

## STATE OF NEW HAMPSHIRE

## PUBLIC UTILITIES COMMISSION

November 10, 2014 - 9:03 a.m.  
Concord, New Hampshire

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RE: DG 14-180  
LIBERTY UTILITIES (ENERGYNORTH NATURAL  
GAS) CORP. d/b/a LIBERTY UTILITIES:  
Notice of Intent to File Rate Schedules.  
(Hearing regarding temporary rates)

**PRESENT:** Commissioner Martin P. Honigberg, Presiding  
Commissioner Robert R. Scott

Sandy Deno, Clerk

**APPEARANCES:** Reptg. Liberty Utilities (EnergyNorth  
Natural Gas) Corp. d/b/a Liberty Utilities:  
Sarah B. Knowlton, Esq.

Reptg. Residential Ratepayers:  
Susan Chamberlin, Esq., Consumer Advocate  
Office of Consumer Advocate

Reptg. PUC Staff:  
Alexander F. Speidel, Esq.

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

ORIGINAL

**I N D E X****PAGE NO.**

**WITNESS PANEL:**            **STEVEN E. MULLEN**  
                                 **STEPHEN P. FRINK**

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

CMSR. HONIGBERG: We are here in Docket DG 14-180, which is Liberty's rate case. And, we have a settlement on temporary rates. And, I'm not sure if we have any other business to transact this morning, but you'll tell us if we do. I think we have the Settlement Agreement. It was filed in two pieces. I'm not going to outline what it says. I'll let you all tell us that.

But, before we get started, why don't we take appearances.

MS. KNOWLTON: Good morning, Commissioners. My name is Sarah Knowlton. I'm here today for Liberty Utilities (EnergyNorth Natural Gas) Corp. And, with me today from the Company is the Company's witness, Steven Mullen. And, Stephen Hall is with me at counsel's table as well.

MS. CHAMBERLIN: Susan Chamberlin, Consumer Advocate for the residential ratepayers. With me today is Jim Brennan.

MR. SPEIDEL: Alex Speidel, representing the Staff of the Commission. And, I have with me the Assistant Director of the Gas and Water Division, Steve Frink.

CMSR. HONIGBERG: So, how are we going

[WITNESS PANEL: Mullen~Frink]

1 to proceed this morning?

2 MS. KNOWLTON: I prepared a proposed  
3 exhibit list, which I've left up at the Bench. I would --  
4 and I have shared this with counsel, and would propose to  
5 mark for identification Exhibits 1 through 4 as indicated  
6 on the list.

7 CMSR. HONIGBERG: Okay. And, then, are  
8 we going to hear testimony from Mr. Mullen?

9 MS. KNOWLTON: Yes. My assumption is is  
10 that Mr. Mullen and Mr. Frink would sit as a panel and  
11 present the Settlement Agreement.

12 CMSR. HONIGBERG: All right. So, we'll  
13 mark the four exhibits. Does the Clerk have each of them?  
14 Excellent.

15 (The documents, as described, were  
16 herewith marked as **Exhibit 1** through  
17 **Exhibit 4**, respectively, for  
18 identification.)

19 CMSR. HONIGBERG: And, then, we can have  
20 Mr. Hall and Mr. Frink take the witness stand, if there's  
21 nothing else we need to do?

22 MS. KNOWLTON: There's nothing else.  
23 And, it will be Mr. Mullen for the Company.

24 CMSR. HONIGBERG: Oh. Sorry. Mr.

[WITNESS PANEL: Mullen~Frink]

1 Mullen. You did tell me that, didn't you?

2 MS. KNOWLTON: We call them "The  
3 Steves".

4 CMSR. HONIGBERG: There was a hearing  
5 last week where I think half of the people in the room  
6 were named "Steve".

7 MR. HALL: That's a good thing.

8 MS. KNOWLTON: Every side needs a Steve.

9 CMSR. HONIGBERG: Okay. All right. Why  
10 don't the witnesses take the stand then. Thank you.

11 (Whereupon **Steven E. Mullen** and  
12 **Stephen P. Frink** were duly sworn by the  
13 Court Reporter.)

