. So, I guess I just like to stir the pot a little bit.

But, I think, for me, I think it's important that we raise these to you, because they don't -- they don't appear to align with the policies that I believe this Commission is trying to put forth. And you are a small team. And I think that these things may not have come to light, if we hadn't have brought them to your attention. So, that was my biggest factor. And I just -- I want to make sure that the things that we're approving are right.

A (Nixon) And that's a good place for me to jump in. Because, I mean, we do want accuracy, and that's our first and foremost. And, I think, as we've said, our biggest concern is, you know, yes, we like to check for accuracy, but it's usually a spot check. And we've just been worn out by Liberty in many dockets, where there's error after error and correction, and, as you noted earlier, it's much more than in other companies.

And, even to the effect that they -- we didn't know they were making a filing a week before this hearing, that wasn't part of the process. And it just, we want to be able to do our job, which is to ensure that the Company is getting the rates that they should be getting. And it's become too much of an effort. And we just -- and we want to make sure that the data that we're looking at, and you're looking at, and that these rates are based on just and reasonable rates and reliable data. And it's just the different actions by the Company have impacted this with the SAP conversion. I mean, that's an extreme case here, that has a major impact on this.

The temp. rates, that I don't know. We just -- we noticed that, you know, after the compliance tariff filings. It's an anomaly. I don't know what to say about that. But it just has concerns, because it's not an approved rate, and customers are paying that right now. So that we just -- we have concern with that.

So, we just wanted to respond to those issues, and bring them to your forefront, because we have major concerns with all of these things.

Q When you say "It's not an approved rate and customers are paying it", can you be more specific?

A (Nixon) So, they have continued to implement the RDAF rate, whatever it is for residential, 2 -- 0.00, I don't know if I have enough zeroes, 281 **[**0.00281**]**.

A (Trottier) Yes.

A (Nixon) So, customers are currently paying that. But, based on our read of your order, that is not an approved rate at this moment. And we have major concerns with that, that a company is going forward with a rate that, in our eyes, we do not see any approval for that.

CMSR. SIMPSON: Okay. I'm going to leave it there. I'm sure Attorney Sheehan may want to address that in closing.

Thank you. Thank you both.

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

CMSR. CHATTOPADHYAY: So, I'm --

WITNESS NIXON: May I add one thing to that?

So, I mean, I guess, you know, our job isn't just to look out for ratepayers, we're looking out for the Company, too. So, we want the balance there. But, you know, so, we just need to be able to have the data to be able to balance that, and make sure, like Ms. Trottier said, the policy is being implemented, and, you know, all parties involved are based on reliable, reasonable data.

CMSR. SIMPSON: Thank you.

BY CMSR. CHATTOPADHYAY:

Q So, to be absolutely clear about this, the DOE is recommending an RDAF of zero?

A (Nixon) For this year, yes. Until the rate case is resolved or until a future docket determines otherwise.

Q So, when you said, in your technical statement, that the fact the Department advises against RDAF approval in this docket, you essentially were saying "get rid of the RDAF rate"?

A (Nixon) Well, our tech statement for this is specific for this case. But we've also recommended that it be looked at in the rate case, and/or another docket, to decide how to proceed going forward.

Q I think that's a different nuance to what I'm trying to get at. What I'm asking is, you are essentially saying that the RDAF that is in place currently, there's a methodology, you -- based on that, you're saying -- your recommendation is "RDAF should be zero", because you have issues with the numbers, you have -- you're not sure what -- you're concerned about accuracy. Is that a fair way to describe it?

A (Nixon) Well, there's multiple -- there's multiple reasons. One is that --

Q Can you go through the multiple reasons, and at least provide me three reasons?

A (Nixon) So, the first reason is, with the approval of the temp. distribution rate, that that was set to zero. So, our assumption was that the RDAF would be zero, until the case -- the rate case was resolved. So, that's the first.

