

## ***Attachment 1***

### ***Professional Experience and Education of Donna H. Mullinax***

#### ***Summary***

Mrs. Mullinax has over thirty-six years of financial, management and consulting experience. She is President of Blue Ridge. Prior to assuming the role as President, she held the position of Vice President and Chief Financial Officer for the last 20 years and served on various Boards of Directors. She has extensive experience in project management; regulatory and litigation support; financial, administration, and human resource management. She has performed numerous financial, compliance and management audits. She has designed and implemented accounting and business systems and developed policy and procedure manuals to support those systems.

#### ***Key Qualifications and Selected Professional Experience***

##### **Financial, Administration, and Human Resource Management**

As Chief Financial Officer and Vice President she was responsible for all aspects of financial, administration, and human resources. Her responsibilities included accounting, cash management, budgeting, tax planning and preparation, fixed assets, human resources, and employee benefits. Records under her control have been subject to an IRS compliance audit with no findings.

##### **Project Management**

Mrs. Mullinax has managed numerous projects controlling cost, schedule, and scope. These projects included management, financial, and compliance audits, M&A due diligence reviews, economic viability studies, prudence reviews, and litigation/regulatory support for construction contract claims and regulatory proceedings.

##### **Financial, Compliance, and Management Auditing**

Mrs. Mullinax is a skilled auditor. She has performed numerous financial, compliance, and management audits for governmental entities, businesses, and public utilities. As a CPA and CIA, she is knowledgeable about sound internal control processes and procedures and has made numerous recommendations for modifications to provide reasonable assurance regarding the achievement of objectives related to (1) effectiveness and efficiency of operations; (2) reliability of financial records, and (3) compliance with laws and regulations.

She has also conducted detailed base rates revenue requirements and rider compliance audits. She has analyzed financial information and budget projections, performed risk identification, and evaluated performance against industry benchmarks. Her extensive professional experience allows her to effectively analyze and evaluate methods and procedures and to thoroughly document her findings. She has successfully testified to her audit findings.

- ❖ Before the Nebraska Public Service Commission (NEPSC) on behalf of the Public Advocate of Nebraska
  - Application No. NG-0078.03, System Safety and Integrity Rider (SSIR) of SourceGas Distribution, LLC, October 2016 – present
  - Application NG-0078.02, System Safety and Integrity Rider (SSIR) of SourceGas Distribution, LLC, October 2015 – January 2016
  - Application NG-0078.01, System Safety and Integrity Rider (SSIR) of SourceGas Distribution, LLC, November 2014 – February 2015

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Project Manager and Lead Auditor. Led the review of the Company's applications for a system safety and integrity rider for compliance to the Commission directives. The reviews included a detailed mathematical verification and validation of support for the revenue requirements model and reviews of proposed plant to be placed in service and the verification of planned versus actually plant placed in service for the prior year. Summarized the transactional testing results and calculated the impact to the customer charge. Drafted the report including documentation of findings, conclusions, and recommendations and coordinated the accumulation of work papers to thoroughly support all work.

- Application NG-0072.01, Infrastructure System Replacement Cost Recovery Charge (ISR Rider) of SourceGas Distribution, LLC May 2014-August 2014.
- Application No. NG-0074, Infrastructure System Replacement Cost Recovery Charge (ISR Rider) of Black Hills/Nebraska Gas Utility Company, LLC, d/b/a Black Hills Energy, July-November 2013.
- Application No. NG-0072, Infrastructure System Replacement Cost Recovery Charge (ISR Rider) of SourceGas Distribution, LLC March 2013-May 2013.

Project Manager and Lead Auditor. Led the review of the Company's applications for an infrastructure system replacement cost recovery charge for compliance to the Nebraska Natural Gas Regulation Act. The reviews included a detailed mathematical verification and validation of support for the revenue requirements model and reviews of plant work order supporting the requested recovery of utility plant in service. Summarized the transactional testing results and calculated the impact to the customer charge. Drafted the report including documentation of findings, conclusions, and recommendations and coordinated the accumulation of work papers to thoroughly support all work.

❖ On behalf of the Staff of the Public Utilities Commission of Ohio (PUCO)

- Case No. 16-0021-EL-RDR: Distribution Investment Rider (DIR) Audit of Columbus Southern Power Company and Ohio Power Company, d/b/a AEP-Ohio, March 2016-August 2016. Project Manager and Lead Auditor.
- Case No. 15-1739-EL-RDR: Delivery Capital Recovery (DCR) Rider Audit of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (collectively, Companies), December 2016-March 2016. Project Manager and Lead Auditor.
- Case No. 14-1929-EL-RDR: Delivery Capital Recovery (DCR) Rider Audit of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (collectively, Companies), December 2015-March 2015. Project Manager and Lead Auditor.
- Case No. 13-2100-EL-RDR: Delivery Capital Recovery (DCR) Rider Audit of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (collectively, Companies), December 2013-March 2013. Project Manager and Lead Auditor.
- Case No. 13-0419-EL-RDR: Distribution Investment Rider (DIR) Audit of Columbus Southern Power Company and Ohio Power Company, d/b/a AEP-Ohio, March-August 2013. Project Manager and Lead Auditor.
- Case No. 12-2855-EL-RDR: Delivery Capital Recovery (DCR) Rider Audit of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (collectively, Companies), December 2012-March 2012. Project Manager and Lead Auditor.

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Edison Company (collectively, Companies), December 2012-July 2013. Project Manager and Lead Auditor.

- Case No. 11-5428-EL-RDR: DCR Rider Audit of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (collectively, Companies), November 2011 - May 2012. Project Manager and Lead Auditor.

Led the review to ensure the accuracy and reasonableness of the Companies' compliance with its Commission-approved infrastructure cost recovery rider filings. The reviews included detailed mathematical verification and validation of the support of the riders' revenue requirements model, development of sensitivity analysis that supported the PPS sampling techniques used to isolate specific plant work order for further testing. Summarized the transactional testing results and calculated the impact to the rider's revenue requirements. Detailed variance analyses of historical data with investigations into any significant changes. Drafted the report including documenting findings, conclusions, and recommendations and coordinated the accumulation of work papers to thoroughly support all work performed.

- Case # 08-0072-GA-AIR Columbia Gas of Ohio for an increase in gas rates, April-August 2008
- Case # 07-0829-GA-AIR Dominion East Ohio for an increase in gas rates, November 2007-July 2008
- Case # 07-0589-GA-AIR Duke Energy Ohio for an increase in gas rates. November 2007-February 2008

Lead Auditor and assistant project manager. Performed a comprehensive rate case audit of companies' gas rate filings to validate the filings, provided conclusions and recommendations concerning the reliability of the information, and supported Staff in its evaluation of the reasonableness of the filing. Drafted the report including documenting findings, conclusions, and recommendations and coordinated the accumulation of work papers to thoroughly document work performed.

- ❖ On behalf of the Massachusetts Department of Public Utilities, Case No. D.P.U. 08-110, regarding the Petition and Complaint of the Massachusetts Attorney General for an Audit of New England Gas Company (NEGC), February-August 2010. Lead Auditor and Assistant Project Manager. Conducted a management audit on how NEGC manages its accounting and financial reporting functions and whether sufficient controls are in place to ensure that the information included in the company's filings can be reasonably relied upon for setting rates – areas reviewed included general accounting, financial reporting, and internal controls; plant accounting; income tax; accounts receivable; accounts payable; cash management; payroll; cost allocations; and capital structure. Developed the report including documenting findings, conclusions, and recommendations and coordinated the accumulation of work papers to thoroughly document work performed.
- ❖ On behalf of the Staff of the Connecticut Public Utilities Regulatory Authority (PURA)
  - Management Audit of Yankee Gas Services Company. June 2014 - April 3, 2015. Lead Auditor and Assistant Project Manager. Performed an in-depth investigation and assessment of the company's business processes, procedures, and policies relating to the management operations and system of internal controls of the company's executive management and financial operations.

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- Diagnostic Management Audit of Connecticut Light and Power Company, July 2008-June 2009, Lead Auditor and Assistant Project Manager. Performed an in-depth investigation and assessment of the company's business processes, procedures, and policies relating to the management operations and system of internal controls of the company's executive management, system operations, financial operations, marketing operations, human resources, customer service, external relations, and support services. In addition, supported an in-depth review of the development and implementation process of the company's new customer information system. Developed the report including documenting findings, conclusions, and recommendations and coordinated the accumulation of work papers to thoroughly document all findings.
- ❖ Before the Oregon Public Utilities Commission (ORPUC), Docket No. UP 205: Examination of NW Natural's Rate Base and Affiliated Interests Issues, Co-sponsored between NW Natural, ORPUC Staff, Northwest Industrial Gas Users, Citizens Utility Board, August 2005-January 2006, Lead Auditor and Assistant Project Manager. Examined NW Natural's Financial Instruments, Deferred Taxes, Tax Credits, and Security Issuance Costs to ensure Company compliance with orders, rules, and regulations of the ORPUC and with Company policies. Developed the report including documenting findings, conclusions, and recommendations and coordinated the accumulation of work papers to thoroughly document work performed.

***Partial List of Reports and Publications***

- Compliance Audit of the 2015 Distribution Investment Rider (DIR) Ohio Power Company d/b/a AEP Ohio, August 5, 2016
- Compliance Audit of the 2014 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, April 22, 2016
- Examination of SourceGas Distribution LLC Application for Recovery of 2015 Eligible System Safety and Integrity Costs on Behalf of the Nebraska Public Advocate, January 8, 2015
- Compliance Audit of the 2014 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, March 30, 2015
- Management Audit of Yankee Gas Services Company, April 3, 2015
- Examination of the Infrastructure System Replacement Cost Recovery Charge of SourceGas Distribution LLC, June 30, 2014
- Compliance Audit of the 2013 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, April 9, 2014
- Examination of the Infrastructure System Replacement Cost Recovery Charge of Black Hills/Nebraska Gas Utility, LLC d/b/a Black Hills Energy, October 4, 2013
- Compliance Audit of the 2012 Distribution Investment Rider (DIR) of Columbus Southern Power and Ohio Power Company d/b/a AEP-Ohio, June 19, 2013
- Examination of the Infrastructure System Replacement Cost Recovery Charge of SourceGas Distribution LLC, May 16, 2013
- Compliance Audit of the 2012 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, March 22, 2013

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- Compliance Audit of the Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, April 12, 2012
- Revenue Requirements Audit of New England Gas Company, May 12, 2011
- Accounting and Financial Reporting Review of New England Gas Company, August 5, 2010
- Management Audit of The Connecticut Light & Power Company, May 29, 2009
- Report of Conclusions and Recommendations on the Financial Audit of the Columbia Gas of Ohio, Inc. in Regards to Case No. 08-0074-GA-AIR, August 13, 2008
- Report of Conclusions and Recommendations on the Financial Audit of the East Ohio Gas Company d/b/a Dominion East Company in Regards to Case No. 07-0829-GA-AIR, April 16, 2008
- Report of Conclusions and Recommendations on the Financial Audit of Duke Energy Ohio, Inc. in Regards to Case No. 07-0589-GA-AIR, December 17, 2007
- Report of Conclusions and Recommendations of NW Natural's Rate Base and Affiliated Interest Issues in Support of Oregon Public Utilities Commission Docket UM1148, December 23, 2005

**Regulatory and Civil Litigation**

She has provided or supported civil or regulatory testimony in Arizona, Colorado, Connecticut, Delaware, Illinois, Maryland, Michigan, Missouri, New York, North Carolina, North Dakota, South Carolina, Texas, and Utah. She has also served as an advisor to public service commissioners in the District of Columbia and Connecticut. In addition to providing analytical support, she has served as an expert witness and routinely works with other highly specialized expert witnesses. She has developed defensible analyses and testimony in connection with rate cases, audit findings, and other regulatory issues. She has also supported various civil litigations including delay and disruption construction claims and financial fraud. She has supported counsel with interrogatories, depositions, and hearings/trials support.

**Regulatory Proceedings**

- ❖ Before the New Hampshire Public Utilities Commission
  - Docket No. DE 16-384, Unitil Energy Systems, Inc., general rate case July 2016-present  
  
Project Manager and Expert Witness. Reviewed and testified to Staff's position regarding the rate base, adjusted net operating income, and revenue requirements proposed by Unitil Energy Systems, Inc. Testimony was filed on November 16, 2016.
  - Docket No. DE 16-383, Liberty Utilities (Granite State Electric) Corp., Inc., general rate case July 2016-present  
  
Project Manager and Expert Witness. Reviewed and testified to Staff's position regarding the rate base, adjusted net operating income, and revenue requirements proposed by Liberty Utilities. Testimony expected to be filed on December 16, 2016.
- ❖ On behalf of the Commissioners and Staff of the District of Columbia Public Service Commission (DCPSC)
  - Formal Case No. 1139 Pepco base electric rates case, October 2016-present.

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- Formal Case No. 1137 Washing Gas Light Company (WGL) base gas rates case, May 2016-present.
- Formal Case No. 1103 Potomac Electric Power Company (Pepco) base electric rate case, June 2013-August 2014. Project Manager.
- Formal Case No. 1093 Washington Gas Light Company (WGL) base gas rates case, July 2011-July 2013. Project Manager.
- Formal Case No. 1087 Pepco base electric rates case, September 2011-December 2012
- Formal Case No. 1076 Pepco base electric rates case, July-December 2009
- Formal Case No. 1053 Pepco base electric rates case, February 2007-June 2008

Lead Consultant advising Commissioners and Staff of the Office of Technical and Regulatory Analysis regarding Companies' proposed rate base, net operating income and revenue requirements. Assessed the companies' and Intervenor's positions on various issues and provided defensible recommendations for the Commissioners' consideration. Developed "what if" revenue requirement model used during Commission deliberations to analyze the impact of various adjustments. Supported the drafting of the Commission's Order and supplied the revenue requirement schedules to support the final decision. Supported the Commissioners' legal team in addressing motions for reconsideration.

- Formal Case No. 1032 Pepco base electric rates case, January-March 2005. Senior Technical Consultant and Assistant Project Manager. Reviewed and evaluated Company's compliance filings for class cost of service and revenue requirements for distribution service pursuant to a settlement approved in May 2002. Provided analysis and recommended adjustments to Staff. Proceeding was settled in anticipation of a full rate case for rates to be effective August 8, 2007.
- Formal Case No. 1016 WGL natural gas base rates case, June-December 2003. Senior Technical Consultant and Project Manager. Analyzed and recommended adjustments regarding the company's proposed increase to base rates – advised the Commission on party positions during deliberations Review and evaluation of company's depreciation study filed with the Commission.

❖ Before the Arizona Corporation Commission on behalf of Staff

- Docket No. E-01933A-15-0322, Tucson Electric Power Company, general rate case January 2016-present.

Project Manager and Expert Witness. Led the review and testified to Staff's position regarding the rate base, adjusted net operating income, and revenue requirements proposed by UNS Electric, Inc. Testimony was filed on June 3, 2016.

- Docket No. E-024204A-15-0142 UNS Electric, Inc. August 2015-present.

Project Manager, Lead Auditor, and Expert Witness. Led the review and testified to Staff's position regarding the rate base, adjusted net operating income, and revenue requirements proposed by UNS Electric, Inc. Testimony was filed on November 6, 2016

❖ Before the Nebraska Public Service Commission (NEPSC) on behalf of the Public Advocate of Nebraska.

- Application NG-0084, Black Hills Holdings, Inc. acquisition of SourceGas Holdings, LLC, October 2015 – present.

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Project Manager and Expert Witness. Led the analysis of the impact of the proposed acquisition on whether it would be consistent with the public interest and not adversely affect the utility's ability to service its ratepayers. Testimony was filed on November 6, 2015.

- Application NG-0078, SourceGas Distribution, LLC May 2014-December 2014.

Project Manager, Lead Auditor, and Expert Witness. Led the review of the Companies' applications to replace its infrastructure system replacement (ISR) cost recovery charge with a prospective System Safety and Integrity Rider (SSIR). The review included an analysis of the Company's projected revenue deficiency that lead to the request for the prospective SSIR. The SSIR was subject to a detailed mathematical verification and validation of support for the revenue requirements model and reviews of proposed projects supporting the requested recovery of utility plant in service. Testimony on the analysis was filed in August 2014.