14 **STEVEN E. MULLEN, SWORN**

15 **STEPHEN P. FRINK, SWORN**

16 **DIRECT EXAMINATION**

17 BY MS. KNOWLTON:

18 Q. Good morning, Mr. Mullen. Would you please state your  
19 full name for the record.

20 A. (Mullen) My name is Steven E. Mullen.

21 Q. By whom are you employed?

22 A. (Mullen) I'm employed by Liberty Energy Utilities New  
23 Hampshire Corp.

24 Q. What is your position with the Company?

{DG 14-180} [Re: Temporary Rates] {11-10-14}

[WITNESS PANEL: Mullen~Frink]

1 A. (Mullen) I'm the Manager of Rates and Regulatory.

2 Q. What are your job responsibilities?

3 A. (Mullen) I'm responsible for rates and regulatory  
4 affairs for Liberty Utilities (EnergyNorth Natural Gas)  
5 Corp. and Liberty Utilities (Granite State Electric)  
6 Corp.

7 Q. Are you familiar with the document that's been marked  
8 as "Exhibit 1" today?

9 A. (Mullen) Yes, I am.

10 Q. And, does that contain your direct testimony, both on  
11 temporary and permanent rates?

12 A. (Mullen) Yes, it does.

13 Q. And, just addressing your testimony on temporary rates,  
14 was that prepared by you or under your direction?

15 A. (Mullen) Yes.

16 Q. Do you have any corrections to that testimony?

17 A. (Mullen) I do not.

18 Q. If I were to ask you the questions contained in that  
19 testimony today, would your answers be the same?

20 A. (Mullen) Yes, they would.

21 Q. And, we've also marked for identification as "Exhibit  
22 3" a report of proposed rate changes and annual bill  
23 impacts. Was that prepared by you or under your  
24 direction?

{DG 14-180} [Re: Temporary Rates] {11-10-14}

1 A. (Mullen) Yes, it was.

2 Q. And, then, Exhibit 4 is the Temporary Rate Settlement  
3 Agreement, which includes Attachments 1 through 4. Did  
4 you have a role in arriving at this Settlement  
5 Agreement?

6 A. (Mullen) Yes. I was involved in the negotiations and  
7 of the drafting of the document.

8 Q. Would you provide the Commission some background on  
9 what's occurred in this case since it was filed on  
10 August 1st, 2014?

11 A. (Mullen) Certainly. Not too long after it was filed,  
12 the Staff commenced an audit. In addition, there has  
13 been discovery that's taken place. The Company has  
14 responded to that discovery. And, we have also had  
15 discussions about temporary rates, resulting in the  
16 Settlement that we're here with today.

17 Q. What was the amount of temporary rates that the Company  
18 sought in its temporary rate filing?

19 A. (Mullen) The Company had requested approximately  
20 \$8.4 million increase in temporary rates.

21 Q. And, why did the Company come forward with this  
22 request?

23 A. (Mullen) Mainly, because the Company was under-earning,  
24 predominantly because of the capital investments that



[WITNESS PANEL: Mullen~Frink]

1 had been made since the last rate case.

2 Q. When did that last rate increase occur?

3 A. (Mullen) The last rate case was filed in 2010, and the  
4 new rates were effective in 2011.

5 Q. Would you walk us through the Settlement Agreement that  
6 the Company has reached with the Staff on temporary  
7 rates.

8 A. (Mullen) Certainly. If you turn to Exhibit 4, there's  
9 four attachments. I'm going to actually start with  
10 Attachment 2, which is a four-page attachment.  
11 Attachment 2 is the schedules that calculate the  
12 proposed temporary rate increase of \$7.4 million. And,  
13 that shows on Page 1 of Attachment 2, on Line 2, as  
14 well as on Page 4, on Line 116.

15 Q. How was that amount derived?

16 A. (Mullen) It's derived by using the books and records of  
17 the Company, as well as some adjustments that are  
18 detailed on -- summarized on Page 1, in the column  
19 "Temporary Rate Adjustments". And, associated with  
20 that, for purposes of the Settlement Agreement, there's  
21 another adjustment that was included, and that shows up  
22 on Page 1, between Lines 9 and 10.

23 Q. Would you walk us through the adjustments?

24 A. (Mullen) Certainly. Looking at the "Temporary Rate

{DG 14-180} [Re: Temporary Rates] {11-10-14}

[WITNESS PANEL: Mullen~Frink]

1 Adjustments" column, on Line 7 -- or, actually, excuse  
2 me, on Line 2 and on Line 7, those essentially are the  
3 expenses and revenues associated with the cost of gas.  
4 And, the cost of gas is not a subject of this  
5 distribution rate increase, so all the revenues and  
6 expenses have been removed from the case.