If you don't agree with that, then the second is, with the SAP conversion, the Company had direct impact on this calculation and this methodology and adjustment, which was not the intent of this. The intent was to have -- have customers do it. And, I mean, the Company testified today, it had a major impact. It could have an impact of over $750,000, but that's not been completed. So, that's the next one.

And, then, the others are the multiple other reasons, including the data reliability.

I don't know if you wanted to add more, or in addition to that?

A (Trottier) Not right now.

Q I asked for three reasons, and the third one was "data reliability".

A (Nixon) Uh-huh.

Q So, it sort of ties up with the conversion, is that what it is about, conversion to a SAP?

A (Nixon) Yes.

Q Okay. I just wanted to understand. So, --

A (Nixon) It's the SAP. But, also, because we've had multiple filing along here.

Q Okay.

A (Nixon) But the key reason is the SAP conversion.

Q Okay.

A (Nixon) But the multiple filings as well.

A (Trottier) I would just add --

Q When -- go ahead.

A (Trottier) I was just going to add to what she just said, in terms of the reliability. I'll leave that -- we can leave that to the Company on whether that's from SAP. But the litany of corrections that we've had since the start of this docket is what really forms that opinion of, like, data reliability. When the numbers are continuously changing, it's a little bit concerning of when do we know it's the right number.

Q   When was this -- this is, sorry. This is a second year that RDAF would have been administered, right?

A   (Nixon) Correct.

Q   The first year, the rates were set at I think it was the ones that we see in the tariff pages, correct?

A   (Nixon) Correct.

Q   And they were set when?

A   (Nixon) I could just give, while she's looking to check the exact date, I know that it was originally supposed to go into effect in November, but I believe that was delayed.

Q   Which year?

A   (Trottier) It's Docket 22-051 **[**22-052**?]**.

A   (Nixon) So, this is '23, so, this was supposed to go '23, so that would have been November 2022, is

when it should have gone.
Q   Okay.
A   (Nixon) But she's double-checking to make sure, but it did not go into effect then.
Q   And it was based on the difference between the allowed revenue and -- sorry, yes, the difference between the allowed revenue and the actual revenue, more or less, for the period of, you know, the rates went into effect from July -- let me phrase it differently. So, --
A   (Nixon) I think I can try. You want me to try?
Q   Yes.
A   (Nixon) So, I think what you're trying to get at is what does that -- what does that rate cover --
[Court reporter interruption.]
WITNESS NIXON: I'm sorry.
CONTINUED BY THE WITNESS:
A   (Nixon) So, this one is to cover from -- oh, I thought I had it -- July of 2022 to June of 2023. So, the other would have been a year before that.
A   (Trottier) Yes.
BY CMSR. CHATTOPADHYAY:
Q   So, if I can -- so that the other one would be from July 2021 through June 2022?

A (Trottier) Yes. Correct.
Q Okay. So, even that RDAF was looking back, was trying to ensure that the allowed revenue was the same as what the actual revenues were, correct?
A (Nixon) Yes, based on the revenue per customer methodology.
Q Okay.
A (Trottier) Yes.
Q The current RDAF, which is at question here, is, again, intended to let the Company recover the difference between the revenue requirement that is associated with July 2022 through June 2023, and what the actual revenue was. So, that difference is what they're targeting with the RDAF, correct?
A (Nixon) Correct. But that's the simplified version. It's through the revenue per customer calculation methodology.
Q I know that.
A (Nixon) Okay. I just wanted to note that.
Q Because, at one point, I used to work on these things. So, I know all of that.
A (Nixon) Yes.
Q What I'm trying to get at is, this RDAF is about