- ❖ Before the Missouri Public Service Commission, Case No. HR-2011-0241, on behalf of the City of Kansas City: Veolia Energy Company 2011 and 2012 electric base rates case, July-September 2011. Senior Technical Consultant. Analyzed Company's proposed net operating income, rate base, and revenue requirements. Supported testifying witness with drafted testimony and development of a model to calculate an alternative revenue requirement incorporating recommended adjustments.
- ❖ Before the North Dakota Public Service Commission, Case No. PU-10-657/PU-11-55: Northern States Power Company (NSP) 2011 and 2012 electric base rates case, April-November 2011. On behalf of the Commission Staff, Lead Consultant and Assistant Project Manager. Led the analysis of NSP's rate increase filings and supported adjustments for the Commission's consideration. Developed a model to calculate the appropriate revenue requirements and exhibits to support Staff recommended adjustments.
- ❖ Before the Connecticut Public Utilities Regulatory Authority (PURA), Docket 10-02-13: Aquarion Water Company base rates case, on behalf of the PURA, April-August 2010. Senior Technical Consultant and Assistant Project Manager. Reviewed the expense component of the company's revenue requirement and recommended adjustments for Staff consideration.
- ❖ Before the of the Delaware Public Service Commission on behalf of Staff
  - Docket No. 09-414: Delmarva Power & Light Company (DPL) electric base rates case, September 2009-May 2010. Expert Witness and Assistant Project Manager. Analyzed the company's rate increase filings and provided testimony offering adjustments for the Commission consideration related to the rate base and revenue requirements.
  - Docket No. 06-284: DPL's gas base rates case, October 2006-March 2007. Senior Technical Consultant and Assistant Project Manager. Analyzed the Company's filings, checked the mathematical accuracy of the Company's revenue requirements calculations, and provided analytical support to testifying witness.
- ❖ Before the Michigan Public Service Commission (MIPSC) on behalf of the Michigan Attorney General

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- Case No. U-15506: Consumers Energy Company base gas rates case, May-November 2008. Expert Witness and Assistant Project Manager. Analyzed the company's rate increase filings and provided testimony offering adjustments for the Commission consideration related to the rate base and revenue requirements – proceeding was settled through negotiations.
- Case No U-15244 Detroit Edison electric base rates case, September 2007-October 2008.
- Case No. U-15245 Consumers Energy Company base gas rates case, July 2007-April 2008.

Senior Technical Consultant and Assistant Project Manager. Analyzed the Company's filings, checked the mathematical accuracy of the Company's revenue requirements calculations, and provided analytical support to testifying witness.

- Case No. U-14547 Consumers Energy Company base gas rates case, December 2005-April 2006. Expert Witness and Assistant Project Manager. Analyzed Company's rate increase filings and provided testimony offering adjustments for Commission consideration related to the rate base and revenue requirements.
- ❖ Before the Maryland Public Service Commission (MDPSC)
- Case No. 9092 Pepco electric base rates case, on behalf of the Staff of the MDPSC, December 2006-June 2007. Expert Witness and Assistant Project manager. Analyzed Company's rate increases filings and provided direct and rebuttal testimony offering adjustments for the Commission consideration related to the rate base and revenue requirements.
  - Case No. 9062 Chesapeake Utilities Corporation gas base rates case, on Behalf of the Maryland Office of People's Counsel, May-August 2006. Expert Witness and Assistant Project Manager. Analyzed Company's rate increase filings and provided testimony offering adjustments for the Commission consideration related to the rate base and revenue requirements – participated in settlement negotiations that were ultimately accepted by all parties.
- ❖ Before the Illinois Commerce Commission, Case No. 05-0597, on behalf of the Illinois Citizens Utility Board, Cook County State Attorney's Office and City of Chicago, November 2005-May 2006. Senior Technical Consultant and Assistant Project Manager. Analyzed the Company's filings, checked the mathematical accuracy of the Company's revenue requirements calculations, and provided analytical support to testifying witness.
- ❖ Before the Hawaii Public Utilities Commission (HPUC), Docket No. 05-0075: Instituting a Proceeding to Investigate Kauai Island Utility Cooperative's Proposed Revised Integrated Resource Planning and Demand Side Management Framework, On behalf of the Staff of the HPUC, June-November 2005. Senior Technical Consultant and Assistant Project Manager. Conducted and reported on the results of an industry survey of other cooperatives and Commissions to obtain an overview of how other entities approach the specific issues identified within this docket.
- ❖ Before the Public Utilities Commission of the State of Colorado (COPUC), Docket No. 04A-050E: Review of the Electric Commodity Trading Operations of Public Service Company of Colorado (PSCo), On behalf of the COPUC Staff, March-September 2004. Expert Witness and Assistant Project Manager. Performed a transaction audit of PSCo's



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electric commodity trading operations and submitted testimony describing the process used to conduct the investigation, a summary of the audit findings, and discussion of the significance of the findings.

- ❖ Before the New York Public Service Commission, Case No. 00-E-0612: Proceeding on Motion of the Commission to Investigate the Forced Outage at Consolidated Edison Company of New York, Inc.'s Indian Point No. 2 Nuclear Generation Facility, On behalf of Consolidated Edison Company of New York, Inc., October 2000-September 2003. Project Manager. Supervised cross functional teams to assist scheduling and nuclear engineering experts with responses to interrogatories and the development of three comprehensive rebuttal testimonies on the prudence of extended outages at the Indian Point 2 nuclear power plant. The proceeding settled prior to filing of testimony.

#### **Civil Litigation**

- ❖ ADF Construction vs. Kismet, On Behalf of ADF Construction, December 2003-February 2004. Assistant Project Manager for a delay and disruption construction claim related to a large hotel complex in North Carolina – worked with scheduling experts to determine schedule delay and disruption and calculated related damages.
- ❖ On behalf of New Carolina Construction, July 2002-January 2003
  - New Carolina Construction vs. Atlantic Coast
  - New Carolina Construction vs. Acousti

Project Manager for a delay and disruption claim related to construction of a large high school complex in South Carolina – worked with scheduling experts to determine schedule delay and disruption and calculated related damages. Claim was settled out of court.
- ❖ State of Nevada Bureau of Consumer Protection, September-December 2003. Assistant Project Manager for damage assessment project related to potential litigation regarding the Western Market Manipulation.
- ❖ Oakwood Homes, On behalf of Oakwood Homes, February 1999-May 2000. Assistant Project Manager for a delay and disruption claim related to the construction of a large manufacturing facility in Texas – worked with scheduling experts to determine schedule delay and disruption and calculated related damages. Dispute was settlement through mediation.
- ❖ McMillan Carter, On behalf of McMillan Carter, June-September 2002. Project Manager for a delay and disruption claim related to construction of a large high school complex in North Carolina – worked with scheduling experts to determine schedule delay and disruption and calculated related damages. Claim was settled out of court.
- ❖ Fluor Daniel Inc. vs. Solutia, Inc., On behalf of Fluor Daniel, May 2000-August 2001. Assistant Project Manager for a delay and disruption construction claim related to large chemical processing facility in Texas – worked with scheduling experts to determine schedule delay and disruption and calculated related damages. Dispute proceeded through mediation.
- ❖ First National Bank of South Carolina vs. Pappas, On Behalf of First National Bank of South Carolina, 1991-1992. Civil litigation, deposed during pre-trial discovery on analytical findings related to check kiting and fraudulent loan applications. Supported counsel and expert witnesses during civil proceeding.

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- ❖ First Union vs. Pappas, On Behalf of First Union, 1991-1992. Civil litigation, deposed during pre-trial discovery on analytical findings related to check kiting and fraudulent loan applications. Dispute was settled out of court.

***Testimony proffered***

Before the Arizona Corporation Commission

- UNS Electric, Inc. – Docket No. E-04204A-15-0142
- Tucson Electric Power Company – Docket No. E-01933A-15-0322

Before the Colorado Public Utilities Commission

- Public Service Company of Colorado - Docket No. 04A-050E

Before the Delaware Public Service Commission

- Delmarva Power & Light Company - Docket No. 09-414

Before the Maryland Public Service Commission

- Potomac Electric Power Company - Case No. 9092
- Chesapeake Utilities Corporation - Case No. 9062

Before the Michigan Public Service Commission

- Consumers Energy Company - Case No. U-15506
- Consumers Energy Company - Case No. U-14547

Before the Public Service Commission of Nebraska

- SourceGas Distribution LLC – Docket No. NG-0078
- Black Hills Utility Holdings, Inc. and Source Gas Holdings Inc. – Docket No. NG-0084

Before the New Hampshire Public Utilities Commission

- Unitil Energy Systems, Inc. LLC – Docket No. DE 16-384

**System Implementation**

Mrs. Mullinax has worked with various business and local governmental entities to design and implement accounting and business systems that addressed real world problems and concerns. She has developed accounting policy and procedure manuals for county governments, a library, and a water utility.

***Professional Experience***

**Blue Ridge Consulting Services, Inc.: 2004 - Present**

*President*

*Vice President and Chief Financial Officer*

*Senior Technical Consultant / Expert Witness*

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**Hawks, Giffels & Pullin, Inc.: 1993 - 2004**

*Vice President and Chief Financial Officer*  
*Executive Consultant*  
*Controller*

**Cherry, Bekaert & Holland, CPAs: 1991 - 1993**

*Accounting Supervisor*  
*Senior Accountant*  
*Staff Accountant*

**Smith, Kline and French Pharmaceutical Company: 1988 - 1991**

*Professional Sales Representative*

**Milliken & Company: 1979 - 1988**

*Quality Assurance Manager*  
*Technical Cause Analyst*  
*Department Manager*

**Professional Certification**

Certified Public Accountant (CPA), State of South Carolina - 1993  
Certified Financial Planner (CFP) - 1994  
Certified Internal Auditor (CIA) - 2006  
Chartered Global Management Account (CGMA) - 2012

**Professional Affiliations**

Member of the American Institute of Certified Public Accountants (AICPA)  
Member of the South Carolina Association of Certified Public Accountants (SCACPA)  
Member of the Institute of Internal Auditors (IIA)  
Member of the Western Carolinas Chapter of the Institute of Internal Auditors (WCIIA)

**Education**

Clemson University, B.S. Administrative Management with honors, 1978  
Clemson University, M.S. in Management, 1979  
College for Financial Planning, 1994  
NARUC Utility Rate School, 32<sup>nd</sup> Annual Eastern

NEW HAMPSHIRE PUBLIC SERVICE COMMISSION

Docket No. DE 16-383

**Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities**

List of Schedules

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4	Schedule 2	Rate of Return Calculation
5	Schedule 2.1	Impact of Staff's Recommended Rate of Return on Company's Revenue Deficiency
6	Schedule 3	Ratemaking Adjustments
7	Schedule 3.1	Adjustment 1 Cash Working Capital
8	Schedule 3.2	Adjustment 2 Remove Prepayments Included in Cash Working Capital
9	Schedule 3.3	Adjustment 3 Adjust Materials and Supplies for Unusually High Balance
10	Schedule 3.4	Adjustment 4 Audit Issues Not Corrected in Update
11	Schedule 3.5	Adjustment 5 Payroll and Benefits - New Hires 2016 in Update
12	Schedule 3.6	Adjustment 6 Remove LTIP (PSU) Related to Shareholder Goals
13	Schedule 3.7	Adjustment 7 Remove Severance
14	Schedule 3.8	Adjustment 8 Employee Pensions and Benefits
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16	Schedule 3.10	Adjustment 10 Non-Recurring Costs to Reduce Billing Backlog
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Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities  
Twelve Months Ending December 31, 2015

Summary Comparison of Computation of Revenue Requirement and Revenue Deficiency

Line	Description	Company Application (A)	Company 11/18/16 Update (B)	Staff Recommended (C)	Difference (D)
1	Rate Base	\$ 97,496,042	\$ 96,585,330	\$ 88,433,515	\$ (8,151,815)
2	Rate of Return	8.31%	8.31%	7.12%	-1.19%
3	Return Requirement	8,101,921	8,026,241	6,296,466	(1,729,775)
4	Adjusted Net Operating Income	4,883,989	4,592,885	5,574,112	981,227
5	Deficiency	3,217,932	3,433,356	722,354	(2,711,002)
6	Income Tax Effect	2,110,651	2,251,950	473,796	(1,778,155)
7	Revenue Deficiency	<u>\$ 5,328,583</u>	<u>\$ 5,685,306</u>	<u>\$ 1,196,150</u>	<u>\$ (4,489,156)</u>
8	Percent of Original Request			22.45%	

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Twelve Months Ending December 31, 2015

Revenue Requirements and Revenue Deficiency with Staff's Recommended Adjustments

Line	Description	Liberty Application (A)	Liberty 11/18/16 Update (B)	Adjustments (C)	Approved Total (D)
1	<b>Rate Base</b>				
2	Plant in Service	\$ 191,058,296	\$ 191,058,296	\$ (5,803,203)	\$ 185,255,093
3	Less: Accumulated Depreciation & Amortization	(65,988,100)	(66,179,242)	190,925	(65,988,317)
4	Net Plant in Service	\$ 125,070,196	\$ 124,879,054	\$ (5,612,278)	\$ 119,266,776
5	Plus: Material and Supplies	1,739,095	1,739,095	\$ (101,536)	\$ 1,637,559
6	Plus: Prepayments	756,325	756,325	(756,325)	(0)
7	Plus: Cash Working Capital	3,727,139	3,672,312	(1,681,675)	1,990,637
8	Less: Accumulated Deferred Income Tax	(33,025,841)	(33,690,583)	-	(33,690,583)
9	Less: Customer Deposits	(770,874)	(770,874)	-	(770,874)
10	Total Rate Base	\$ 97,496,042	\$ 96,585,330	\$ (8,151,814)	\$ 88,433,515
11	<b>Rate of Return</b>	8.31%	8.31%		7.12%
12	<b>Return Requirement</b>	\$ 8,101,921	\$ 8,026,241	\$ (1,729,775)	\$ 6,296,466
13	<b>Operating Revenues</b>				
14	Distribution	\$ 34,102,076	\$ 34,102,076	\$ -	\$ 34,102,076
15	Commodity	-	-	-	-
16	Other Operating Revenues	1,194,769	1,194,769	-	1,194,769
17	Total Operating Revenues	\$ 35,296,845	\$ 35,296,845	\$ -	\$ 35,296,845
18	<b>Operating Expenses</b>				
19	Purchased Power	\$ -	\$ -	\$ -	\$ -
20	Transmission Expense	(33,095)	(33,095)	-	(33,095)
21	Distribution O&M	7,132,569	7,224,687	(458,719)	6,765,968
22	Customer Accounting	3,372,832	3,406,586	-	3,406,586
23	Customer Service & Info.	257,238	261,522	-	261,522
24	Administration & General Expense	7,983,970	8,314,229	(1,071,489)	7,242,740
25	Depreciation Expense	5,766,507	5,756,073	(190,925)	5,565,148
26	General Taxes	4,398,033	4,414,278	(45,251)	4,369,027
27	Income Taxes	1,510,273	1,335,152	785,157	2,120,309
28	Interest on Customer Deposits	24,528	24,528	-	24,528
29	Total Operating Expenses	\$ 30,412,855	\$ 30,703,960	\$ (981,227)	\$ 29,722,733
30	<b>Net Operating Income</b>	\$ 4,883,989	\$ 4,592,885	\$ 981,227	\$ 5,574,112
31	<b>Income Deficiency</b>	\$ 3,217,932	\$ 3,433,356	\$ (2,711,002)	\$ 722,354
32	Revenue Conversion Factor	1.65590	1.65590		1.65590
33	<b>Revenue Deficiency</b>	\$ 5,328,583	\$ 5,685,306	\$ (4,489,156)	\$ 1,196,150
34	Percent of Original Request	Check 5,328,583	5,685,306		22.45%

Notes and Sources

Columns A and B, lines 1-10: Attachment SEM/HSG-2, Schedule RR-5

Columns A and B, lines 13-29: Attachment SEM/HSG-2, Schedule RR-2

Line 11: Schedule 2

Line 32: Schedule 3

Column C: Schedule 3

Distribution Revenue	\$ 35,296,845	\$ 35,296,845
Revenue Deficiency	\$ 5,328,583	\$ 5,685,306
% Increase over Test Year Distribution Revenue	15.1%	16.1%

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Schedule 1.2

Twelve Months Ending December 31, 2015

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Computation of Gross Up for Income Taxes

<b>Line</b>	<b>Description</b>	<b>Company (A)</b>	<b>Adjustment (B)</b>	<b>Adjusted Amount (C)</b>
1	NH Tax Rate	8.500%		8.500%
2	Federal Statutory Tax rate	34.00%		34.00%
3	Federal Effective Tax rate (1-State rate*Federal rate)	31.110%		31.11000%
4	Total Composite Tax rate	39.610%		39.61%
5	Revenue Requirement Gross-Up Factor	60.390%		60.390%
6	Revenue Conversion Factor	1.6559		1.6559

**Notes and Sources**

Column A - Attachment SEM/HSG-2, Schedule RR-1

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Schedule 2

Twelve Months Ending December 31, 2015

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Rate of Return Calculation

Line	Description	Balance (A)	Capital Structure (B)	Cost % (C)	Weighted Cost % (D)
<b><u>Company Proposed Rate of Return</u></b>					
1	Common Stock	\$ 82,024,903	55.00%	10.30%	5.67%
2	Long-Term Debt	15,000,000	45.00%	5.88%	2.65%
3	Long-Term Debt-Affiliate	-	0.00%	0.00%	0.00%
4	Total	<u>\$ 97,024,903</u>	<u>100.00%</u>		<u>8.31%</u>