7 Q. So, that's the 101 million?

8 A. (Mullen) Correct. Between Line 9 and 10 again is the  
9 settlement adjustment that I referred to earlier. On  
10 Line 11 is a \$2 million increase for administrative and  
11 general. That is further detailed on Line 49. That  
12 relates to an amortization of a pension allowance, and  
13 that relates to the acquisition of the Company that  
14 occurred, that was the subject of DG 11-040. Line 52  
15 relates to amortization of some excess depreciation.  
16 That was part of a settlement in a prior rate case.  
17 Line 65 is for Costs to Achieve, and that is to -- and  
18 that was to normalize an expense again related to  
19 another prior rate case, that was DG 06-107, and that  
20 was when EnergyNorth acquired KeySpan.

21 Let's see. Line 14 relates to a  
22 normalization of property taxes for the test year.  
23 And, Line 15 is the calculation of the income tax  
24 effect of the above adjustments.

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[WITNESS PANEL: Mullen~Frink]

1 Q. What was the capital structure that was used for  
2 purposes of the Settlement?

3 A. (Mullen) The capital structure is shown on Page 4 of  
4 Attachment 2. It was -- between Lines 119 and 122. As  
5 shown there, for purposes of this Settlement Agreement,  
6 the common stock or equity was 55 percent, and the  
7 long-term debt is 45 percent.

8 Q. And, would you explain the return on equity that is  
9 used on Line -- appears to be on Line 120?

10 A. (Mullen) Yes. That return on equity of "9.67 percent"  
11 is from the Company's last rate case, Docket DG 10-017.

12 Q. Okay. And, on Line 121, the long-term debt?

13 A. (Mullen) The "4.43 percent" is a weighted cost of debt  
14 for the various issuances of long-term debt that are  
15 outstanding for the Company.

16 Q. What percentage increase does this reflect on a total  
17 bills basis for customers?

18 A. (Mullen) For total bills, well, if you look at Line  
19 127, you'll see, for "Total Revenue", it's  
20 approximately 4.7 percent. However, if you look at  
21 Attachment 4 to the Settlement Agreement, there's a  
22 number of pages that show the rate impacts for the  
23 various rate classes. And, for instance, if you turn  
24 to Page 1 of Attachment 4, which is for a Residential

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[WITNESS PANEL: Mullen~Frink]

1 Non-Heating customer, and if you look in the "Total  
2 November to October" column on the far right, and in  
3 the bottom block that's titled "Difference". If you  
4 look at "Total Bill", way over in the right-hand  
5 column, you'll see "\$25.24", that's the annual impact,  
6 in terms of dollars, and, in terms of percentage, it's  
7 "5.45 percent".

8 Now, typically, for gas, we talk about  
9 heating customers. That would be on the next page.

10 For a Residential Heating customer, Rate R-3, if you  
11 look in the same block, in the same column, the total  
12 impact on an annual basis is "\$56.54", or, as a  
13 percentage of total bill, it's "4.37 percent".

14 Q. Does this reflect the increase in the cost of gas rates  
15 that took effect as of November 1st?

16 A. (Mullen) Yes, it does. And, as the heading at the top  
17 indicates, that this is a comparison of the November  
18 1st, 2014 approved rates, which is when the cost of gas  
19 rate changed for the winter period, versus the rates  
20 coming as part of this Settlement.

21 Q. What impact will this have on commercial and industrial  
22 customers?

23 A. (Mullen) And, that is shown on the remaining pages of  
24 Attachment 4. Depending on what type of commercial

[WITNESS PANEL: Mullen~Frink]

1 customer it is and what their usage is, for a G-41  
2 customer, the impact is "\$136.90" on an annual basis,  
3 or "4.03 percent". And, if you turn to the next page,  
4 which is Page 4, a G-42 customer, the annual impact is  
5 "722.59", or "3.29 percent". For a G-52 customer, the  
6 impact is "\$443.46", or "2.49 percent". And, finally,  
7 for a G-54 customer, the annual impact is "\$948.15", or  
8 "0.13 percent".