revenue requirements, not matching what the actual revenues were for a period, that is going back to July 2022 through June -- sorry, yes, June 2023. Would you agree with that?
A (Nixon) Can you restate that again?
Q The RDAF that the Company has proposed is meant to recover the difference between the revenue requirement -- sorry -- the allowed revenue that is associated with the months beginning July 2022 through June 2023, and the actual revenues that the Company recovered during the same period?
A (Trottier) Yes.
Q Okay. So, if we go ahead and set the RDAF to be zero, beginning whenever, there's a -- would you agree that there would be a deferred amount that would not be collected through rates, as well as any differences that, you know, that have happened for that period, you know, within a month, all of that won't be recovered, correct?
I'm just trying to think mechanically.
A (Nixon) No, I mean, I guess, and my thought was, I mean, it could be done in many different ways, my thought was, basically, as of July 1, revenue decoupling ceased with this Company until the

rate case was done. So that there would be no reconciliation or deferral or anything, so that, basically, it would cease at that point. But you could do it multiple ways. But I'm not sure, but I would have to think through those ways more.
Q But the question remains, if that's what we do, then, for the period July 2022 through June 2023, you would be automatically accommodating revenue deficiency. And I don't want to get into the debate of what the allowed revenue should be, that's not what I'm talking about. What is in the -- what's already in place, that's what I'm thinking of.
But you would agree that, if we do that, and if there is any deficiency that happened, that you're not going to be recovering any more. Is that what you're saying?
A (Nixon) Are you referring to the deficiency from last year?
Q Yes.
A (Nixon) Oh. Okay.
Q So, for the period, let me be clear, because, for the period July 2022 through June 2023, yes.
A (Trottier) Okay. So, if you're referring to the

amount that's requested here, I think we would say that that would be nothing. If you're referring to the amount that they currently carry in a deferral balance, which would be from July -- from the first year of decoupling, I would say that that would carry on. They would still be collecting on that.

Q Yes. I'm saying, --

A (Trottier) Yes.

Q -- if you had implemented zero, what happens?

A (Trottier) If you had zero, so, they would still be collecting the remaining from Year 1, because they are, in fact, under-collecting that, I believe at one point. But they wouldn't be collecting Year 2.

A (Nixon) And I agree with what she said, but that's one -- you could do it a different way as well. But, that's -- if that's, I think, what you're getting at, that they would not necessarily -- there would still be a -- could be a reconciliation for that first year.

A (Trottier) Yes.

Q What I'm trying to indicate is that, if you all of a sudden have zero rates, and you have a deficiency, and I'm using my own words here, the difference between the allowed revenue and the actual revenue, and that -- that won't be recovered.

A [*Both witnesses indicating in the affirmative*].

Q So, I'm just trying to get a confirmation on that?

A (Trottier) Uh-huh.

Q And, so, what would happen, if you still had this in place, meaning the decoupling mechanism, after the rate case is over, you would still have to have this RDAF coming into play at some point, if you believe that the RDAF mechanism would stay in place, correct?

A (Nixon) I guess that's what I'm saying, is that the choice could be that you just stop all revenue decoupling now, for all of it.

Q Okay.

A (Nixon) Or, you could continue that. But the choice could be that, after they reconciled that first amount, then it's done.

But my initial thought was, until you asked this question, my initial thought was all revenue decoupling would cease as of July 1,

2023.
Q   Okay. So, I'm just trying to understand. So, you're saying -- what you're really saying is "we should stop RDAF, and not have decoupling mechanism"?
A   (Nixon) That's what I thought was happening with that temp. rate. That's the only thing that we could gather from that, --
Q   Okay.
A   (Nixon) -- that was coming from that temp. rate proposal, is that it would cease then, until the case was over.
Q   Okay. What happens when the rates are set in the temporary rate phase? You use a test year, correct?
A   (Nixon) Correct.
Q   You look at the required distribution revenue, correct, or revenue to allow distribution service to be compensated, correct?
A   (Nixon) Right, the new revenue requirement.
Q   Right. So, that --
A   (Nixon) Whatever the revenue requirement would be.
Q   So, the rates -- the distribution rates are set

to allow recovery of all of the distribution -- the required revenue, correct?
A (Nixon) Correct.
Q So, in that scheme, do you think there is a need for an RDAF?
A (Trottier) No. That was part of why, when we saw the zero, we thought that that was a zero.
Q But you could have deficiency that is happening from before that still needs to be accounted for, will you agree?
A (Nixon) There could be.
Q Yes.
A (Nixon) But we didn't believe that that was considered here.
Q The point is, could you agree?
A (Nixon) Yes.
Q Okay. So, really, what I'm trying to understand is what's your position. Your position is that, really, "stop decoupling, because it's not working."