<b><u>Staff Recommended Rate of Return</u></b>					
5	Common Stock			8.85%	
6	Reduction for Poor Customer Service			-0.50%	
7	Adjusted Common Stock		50.00%	8.35%	4.18%
8	Long-Term Debt		50.00%	5.88%	2.94%
9	Long-Term Debt-Affiliate		0.00%	0.00%	0.00%
10	Total		<u>100.00%</u>		<u>7.12%</u>

**Notes and Sources**

Column A and C, lines 1-3: Attachment SEM/HSG-2, Schedule RR-6

Line 5: See Testimony of J. Randall Woolridge

Line 6: See Testimony of Amanda Noonan



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Schedule 2.1

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Impact of Staff's Recommended **Rate of Return** on Company's Revenue Deficiency

<b>Line</b>	<b>Description</b>	<b>Company 11/18/16 Update (A)</b>	<b>Adjustment (B)</b>	<b>Approved (C)</b>
1	<b>Total Rate Base</b>	\$ 96,585,330		\$ 96,585,330
2	<b>Rate of Return</b>	8.31%	-1.19%	7.12%
3	<b>Return Requirement</b>	\$ 8,026,241	\$ (1,149,365)	\$ 6,876,875
4	<b>Net Operating Income</b>	\$ 4,592,885		\$ 4,592,885
5	<b>Income Deficiency</b>	\$ 3,433,356		\$ 2,283,990
6	Revenue Conversion Factor	1.65590		1.65590
7	Revenue Deficiency	\$ 5,685,306	\$ (1,903,238)	\$ 3,782,068
	<i>Check</i>	5,685,306		

**Notes and Sources**

Column A: Summary Totals from Schedule 1

Line 2: Schedule 2

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**Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities**  
Twelve Months Ending December 31, 2015  
Ratemaking Adjustments

Line	Description	Company 11/18/16 Update (A)	Staff Adjustment 1 (B) Schedule 3.1	Staff Adjustment 2 (C) Schedule 3.2	Staff Adjustment 3 (D) Schedule 3.3	Staff Adjustment 4 (E) Schedule 3.4	Staff Adjustment 5 (F) Schedule 3.5	Staff Adjustment 6 (G) Schedule 3.6	Staff Adjustment 7 (H) Schedule 3.7	Staff Adjustment 8 (I) Schedule 3.8	Adjustment Subtotal (J)
<b>Reference Schedule</b>											
1	<b>Rate Base</b>										
2	Plant in Service	\$ 191,058,296									\$ -
3	Less: Accumulated Depreciation & Amortization	(66,179,242)									-
4	Net Plant in Service	124,879,054	-	-	-	-	-	-	-	-	-
5	Plus: Material and Supplies	1,739,095			(101,536)						(101,536)
6	Plus: Prepayments	756,325		(756,325)							(756,325)
7	Plus: Cash Working Capital	3,672,312	(1,681,675)								(1,681,675)
8	Less: Accumulated Deferred Income Tax	(33,690,583)									-
9	Less: Customer Deposits	(770,874)									-
10	Total Rate Base	\$ 96,585,329	\$ (1,681,675)	\$ (756,325)	\$ (101,536)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,539,537)
11	<b>Rate of Return</b>	8.31%	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%
12	<b>Return Requirement</b>	\$ 8,026,241	\$ (119,735)	\$ (53,850)	\$ (7,229)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (180,815)
13	<b>Operating Revenues</b>										
14	Distribution	\$ 34,102,076									\$ -
15	Commodity	-									-
16	Other Operating Revenues	1,194,769									-
17	Total Operating Revenues	\$ 35,296,845	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18	<b>Operating Expenses</b>										
19	Purchased Power	\$ -									\$ -
20	Transmission Expense	(33,095)									-
21	Distribution O&M	7,224,687					(458,719)				(458,719)
22	Customer Accounting	3,406,586									-
23	Customer Service & Info.	261,522									-
24	Administration & General Expense	8,314,229				(4,140)	(61,092)	(28,521)	(47,473)	(742,939)	(884,165)
25	Depreciation Expense	5,756,073									-
26	General Taxes	4,414,278									-
27	Income Taxes	1,335,152				1,640	205,897	11,297	18,804	294,277	531,915
28	Interest on Customer Deposits	24,528									-
29	Total Operating Expenses	\$ 30,703,960	\$ -	\$ -	\$ -	\$ (2,500)	\$ (313,914)	\$ (17,224)	\$ (28,669)	\$ (448,662)	\$ (810,969)
30	<b>Net Operating Income</b>	\$ 4,592,885	\$ -	\$ -	\$ -	\$ 2,500	\$ 313,914	\$ 17,224	\$ 28,669	\$ 448,662	\$ 810,969
31	<b>Income Deficiency</b>	\$ 3,433,356	\$ (119,735)	\$ (53,850)	\$ (7,229)	\$ (2,500)	\$ (313,914)	\$ (17,224)	\$ (28,669)	\$ (448,662)	\$ (991,784)
32	Revenue Conversion Factor	1.65590	1.65590	1.65590	1.65590	1.65590	1.65590	1.65590	1.65590	1.65590	1.65590
33	<b>Revenue Deficiency</b>	\$ 5,685,306	\$ (198,270)	\$ (89,171)	\$ (11,971)	\$ (4,140)	\$ (519,811)	\$ (28,521)	\$ (47,473)	\$ (742,940)	\$ (1,642,298)
34	Percent of Total	Check \$ 5,685,306	3.5%	1.6%	0.2%	0.1%	9.1%	0.5%	0.8%	13.1%	
	Adjustment 1	Cash Working Capital									
	Adjustment 2	Remove Prepayments Included in Cash Working Capital									
	Adjustment 3	Adjust Materials and Supplies for Unusually High Balance									
	Adjustment 4	Audit Issues Not Corrected in Update									
	Adjustment 5	Payroll and Benefits - New Hires 2016 in Update									
	Adjustment 6	Remove LTIP (PSU) Related to Shareholder Goals									
	Adjustment 7	Remove Severance									
	Adjustment 8	Employee Pensions and Benefits									

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Ratemaking Adjustments

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(in thousands)

Line	Description (A)	Carry Forward (B)	Staff Adjustment 9 (C) Schedule 3.9	Staff Adjustment 10 (D) Schedule 3.10	Staff Adjustment 11 (E) Schedule 3.11	Staff Adjustment 12 (F) Schedule 3.12	Staff Adjustment 13 (G) Schedule 3.13	Staff Adjustment 14 (H) Schedule 3.14	Adjustment Subtotal (J)	Approved Totals (K)
	<b>Reference Schedule</b>									
1	<b>Rate Base</b>									
2	Plant in Service	\$ -				\$ (5,803,203)			\$ (5,803,203)	\$ 185,255,093
3	Less: Accumulated Depreciation & Amortization	-				190,925			190,925	(65,988,317)
4	Net Plant in Service	-	-	-	-	(5,612,278)	-	-	(5,612,278)	119,266,776
										-
5	Plus: Material and Supplies	(101,536)							(101,536)	1,637,559
6	Plus: Prepayments	(756,325)							(756,325)	(0)
7	Plus: Cash Working Capital	(1,681,675)							(1,681,675)	1,990,637
8	Less: Accumulated Deferred Income Tax	-							-	(33,690,583)
9	Less: Customer Deposits	-							-	(770,874)
10	Total Rate Base	\$ (2,539,537)	\$ -	\$ -	\$ -	\$ (5,612,278)	\$ -	\$ -	\$ (8,151,814)	\$ 88,433,515
11	<b>Rate of Return</b>	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%
12	<b>Return Requirement</b>	\$ (180,815)	\$ -	\$ -	\$ -	\$ (399,594)	\$ -	\$ -	\$ (1,729,775)	\$ 6,296,466
13	<b>Operating Revenues</b>									
14	Distribution	\$ -							\$ -	\$ 34,102,076
15	Commodity	-							-	-
16	Other Operating Revenues	-							-	1,194,769
17	Total Operating Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,296,845
18	<b>Operating Expenses</b>									
19	Purchased Power	\$ -							\$ -	\$ -
20	Transmission Expense	-							-	(33,095)
21	Distribution O&M	(458,719)							(458,719)	6,765,968
22	Customer Accounting	-							-	3,406,586
23	Customer Service & Info.	-							-	261,522
24	Administration & General Expense	(884,165)	(146,559)	(34,465)	(6,300)				(1,071,489)	7,242,740
25	Depreciation Expense	-				(190,925)			(190,925)	5,565,148
26	General Taxes	-					(45,251)		(45,251)	4,369,027
27	Income Taxes	531,915	58,052	13,652	2,496	75,626	17,924	85,492	785,157	2,120,309
28	Interest on Customer Deposits	-							-	24,528
29	Total Operating Expenses	\$ (810,969)	\$ (88,507)	\$ (20,813)	\$ (3,804)	\$ (115,299)	\$ (27,327)	\$ 85,492	\$ (981,227)	\$ 29,722,733
30	<b>Net Operating Income</b>	\$ 810,969	\$ 88,507	\$ 20,813	\$ 3,804	\$ 115,299	\$ 27,327	\$ (85,492)	\$ 981,227	\$ 5,574,112
31	<b>Income Deficiency</b>	\$ (991,784)	\$ (88,507)	\$ (20,813)	\$ (3,804)	\$ (514,894)	\$ (27,327)	\$ 85,492	\$ (2,711,001)	\$ 722,354
32	Revenue Conversion Factor	1.65590	1.65590	1.65590	1.65590	1.65590	1.65590	1.65590	1.65590	1.65590
33	<b>Revenue Deficiency</b>	\$ (1,642,298)	\$ (146,559)	\$ (34,464)	\$ (6,299)	\$ (852,614)	\$ (45,251)	\$ 141,566	\$ (4,489,156)	\$ 1,196,150
34	Percent of Total		2.6%	0.6%	0.1%	15.0%	0.8%	-2.5%		1,196,150
	Adjustment 9	Remove Concord Training Center								
	Adjustment 10	Non-Recurring Costs to Reduce Billing Backlog								
	Adjustment 11	Employee Misconduct Due to Insufficient Supervision								
	Adjustment 12	Modify Plant in Service								
	Adjustment 13	True-Up Payroll Taxes for Other Adjustments								
	Adjustment 14	Interest Synchronization								

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Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities

**Adjustment 1**

Cash Working Capital

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)
1	<b>Distribution Expenses</b>			
2	Purchased Power	\$ -		\$ -
3	Transmission Expense	(33,095)		(33,095)
4	Distribution O&M (Staff's Adjustments)	7,224,687	(458,719)	6,765,968
5	Distribution O&M (Storm Cost Accrual)		(1,500,000)	(1,500,000)
6	Customer Accounting	3,406,586		3,406,586
7	Customer Service & Info.	261,522		261,522
8	Administration & General Expense	8,314,229	(1,071,489)	7,242,740
9	Depreciation Expense	5,756,073	(5,766,507)	(10,434)
10	Total O&M Expense for CWC Calculation	<u>\$ 24,930,002</u>	<u>\$ (8,796,715)</u>	<u>\$ 16,133,287</u>
11	<b>Transmission Expenses</b>	<u>\$ 19,084,348</u>	<u>\$ (19,084,348)</u>	<u>\$ -</u>
12	<b>Taxes and Interest Expense</b>			
13	Interest on Customer Deposits	\$ 24,528		\$ 24,528
14	General Taxes	4,414,278	(45,251)	4,369,027
15	Income Taxes	1,510,272	(175,121)	1,335,150
16	Income Taxes (Staff's Adjustments)		699,665	
17	Interest Synchronization		85,492	85,492
18	Total Taxes and Interest Expense	<u>\$ 5,949,078</u>	<u>\$ 564,785</u>	<u>\$ 5,814,197</u>
19	Total Distribution, Transmission, Taxes and Interest	\$ 49,963,429		\$ 21,947,486
20	Lead/Lag Days Ratio	7.35%	1.72%	9.07%
21	Total Cash Working Capital	<u>\$ 3,672,312</u>	<u>\$ (1,681,675)</u>	<u>\$ 1,990,637</u>
22	<b>Impact to Rate Base</b>	<u>\$ 3,672,312</u>	<u>\$ (1,681,675)</u>	<u>\$ 1,990,637</u>

**Notes and Sources**

Column A, line 1-14: Attachment SEM/HSG-2, Schedule RR-2 (CU)

Column B, line 18, Attachment SEM/HSG-2, Schedule RR-5-3 (CU)

Column B: Schedule 3

Column A, Line 14

Adjustment for Income Taxes Included in Update (122,528)

Income Taxes on Schedule RR-2, Line 16 (297,649)

Difference (175,121)

Total Proforma Income Taxes Included in Update 1,335,152

Amount Used by Company in Update 1,510,272

Column C, line 14, Schedule RR-2 (CU), line 16

Line 18: Lead/Lag Days (See Direct Testimony of Richard Chagnon)

	Days	Ratio
As Filed in Update	26.82	7.35%
Modified to Remove Depreciation from Lead/Lag Study	33.10	9.07%

Interest Synchronization

	w/o Int Sync	w/ Int Sync	Int Sync
Income Taxes	699,665	785,157	85,492

Check \$ 85,492

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Schedule 3.2

**Adjustment 2**

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Remove Prepayments Included in Cash Working Capital

<b>Line</b>	<b>Description</b>	<b>Company Proposed (A)</b>	<b>Adjustment (B)</b>	<b>Adjusted Amount (C)</b>
1	Property Taxes	\$ 649,239	\$ (649,239)	\$ -
2	Prepays (PUC Assessment and Other Purchases)	107,087	(107,087)	-
3	Total Prepayments	\$ 756,325	<b>\$ (756,325)</b>	\$ -
4	<b>Impact to Rate Base</b>	<b>\$ 756,325</b>	<b>\$ (756,325)</b>	<b>\$ -</b>

**Notes and Sources**

Commission Audit

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Schedule 3.3

**Adjustment 3**

Page 1 of 1

Adjust Materials and Supplies for Unusually High Balance

<b>Line</b>	<b>Description</b>	<b>Company Proposed (A)</b>	<b>Adjustment (B)</b>	<b>Adjusted Amount (C)</b>
1	Balance as of 12/31/14	\$ 2,074,781	\$ (507,680)	\$ 1,567,101
2	Balance as of 3/31/15	1,643,269		1,643,269
3	Balance as of 6/30/15	1,654,641		1,654,641
4	Balance as of 9/30/16	1,717,265		1,717,265
5	Balance as of 12/31/15	1,605,519		1,605,519
6	5-Quarter Average	<u>\$ 1,739,095</u>	<u>\$ (101,536)</u>	<u>\$ 1,637,559</u>
7	<b>Impact to Rate Base</b>	<u>\$ 1,739,095</u>	<u>\$ (101,536)</u>	<u>\$ 1,637,559</u>

**Notes and Sources**

Column A: Schedule RR-5-1 (CU)

Column B, line 1: Response to Staff 10-24

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Schedule 3.4

**Adjustment 4**

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Audit Issues Not Corrected in Update

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)
1	Audit Issue #10 Below-the-Line Expenses			
2	Employee Appreciation Luncheon	\$ 2,136	\$ (2,136)	\$ -
3	Mileage and Toll Expenses	-	500	500
4	Audit Issue #11 Intercompany Transactions	457	\$ (457)	-
5	Audit Issue #13 Overpaid MetLife Invoices	2,047	(2,047)	-
6	Total Audit Issues	\$ 4,640	\$ (4,140)	\$ 500
7	NH Income Tax	8.50%		8.50%
8	Effect on NH income tax expense	\$ (394)	\$ 351	\$ (43)
9	Federal Taxable	\$ 4,246		\$ 457
10	Federal Income Tax Rate	34%		34%
11	Effect on Federal income tax expense	\$ (1,444)	\$ 1,289	\$ (155)
12	Total Taxes	\$ (1,838)	\$ 1,640	\$ (198)
13	Impact to Operating Income	\$ (2,802)	\$ 2,500	\$ (302)

**Notes and Sources**

Lines 1-3: Commission Audit of Liberty dated November 14, 2015, page 95.

Line 3: Schedule RR-3-06 (CU), line 14 removed \$925 instead of \$425 identified in the Audit

Line 4: Commission Audit of Liberty dated November 14, 2015, page 99.

Line 5: Commission Audit of Liberty dated November 14, 2015, page 102.