9 Q. Mr. Mullen, if you would now turn to Attachment 1 to  
10 the Settlement Agreement, the "Report of Proposed Rate  
11 Changes for Temporary Rates". Would you walk through  
12 what this report shows, as far as the impacts of the  
13 proposed rate increase by customer class?

14 A. (Mullen) Sure. And, this follows from Page 2 of the  
15 Settlement Agreement, that says that the impact -- the  
16 increase will be collected by applying a uniform  
17 increase of 13.39 percent to all of Liberty's current  
18 distribution rates and charges. And, as you can see on  
19 Attachment 1 to the Settlement Agreement, the proposed  
20 increase has been allocated to each of the various  
21 classes by the same percentage, 13.39 percent. The  
22 resulting rates associated with that are on Attachment  
23 3 to the Settlement, which shows the rates and charges  
24 by customer class coming out of this Settlement

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[WITNESS PANEL: Mullen~Frink]

1 Agreement.

2 Q. Mr. Mullen, in your opinion, do the proposed rates  
3 result in just and reasonable rates for customers?

4 A. (Mullen) Yes.

5 MS. KNOWLTON: The Company has nothing  
6 further for Mr. Mullen.

7 CMSR. HONIGBERG: Do we want to have the  
8 Staff's witness testify next or are we going to ask  
9 questions of Mr. Mullen?

10 MS. CHAMBERLIN: We could have the Staff  
11 witness testify and then do cross together.

12 CMSR. HONIGBERG: All right.

13 Mr. Speidel, why don't you proceed then.

14 BY MR. SPEIDEL:

15 Q. Mr. Frink, would you please state your full name.

16 A. (Frink) Stephen P. Frink.

17 Q. What is your role at the Commission?

18 A. (Frink) I'm the Assistant Director of the Gas and Water  
19 Division, primarily in charge of the financing of the  
20 gas utilities.

21 Q. Are you familiar with the material presented in Exhibit  
22 4?

23 A. (Frink) Yes, I am.

24 Q. And, did you review Exhibit 4 in the context of your

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1           role as Assistant Director of the Gas and Water  
2           Division?

3   A.   (Frink) Yes, I did.

4   Q.   Would you be able to summarize Staff's thoughts on the  
5           testimony presented therein?

6   A.   (Frink) The methodology used by the Company is fairly  
7           standard when you're setting temporary rates. We use  
8           the existing records and select adjustments. Again,  
9           the Staff had no objections to the adjustments made by  
10          Liberty. We did feel there were some other adjustments  
11          that could have been made, and, in settlement  
12          discussions, we reached an agreement as to what a  
13          reasonable resolution of that would be. And, that  
14          that's where the approximately \$600,000 decrease comes  
15          from.

16   Q.   Does Staff believe that the rates presented in the  
17          Settlement Agreement are just and reasonable?

18   A.   (Frink) Yes.

19   Q.   Do you have any further thoughts regarding technical  
20          aspects of the Settlement Agreement?

21   A.   (Frink) No.

22                       MR. SPEIDEL: Thank you. No further  
23           questions of the Staff witness.

24                       CMSR. HONIGBERG: Ms. Chamberlin, do you

{DG 14-180} [Re: Temporary Rates] {11-10-14}

1 have questions?

2 MS. CHAMBERLIN: I have a few questions.

3 **CROSS-EXAMINATION**

4 BY MS. CHAMBERLIN:

5 Q. Mr. Mullen, can you, for a residential customer, a gas  
6 heating customer, can you explain the relationship  
7 between the 4.37 percent total increase and the  
8 13.39 percent rate increase? I'm just not sure which  
9 percentage reflects just the temporary rates. Are you  
10 looking at the whole rates? I just don't understand  
11 that relationship.

12 A. (Mullen) Sure. The "4.37 percent" on -- that's shown  
13 on Attachment 4, Page 2 of 6, that is the total bill  
14 impact. The "13.38 percent" that's shown on the line  
15 that says "Base Rate", in the final block down on the  
16 bottom, that is just for the distribution rates.

17 Q. And, when you look at the rate impact, do you include  
18 the electric rate customers, when you look at any of  
19 these numbers, or is this strictly a gas distribution  
20 impact?

21 A. (Mullen) This is strictly gas.

22 Q. And, Mr. Frink, I'd ask the same question of you. Do  
23 you look at a cumulative impact from a residential  
24 ratepayer's experience of utility bills together or is



[WITNESS PANEL: Mullen~Frink]

1 this simply a gas distribution impact?