So, you've given, to the best of my knowledge, you've given some reasons, like, one of them was energy efficiency, the other was the companies are coming back for rate cases too often. The intention was to have bigger breaks, but that's not happening.

Are there any other reasons that you can think of?

A (Nixon) So, in my testimony in the rate case, as the Chair referred to earlier, I did outline four different issues -- or, the two of us did outline four different issues that we would believe would be the reasons for dismissing decoupling. I mean, you mentioned one, is to sever the link between the sales and the revenues, so that there would be incentives for energy efficiency. But, as we've stated in that testimony, now that the Legislature has set the EE rate, we believe that that EE rate is set. So, that incentive, we don't need that, the revenue decoupling for that.

And, again, as you mentioned, the number of rate cases. The minute the company would -- the stay-out time was over, the company has come back immediately for the rate case.

The other -- the third one that we have outlined was it resulted in unexpected large recoveries asking for more than the actual annual revenue requirement, as we've been talking about.

And, in addition in that, we said that, you know, electrification is happening, so that there will be -- we believe there will be more increases in consumption. So, no need to adjust for lost revenue.

And, then, the final was the revenue per customer methodology we believe is inequitable. We, you know, discussed today how, you know, the difference between the actual annual revenue requirement and the allowed, that that amount was only about $150,000 in this case, but, yet, the Company is coming back and asking for over three million.

In addition, as we mentioned in our testimony earlier, there's the cross-subsidization in the way this methodology is laid out, because it's spread across all. I know, in other cases, or in another with other utilities, it's just a reconciliation -- or, not a "reconciliation", an adjustment based on each rate class. But, here, it seems that the residential is having to pay more each time to compensate for under-collection in the commercial classes.

So, those were the four basic elements that he outlined in the rate case.

Q The cross-subsidization issue, you agree that that can be addressed, like you've said other utilities have done?

A (Nixon) Yes.

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

CHAIRMAN GOLDNER: Okay. I'll just go through a few issues, then we'll take a quick break.

So, just first, in closing, if the OCA could address this issue of -- does the OCA -- I know that your technical staff is relatively new, but I know you also spent a lot of time with consultants in the last couple of years. Does the OCA see the same issues with the continuously changing numbers that the Department just indicated?

I think the Commission would be interested in the OCA's picture there.

And, then, in closing, Attorney Ladwig, if you could touch on your legal position on moving from -- eliminating decoupling, as it relates to the Settlement, and how does the Department see that working?

I think the Commission would be very interested in your assessment.

And, don't worry, I'll provide a fifteen-minute break to give some time for thought. And, of course, if there's a need to file something afterwards, that's always fine.

BY CHAIRMAN GOLDNER:

Q   I want to go, Ms. Nixon, to something you mentioned before, relative to the approved methodology, and the process that Mr. Bonner and the Company is going through to try and true-up the numbers.

Can you -- can you just explain or articulate why what the Company is doing is not aligned with the approved methodology?

A   (Nixon) I'll start, and then have Ms. Trottier add in.

So, basically, the methodology, in simple terms, as outlined in the Settlement Agreement, and then confirmed in more detail in the tariff, is that you calculate an allowed revenue per customer number, and then the allowed revenues, and then you do an actual revenue per customer and actual revenues. And those are all based -- the actuals are based on all actual data. Actual revenues collected on a monthly basis, equivalent bills based on those bills on a monthly basis, and then the final number is actual data. Where the methodology proposed, that wouldn't be actual. The books don't match that, and their records don't match that. It would be an estimate of what was done. So that that does not match that actuals methodology.