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**Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities**

**Adjustment 5**

Payroll and Benefits - New Hires 2016 in Update

<b>Line</b>	<b>Description</b>	<b>Company Proposed (A)</b>	<b>Adjustment (B)</b>	<b>Adjusted Amount (C)</b>
1	<b><u>Payroll</u></b>			
2	New Hires for 2016	\$ 585,990	\$ (458,719)	\$ 127,271
3	<b><u>Pension and Benefits</u></b>			
4	New Hires for 2016	\$ 168,406	\$ (61,092)	\$ 107,314
5	Total	\$ 754,396	\$ (519,811)	\$ 234,585
6	NH Income Tax	8.50%		8.50%
7	Effect on NH income tax expense	\$ (64,124)	\$ 44,184	\$ (19,940)
8	Federal Taxable	\$ 690,272		\$ 214,645
9	Federal Income Tax Rate	34%		34%
10	Effect on Federal income tax expense	\$ (234,692)	\$ 161,713	\$ (72,979)
11	Total Taxes	\$ (298,816)	\$ 205,897	\$ (92,919)
12	<b>Impact to Operating Income</b>	\$ (455,580)	\$ 313,914	\$ (141,666)

**Notes and Sources**

Payroll Adjustment

Initial Filing (Schedule RR-3-01, line 22)	\$ 127,271	
Updated Filings (Schedule RR-3-01 (CU), line 22)	585,990	
	<u>\$ (458,719)</u>	

Pension and Benefits Adjustment

Initial Filing (Schedule RR-3-03, lines 24, 25, 30, 31)		
Pension/OPEB/401K	\$ 14,862	
Workers Compensation	522	
Medical	75,907	
Other Health Care	16,023	
	<u>\$ 107,314</u>	\$ 107,314
Initial Filing (Schedule RR-3-03 (CU), lines 24, 25, 30, 31)		
Pension/OPEB/401K	\$ 67,309	
Workers Compensation	2,468	
Medical	82,032	
Other Health Care	16,597	
	<u>\$ 168,406</u>	\$ 168,406
		<u>\$ (61,092)</u>



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**Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities**

**Adjustment 6**

Remove LTIP (PSU) Related to Shareholder Goals

<b>Line</b>	<b>Description</b>	<b>Company Proposed (A)</b>	<b>Adjustment (B)</b>	<b>Adjusted Amount (C)</b>
1	PSU / Long Term Incentive Plan	\$ 33,554	\$ (28,521)	5,033
2	NH Income Tax	8.50%		8.50%
3	Effect on NH income tax expense	\$ (2,852)	\$ 2,424	\$ (428)
4	Federal Taxable	\$ 30,702		\$ 4,605
5	Federal Income Tax Rate	34%		34%
6	Effect on Federal income tax expense	\$ (10,439)	\$ 8,873	\$ (1,566)
7	Total Taxes	\$ (13,291)	\$ 11,297	\$ (1,994)
8	<b>Impact to Operating Income</b>	<b>\$ (20,263)</b>	<b>\$ 17,224</b>	<b>\$ (3,039)</b>

**Notes and Sources**

Column A, Line 1: Response to Staff 8-33

Adjustment:

85% based on weighting of Efficiency Goals (Business Group Profit, Net Income Before Taxes, Return on Assets)

Per Staff 8-33, no proforma adjustment to 2016 beyond the test year amount

Per Staff 8-33, no amount was capitalized

**NEW HAMPSHIRE PUBLIC SERVICE COMMISSION**

Docket No. DE 16-383  
Schedule 3.7  
Page 1 of 1

**Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities**

**Adjustment 7**

Remove Severance

<b>Line</b>	<b>Description</b>	<b>Company Proposed (A)</b>	<b>Adjustment (B)</b>	<b>Adjusted Amount (C)</b>
1	Severance	\$ 47,473	\$ (47,473)	\$ -
2	NH Income Tax	8.50%		8.50%
3	Effect on NH income tax expense	\$ (4,035)	\$ 4,035	\$ -
4	Federal Taxable	\$ 43,438		\$ -
5	Federal Income Tax Rate	34%		34%
6	Effect on Federal income tax expense	\$ (14,769)	\$ 14,769	\$ -
7	Total Taxes	\$ (18,804)	\$ 18,804	\$ -
8	<b>Impact to Operating Income</b>	<b>\$ (28,669)</b>	<b>\$ 28,669</b>	<b>\$ -</b>

**Notes and Sources**

Line 1: Liberty Response to Staff 6-32

**NEW HAMPSHIRE PUBLIC SERVICE COMMISSION**

Docket No. DE 16-383  
Schedule 3.8  
Page 1 of 1

**Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities**  
**Adjustment 8**

Employee Pensions and Benefits

<b>Line</b>	<b>Description</b>	<b>Company Proposed (A)</b>	<b>Adjustment (B)</b>	<b>Adjusted Amount (C)</b>
1	Employee Pensions and Benefits	\$ 4,360,746	\$ (742,939)	\$ 3,617,808
2	NH Income Tax	8.50%		8.50%
3	Effect on NH income tax expense	<u>\$ (370,663)</u>	<u>\$ 63,149</u>	<u>\$ (307,514)</u>
4	Federal Taxable	\$ 3,990,083		\$ 3,310,294
5	Federal Income Tax Rate	34%		34%
6	Effect on Federal income tax expense	<u>\$ (1,356,628)</u>	<u>\$ 231,128</u>	<u>\$ (1,125,500)</u>
7	Total Taxes	<u>\$ (1,727,291)</u>	<u>\$ 294,277</u>	<u>\$ (1,433,014)</u>
8	Impact to Operating Income	<u>\$ (2,633,455)</u>	<u>\$ 448,662</u>	<u>\$ (2,184,794)</u>

**Notes and Sources**

See Direct Testimony of James J. Cunningham, Jr.

**NEW HAMPSHIRE PUBLIC SERVICE COMMISSION**

Docket No. DE 16-383  
Schedule 3.9  
Page 1 of 1

**Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities**  
**Adjustment 9**

Remove Concord Training Center

<b>Line</b>	<b>Description</b>	<b>Company Proposed (A)</b>	<b>Adjustment (B)</b>	<b>Adjusted Amount (C)</b>
1	Concord Training Center	\$ 146,559	\$ (146,559)	\$ -
2	NH Income Tax	8.50%		8.50%
3	Effect on NH income tax expense	<u>\$ (12,458)</u>	<u>\$ 12,458</u>	<u>\$ -</u>
4	Federal Taxable	\$ 134,101		\$ -
5	Federal Income Tax Rate	34%		34%
6	Effect on Federal income tax expense	<u>\$ (45,594)</u>	<u>\$ 45,594</u>	<u>\$ -</u>
7	Total Taxes	<u>\$ (58,052)</u>	<u>\$ 58,052</u>	<u>\$ -</u>
8	<b>Impact to Operating Income</b>	<u>\$ (88,507)</u>	<u>\$ 88,507</u>	<u>\$ -</u>

**Notes and Sources**

See Direct Testimony of Iqbal Al-Azad  
Column A, line 1: Attachment SEM/HSG-2, Schedule RR-3-12 (CU)

**NEW HAMPSHIRE PUBLIC SERVICE COMMISSION**

Docket No. DE 16-383  
Schedule 3.10  
Page 1 of 1

**Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities**  
**Adjustment 10**

Non-Recurring Costs to Reduce Billing Backlog

<b>Line</b>	<b>Description</b>	<b>Company Proposed (A)</b>	<b>Adjustment (B)</b>	<b>Adjusted Amount (C)</b>
1	Permanent Labor Force Overtime	\$ 27,245	\$ (27,245)	\$ -
2	Additional Temporary Labor	7,220	(7,220)	-
3	Total Costs to Eliminate Backlog	\$ 34,465	<b>\$ (34,465)</b>	\$ -
4	NH Income Tax	8.50%		8.50%
5	Effect on NH income tax expense	<u>\$ (2,930)</u>	<u>\$ 2,930</u>	<u>\$ -</u>
6	Federal Taxable	\$ 31,535		\$ -
7	Federal Income Tax Rate	34%		34%
8	Effect on Federal income tax expense	<u>\$ (10,722)</u>	<u>\$ 10,722</u>	<u>\$ -</u>
9	Total Taxes	<u>\$ (13,652)</u>	<b><u>\$ 13,652</u></b>	<u>\$ -</u>
10	Impact to Operating Income	<u>\$ (20,813)</u>	<u>\$ 20,813</u>	<u>\$ -</u>

**Notes and Sources**

Column A, Lines 1 and 2: Resonse to Staff 3-70

**NEW HAMPSHIRE PUBLIC SERVICE COMMISSION**

Docket No. DE 16-383  
Schedule 3.11  
Page 1 of 1

**Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities**  
**Adjustment 11**

Employee Misconduct Due to Insufficient Supervision

<b>Line</b>	<b>Description</b>	<b>Company Proposed (A)</b>	<b>Adjustment (B)</b>	<b>Adjusted Amount (C)</b>
1	Lebanon - Hiring and Termination Costs	\$ 2,100	\$ (2,100)	\$ -
2	Tilton - Hiring and Termination Costs	4,200	(4,200)	-
3	Total	\$ 6,300	<b>\$ (6,300)</b>	\$ -
4	NH Income Tax	8.50%		8.50%
5	Effect on NH income tax expense	<u>\$ (536)</u>	<u>\$ 536</u>	<u>\$ -</u>
6	Federal Taxable	\$ 5,764		\$ -
7	Federal Income Tax Rate	34%		34%
8	Effect on Federal income tax expense	<u>\$ (1,960)</u>	<u>\$ 1,960</u>	<u>\$ -</u>
9	Total Taxes	<u>\$ (2,496)</u>	<b><u>\$ 2,496</u></b>	<u>\$ -</u>
10	Impact to Operating Income	<u>\$ (3,804)</u>	<u>\$ 3,804</u>	<u>\$ -</u>

**Notes and Sources**

Column A, lines 1 and 2: Resonse to Staff 12-6

NEW HAMPSHIRE PUBLIC SERVICE COMMISSION

Docket No. DE 16-383

Schedule 3.12

Page 1 of 1

**Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities**

**Adjustment 12**

Modify Plant in Service

<u>Line</u>	<u>Description</u>	<u>Company Proposed (A)</u>	<u>Adjustment (B)</u>	<u>Adjusted Amount (C)</u>
<b><u>RATE BASE</u></b>				
1	Plant in Service	\$ 5,803,203	\$ (5,803,203)	\$ -
2	Accumulated Depreciation & Amortization	(190,925)	190,925	-
3	Total Impact to Rate Base	<u>\$ 5,612,278</u>	<u>\$ (5,612,278)</u>	<u>\$ -</u>
<b><u>EXPENSES</u></b>				
4	Plant in Service	5,803,203	(5,803,203)	-
5	Composite Depreciation Rate	3.29%		3.29%
6	Depreciation Expense	<u>\$ 190,925</u>	<u>\$ (190,925)</u>	<u>\$ -</u>
7	NH Income Tax	8.50%		8.50%
8	Effect on NH income tax expense	<u>\$ (16,229)</u>	<u>\$ 16,229</u>	<u>\$ -</u>
9	Federal Taxable	\$ 174,696		\$ -
10	Federal Income Tax Rate	34%		34%
11	Effect on Federal income tax expense	<u>\$ (59,397)</u>	<u>\$ 59,397</u>	<u>\$ -</u>
12	Total Taxes	<u>\$ (75,626)</u>	<u>\$ 75,626</u>	<u>\$ -</u>
13	Impact to Operating Income	<u>\$ (115,299)</u>	<u>\$ 115,299</u>	<u>\$ -</u>

**Notes and Sources**

Line 1: See Direct Testimony of Jay Dudley

Line 5: Composite Depreciation Rate per Staff Witness James J. Cunningham, Jr.

**NEW HAMPSHIRE PUBLIC SERVICE COMMISSION**

Docket No. DE 16-383  
Schedule 3.13  
Page 1 of 1

**Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities**  
**Adjustment 13**

True-Up Payroll Taxes for Other Adjustments

<b>Line</b>	<b>Description</b>	<b>Company Proposed (A)</b>	<b>Adjustment (B)</b>	<b>Adjusted Amount (C)</b>
1	Payroll - Operations as of 12/31/2015	\$ 6,705,174		\$ 6,705,174
2	Payroll New Hires in 2016	585,990	(458,719)	127,271
3		<u>\$ 7,291,164</u>		<u>\$ 6,832,445</u>
4	Payroll Rate	9.9%		9.9%
5		<u>\$ 719,247</u>		<u>\$ 673,996</u>
6	Increase in Payroll over Social Security Limit	\$ 71,488		\$ 71,488
7	Social Security Rate	6.2%		6.2%
8		<u>\$ (4,432)</u>		<u>\$ (4,432)</u>
9	Capitalized Rate	35.6%		35.6%
10	Payroll Taxes Capitalized	<u>\$ 1,579</u>		<u>\$ 1,579</u>
11	Adjusted Payroll Taxes	716,393	<u>\$ (45,251)</u>	671,142
12	NH Income Tax	8.50%		8.50%
13	Effect on NH income tax expense	<u>\$ (60,893)</u>	<u>\$ 3,846</u>	<u>\$ (57,047)</u>
14	Federal Taxable	\$ 655,500		\$ 614,095
15	Federal Income Tax Rate	34%		34%
16	Effect on Federal income tax expense	<u>\$ (222,870)</u>	<u>\$ 14,078</u>	<u>\$ (208,792)</u>
17	Total Taxes	<u>\$ (283,763)</u>	<u>\$ 17,924</u>	<u>\$ (265,839)</u>
18	Impact to Operating Income	<u>\$ (432,630.11)</u>	<u>\$ 27,327</u>	<u>\$ (405,303.16)</u>

**Notes and Sources**

Column A, Lines 1-11: Schedule RR-3-02 (CU)

Column B, Line 2: Adjustment 3.5 Payroll and Benefits - New Hires 2016 in Update



**NEW HAMPSHIRE PUBLIC SERVICE COMMISSION**

Docket No. DE 16-383

Schedule 3.14

Page 1 of 1

**Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities**

**Adjustment 14**

Interest Synchronization

<b>Line</b>	<b>Description</b>	<b>Company Proposed (A)</b>	<b>Adjustment (B)</b>	<b>Adjusted Amount (C)</b>
1	Rate Base	\$ 96,585,330	(8,151,813)	88,433,517
2	Interest Component of Rate of Return	2.65%		2.65%
3	Interest Attributable to Rate Base	2,557,291		2,341,455
4	NH Income Tax	8.500%		8.500%
5	Effect on NH income tax expense	\$ (217,370)	\$ 18,346	\$ (199,024)
6	Federal Taxable	\$ 2,339,921		\$ 2,142,431
7	Federal Income Tax Rate	34%		34%
8	Effect on Federal income tax expense	\$ (795,573)	\$ 67,146	\$ (728,427)
9	Total Taxes	\$ (1,012,943)	\$ 85,492	\$ (927,451)
10	Impact to Operating Income	\$ 1,012,943	\$ (85,492)	\$ 927,451

**Notes and Sources**

Column A, Line 3: Attachment SEM/HSG-2, Schedule RR-3-15

Column A and C, Line 2: Schedule 2

Column B, Lines 1: Schedule 1.1

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities

DE 16-383  
Distribution Service Rate Case

Staff Data Requests - Set 10

Date Request Received: 10/14/16  
Request No. Staff 10-26

Date of Response: 10/28/16  
Respondent: Howard Gorman

---

**REQUEST:**

Reference Bates 166, Schedule RR-5-3: Line 1 Distribution, before adjustment is \$30,638,191. The source of the amount is Schedule RR-2, Line 18 (Bates 130) total expenses, which includes depreciation (a non-cash item). Please explain why a non-cash component like depreciation should be included within the cash working capital requirement?

**RESPONSE:**

Depreciation expense was included in the computation of Lead / Lag Days on Attachment JCN-2, and therefore was included in the computation of Cash Working Capital on Schedule RR-5-3.

On Attachment JCN-2, zero days were assigned to depreciation. If Depreciation expense had been excluded, the Lead / Lag days would have been 33.94 and the Cash Working Capital (applied to Distribution expense excluding Depreciation) computed on Schedule RR-5-3 would have been \$3,961,158, which is greater than the amount in the revenue requirement.

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities

DE 16-383  
Distribution Service Rate Case

Staff Data Requests - Set 10

Date Request Received: 10/14/16  
Request No. Staff 10-27

Date of Response: 10/28/16  
Respondent: Howard Gorman

---

**REQUEST:**

Reference Schedule RR-3-07, Line 4 (Bates 150) Storm Costs in test year O&M of \$1,500,000 and Schedule RR-5-3, Line 1 (Bates 166). Do the Storm Costs of \$1,500,000 represent an accrual for the Major Storm Reserve Fund? If so, please explain why a non-cash component like a storm fund accrual should be included within the cash working capital requirement?