2 A. (Frink) This is strictly a gas distribution analysis,  
3 where we factor in the supply costs to determine the  
4 impact on a typical -- well, in this case, an average  
5 residential customer. The usage as you see in this  
6 schedule is the average usage for a residential heating  
7 customer last year. So, this is based on actual usage,  
8 and we adjust to reflect temporary rates. And, we use  
9 the cost of gas rates that were in effect this past  
10 summer and the rates that have been approved for this  
11 coming winter. And, then, we look at what the -- you  
12 can see it's broken out between base and cost of gas,  
13 you can see what the impacts are for each component.  
14 So, that's where the 4.37 comes from.

15 If you're looking strictly at the  
16 distribution, again, that's on that last block, far  
17 right, it's the 3. -- basically, the 3.4 that we've  
18 adjusted the distribution rates by. But, again, that's  
19 approximately 30 percent of a residential gas bill for  
20 the year. So, that 13.4 percent increase, really, when  
21 you factor in the supply costs, comes down to closer to  
22 4 percent.

23 Q. And, do either of you have a ballpark estimate of --  
24 from an average consumer/homeowner, who has both

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[WITNESS PANEL: Mullen~Frink]

1 electric and gas and other utilities, do you have a  
2 ballpark estimate of the increase of combining this  
3 temporary rate with existing electric rates?

4 A. (Mullen) No. I mean, the customers can vary so much,  
5 in terms of whether they are getting default service  
6 from their electric utility, whether they're getting a  
7 competitive supply, how many -- what they have for  
8 appliances that are electric, are gas. So, I don't  
9 have a calculation for you.

10 MS. CHAMBERLIN: Thank you. That's all  
11 I have.

12 MR. SPEIDEL: May I ask a redirect  
13 question of Staff?

14 CMSR. HONIGBERG: Sure.

15 **REDIRECT EXAMINATION**

16 BY MR. SPEIDEL:

17 Q. Mr. Frink, the electric service territory of the  
18 Company extends over much of the Upper Valley. But, in  
19 southern New Hampshire, as far as the service territory  
20 in which there's both gas and electric service, I  
21 believe the only two towns that will be implicated in  
22 that are the towns of Pelham and portions of Salem, is  
23 that correct?

24 A. (Frink) Pelham and Salem are served by Northern.

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[WITNESS PANEL: Mullen~Frink]

1 Q. So, they are served by Northern?

2 A. (Frink) Yes.

3 Q. So, to your knowledge, is there any area in New  
4 Hampshire where there are both gas and electric  
5 customers of the Company side-by-side?

6 A. (Frink) I don't know.

7 A. (Mullen) The answer to that is "no".

8 Q. Okay. So, it would be served by some other company, be  
9 it Northern or PSNH, for instance, in a given  
10 distribution service territory?

11 A. (Frink) That's right. It would be primarily PSNH.

12 MR. SPEIDEL: Okay. Just wanted to note  
13 that. Thank you.

14 CMSR. HONIGBERG: Commissioner Scott.

15 CMSR. SCOTT: Thank you. Good morning.

16 WITNESS MULLEN: Good morning.

17 WITNESS FRINK: Good morning.

18 BY CMSR. SCOTT:

19 Q. Not sure who to start with, but I guess Mr. Mullen.  
20 What's the -- you know, the typical question, we kind  
21 of talk about the "average residential ratepayer",  
22 what's the average gas usage? What are we using for an  
23 average for them?

24 A. (Mullen) For a residential heating customer, again, if

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1       you turn to Attachment 4 of the Settlement Agreement,  
2       Page 2 of 6, and you look at the top line, for the  
3       "Average Test Year Normal Usage", in terms of therms,  
4       it gives the monthly numbers and the total in the  
5       "November through October" column, is "792" therms per  
6       year.

7   Q.   Thank you.  Is that higher than past years?  Lower?  
8       Has it gone down?

9   A.   (Mullen) To the best of my knowledge, it's roughly  
10       about the same, you know, somewhere around 800 or so,  
11       give or take.