Q Okay. Thank you.

A (Nixon) Do you have anything to add?

A (Trottier) Nothing really to add, except for that it was stated that, you know, those things were booked that way with the month's closing. And it's kind of unclear to us how we would even be able to really verify those estimates.

Q Okay.

A (Trottier) I do think it's a great practice from them to do, though, to see the differences.

Q Excellent. Yes, triangulation. I would agree with that.

So, this question of the deferred

balance from the Department's position, how much is that at this point in time?

I have the number "3.4" in one place. I have the "750,000" number. There's a lot of numbers flying around. What's the Department's position on that? I'll call it "deferred balance", you could call it a "carryforward". But what is the Company due, from the perspective of the Department?

A (Nixon) So, I guess I just want to clarify. It might be easiest to go to Exhibit 5, and look at the last page, because that's where their deferred balance calculation is with the interest.

So, I guess, are you referring to the 3.4 or were you referring to what Commissioner Chattopadhyay was talking about, the previous year balance?

Q I'm not sure, if I'm honest. I think I'm referring to the 3.4. I'm trying to understand what the Company is due, as of today, from the position of the Department? I just want to understand what the Company is due, because that has to be collected at some point.

A (Nixon) So, this is Exhibit 5. We haven't reviewed this. But, assuming all this data is accurate, the data is accurate, so, what we believe is that 3.4 billion *[sic]*, in Column (b), should not be there.
Q I hope you mean "million"?
A (Nixon) Yes. What did I say?
A (Trottier) "Billion".
Q "Billion".
A (Trottier) I'm sorry about that.
Q Wow, I was, you know, that does seem like a lot.
A (Trottier) Sorry, Liz is looking at the --
Q Column (b). Yes, I think that was how we got there.
A (Trottier) Yes. So, you can find it there, in the deferred balance. You can also find it in the attachment to Decoupling Year 2.
A (Nixon) Oh. Well, let's describe both.
A (Trottier) Yes.
A (Nixon) So, I'll describe this. So, on this page, so, what they have done here, is they have put in, I believe, their ask is this 3.4 million. So, they put it in, because they -- because the intent was this was supposed to go into effect in

November. So, they put that full amount in there, and have started collecting interest on that.

But this sheet is to show the interest on deferred balances. So, if any balance were to be in here, which we don't believe any balance associated with today's case should be in here, but, if any were, we believe it should only be what is -- ultimately is approved, and would be approved as of this filing.

So, if you look at -- again, so, let me explain a little more. So, if you calculate debt -- if you look in Column H, they've said the interest is 119,000. So, they say the total deferred balance should be 456,000. And, before we go to Ms. Trottier's explanation, so, my reconciliation is, in earlier filings, when that 3.4 was not included, the interest looked more like 2,000, something like that, because you were only looking at that balance of 337 that was deferred from the last year.

In addition, the other concern that we have is, in prior pages, they do do reconciliation of what they have collected related to the prior years. And, so, -- and it's unclear to us is, if you put it here, and then this rate goes into effect, there could be over-collection, and I don't know, it just doesn't -- we don't understand how this works, because, again, at the eleventh hour, we realized this was in there, and didn't understand it and have the opportunity to discuss with the customer -- with the Company.

But I'll turn to Ms. Trottier in a different exhibit, to show you where that deferred balance then comes into play.

A (Trottier) It's the same exhibit. But Liz can give you a page number, because I have the spreadsheet open.

A (Nixon) It's Bates Page --

Q Seventeen?

A (Nixon) Well, we were on 017, but, if you go to Pdf Page 14, this is where the actual revenue --

A (Trottier) That's where you're going to find the amounts that you're looking for. So, in this, it shows that there is the same 1.3 million as the annual allowed adjustment, and then the 2.4 million as the cap, which would be deferred.

A (Nixon) But, if you look in Column B, that 456 from -- that we were just looking at on that deferred page, is brought into here to be added into the calculation as well.