**RESPONSE:**

Yes, the Storm Costs represent an accrual. The actual cash expenditure each year may be more (possibly much more) or it may be less. Because Storm Costs vary greatly each year, an average amount is in rates and an average amount should also be in the revenue requirement.

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities

DE 16-383  
Distribution Service Rate Case

Staff Data Requests - Set 6

Date Request Received: 8/4/16  
Request No. Staff 6-38

Date of Response: 8/19/16  
Respondent: Tisha Sanderson

---

**REQUEST:**

**Materials and Supplies (M&S):** Please provide the monthly amounts of M&S for the 36 months through December 31, 2015.

**RESPONSE:**

Please see Attachment Staff 6-38.xlsx.

Beginning Balance

2013

	BB	January	February	March	April	May	June	July	August	September	October
8830-2-0000-10-1380-1540	\$ 414,405	\$ 453,815	\$ 510,420	\$ 626,861	\$ 747,059	\$ 776,593	\$ 669,000	\$ 760,559	\$ 818,936	\$ 887,082	\$ 947,284

Summary Inquiry

File Edit Tools View Help

TSANDERSON Liberty Utilities New Hampshire 8/17/2016

Clear

Account

8830 -2 -0000 -10 -1380 -1540

Description

Plant Materials and Operating Supplies

Year:

2013

\*History

Period	Debit	Credit	Net Change	Period Balance
Beginning Balance	US\$414,404.61	US\$0.00	US\$414,404.61	US\$414,404.61
Period 1	US\$59,817.01	US\$20,406.68	US\$39,410.33	US\$453,814.94
Period 2	US\$62,376.24	US\$5,771.18	US\$56,605.06	US\$510,420.00
Period 3	US\$123,261.84	US\$6,821.03	US\$116,440.81	US\$626,860.81
Period 4	US\$124,123.69	US\$3,925.58	US\$120,198.11	US\$747,058.92
Period 5	US\$263,699.42	US\$234,165.34	US\$29,534.08	US\$776,593.00
Period 6	US\$144,619.56	US\$252,212.63	(US\$107,593.07)	US\$668,999.93
Period 7	US\$161,063.74	US\$69,504.72	US\$91,559.02	US\$760,558.95
Period 8	US\$81,541.62	US\$23,164.19	US\$58,377.43	US\$818,936.38
Period 9	US\$85,001.62	US\$16,855.90	US\$68,145.72	US\$887,082.10
Period 10	US\$63,445.93	US\$3,243.88	US\$60,202.05	US\$947,284.15
Period 11	US\$104,749.23	US\$159,093.19	(US\$54,343.96)	US\$892,940.19
Period 12	US\$257,136.35	US\$275,974.83	(US\$18,838.48)	US\$874,101.71
Totals	US\$1,945,240.86	US\$1,071,139.15	US\$874,101.71	US\$874,101.71

Currency

by Description

2014

November	December	January	February	March	April	May	June	July	August	September	October	November
\$ 892,940	\$ 874,102	\$ 832,827	\$ 801,697	\$ 922,315	\$ 933,755	\$ 1,005,333	\$ 948,578	\$ 950,848	\$ 1,035,254	\$ 1,051,769	\$ 1,099,735	\$ 1,502,136

**Summary Inquiry**

File Edit Tools View Help TSANDERSON Liberty Utilities New Hampshire 8/17/2016

Clear

**Account** 8830 -2 -0000 -10 -1380 -1540

Description Plant Materials and Operating Supplies Year: 2014

\*History

Period	Debit	Credit	Net Change	Period Balance
Beginning Balance	US\$874,101.71	US\$0.00	US\$874,101.71	US\$874,101.71
Period 1	US\$37,558.98	US\$78,833.32	(US\$41,274.34)	US\$832,827.37
Period 2	US\$14,080.00	US\$45,210.78	(US\$31,130.78)	US\$801,696.59
Period 3	US\$148,516.64	US\$27,898.56	US\$120,618.08	US\$922,314.67
Period 4	US\$100,120.50	US\$88,679.88	US\$11,440.62	US\$933,755.29
Period 5	US\$140,780.25	US\$69,202.99	US\$71,577.26	US\$1,005,332.55
Period 6	US\$81,844.98	US\$138,599.48	(US\$56,754.50)	US\$948,578.05
Period 7	US\$66,243.68	US\$63,973.51	US\$2,270.17	US\$950,848.22
Period 8	US\$106,459.72	US\$22,054.21	US\$84,405.51	US\$1,035,253.73
Period 9	US\$180,585.49	US\$164,070.18	US\$16,515.31	US\$1,051,769.04
Period 10	US\$95,628.52	US\$47,662.10	US\$47,966.42	US\$1,099,735.46
Period 11	US\$529,484.79	US\$127,084.04	US\$402,400.75	US\$1,502,136.21
Period 12	US\$1,494,591.56	US\$921,946.53	US\$572,645.03	US\$2,074,781.24
Totals	US\$3,869,996.82	US\$1,795,215.58	US\$2,074,781.24	US\$2,074,781.24

Currency

by Description

2015

December	January	February	March	April	May	June	July	August	September	October	November	December
\$ 2,074,781	\$ 1,587,313	\$ 1,625,802	\$ 1,643,269	\$ 1,646,521	\$ 1,706,770	\$ 1,654,641	\$ 1,698,004	\$ 1,736,103	\$ 1,717,265	\$ 1,735,736	\$ 1,686,730	\$ 1,605,519

Summary Inquiry

File Edit Tools View Help

TSANDERSON Liberty Utilities New Hampshire 8/17/2016

Clear

Account

8830 -2 -0000 -10 -1380 -1540

Description

Plant Materials and Operating Supplies

Year:

2015

\*History

Period	Debit	Credit	Net Change	Period Balance
Beginning Balance	US\$2,074,781.24	US\$0.00	US\$2,074,781.24	US\$2,074,781.24
Period 1	US\$83,930.32	US\$571,398.55	(US\$487,468.23)	US\$1,587,313.01
Period 2	US\$72,672.02	US\$34,183.07	US\$38,488.95	US\$1,625,801.96
Period 3	US\$38,703.05	US\$21,235.91	US\$17,467.14	US\$1,643,269.10
Period 4	US\$63,604.99	US\$60,353.58	US\$3,251.41	US\$1,646,520.51
Period 5	US\$87,973.74	US\$27,724.47	US\$60,249.27	US\$1,706,769.78
Period 6	US\$72,584.26	US\$124,713.02	(US\$52,128.76)	US\$1,654,641.02
Period 7	US\$48,383.47	US\$5,020.27	US\$43,363.20	US\$1,698,004.22
Period 8	US\$38,098.62	US\$0.00	US\$38,098.62	US\$1,736,102.84
Period 9	US\$65,209.58	US\$84,047.20	(US\$18,837.62)	US\$1,717,265.22
Period 10	US\$66,734.84	US\$48,263.84	US\$18,471.00	US\$1,735,736.22
Period 11	US\$222,171.26	US\$271,177.76	(US\$49,006.50)	US\$1,686,729.72
Period 12	US\$429,067.94	US\$510,278.24	(US\$81,210.30)	US\$1,605,519.42
Totals	US\$3,363,915.33	US\$1,758,395.91	US\$1,605,519.42	US\$1,605,519.42

Currency

by Description

000076

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities

DE 16-383  
Distribution Service Rate Case

Staff Data Requests - Set 6

Date Request Received: 8/4/16  
Request No. Staff 6-39

Date of Response: 8/19/16  
Respondent: Tisha Sanderson

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**REQUEST:**

**Materials and Supplies (M&S):** Reference Attachment SEM/HSG-2, Schedule RR-5-1 and RR-5-2. Please explain why the M&S balance for 12/31/2014 is significantly higher than the other quarters.

**RESPONSE:**

The Materials and Supplies balance for 12/31/2014 reflects the purchase of cable, which was pre-ordered for substation work scheduled to commence in 2015.



Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities

DE 16-383  
Distribution Service Rate Case

Staff Data Requests - Set 10

Date Request Received: 10/14/16  
Request No. Staff 10-24

Date of Response: 10/28/16  
Respondent: Tisha Sanderson

---

**REQUEST:**

Materials and Supplies, Prepayments, and Customer Deposits: Reference Staff 6-39: The response states that the fourth quarter 2014 balance for M&S increased due to the purchase of cable, which was pre-ordered for substation work scheduled to commence in 2015.

- a. What was the cost of the cable?
- b. When was the substation work performed?

**RESPONSE:**

- a. The cost of the cable purchased was \$507,680.25 per Purchase Order No. PO000004071.
- b. The cable was purchased for the 6L2 Hanover Getaway, 14L4 Pelham Getaway, and 16L3 Mt. Support Getaway jobs. The 6L2 Hanover Getaway job was performed in 2014. The 14L4 Pelham Getaway job and 16L3 Mt. Support Getaway jobs will be complete in 2016. The cable for the 16L3 job was originally scheduled to be installed earlier in the project schedule, but construction complexities inside the substation warranted waiting until latter stages of the project to install the cable from the substation to the riser pole.

**STATE OF NEW HAMPSHIRE**  
**Inter-Department Communication**

**DATE:** November 14, 2016  
**AT (OFFICE):** NHPUC

**FROM:** Audit Staff  
NH Public Utilities Commission

**SUBJECT:** Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities  
DE 16-383 – Test Year 12/31/2015  
FINAL Audit Report

**TO:** Tom Frantz, Director, Electric Division, NHPUC  
Les Stachow, Assistant, Director Electric Division, NHPUC  
Jay Dudley, Utility Analyst IV

**Introduction**

On March 30, 2016, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities (GSE, Company) filed a notice of intent to file rate schedules, and on April 29, 2016 filed the rate schedules with the Commission. The filing proposed a temporary rate increase, a permanent rate increase, and a step adjustment for capital costs incurred through December 31, 2016.

Temporary rates were set in the current docket via Commission Order 25,917 issued 6/30/2016, representing a 2.12% increase on the average total residential bill. The effective date of the temporary rates was July 1, 2016.

One set of data requests was issued by the City of Lebanon on 6/9/2016, five sets of data requests were issued by the Office of the Consumer Advocate (OCA) and the twelve sets of data requests were issued by the Electric Division Staff beginning on May 27, 2016 through October 21, 2016.

Base rates in effect during the test year were approved in docket DE13-063 via Order 25,638, based on a 12/31/2012 test year.

Audit thanks the following Liberty employees for their assistance during the audit fieldwork: Steven Mullen; Heather Tebbetts; Tisha Sanderson; Cynthia Trottier; Darleen Helie; Robin Descoteaux; and Jim Bonner.

**Corporate Structure**

Liberty Utilities (GSE) is a subsidiary of Liberty Energy Utilities New Hampshire, which is a subsidiary of Liberty Utilities Co. Liberty Utilities Service Corp., which is the corporation

## **Audit Issue #2 – page 10**

### **Retirements**

#### **Background**

Audit reviewed the FERC Form 1 detailed plant activity pages for the prior test year 2012 and each year through the end of the current test year 2015.

#### **Issue**

The Company reflected total additions, including the prior test year, \$62,602,777, retirements of \$(763,825), net increase adjustments of \$1,857,375 and a net transfer increase of \$3,457.

Audit requested clarification of the relatively small amount of retirements booked since the prior audit and was informed that a backlog had accumulated. While Audit notes that progress appears to have been made, the amount yet to be retired is unknown.

#### **Recommendation**

The Company must account for retirements in accordance with FERC, and in a timely manner. The value of the assets yet to be retired should be determined and the filing adjusted as appropriate. The book value of the assets retired will credit the respective plant in service account and debit the accumulated depreciation account.

#### **Company Response**

The Company concurs with Audit's recommendation. The Company notes that this issue does not impact rate base. Recently, the Company brought in a third plant accountant to assist with the large amount of plant-related transactions, including retirements.

#### **Audit Conclusion**

Audit appreciates the Company response. Audit cannot determine the rate base impact, as the amount of retirements yet to be posted is unknown. Audit also appreciates the hiring of a third plant accountant to address the backlog.

## **Audit Issue #10 – page 61**

### **Below the Line**

#### **Background**

Audit reviewed the Office Supplies and Expenses account 8830-2-0000-69-5130-9210 for the test year. Four specific invoices were chosen for review.

#### **Issue**

Three of the selections Audit made were for employee appreciation luncheons. These three invoices combined for a total of \$2,136 being charged to GSE.

Audit also reviewed a Travel and Expense reimbursement for a president. The reimbursement totaled \$425 being charged to GSE for mileage and toll reimbursement for the months of January through May. This employee received a monthly car allowance and should not receive reimbursement for mileage and tolls.

#### **Recommendation**

Audit recommends a total of \$2,561 be eliminated from the filing account 921 and be moved to a below-the-line account.

#### **Company Response**

The Audit Staff has not identified any rule or other guidance supporting its recommendation that the costs for the employee appreciation luncheons should be booked below-the line. An employee appreciation luncheon is a low cost way of maintaining employee morale, and can be provided in a way that does not interrupt the normal work day to allow employees to maintain productivity. Thus, the Company considers the cost of employee appreciation luncheons to be legitimate business expenses, since such events are common occurrences in any business.

The referenced employee's employment agreement included negotiated terms related to personal travel preferences which involved a vehicle allowance as well as reimbursement for mileage in particular circumstances. However, given the amount of dollars at issue, the Company will remove the \$425 from the rate case filing.

#### **Audit Conclusion**

Audit reiterates that a total of \$2,561 should be moved below-the-line. Following precedent from prior cases, employee appreciation luncheons should not be the responsibility of the rate payers.

## Audit Issue #11 – pages 62, 63

### Intercompany Transactions

#### Background

Audit reviewed several invoices from Liberty Utilities and Algonquin that were either allocated or charged in full to GSE.

#### Issue

Audit found several issues with the invoices.

- The first issue was the supporting documentation provided to Audit was such poor quality that the allocations could not be verified. The following accounts were affected:

8830-2-0000-20-2110-2420	Misc Accrued Liabilities	\$	1,192
8830-2-9820-69-5200-9230	Outside services-Finance and Admin	\$	120
8830-2-9820-69-5130-9215	Office supplies & exp Fin & Adm LU Headoffice	\$	40
8830-2-9820-69-5130-9216	Meals & Entertainment	\$	478
8830-2-9820-69-5010-9201	A&G Salaries-Fin & Adm LU Headoffice	\$	4,463
8830-2-9820-69-5131-9211	Travel-Finance	\$	1,353
		\$	7,645

- Account 8830-2-9800-69-5131-9211, Travel- IT was allocated \$6,962. The supporting documentation shows the charge is for “communications”.
- Travel expenses on an invoice totaled \$9,065 (\$12,025 CAD) with 30% or \$2,719 being charged to account 8830-2-9850-69-5131-9211 Travel-Operations. Supporting documentation for the charges included a spreadsheet for airfare totaling \$3,254 CAD. No support for the remaining \$8,771 was provided.
- \$3,514 was charged to account 8830-2-9800-69-5131-9212 Utilities-IT. The supporting documentation only shows a “communication” charge.
- \$1,231 was also charged to account 8830-2-9800-69-5131-9212. This total included charges for “office supplies/rentals/repairs”, “other”, and “communications”.
- Supporting documentation for a \$55,601 charge booked to account 8830-2-0000-69-5200-9232 Outside Services APUC HO Allocation, was not provided.

#### Recommendation

Audit recommends that all supporting documentation for charges be of good quality and complete. All charges should have the appropriate documentation to support the allocations made to GSE.

All allocations from Liberty and Algonquin should be booked to the appropriate GSE general ledger account.

Audit further recommends that the filing be adjusted by the following amounts:

8830-2-0000-20-2110- <u>2420</u>	Misc. Accrued Liabilities	\$ 1,192
8830-2-9820-69-5010- <u>9201</u>	A&G Salaries-Fin & Adm LU HO	\$ 4,463
8830-2-9820-69-5131-9211	Travel-Finance	\$ 1,353
8830-2-9800-69-5131-9211	Travel-IT	\$ 6,962
8830-2-9850-69-5131-9211	Travel- Operations	\$ 9,065
8830-2-9800-69-5131-9212	Utilities-IT	\$ 3,514
8830-2-9800-69-5131-9212	Utilities-IT	\$ 1,231
8830-2-9820-69-5130-9215	Office Supplies & Exp-Fin & Adm LU H	\$ 40
8830-2-9820-69-5130-9216	Meals and Enetertainment	\$ 478
	<u>account 921</u>	\$ 22,643
8830-2-9820-69-5200-9230	Outside Services-Finance and Admin	\$ 120
8830-2-0000-69-5200-9232	Outside Services APUC HO	\$ 55,601
	<u>account 923</u>	\$ 55,721

### **Company Response**

The Company notes that Audit received the supporting documentation on September 13, 2016 and the Company was unaware that some of the documentation was of poor quality. Also, the Company was not aware that Audit deemed some of the supporting documentation as insufficient. Had the Company been informed, it would have provided documentation of better quality and supplemental information at an earlier point in the process. The Company apologizes for the lack of readability of the original documentation which apparently occurred in the document scanning process.