12  Q.   Thank you.  We are in -- I don't know if the Company  
13       has it in their file, we're in receipt of an e-mail  
14       from a Mr. George Hill, dated September 26.  And, he  
15       talks about a flier that Liberty sent.  So, it sounds  
16       like, based on that flier, and I'll just quote, if you  
17       don't have it in front of you, basically, the flier  
18       says, according to him, "a residential heating customer  
19       using 797 therms per year is" -- "will experience  
20       approximately \$131 increase."  Is it true that the  
21       Company is doing outreach to help prepare customers of  
22       a potential increase for distribution charges?

23  A.   (Mullen) Yes.

24  Q.   And, can you outline that a little bit more?

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1 A. (Mullen) I know information has been sent to the  
2 customers in their bills. I know there's information  
3 on our website. I'm trying to think of the other  
4 measures that have been taken. But, you know, we try  
5 to make our customers aware, especially going into the  
6 heating season, that, you know, of what's happening. I  
7 will say that the -- you know, in terms of the cost of  
8 gas that we just talked about, the rate, as compared to  
9 last winter, is about where last winter came out, give  
10 or take a few pennies on the therm. But, you know, we  
11 always try to make sure the customers are fully aware  
12 ahead of time what's going to happen with their bills.

13 Q. Thank you. And, to follow up on I think  
14 Ms. Chamberlin's question, granted that it sounds like  
15 the electric side of Liberty Utilities' increases won't  
16 be directly shared with these same customers for gas,  
17 but I assume you'd agree that, depending on who your  
18 electric provider is, there's still going to be  
19 significant increases as seen by your electric side for  
20 customers this winter?

21 A. (Mullen) I think, generally speaking, yes. And, again,  
22 depends on, you know, who they're taking service from  
23 and what kind of contract they may have. But, as we've  
24 seen, that prices for the winter period for electric

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[WITNESS PANEL: Mullen~Frink]

1 customers are expected to increase.

2 A. (Frink) I would just like to add that, for most of the  
3 Liberty natural gas customers, those are heating  
4 customers. So, the electric component of their overall  
5 energy bills is pretty limited.

6 Q. That's helpful. Thank you. So, similar to I think  
7 perhaps questions I might have asked on the electric  
8 side for the increase, are you also looking at bill  
9 payment options for customers, given the overall trend  
10 this winter for higher rates generally for utilities?

11 A. (Mullen) Well, yeah. And, I think that's one of the  
12 reasons on the -- especially with the cost of gas,  
13 where we have the Fixed Price Option. So, you know, in  
14 any case, we always try to work with our customers to  
15 make sure that they can pay their bills.

16 Q. Okay. Great. And, the request before us is for a  
17 temporary rate increase. I presume, as normal, that  
18 the expectation would be there would be a  
19 reconciliation based on any permanent rate approved?

20 A. (Mullen) Yes.

21 CMSR. SCOTT: I think that's all I have.

22 BY CMSR. HONIGBERG:

23 Q. Is either of you willing to tell me anything about the  
24 roughly \$600,000 settlement adjustment?

{DG 14-180} [Re: Temporary Rates] {11-10-14}

[WITNESS PANEL: Mullen~Frink]

1 A. (Mullen) Well, I can tell you that, through the  
2 discussions that we had, without getting into the  
3 details, there were certain subjects, certain  
4 adjustments that we were talking about. And, as a  
5 result of that, the number that you see there is a  
6 liquidated number that gets us to what we both -- to  
7 what both parties felt was a reasonable result.

8 Q. Mr. Frink, can you be any more specific than that or  
9 are you willing to be any more specific than that?

10 A. (Frink) I'm unwilling.

11 Q. My sense, Mr. Frink, from your testimony, though, was  
12 that I think the way you put it was that you didn't  
13 have a problem with any of the Company's adjustments,  
14 you were looking for additional adjustments. Is that a  
15 fair summary of what you said?

16 A. (Frink) That's a fair summary, yes.

17 Q. And, that the \$600,000 is a result of your desire for  
18 additional adjustments?

19 A. (Frink) That's fair. Yes.

20 CMSR. HONIGBERG: I think that's all I  
21 had. Are there any further redirect questions from --  
22 yes, Ms. Knowlton, you're nodding your head.

23 MS. KNOWLTON: Yes. Thank you.

24 **REDIRECT EXAMINATION**

{DG 14-180} [Re: Temporary Rates] {11-10-14}

1 BY MS. KNOWLTON:

2 Q. I neglected to have Mr. Mullen walk through how the  
3 reconciliation between temporary and permanent rates  
4 would work. And, I'd like, Mr. Mullen, for you to  
5 explain that please, based on the terms of the  
6 Settlement.