Q Okay. I see that. So, can you point me to which column that gives us kind of the net number of how much the Company is owed? Is it -- which column is it?

A (Trottier) So, that would be, I guess, if you want to include the prior year's deferral, that would Column C.

Q Column C.

A (Trottier) Yes, Column C.

A (Nixon) As the Company has proposed.

A (Trottier) Yes.

A (Nixon) Including all that deferral.

A (Trottier) Yes.

Q And that assumes that the Department, I know the Department hasn't reviewed the numbers, --

A (Trottier) Yes.

Q -- so, assuming the numbers are right. So, Column B is the deferral balance from Year 1 of decoupling, correct?

A (Trottier) Well, in this instance, it's Year 1,

and what they proposed in Year 2.
Q I see. And, then, what is Column A then?
A (Trottier) What they're -- that's what they're proposing for this year, the total.
Q This year.
A (Trottier) Yes.
Q So, B would be a cleanup all the way until the end of June 2023?
A (Nixon) The way they have proposed it, it's through -- go to Page 17 again.
A (Trottier) Yes. So, that's through -- well, they have their spreadsheet laid out to February 2024.
Q February 2024, okay. Oh, I see now. Okay. That's the 3.9 million?
A (Trottier) Yes.
Q Okay.
A (Nixon) But, yes, I mean, not to beat it up, but, as we say, the deferral appears accurate, except for that Row 17, Column B. We would say that should be "zero".
Q Okay. I understand.
A (Nixon) And, then, it would recalculate everything else, if you put that to "zero".

CHAIRMAN GOLDNER: Okay. Thank you. I

think this would be a good time for a break. Let's take fifteen minutes, and return at five of. Off the record.

(Recess taken at 2:39 p.m., and the hearing reconvened at 3:00 p.m.)

CHAIRMAN GOLDNER: Okay. I think at this point we can move to redirect, and the Department.

MS. LADWIG: Thank you. I believe I just have a couple questions.

REDIRECT EXAMINATION

BY MS. LADWIG:

Q My first one is that the Company, on cross, made a reference to a number of other reconciling filings in 2023. And I just want to ask, did any of those reconciling filings, to the best of your knowledge, I know you weren't involved in all of them, did any of those include revenue per customer calculations?

A (Nixon) No.

Q Okay. And, then, I want to get at something that the Commissioners were asking and trying to get at.

You said, or you were trying to

explain, that your recommendation in this case is for an RDAF of zero. Does that recommendation affect whatever the prior period over- or under-collection is from last year's approval? In other words, are you recommending that last year's approved amount be wiped out?

A (Nixon) So, after further consideration and discussion at the break, we believe that last year over/under is still in play. That that -- that's not zero. The over or under is still viable.

Q So, the Company is still entitled to the approved deferred amount from last year's RDAF?

A (Nixon) Yes, I believe so.

A (Trottier) Yes, from Year 1.

Q Okay. And, so, it's just for this year that you're recommending an RDAF of zero, it's just for purposes of this Decoupling Year 2 request, because it's based on bad data, and because that's what you think was approved in the temp. rate case? So, it's only for Decoupling Year 2 that you're recommending the RDAF be set at zero?

A (Nixon) Yes. Again, in further consideration, yes, that's what we're saying now.

MS. LADWIG: Okay. Thank you. That's all I had.

BY CHAIRMAN GOLDNER:

Q And just to clarify, so we're all using the same number, what is the number of the Year 1 amount that the Company would be due, per the Department's analysis?

A (Nixon) I guess we'd want to verify that. But, if we take a quick look at Exhibit 5, again, we have not reviewed it in depth, but they show an over-collection for the prior year. So, it would actual be a return to customers.

And, I believe, if you turn to Exhibit 5, --

Q "456,990", right?

A (Nixon) Oh. No, I don't --

Q No?

A (Nixon) No. I think it's actually on Exhibit 5, Page 5.

Q Page 5, okay.