Better quality supporting documentation is being provided for all items totaling \$7,645 although the Company notes that it was originally asked for support of only the \$1,353 line item.

Account 8830-2-0800-69-5131-9211 for \$6,962 – The supporting documentation that was originally provided also included the vendor's name, SAVVIS, for "communications." SAVVIS Communications Corp., a subsidiary of CenturyLink, "sells managed hosting and colocation services with more than 50 data centers ..." and is engaged in providing IT-related services. The Company did not receive any further inquiry regarding this item including what services are provided by SAVVIS. The Company is providing the invoice for additional support.

Account 8830-2-9850-69-5131-9211 for \$9,065 – The spreadsheet for airfare for \$3,254 CAD included in the supporting documentation originally provided was not for Liberty NH. The original data file was sorted incorrectly but the correct amount for \$9,065 (\$12,025 CAD) was

charged to Liberty NH. The Company is providing the correct details that support \$9,065 (\$12,025 CAD).

Account 8830-2-9800-69-5131-9212 for \$3,514 – Supporting documentation provided also includes the vendor's name, SAVVIS, for "communications" (see discussion above). The Company is providing the invoice as additional support.

Account 8830-2-9800-69-5131-9212 for \$1,231 – Similarly, the supporting documentation provided also includes the vendor's name, SAVVIS (see discussion above). The invoice is being provided for additional support.

Account 8830-2-9800-69-5131-9212 for \$1,231 – The supporting documentation clearly lists the vendors names, SAVVIS, and Quality Agro Distributors, Inc, a firm where a contract employee who provides IT-related quality assurance services is employed. The invoice for Quality Agro Distributors is being provided for additional support for \$100.28 of the total amount. The Company is attempting to obtain the SAVVIS invoice in support of the remaining amount.

Account 8830-2-0000-69-5200-9232 for \$55,601 – As discussed on page 63 of this report, the Company provided the journal entries and the invoice from the parent company on September 13, 2015. The Company was unaware that Audit needed additional information. Additional documentation is being provided.

#### **Audit Conclusion**

Audit reviewed the supporting documentation provided in response to this audit issue.

- Support for the \$7,645 that was originally illegible, has been reviewed and verified. No issue remains.
- Audit reviewed the \$6,962 invoice for "communications" from SAVVIS. The invoice, as GSE noted above, is for communication services. Audit recommends moving the charge from account 8830-2-9800-69-5131-9211, Travel –IT, to account 8830-2-9800-69-5131-9212, Utilities – IT, where the \$3,514 SAVVIS invoice noted below (bullet four) is charged.
- GSE provided support for the \$9,065 (\$12,025 CAD) travel expense. No issue remains.
- A SAVVIS invoice for the \$3,514 charge to account 8830-2-9800-69-5131-9212, Utilities – IT was reviewed and no issue remains.
- Supporting documentation for \$129 of the \$1,231 charged to account 8830-2-9800-69-5131-9212, Utilities –IT was reviewed. The \$129 invoice from Quality Argo Distributors Inc. was for, as GSE noted in their response, *"a firm where a contract employee who provides IT-related quality assurance services is employed"*. This amount should be moved to a more appropriate account as it is not for utility expenses. The \$1,127 charge for SAVVIS, which GSE was trying to obtain a copy of but has not as of the audit report's date, should remain in this account to be consistent with other SAVVIS charges. The remaining amount of \$328 for office supplies, for which Audit did not receive a

response, should also be moved to a more appropriate account as it does not appear to be for utility expenses.

- Supporting documentation for the \$55,601 APUC allocation was provided, reviewed, and no issues remain.

In summary, only two issues remain; Moving the \$6,962 communication charge to account 8830-2-9800-69-5131-9212 (bullet two) and moving \$457 of the \$1,231 out of the utility account and into a more appropriate account (bullet five).



## **Audit Issue #13 – page 66**

### **Overcharged**

#### **Background**

Audit reviewed the Operations and Maintenance expense accounts and made selections of individual entries to review in detail.

#### **Issue**

Audit reviewed the December union Metlife invoices in which two appear to be overpaid. The total of the two invoices that were paid was \$13,642 in which only \$6,821, or half of the invoice, appear to be the current amount due. These invoices were booked to Liberty but would increase the amount allocated to GSE at the end of the month by approximately \$2,047.

#### **Recommendation**

Audit recommends adjusting the December Metlife allocation for the overpayment of \$2,047 in account 8830-2-0000-69-5044-9260 Group Benefits.

#### **Company Response**

When the December union Metlife invoice was received, it included the balance from the November invoice which had already been paid but not reflected on the December invoice due to timing. This resulted in an overpayment, with the GSE portion being \$2,027.50. Metlife credited the overpayment in 2016. The Company is providing the November and December 2015 bills for supporting documentation.

The Company will adjust its rate case filing to remove the \$2,027.50 overpayment.

#### **Audit Conclusion**

Audit reviewed the November and December Metlife invoices provided by GSE. The overpayment was made in the amount of \$2,027.50 and not the \$2,047 Audit originally estimated.

Audit concurs with the Company's adjustment amount of \$2,027.50.

**Audit Issue #15 – page 69**

**Revised**

**Payroll Registers**

**Background**

Audit requested and was provided with a copy of the payroll registers early in the Audit. Further into the audit fieldwork, Audit requested a breakdown of the NH payroll between GSE and ENG and the Company provided another set of payroll registers.

**Issue**

The Dayforce Payroll Register Reports that were originally provided to Audit are \$86,734 higher than the recently provided registers.

The breakdown of the NH payroll between GSE and EN, based on the second set of registers, could not be tied to filing Schedule RR-3-01.

**Recommendation**

Audit recommends that the payroll numbers in Schedule RR-3-01 be modified to reflect the total 2015 payroll provided by the payroll registers. However, Audit cannot determine which set of registers is accurate.

**Company Response**

More details need to be added to this write-up to provide the full story and proper context. First, the following statement on page 69 of this report needs to be addressed: *"Schedule RR-3-01 in the filing stated the total payroll for 2015 was \$16,671,979."* The \$16,671,979 reported on Schedule RR-3-01 is the total 2015 payroll for those New Hampshire employees for whom any time was charged to GSE during the year. That amount does not represent the total GSE payroll nor the total New Hampshire payroll. It appears that the Audit Staff made an assumption about the \$16,671,979 and fundamentally misunderstood the amounts on Schedule RR-3-04 without asking the Company any questions about the schedule. Therefore, attempting to tie the payroll registers or the total GSE payroll to the amount shown on Schedule RR-3-01 would be attempting to tie dissimilar amounts.

The \$86,734 difference discussed above can be explained as follows. The payroll registers provided "early in the audit" were the payroll registers that were on hand locally that had been used to reconcile the final weekly and biweekly pay periods for both Liberty Energy Utilities (LEU) in May 2015 and Liberty Utilities Service Corp. (LUSC) in December 2015. The LEU payroll registers were filtered to include "employees with current activity only" and that notation appears on both LEU payroll registers. This means that although those payroll registers included year-to-date totals, they did not include totals for any LEU employee who was terminated or otherwise left service between January 1, 2015 and the last payroll period in May 2015. The total payroll for weekly and biweekly LEU employees who fell into that category was

\$216,404.54. In addition, and as discussed on page 67 of this audit report, the original LEU biweekly payroll register report included totals for LU P&T employees. The final payroll registers that were requested "further into the audit field work" on October 13 and provided on October 21 excluded those employees from the totals. Payroll for those employees amounted to \$186,891.71. Finally, the original biweekly payroll register for LUSC included totals for employees that transferred to New Hampshire during the year. The final payroll register provided to the Audit Staff did not include those employees as they were included with their original location. That payroll totaled \$116,246.51. Together, those three items explain the \$86,734 difference:

LEU employees not included in "current activity"	216,404.54
LU P&T employees removed from totals	(186,891.71)
Payroll for transferred employees	(116,246.51)
Total difference	<u>(86,733.68)</u>

Schedule RR-3-01 does not need to be adjusted to the payroll registers as it was prepared on an employee-by-employee basis using all employees who charged any portion of their time to GSE during 2015 and, therefore, does not tie directly to overall New Hampshire totals that include all employees.

### Audit Conclusion

The total GSE payroll for 2015 stated on Schedule RR-3-01 is \$16,671,979. This amount includes Gas, Union and Non-Union in the amount of \$843,823 and A&G Non-Union in the amount of \$5,281,197. The total payroll less the Gas and A&G amounts noted on the Schedule total \$10,546,959. During the Audit, GSE provided a breakdown of the NH payroll registers and noted the total GSE payroll was \$10,963,567. Audit was unable to verify the payroll noted on Schedule RR-3-01.

Audit reviewed the payroll registers provided by GSE after reading their response to this audit issue. The original registers received for LEU (May 2015), weekly and bi-weekly, did contain the filter "employee with current activity only". The total of these two original registers is \$13,723,415.64. The total of the LEU payroll on the registers provided to Audit on October 21 was \$13,752,928.47. The difference of the two is \$29,512.83.

Audit does note that the *LEU employees not included in "current activity"* amount of \$216,404.54 less the *LU P&T employees removed from totals* of \$186,891.71 equals \$29,512.83 that Audit calculated as the difference between the LEU weekly and bi-weekly registers.

Audit was able to verify the \$116,246.51 for the payroll of transferred employees. The bi-weekly LUSC payroll register for December shows the total being \$9,333,079.04 and the registers sent in October shows \$9,216,832.53, with the difference being \$116,246.51.

Audit reiterates that the payroll amount of \$16,671,979 noted in filing Schedule RR-03-1 could not be verified.

**Audit Issue #17 – page 73**

**Non-recurring Expense**

**Background**

Audit reviewed account 8830-2-9860-69-5010-9200, A&G Salaries-Executive in detail.

**Issue**

Audit saw a GL entry for \$54,000 for “former employee transition”. Audit questioned the purpose of the payment and GSE noted it was a financial agreement with a former employee to be paid out over a number of pay periods.

**Recommendation**

This expense should be considered non-recurring.

**Company Response**

The Company agrees with the recommendation and will include an adjustment in its Corrections and Updates filing.

**Audit Conclusion**

Audit concurs with the Company’s response.

## **Audit Issue #18 – page 73**

### **Missing Information**

#### **Background**

Audit regularly reviews payroll tax returns in conjunction with a review of the test year payroll.

#### **Issue**

Audit requested the Payroll tax returns for both federal and state. As of the date of this report they have not been provided.

#### **Recommendation**

The Company must provide the documentation requested, along with a reconciliation as necessary, to indicate the split among all subsidiaries, if the returns have been submitted under the Liberty Utilities (America) Co, or any other entity.

#### **Company Response**

As explained during the course of the audit, the Company does not have New Hampshire-specific returns. Payroll returns are filed by Liberty Utilities Service Corp. and include payroll for multiple entities/states. Although there is a separate unemployment tax return for each state, those returns would include taxable payroll for any employee of LUSC, whether for a regulated entity or a non-regulated entity, who performed any work in New Hampshire, consistent with New Hampshire unemployment tax law. As a result, the total payroll reported for any one quarter would not necessarily tie to the New Hampshire utility-related payroll. Thus, the process of attempting to tie an amount from any particular payroll tax return to the books of Granite State Electric is admittedly difficult as it involves multiple steps and, as such, the payroll tax returns may not be the most helpful from an audit perspective (as was discussed with the Audit Staff. The best way to tie out the amounts in the general ledger is through the reconciliation process that is performed for each pay period.

The Audit Staff was provided with documentation of the payroll reconciliation process that is performed for each weekly or biweekly pay period. In addition, the Company provided support for the process of recording the payroll taxes associated with each weekly or biweekly pay period.

The payroll tax returns are being provided as attachments to this response.

**Audit Conclusion**

Audit reviewed the payroll tax returns that were provided as a response to this audit issue. As GSE noted in their response above, there is no breakdown of the NH payroll taxes and therefore cannot be tied to the General Ledger. Audit reiterated that the payroll taxes noted on page 73 cannot be verified.

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities

DE 16-383  
Distribution Service Rate Case

Staff Data Requests - Set 10

Date Request Received: 10/14/16  
Request No. Staff 10-3

Date of Response: 10/28/16  
Respondent: Mark Smith  
Steven Mullen

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**REQUEST:**

Payroll: Reference Bates 0143, Schedule RR-3-01 and Reference Staff 8-14: The Company has included Gas-Union and Gas-Non-Union employees within the payroll adjustment. Staff 8-14 asked for an explanation and was told that these were employees that charged time to GSE.

- a. Please explain what specific services these Gas employees provided to GSE and the amount for each type of service?
- b. Are these services expected to continue in the future?
- c. Why aren't GSE employees used to provide those services?

**RESPONSE:**

- a. Some of these employees are dispatchers who do both gas and electric dispatching. The gas employee label is misleading for this group as they work with both companies. There are gas employees on the list that did perform work for GSE. These duties include incidental welding, some sub-station instrumentation work, and assistance in managing the Dig Safe mark out process. There are two employees on the list that erroneously charged GSE for services. These charges amount to approximately \$12,900 and will be removed as part of the Corrections and Updates filing.
- b. These services are expected to continue in the future.
- c. The gas employees performing these functions have unique skills that do not exist in GSE. The most cost effective way to perform this work is to make use of these skills.

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities

DE 16-383  
Distribution Service Rate Case

Staff Data Requests - Set 6

Date Request Received: 8/4/16  
Request No. Staff 6-26

Date of Response: 8/19/16  
Respondent: Mark Smith

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**REQUEST:**

**Employee Headcount:** Reference Attachment SEM/HSG-2, Schedule RR-3-01. The Company indicates that it plans to hire 21 new employees in 2016. For each new hire, please provide:

- a. Please provide a list of job titles for each of the 21 new hires.
- b. Will the new hire fill an existing position? If so, how long has the position been vacant?
- c. Is the new hire for a new position? If so, please identify the position and explain how was providing the services/activities prior to creating the new position.
- d. How many of the positions have been filled to date?
- e. For positions, not yet filled, please explain the Company's plans to fill those positions.

**RESPONSE:**

Pursuant to Puc 203.08, the Company has a good faith basis for seeking confidential treatment of information contained in this response because, by providing a list of job titles and corresponding start dates and salaries, the salary information of specific individuals can be easily determined. Such information is exempt from disclosure under RSA 91-A as "personnel ... files whose disclosure would constitute invasion of privacy." The Company will submit a motion for confidential treatment regarding this information at or before the commencement of the hearing in this proceedings.

A redacted copy of the requested data is provided in Attachment Staff 6-26. An unredacted version, Confidential Attachment Staff 6-26, will be provided to counsel for Staff and the OCA.

In preparing this response it was discovered that the Project Engineer should not have been included as it is 100% gas-related. The Company will make the appropriate adjustments to the revenue requirement schedules when it files its corrections and updates later in the proceeding.



<u>Department</u>	<u>Job</u>	<u>Annual Salary (*)</u>	<u>Time of Hire</u>	<u>Replacement</u>	<u>Incremental</u>	<u>Filled</u>	<u>Comments</u>
Operations	Electric System Supervisor		09/30/15		X	Y	Needed expertise with Substations previously handled by National Grid
Operations Engineering	Project Engineer		01/01/16		X	Y	This position was created to support the Company's growth initiatives in the towns of Pelham, Windham, Lebanon, Hanover, Keene, and other potential expansions of our service territory in NH. The position also enhances the Company's ability to support expansion of our CIBS program.
Meter Data Services	Revenue Assurance Analyst				X	N	In progress. Anticipated hire 10/1/16. The need for the Revenue Assurance analyst was identified in 2015 by the Company and in 2016 by the Liberty Consulting Audit
Customer Service	Customer Service Rep		01/11/16	X		Y	Converted from temporary position to regular employment
Customer Service	Customer Service Rep		01/11/16	X		Y	Converted from temporary position to regular employment
Customer Service	Customer Service Rep		01/10/16	X		Y	Converted from temporary position to regular employment
Customer Service	Customer Service Rep		1/17/2016	X		Y	Converted from temporary position to regular employment
Customer Service	Customer Service Rep		1/17/2016	X		Y	Converted from temporary position to regular employment
Customer Service	Customer Service Rep		1/17/2016	X		Y	Converted from temporary position to regular employment
Customer Service	Customer Service Rep		1/17/2016	X		Y	Converted from temporary position to regular employment
Customer Service	Customer Service Rep		1/17/2016	X		Y	Converted from temporary position to regular employment
Customer Service	Customer Service Rep		1/17/2016	X		Y	Converted from temporary position to regular employment
Customer Service	Customer Service Rep		1/17/2016	X		Y	Converted from temporary position to regular employment
Customer Service	Collections Specialist		2/8/2016		X	Y	The Collections Specialists were hired to work with customers to reduce the Company's accounts receivables.
Customer Service	Collections Specialist		2/8/2016		X	Y	The Collections Specialists were hired to work with customers to reduce the Company's accounts receivables.
Customer Service	Collections Specialist		2/8/2016		X	Y	The Collections Specialists were hired to work with customers to reduce the Company's accounts receivables.
Customer Service	Customer Service Rep		3/1/2016	X		Y	Converted from temporary position to regular employment
Customer Service	Customer Service Rep		3/1/2016	X		Y	Converted from temporary position to regular employment
Customer Service	Customer Service Rep		3/1/2016	X		Y	Converted from temporary position to regular employment
Customer Service	Customer Service Rep		3/1/2016	X		Y	Converted from temporary position to regular employment
Operations	VP of Operations and Engineering		6/1/2016	X		Y	Original date of vacancy = August 1, 2016
Operations	Supervisor, Customer Metering Services		3/1/2016		X	Y	Position added to improve oversight and direct supervision of over 40 employees. The position was also needed to accommodate the company's growth initiatives and coordinate the field work.