7 A. (Mullen) Certainly. Let me just get to the right page.  
8 If you turn to Page 2 of the text of the Agreement, in  
9 Section II, it says "Settlement of Temporary Rate  
10 Request", the last sentence discusses how the  
11 reconciliation would work. The new rates will go into  
12 effect on December 1st, 2014. And, for purposes of the  
13 reconciliation, when the -- from the date that the  
14 permanent rates are in effect, the reconciliation will  
15 go back to November 1 as if the new rates were in  
16 effect on November 1, rather than December 1.

17 MS. KNOWLTON: I have nothing further  
18 for the witness.

19 CMSR. HONIGBERG: Does anyone else have  
20 anything else?

21 (No verbal response)

22 CMSR. HONIGBERG: All right. Thank you.  
23 Any objection to having the exhibits, the ID struck from  
24 the exhibits and having them full exhibits?



[WITNESS PANEL: Mullen~Frink]

1 (No verbal response)

2 CMSR. HONIGBERG: No. We'll make sure  
3 that happens then. Gentlemen, I think you can probably  
4 just stay there. I don't think we're going to have to be  
5 here for much longer.

6 Is there any other business we need to  
7 take up this morning?

8 (No verbal response)

9 CMSR. HONIGBERG: When does an order  
10 need to be issued on this?

11 MS. KNOWLTON: The Settlement provides  
12 that the rates would take effect as of December 1st.  
13 So, --

14 CMSR. HONIGBERG: Soon.

15 MS. KNOWLTON: -- ideally, a few days  
16 before December 1st, so we can make the necessary computer  
17 changes, so that the bills come out with the new rate on  
18 December 1st.

19 CMSR. HONIGBERG: All right. Then, if  
20 there is nothing else, we'll take this under advisement  
21 and issue an order as soon as we can.

22 Yes, Ms. Chamberlin?

23 MS. CHAMBERLIN: May I make a brief  
24 closing statement?

{DG 14-180} [Re: Temporary Rates] {11-10-14}

1 CMSR. HONIGBERG: You may. Sorry.

2 MS. CHAMBERLIN: Thank you. The legal  
3 threshold for implementing temporary rates is very low,  
4 it's simply based on the books and records. My concern is  
5 that there is no way or I am not aware of a way to measure  
6 the cumulative rate impact from a consumer's perspective  
7 who has multiple utility bills. And, I think this winter  
8 has become a very difficult time for many consumers. And,  
9 they are experiencing what may be small rate increases on  
10 one bill, accumulates when you have multiple rate  
11 increases, plus we know the electric rate increase for  
12 many is going to be high. And, so, that is my concern, is  
13 that we -- I don't have a mechanism of measuring the real  
14 impact on consumers cumulatively.

15 And, here we seem to have a perfect  
16 storm of a utility that was under earning, has been going  
17 through transition, has met the legal threshold of having  
18 the rate increase, but the rate increase happens to come  
19 at a very difficult time for many consumers. And, so,  
20 that has been my concern with this Petition. I don't -- I  
21 believe they have met the legal threshold. But, from a  
22 consumer's perspective, it's still an increase that is --  
23 that's difficult for many.

24 CMSR. HONIGBERG: Uh-huh.

1 MS. CHAMBERLIN: That's it. Thank you.

2 CMSR. HONIGBERG: Mr. Speidel, do you  
3 want to sum at all?

4 MR. SPEIDEL: Simply that Staff has  
5 executed the Settlement Agreement and recommends approval  
6 of the rates therein as just and reasonable. Staff does  
7 share the concerns of the Consumer Advocate regarding rate  
8 impacts. Yet, as the Consumer Advocate mentioned, there's  
9 certain legal elements that have been met by the Company.  
10 There has been a negotiated settlement regarding this  
11 element of the rate case, which is ongoing for Liberty.  
12 And, obviously, there is going to be an ongoing review of  
13 all the books and records of the Company to try to ensure  
14 that a sharp pencil is taken to all requested rates.