A (Nixon) And the Company may have to verify this. But I would -- it appears from here that it's Line 3, it's "343,902", would be returned to customers.

But I would want to verify that with the Company, and then the actual calculation.

Q And how does that compare to, the same exhibit, Page 14, Column B? I thought that was the carryforward balance? It's a similar number, but not the same.

CMSR. SIMPSON: Seventeen.

CHAIRMAN GOLDNER: Oh, 17. Sorry.

CMSR. SIMPSON: Page 17.

CHAIRMAN GOLDNER: No, Page 14.

BY THE WITNESS:

A (Nixon) So, that's the deferred amount. I guess I could --

BY CHAIRMAN GOLDNER:

Q It says "Prior Years' Deferral Balance", which I took to mean the Year 1, you know, sort of carryforward?

A (Nixon) Yes. So, maybe you have to add those two together. I guess I can't -- I don't feel comfortable saying definitively.

CHAIRMAN GOLDNER: I know, at this point. Okay.

WITNESS NIXON: Yes. Sorry.

CHAIRMAN GOLDNER: Does the Company

have any thoughts on what, not that you're agreeing to anything, but the Year 1 carryforward is?

MR. SHEEHAN: Well, because this hearing was delayed, we continue to collect the prior approved rate, and applied it to the Year 1 balance, and have actually over-collected. Now, that would all have been offset by an approval in this case, and we would have readjusted it.

So, if you were to say we "can't recover any of Year 2" --

[Atty. Sheehan conferring with Company representatives.]

MR. SHEEHAN: So, Exhibit 5, Page -- oh, I see. So, Bates 005 of Exhibit 5. Okay. So, Line 3, all the way across, shows that we have over-recovered, as of, I believe, February, $343,000.

CHAIRMAN GOLDNER: Okay. That aligns perfectly with the DOE and what Ms. Nixon just pointed out. So, thank you for the confirmation.

Okay. That's good to know how big the box is.

Okay. So, I think what we're looking

at here is a continued hearing, because we have some numbers that are being evaluated by the Company, we have to follow the approved methodology, meaning, I think, using actuals, calculating the correct RDAF amount. And, given the time that I think Mr. Bonner was mentioning, a week or two, to do his analysis, and the schedule, it looks like we're looking at a March continued hearing.

So, I wanted to check in with the parties to see if a March hearing, for an April 1st implementation date, would be acceptable?

MR. SHEEHAN: Subject to the date, yes. And a clarification, that we can, and I'll raise this in closing, I guess, continue the rate that's in effect now, I mean, subject to recommendation and whatever comes out of the March hearing.

CHAIRMAN GOLDNER: Okay. Does the Department or the OCA have any suggestions relative to the Company's position?

MS. LADWIG: As to the Company's position, I think we agree with them, just for purposes of avoiding a rate change in the middle of the case.

And, then, as far as -- the Department is fine with scheduling a hearing in March, for effect April 1st, with the exception that one of our analysts is going to be out March 16th through the 26th. So, I'm not sure if it's possible to schedule around that.

WITNESS NIXON: And can I add that I'm actually, I didn't get to get it to you, I'm out several days, too. So, I guess it depends on the day in March.

MR. SHEEHAN: And, so am I.

CHAIRMAN GOLDNER: Well, --

CMSR. SIMPSON: Me three.

CHAIRMAN GOLDNER: -- let's get out the calendars then, shall we?

So, let me throw out a date. How about March 14th?

We wouldn't want to do it on the 15th, Attorney Kreis would point out to me that is an inauspicious day.

MR. KREIS: I think I have done that on previous March 15ths.

I'm actually going to be in Washington, D.C., on March 14th and 15th. But I am perfectly willing to send in my alter ego to represent the OCA in that hearing, if that turns out to be the date that works for everybody else.

WITNESS NIXON: I am not available that day. Sorry.

CHAIRMAN GOLDNER: We could do March 13th?

WITNESS NIXON: I'm not available that day either.