Filled= 20

Not Yet Filled= 1

(\*) Salaries may be allocated among Granite State Electric and EnergyNorth

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities

DE 16-383  
Distribution Service Rate Case

Staff Data Requests - Set 10

Date Request Received: 10/14/16  
Request No. Staff 10-1

Date of Response: 10/28/16  
Respondent: Mark Smith

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**REQUEST:**

Payroll: Reference Bates 0143, Schedule RR-3-01 and Staff 6-28: The response states that the Company eliminated six positions through a workforce reduction program. The Company added other positions through the year such that the net did not change.

- a. What positions were eliminated?
- b. For the new positions added, who was doing the work before the addition of the positions?
- c. Response Staff 6-26 indicates that 7 incremental positions were added during 2015 and 2016. If only 7 incremental positions were added, why does the pro forma payroll adjustment on Schedule RR-3-01 lines 16-22 (Bates 143) adjust for 21 new hires?

**RESPONSE:**

- a. The positions that were eliminated in 2016 were: Accounting Coordinator; Revenue Accountant; Human Resources Specialist, Payroll; Compliance and Emergency Planning Manager; Customer Metering Services Supervisor (electric); and Vice President, Finance.
- b. Of the seven incremental positions included in Staff 6-26, the three Collections Specialists were new positions to handle the increase in collection activity. The Revenue Assurance Analyst position includes new job responsibilities that were not previously being performed. The Electric System Supervisor's job responsibilities had previously been performed by National Grid and had not been assumed by any Liberty personnel following the termination of the related Transition Service Agreement and prior to the position being filled. As stated in the response to Staff 6-26, the Project Engineer was 100% gas-related and should not have been included. The Supervisor, Customer Metering Services position included in Attachment Staff 6-26 was also later determined to be gas-related and should not have been included.

As an update to incremental positions, Granite State will be hiring four additional union employees to perform substation maintenance, two by the end of 2016 and the remaining two in 2017. Substation maintenance is currently performed by contractors. Under National Grid ownership, substation maintenance was performed by National Grid

Docket No. DE 16-383 Request No. Staff 10-1

employees. The scope of services currently performed by contractors is less than what would be performed by the new Company employees who would also have the flexibility to perform other electric job responsibilities. The Company recently received a price quote from a vendor that led to the conclusion that it would be more cost effective to have in-house personnel to perform the maintenance, particularly given their flexibility to perform other tasks. The contractor would continue to be used until the full complement of incremental employees is on board.

All of the updates discussed in this section will be taken into account in the Correction and Updates filing.

- c. Attachment Staff 6-26 indicates that 14 of the new positions were “Replacement.” Thirteen of those 14 positions are Customer Service Representatives, where the position was converted from being filled by temporary employees (not on the payroll) to permanent employees. The Vice President of Operations and Engineering was an existing position that had been vacant since August 1, 2014.

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities

DE 16-383  
Distribution Service Rate Case

Staff Data Requests - Set 6

Date Request Received: 8/4/16  
Request No. Staff 6-30

Date of Response: 8/19/16  
Respondent: Mark Smith

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**REQUEST:**

**Incentive Awards:**

- a. Please provide complete copies of any bonus programs or incentive award programs in effect at the Company for the most recent three years for senior management, non-union, and union employees.
- b. Provide the performance objectives and their weighting that must be met prior to award of any incentive compensation for the last three years. If not clearly delineated, please indicate the goals for senior management, non-union, and union employees.
- c. Identify all incentive and bonus program expense incurred in 2012-2015. Identify the accounts charged.
- d. Identify all incentive and bonus program expense charged or allocated to the Company from affiliates and shared services in 2012-2015.

**RESPONSE:**

- a. Attached are Liberty Utilities' Short Term Incentive Plan, Attachment Staff 6-30.a.1, and Guidelines for the LU Discretionary Shared Bonus Pool document, Attachment Staff 6-30.a.2, in effect for the most recent three years. The Short Term Incentive Plan applies to manager level and higher positions. The Shared Bonus Pool plan applies to all other non-union employees and union employees. Also attached as Attachment Staff 6-30.a.3 is the Summary Plan description for the Long Term Incentive Plan, otherwise known as the Performance Share Unit Plan. This plan is applicable to director level and higher positions.
- b. Attached is a spreadsheet, Attachment 6-30.b.xlsx, with the performance objectives and their weighting for 2013, 2014, and 2015. These goals are applicable for all levels of employees.
- c. Bonus expense incurred in 2012 was \$274,584, \$283,064 in 2013, \$823,575 in 2014, and \$731,569 in 2015. Attachment Staff 6-30.c identifies the accounts charged.
- d. Incentive and bonus program expenses charged or allocated to the Company from affiliates and shared services in 2012 were \$219,890; \$359,822 in 2013, \$872,462 in 2014, and \$588,013 in 2015.



## Liberty Utilities Short Term Incentive Plan (“LU STIP”) Document

### Compensation Philosophy

The Company’s compensation philosophy follows three underlying principles:

- To provide compensation that encourages and motivates performance
- To be competitive with other companies of similar size and scope in order to attract and retain talent
- To align the interests of our employees with the long term interests of the Company and its shareholders and customers

### Purpose and Introduction

The LU STIP is a discretionary short term incentive cash bonus plan that provides the potential for eligible employees to receive cash awards based on their contributions to the success of the Company, in years (“Plan Period”) when the Company meets or exceeds its objectives.

The purpose of the LU STIP is to align compensation with corporate targets and results, and thereby promote behaviours which benefit the interests of the Company, its shareholders, and customers and to reward personal achievements which are linked directly to overall corporate performance.

An eligible employee’s contribution is determined by two factors: 1) the impact of that employee’s role on business results and 2) that employee’s achievement of individual performance objectives during the employee’s active service with the Company.

The actual award received by an employee will reflect 1) the employee’s job scope and responsibilities and that employee’s achievement during the Plan Period and 2) the Company’s performance as indicated by the business’ scorecard.

### Eligibility

All management level employees (grades 10 and above) , regular full time and regular part time employees of the Company are eligible to participate in the LU STIP, with the exception of the following:

- Employees who are eligible for any other incentive plan of the Company (e.g., Shared Bonus Pool, Sales Incentive Programs or any other incentive/bonus arrangements which the Company may offer in lieu of the LU STIP)
- Individuals determined by the Company to be students, co-op students, interns, temporary, independent contractors, consultants or any other non-payroll workers.

**The STIP award is based on two components each split by a weighting which varies by position level.**

Component	Typical Manager Weighting	Typical Director Level	Typical VP Level
<b>Balance Scorecard Achievement</b>	80%	85%	90%
<b>Individual Performance Achievement</b>	20%	15%	10%



## Balanced Scorecard Achievement

The Balanced Scorecard Achievement is linked to the Balanced Scorecard that is relevant to the employee's Business Unit and state/region, if applicable. The Balanced Scorecard measures results in 4 major business objectives:

1. Efficiency
2. Operations
3. Customer
4. Employees

The scorecard objectives are based on Liberty Utilities' business plan for the Plan Period and established performance targets for each objective. Each objective is allocated a weighting and together, the total allocation equals 100%. Note: in some cases the total allocation for a category may be greater than 100%.

## Individual Performance Achievement

Individual Performance % is based on the employee's achievement of individual objectives. An eligible employee's Management Team will determine the Individual Performance % for that employee for each Plan Period based on the employee's contributions and achievements during the Plan Period.

**Calculation** under the LU STIP will be based on the following formula:

### *For Liberty Utilities Canada:*

1. Business Unit Scorecard Performance Results % + Individual Performance Results % = **STIP Percent Achievement**
2. Target Bonus % x Eligible Annual Base Salary x Pro-ration Factor x STIP Percent Achievement = **STIP Payout \$**

### *For Liberty Utilities outside of Canada:*

1. Scorecard Performance % (Business Unit Performance % + State Performance %) + Individual Performance % = **STIP Percent Achievement**
2. Target Bonus % x Eligible Annual Base Salary x Pro-Ration Factor x STIP Percent Achievement = **STIP Payout \$**

## Calculation Steps

1. Balance scorecard results are determined for each of the Liberty State/Regions as required
2. Individual results are reviewed and determined for the Individual STIP Factor
3. The results of the 4 balance scorecard factors and the Individual factor are combined and calculated for each state using their assigned weightings, and the final STIP percent achievement is determined
4. The final STIP percent achievement is then multiplied by the employees target bonus, eligible base salary and prorated based on number of bonus eligible days



## Definitions

**Plan Period:** (January – December)

**Eligible Annual Base Salary** means the base compensation paid to an eligible employee, excluding all other compensation such as but not limited to, bonuses, commissions, and allowances. The Eligible Annual Base Salary is determined at December 31 of the respective Plan Period.

**Target Bonus %** is the percentage of Eligible Annual Base Salary that is used to compute the LU STIP award for each eligible employee.

**Pro-ration Factor:** # days actively employed in LU STIP eligible position ÷ # days in Plan Period

## Terms and Conditions

To be eligible for either a full or pro-rated award an eligible employee must have been:

- In a STIP eligible role on or before October 1 of the Plan Period (January – December)
- An employee will be considered to be actively employed for any calendar month in which the employee actually works at least one day
- Pro-rated awards may be made to eligible employees who transfer into or out of positions covered by other cash bonus plans, move from or to a job that is ineligible for the LU STIP or who are on a Company approved leave of absence, on “notice” of termination for part of the Plan Period, retire, or pass away during the Plan Period
- Pro-rated awards will be based on the number of days the employee is actively employed divided by the number of days in the Plan Period
- An employee that resigns before December 31 of the Plan Period is not eligible to receive a LU STIP plan award for that Plan Period.
- Employees terminated for cause are not eligible to receive an award
- An employee must be actively employed on date of payout to receive an award

Any award under the LU STIP is subject to the discretion of the eligible employee’s Management Team and Senior Management Team, the Compensation Committee and the Board of Directors. Specifically, an eligible employee’s recommended Award is subject to review, modification and approval by the Senior Management Team.

The total STIP award for all eligible employees for a Plan Period is recommended by the Senior Management Team for approval by the Compensation Committee and the Board of Directors after the Plan Period.

LU STIP award will be paid in a lump sum in the Plan Period following the Plan Period with respect to which the award is computed and will be subject to all applicable national, state/provincial, and/or local taxes. All appropriate taxes and other withholdings will be deducted from any such awards and payments as required by applicable law.



### **Interpretations and Amendments**

This document, as amended from time to time, constitutes the Liberty Utilities Short Term Incentive Plan ("LU STIP"). In the event of any conflicts or inconsistencies between the provisions of the LU STIP and any other document or communication, written or oral, concerning the LU STIP, the provisions of this document, as amended from time to time, shall govern.

The Senior Vice-President, LABs, subject to the approval of the Compensation Committee and the Board of Directors in certain cases shall interpret the provisions of the LU STIP, which shall be final and binding on the Company and all LU STIP participants.

Nothing in this document shall create an employment contract or other contract concerning the subject matter contained herein. There is no guarantee that any amount shall be paid under the LU STIP and any payment made hereunder (including the amount of such payment) shall be determined at the sole discretion of LU and not pursuant to any prior contract, agreement, or promise causing any individual to expect such payment on a regular basis.

The Company, in its sole and absolute discretion, reserves the right to terminate or amend the LU STIP at any time and in any manner without notice.





## **Guidelines for the LU Discretionary Shared Bonus Pool**

### **Compensation Philosophy**

The Company's compensation philosophy follows three underlying principles:

- To provide compensation that encourages and motivates performance
- To be competitive with other companies of similar size and scope to attract and retain talent
- To align the interest of our employee with the long term interests of the Company, shareholders and customers.

### **Purpose and Introduction**

The LU Shared Bonus Pool (SBP) is a discretionary benefit that provides Eligible Employees cash awards that align and recognize employee performance to the attainment of individual and business objectives.

An Eligible Employee's share of any discretionary bonus pool is generally determined by two factors, the:

1. Company's performance measured against a scorecard
2. Employee's achievement of individual performance objectives

### **Eligibility**

All non-management level employees (grade levels 1 to 9), regular full time and regular part time employees of the Company are eligible to participate in the discretionary bonus pool with the exception of the following:

- Employees who are eligible for any other incentive plan of the Company (e.g., sales incentive plan or any other incentive/bonus arrangements which the Company may offer in lieu of the LU SBP) are not eligible to share in the discretionary bonus pool.
- Individuals determined by the Company to be students, co-op students, interns, temporary, independent contractors, consultants or any other non-payroll workers are not eligible to share in the discretionary bonus pool.

### **Determining the Pool**

At the sole discretion of LU, a discretionary bonus pool may be created following the end of each year. The amount of the pool, if any, will be based on the achievement of the business' scorecard objectives and target levels. The scorecard objectives are based on LU' business plan for the year and established performance targets for each objective:

- Achievement of pre-determined Efficiency targets
- Achievement of pre-determined Operations targets
- Achievement of pre-determined Customer targets
- Achievement of pre-determined Employee Engagement targets

The discretionary bonus pool represents the total amount from which individual bonuses will be paid.

### **Determining Individual Awards**

Individual awards for Eligible Employees are determined based on individual performance results and can range from 0 - 10% of an Eligible Employee's Annual Base Salary. Individual Performance is based on the employee's achievement of individual objectives and overall performance.



An Eligible Employee's Management Team will determine the Individual Performance Rating for that employee for each Plan Period based on the employee's contributions and achievements during the Plan Period.

The individual performance rating acts as a performance multiplier to the proposed cash bonus award so that it can either increase or decrease the proposed award as described below:

- 3 - Meets Expectations = 100% performance multiplier
- 4 - Exceeds Expectations = 110% performance multiplier
- 5 - Always Exceeds Expectations = 120% performance multiplier

**Calculation formula for employees:**

*Eligible Earning X Individual Award Percentages X Individual Performance Multiplier X Pro-ration Factor X Scorecard Blended Performance = Shared Bonus Incentive*

**Definitions**

**Pro-ration factor:** # days actively employed in a SBP position *divided by* # days in Plan Period

**Eligible Earning:** Annual Base Salary means the annualized regular compensation paid to an eligible Employee, excluding any other compensation such as but not limited to, bonuses, commissions, over- time, allowances or other discretionary earning. The Annual Base Salary is determined at December 31, of the respective Plan Period

**Plan Period:** January 1 to December 31

**Terms and Conditions**

To be eligible for either a full or pro-rated award an employee must have been:

- In an SBP eligible role on or before October 1 of the Plan Period
- An employee will be considered to be actively employed for any calendar month in which the employee actually works at least one day
- Pro-rated awards may be made to Eligible Employees who transfer into or out of positions covered by other cash bonus plans, move from or to a job that is ineligible for the LU SBP or who are on a Company approved leave of absence, on "notice" of termination for part of the Plan Period, retire, or pass away during the Plan Period

**An employee is not eligible for a LU SBP award:**

- For any period the employee is not actively employed. If an employee meets the eligibility requirements but is actively employed for less than the full Plan Period, the employee's LU SBP award will be based on the number of days the employee is actively employed.
- Employees must be employed on date of payout to be eligible for an award.
- An employee's whose performance is below a "3" rating may not be eligible for an award\*
  - *\*(An employee who received a performance rating below a "3" rating may be eligible for an award only at the discretion and approval of the employee's senior management team)*

**Special Rules for Employees Covered by Collective Bargaining Agreement:**

Notwithstanding any provision in these guidelines to the contrary, employees covered by a collective bargaining agreement will only be eligible to participate in the discretionary bonus pool to the extent provided under the collective bargaining agreement. Further, the amount of any such bonus will not exceed the negotiated rate per the terms of the collective bargaining agreement.