15 But, beyond that, we do recommend  
16 approval of the Settlement Agreement.

17 CMSR. HONIGBERG: And, it would be true,  
18 would it not, that, and I would say, you know, ask  
19 Ms. Chamberlin to comment on this as well before, Ms.  
20 Knowlton, you have a shot, that, if we didn't grant a  
21 temporary rate increase at this time and held rates where  
22 they were or held the temporary rate increase down, those  
23 rates would increase at some point in the future as we  
24 reconcile, would they not?

1 MR. SPEIDEL: Yes. They're simply  
2 pushed forward to the ultimate conclusion of the rate case  
3 in the approval of permanent rates. Temporary rates are a  
4 means of avoiding rate shock effects. And, certainly,  
5 they're looked at carefully by all parties involved. But  
6 they're a mechanism designed to avoid a sudden blow at the  
7 end of a rate case.

8 CMSR. HONIGBERG: And, I guess Ms.  
9 Chamberlin's concern is that all these little non-shocks  
10 add up to a nasty shock for certain users. Is that a fair  
11 characterization?

12 MS. CHAMBERLIN: Yes. And, having it  
13 incur over this winter period is probably the worst time.  
14 For most people, their rates will be -- their expenses,  
15 overall expenses will be less in the spring, summer, and  
16 fall. I appreciate the nature of reconciliation, and I am  
17 not able to give a precise calculation as to, you know,  
18 the timing of which would be better. I am raising it  
19 exactly because we don't generally look at these things  
20 cumulatively, we usually just look at company by company.

21 CMSR. HONIGBERG: Ms. Knowlton.

22 MS. KNOWLTON: Thank you. A few  
23 comments in response to the comments of the Consumer  
24 Advocate. While the Company is -- the Company is

1 certainly mindful of the impact of rate increases on its  
2 customers, there are a lot of different financial  
3 pressures that can affect customers that don't necessarily  
4 come from the gas utility. Customers experience increases  
5 in property taxes, federal taxes, cable rates, which this  
6 Commission doesn't regulate. So, there's many, many  
7 sources of financial pressures we recognize that affect  
8 our customers.

9 But whether the Company is legally  
10 entitled to a rate increase is not dependent on those  
11 other financial pressures that may exist. The Commission,  
12 when it conducts an analysis, is obligated to look at  
13 whether or not the Company has a reasonable opportunity to  
14 earn its allowed return. And, I believe that the  
15 testimony, both today at the hearing and the prefiled  
16 testimony that we've marked as Exhibit 1, demonstrates  
17 that the Company is significantly under-earning and  
18 entitled to a rate increase.

19 The Company does undertake steps to try  
20 to help customers that have a difficult time paying,  
21 whether it's through establishing payment plans, the  
22 Company offers the Fixed Price Option Program, which  
23 spreads out -- evens out bills over time. And, you know,  
24 the Company, you know, is happy to do whatever it can

1 within the confines of the Commission's rules and  
2 regulations to work with customers that may have struggles  
3 paying their utility bills.

4 I would also note that, at least based  
5 on the Company's experience in its electric service  
6 territory, which I recognize doesn't overlap with its gas  
7 service territory, that our electric customers have their  
8 highest electric usage in the summer, not in the winter.  
9 So, those -- the two spike at different times. Though, we  
10 do recognize that bills can be high in the winter due to  
11 gas.

12 Though, I think that, if the Commission  
13 were to consider, you know, interests across the state,  
14 many customers would gladly exchange their oil heating  
15 source for gas, because gas tends to be cheaper than oil.  
16 So, while, again, I recognize that no increase is easy for  
17 a customer, you know, many customers are pleased to have  
18 natural gas, because it is a much more affordable fuel  
19 supply. And, we certainly would like to make that more  
20 available to customers across the state that don't have  
21 that available now.

22 So, that doesn't -- you know, that's  
23 just contextual as to what the Commission is considering  
24 today. But I do think that, if the Commission considers

1 the legal analysis that it's obligated to do, it would  
2 reach the conclusion that the Company is entitled to a  
3 rate increase, as proposed. I believe the Settlement is  
4 just and reasonable and in the public interest. Thank  
5 you.

6 CMSR. HONIGBERG: Thank you. Now, do we  
7 have anything else that we need to do?

8 (No verbal response)

9 CMSR. HONIGBERG: All right. Thank you  
10 very much. We'll take this under advisement.

11 **(Whereupon the hearing was adjourned at**  
12 **9:40 a.m.)**