CHAIRMAN GOLDNER: It might be faster to tell me the dates you're available.

MR. SHEEHAN: And, Liz, I'm with you. I'm gone that whole week.

WITNESS NIXON: I'm here Friday. Are you here Friday?

WITNESS TROTTIER: I mean, technically, you know, yes.

WITNESS NIXON: But, you're not, so --

CHAIRMAN GOLDNER: How about the 27th, and/or the 28th? I'm the very picture of flexibility today.

CMSR. SIMPSON: Doesn't give us much

time for April 1st.

CHAIRMAN GOLDNER: No, it doesn't give us much time for April 1st, but those are the only options available.

MR. SHEEHAN: The Company is fine, at least I am. We're okay with those two dates.

CHAIRMAN GOLDNER: So, let's see, is everybody okay with the 27th? That would give us the end of the month, so that would give us to -- the Commission would only have a couple days to write the order. But, if the parties have good technical sessions and come with something clean, then we can write something in a couple days.

And, if we can't, we would have to then extend it another month. That's the reality.

Is that acceptable to everyone? So, we're talking about a March 27th -- it's a G&C day. So, I don't know, Attorney Kreis or Attorney Dexter, if that presents any problems for you? We could schedule it in the afternoon. I wouldn't plan on the whole day there.

MR. KREIS: Thank you for reminding me of that. We won't have any business on the G&C agenda that day.

CHAIRMAN GOLDNER: Okay. It will give me a good excuse to send somebody else, if we schedule a morning hearing. So, I'm good with that.

MR. KREIS: No comment.

CHAIRMAN GOLDNER: Okay. So, let's schedule 9:00 a.m., on March 27th. And I just -- I should ask in the form of a question, are the parties okay to get together for a time or two before then, to trying to sort this out to the greatest degree possible?

MR. SHEEHAN: Absolutely. And, I guess, what would probably help is a deadline for us to file something, whatever that may be; God forbid, an agreement, or, if not, a revised tech statement updating what needs to be updated, if anything.

CHAIRMAN GOLDNER: What would work for the parties? Maybe March 20th, a week ahead of time, would that work for everyone? That would give the Commission enough time to take a look at it, if that works for everyone?

I know that somebody was going to be gone in that time period, but --

CMSR. SIMPSON: Mr. Bonner had stated it would take him a week, maybe two, to perform his analysis. So, something late or mid February, and then give the Department a week or two to evaluate, might be prudent.

CHAIRMAN GOLDNER: Yes. Mr. Bonner, could you --

CMSR. SIMPSON: Just to set a deadline.

CHAIRMAN GOLDNER: Yes. Mr. Bonner, could you may just give an estimate, just so that we can settle in on what the Department can expect and the OCA for your work?

And I'm not trying to pinch you on time, just so that we can make a plan.

MR. BONNER: Yes. Well, why don't I suggest February 16th.

CHAIRMAN GOLDNER: February 16th, very good. That's two weeks one day from today. So, February 16th.

Any other dates that would be helpful to set for sorting this out for the parties, or is that enough structure to move forward with?

MR. SHEEHAN: I think it's enough. Counsel can certainly arrange a tech session and whatever it needs to do.

[Atty. Ladwig indicating in the affirmative.]

CHAIRMAN GOLDNER: Okay. Okay, very good.

So, just cleaning things up. We'll -- having heard no objections, we'll strike ID on Hearing Exhibits 1 through 5, noting that -- noting the stipulation on Exhibit 5.

Yes, exactly. We'll leave the record open, but strike ID on those exhibits.

And I'll just check to see if there's anything else that we need to cover today?

[No verbal response.]

CHAIRMAN GOLDNER: All right. Very good.

Okay. Well, I'll thank all the witnesses for their time and participation today. And this hearing is adjourned.

(Whereupon the hearing was adjourned at 3:11 p.m., and the continued hearing is scheduled to reconvene on March 27, 2024, commencing at 9:00 a.m.)