### **Compliance with the U.S. Fair Labor Standards Act**

Any bonus paid from the discretionary bonus pool is intended to be a discretionary bonus and therefore excluded for purposes of computing the regular rate of pay for overtime purposes. However, to the extent any bonus is considered in the regular rate of pay under the Fair Labor Standards Act (FLSA), the total amount paid hereunder shall include any overtime pay required to be taken into account under the FLSA so that the aggregate amount paid to the employee shall be equal to the sum of the bonus plus the overtime.

### **Interpretations and Amendments**

These guidelines may be terminated or amended from time to time in the sole and absolute discretion of LU. In the event of any conflicts or inconsistencies between the provisions in these guidelines and any other document or communication, written or oral, concerning the LU discretionary bonus pool, the provisions of this document, as amended from time to time, shall govern.

The Senior Vice-President, LABs, subject to the approval of the Compensation Committee and the Board of Directors in certain cases, shall interpret the provisions of the LU discretionary bonus program, which shall be final and binding on the Company and all LU participants.

Nothing in this document shall create an employment contract or other contract concerning the subject matter contained herein. There is no guarantee that any bonus shall be paid under these guidelines and any payment made hereunder (including the amount of such payment) shall be determined at the sole discretion of LU and not pursuant to any prior contract, agreement, or promise causing any individual to expect such payment on a regular basis.

The Company, in its sole and absolute discretion, reserves the right to terminate or amend the Shared Bonus Pool at any time and in any manner without notice.

**APPENDIX B**

**Performance Share Unit Plan**

**for Employees of Algonquin Power & Utilities Corp.**

**and its Participating Affiliates**

Adopted with effect from January 1, 2011

## 1. PREAMBLE AND DEFINITIONS

### 1.1 Title and Conflict.

The Plan described in this document shall be called the “**Performance Share Unit Plan for Employees of Algonquin Power & Utilities Corp. and its Participating Affiliates**”.

In the event of any conflict or inconsistency between the Plan described in this document and the Award Agreement (as defined below), the terms and conditions of the Award Agreement shall prevail.

The Plan shall be governed and interpreted in accordance with the laws of the Province of Ontario.

### 1.2 Purpose of the Plan.

The purposes of the Plan are:

- (i) to promote a significant alignment between employees of the Corporation and the participating Affiliates and the growth objectives of the Corporation and the participating Affiliates;
- (ii) to associate a portion of participating employees’ compensation with the performance of the Corporation and its participating Affiliates over the long term; and
- (iii) to attract and retain the critical employees to drive the business success of the Corporation and its participating Affiliates.

### 1.3 Definitions.

1.3.1 “**Affiliate**” means any corporation, partnership or other entity in which the Corporation, directly or indirectly, has majority ownership interest.

1.3.2 “**Applicable Law**” means any applicable provision of law, domestic or foreign, including, without limitation, applicable securities and tax legislation, together with all regulations, rules, policy statements, rulings, notices, orders or other instruments promulgated thereunder, and Stock Exchange Rules.

1.3.3 “**Award Agreement**” means the written agreement between the Corporation and a Participant under which the terms of an award are established, as contemplated by Section 4.1, together with such schedules, amendments, deletions or changes thereto as are permitted under the Plan.

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- 1.3.4 **“Award Date”** means the effective date of a grant of PSUs to a Participant as stated in the applicable Award Agreement.
- 1.3.5 **“Award PSUs”** means the number of PSUs awarded to a Participant in respect of a Performance Period and as stated in the applicable Award Agreement.
- 1.3.6 **“Award Value”** means the value, in dollars, of an award made to a Participant in respect of a Performance Period and as stated in the applicable Award Agreement, which is provided under the Plan in the form of PSUs.
- 1.3.7 **“Board”** means the Board of Directors of the Corporation.
- 1.3.8 **“Change in Control”** shall be deemed to have occurred for purposes of this Plan if:
- (i) there is any change in the holding, directly or indirectly, of securities of the Corporation (or the participating Affiliate by which the applicable Participant is employed) or of any voting rights attached to any securities of the Corporation (or the participating Affiliate by which the applicable Participant is employed), as a result of which any corporation or other person, or a group of corporations or persons acting in concert, or corporations or persons associated with or affiliated with any such corporation, person or group within the meaning of the *Securities Act* (Ontario), would be entitled to cast 50% or more of the votes attached to all shares of the Corporation (or the participating Affiliate by which the applicable Participant is employed) that may be cast to elect directors of the Corporation (or the participating Affiliate by which the applicable Participant is employed); or
  - (ii) Incumbent Directors cease to constitute a majority of the Board of the Corporation (for the purposes of this paragraph, an **“Incumbent Director”** shall mean any member of the Board who is a member of the Board immediately prior to the occurrence of a contested election of directors of the Corporation); or
  - (iii) the Board adopts a resolution to the effect that, for the purposes of this Plan, a Change in Control of the Corporation (or the participating Affiliate by which the applicable Participant is employed) has occurred, or that such a Change in Control is imminent, in which case, the date of the Change in Control shall be deemed to be the date specified in such resolution, provided that the Change in Control actually occurs.
- 1.3.9 **“Committee”** means the Chief Executive Officer of the Corporation with

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the input of the Chief Financial Officer of the Corporation and the President of the Corporation or participating Affiliate by which the applicable Participant is employed or such other committee or individuals which may be appointed by the Chief Executive Officer of the Corporation to, among other things, interpret, administer and implement the Plan.

- 1.3.10 **“Corporation”** means Algonquin Power & Utilities Corp. and any successor corporation, whether by amalgamation, merger or otherwise.
- 1.3.11 **“Disability”** means a physical or mental incapacity of the Participant that has prevented the Participant from performing the duties customarily assigned to the Participant for one hundred and eighty (180) calendar days, whether or not consecutive, out of any twelve (12) consecutive months and that in the opinion of the Corporation, acting on the basis of advice from a duly qualified medical practitioner, is likely to continue to a similar degree.
- 1.3.12 **“Dividend Equivalent PSUs”** has the meaning set out in Section 5.2.
- 1.3.13 **“Eligible Participant”** means such executive or other employee of the Corporation or any Affiliate as the Committee may designate to receive a grant of PSUs under the Plan pursuant to an Award Agreement and who became a full-time employee prior to January 1 of the current year. **“Market Value”** at any date in respect of the Shares means the volume weighted average trading price of such Shares on the Toronto Stock Exchange (or, if such Shares are not then listed and posted for trading on the Toronto Stock Exchange, on such stock exchange in Canada on which such Shares are listed and posted for trading as may be selected for such purpose by the Committee) for the twenty (20) consecutive trading days immediately preceding such date, provided that in the event that such Shares did not trade on any of such trading days, the Market Value shall be the average of the bid and ask prices in respect of such Shares at the close of trading on all of such trading days and provided that in the event that such Shares are not listed and posted for trading on any stock exchange, the Market Value shall be the fair market value of such Shares as determined by the Committee in its sole discretion.
- 1.3.14 **“Participant”** means such executive or other employee of the Corporation or any Affiliate as the Committee may designate to receive a grant of PSUs under the Plan pursuant to an Award Agreement
- 1.3.15 **“Performance Adjustment Factor”** means the Performance Adjustment Factor calculated following the end of the Performance Period in accordance with the Award Agreement.

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- 1.3.16 **“Performance Criteria”** means, in respect of a grant of a PSU, such financial and/or personal performance criteria as may be determined by the Committee in respect of a grant of PSUs to any Employee or Employees and set out in an Award Agreement. Performance Criteria may apply to the Corporation, an Affiliate, the Corporation and its Affiliates as a whole, a business unit of the Corporation or group comprised of the Corporation and one or more Affiliates, either individually, alternatively or in any combination, and measured either in total, incrementally or cumulatively over a specified Performance Period, on an absolute basis or relative to a pre-established target, to previous years’ results or to a designated comparator group.
- 1.3.17 **“Performance Period”** means, in respect of a grant of a PSU, the particular designated time period(s) in respect of which the Performance Criteria are assessed and determined to be satisfied by the Committee in order for such PSU to become a Vested PSU as set forth in the Award Agreement applicable to such grant.
- 1.3.18 **“Period of Absence”** means, with respect to a, a period of time that lasts for at least ninety (90) days throughout which the Participant is on a leave of absence from the Corporation or an Affiliate that has been approved by the Corporation or Affiliate, as applicable, a Statutory Leave, or is experiencing a Disability.
- 1.3.19 **“Plan”** means this Performance Share Unit Plan for Employees of Algonquin Power & Utilities Corp. and its Participating Affiliates, including any schedules or appendices hereto, as such may be amended from time to time and as attached to an Award Agreement.
- 1.3.20 **“PSU Balance”** in respect of any particular date means the number of PSUs recorded in a Participant’s PSU Account in respect of a particular Performance Period, which shall include the PSU Award plus all Dividend Equivalent PSU’s.
- 1.3.21 **“PSU”** means a unit granted to a Participant that is represented by a bookkeeping entry on the books of the Corporation, the value of which on any particular date shall be equal to the Market Value.
- 1.3.22 **“PSU Account”** has the meaning set out in Section 5.1.
- 1.3.23 **“Share”** means a common share of the Corporation and such other share as may be substituted for it as a result of amendments to the articles of the Corporation, arrangement, reorganization or otherwise, including any rights that form a part of the common share or substituted share.
- 1.3.24 **“Statutory Leave”** means, with respect to a, a period of time throughout which the Participant is on a leave of absence to which he or she is entitled



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under applicable legislation and following which he or she has the right, pursuant to such legislation, to return to active employment with the Corporation or an Affiliate.

1.3.25 “**Stock Exchange**” means the Toronto Stock Exchange, or if the Shares are not listed on the Toronto Stock Exchange, such other stock exchange on which the Shares are listed, or if the Shares are not listed on any stock exchange, then on the over-the-counter market.

1.3.26 “**Stock Exchange Rules**” means the applicable rules of the Stock Exchange.

1.3.27 “**Vested**” means, with respect to PSUs granted hereunder, that the applicable Performance Criteria and any other conditions to a Participant’s receipt of a payment in respect of such PSUs have been met or waived in accordance with the Plan and any applicable Award Agreement, in relation to a whole or a percentage (which may be greater than, less than or equal to 100%) of such PSUs, and “**Vest**” or “**Vesting**” have a comparable meaning.

## 2. CONSTRUCTION AND INTERPRETATION

- 2.1 **Gender, Singular, Plural.** In the Plan, references to the masculine include the feminine; and references to the singular shall include the plural and vice versa, as the context shall require.
- 2.2 **Governing Law.** The Plan shall be governed and interpreted in accordance with the laws of the Province of Ontario and any actions, proceedings or claims in any way pertaining to the Plan shall be commenced in the courts of the Province of Ontario.
- 2.3 **Severability.** If any provision or part of the Plan is determined to be void or unenforceable in whole or in part, such determination shall not affect the validity or enforcement of any other provision or part thereof.
- 2.4 **Headings, Sections.** Headings wherever used herein are for reference purposes only and do not limit or extend the meaning of the provisions herein contained. A reference to a section or schedule shall, except where expressly stated otherwise, mean a section or schedule of the Plan, as applicable.

## 3. EFFECTIVE DATE AND EMPLOYMENT RIGHTS

- 3.1 **Effective Date.** The Corporation is establishing the Plan effective January 1, 2011.
- 3.2 **No Employment Rights.** Nothing contained in the Plan shall be deemed to give any person the right to be retained as an employee of the Corporation or of an Affiliate. For greater certainty, a period of notice, if any, or payment in lieu

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thereof, upon termination of employment, wrongful or otherwise, shall not be considered as extending the period of employment for the purposes of the Plan.

#### 4. PSU GRANTS AND PERFORMANCE PERIODS

4.1 **Award of PSUs.** The Plan shall be administered by the Committee.

The Committee shall have the authority in its sole and absolute discretion to administer the Plan and to exercise all the powers and authorities either specifically granted to it under the Plan or necessary or advisable in the administration of the Plan subject to and not inconsistent with the express provisions of this Plan, including, without limitation, the authority to:

- 4.1.1 determine the Award Value for each award under an Award Agreement;
- 4.1.2 make grants of PSUs in respect of any award under an Award Agreement;
- 4.1.3 determine the Award Date for grants of PSUs, if not the date on which the Committee determines to make such grants under an Award Agreement;
- 4.1.4 determine the Participants to whom, and the time or times at which, awards shall be made and PSUs shall be granted under an Award Agreement;
- 4.1.5 approve or authorize the applicable form and terms of the related Award Agreements;
- 4.1.6 determine the terms and conditions of awards, and grants of PSUs in respect thereof, to any Participant, including, without limitation the following, (A) the number of PSUs to be granted; (B) the applicable Performance Period(s); (C) the Performance Criteria and any other conditions to the Vesting of any PSUs granted hereunder; (D) the conditions, if any, upon which Vesting of any PSUs will be waived or accelerated without any further action by the Committee; (E) the extent to which the Performance Criteria must be achieved in order for any PSUs to become Vested PSUs and the multiplier, if any, that will be applied to determine the number of PSUs that become Vested PSUs having regard to the achievement of the Performance Criteria; (F) the circumstances in which a PSU shall be forfeited, cancelled or expire; (G) the consequences of a termination of employment with respect to a PSU; (H) the manner of settlement of Vested PSUs; and (I) whether and the terms upon which any Shares delivered upon settlement of a PSU must continue to be held by a Participant for any specified period;
- 4.1.7 determine whether and the extent to which any Performance Criteria or other conditions applicable to the Vesting of a PSU have been satisfied or shall be waived or modified;

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- 4.1.8 amend the terms of any outstanding Award Agreement provided, however, that no such amendment, shall be made at any time to the extent such action would materially adversely affect the existing rights of a Participant with respect to any then outstanding PSU related to such Award Agreement without his or her consent in writing and provided further, however, that the Committee may amend the terms of an Award Agreement without the consent of the Participant if complying with Applicable Law;
- 4.1.9 determine whether, and the extent to which, adjustments shall be made pursuant to Section 5.3 and the terms of any such adjustments;
- 4.1.10 interpret the Plan and Award Agreements;
- 4.1.11 prescribe, amend and rescind such rules and regulations and make all determinations necessary or desirable for the administration and interpretation of the Plan and Award Agreements;
- 4.1.12 determine the terms and provisions of Award Agreements (which need not be identical) entered into in respect of awards hereunder; and
- 4.1.13 make all other determinations deemed necessary or advisable for the administration of the Plan.

#### 4.2 **Eligibility and Award Determination.**

- 4.2.1 In determining the Participants to whom awards may be made and the Award Value (and accordingly the number of PSUs to be granted) for each award (subject to adjustment based on achievement of Performance Criteria), the Committee may take into account such factors as it shall determine in its sole and absolute discretion.
- 4.2.2 The PSUs granted to a Participant for a Performance Period shall be determined by dividing the Award Value determined for the for such Performance Period by the Market Value as at the end of the calendar quarter immediately preceding the Award Date, rounded down to the next whole number.
- 4.2.3 For greater certainty and without limiting the discretion conferred on the Committee pursuant to this Section, the Committee's decision to approve a grant of PSUs in any Performance Period shall not entitle any Participant to an award in respect of any other Performance Period; nor shall the Committee's decision with respect to the size or terms and conditions of an award in respect of any Performance Period require it to approve an award of the same or similar size or with the same or similar terms and conditions to any Participant in any other period. No Participant has any claim or right to receive an award or any PSUs.

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4.2.4 An Award Agreement shall set forth, among other things, the following: the Award Date of the award evidenced thereby; the number of PSUs granted in respect of such award; the applicable Performance Criteria and any other conditions to the Vesting of the PSUs; the applicable Performance Period; and may specify such other terms and conditions as the Committee shall determine or as shall be required under any other provision of the Plan. The Committee may include in an Award Agreement terms or conditions pertaining to confidentiality of information relating to the Corporation's operations or businesses which must be complied with by a including as a condition of the grant or Vesting of PSUs.

4.2.5 For greater certainty, the maximum potential Award PSUs for a Participant who became a full-time employee prior to January 1 of the current year shall be reduced by fifty percent (50%).

4.3 **PSUs.** Each whole PSU will give a Participant the right to receive, either Shares or a cash payment, as determined by the Committee, in an amount determined in accordance with the terms of the Plan and the applicable Award Agreement. For greater certainty, a Participant shall have no right to receive Shares or a cash payment with respect to any PSUs that do not become Vested PSUs under Article 7.

## 5. ACCOUNTS, DIVIDEND EQUIVALENTS AND REORGANIZATION

5.1 **PSU Account.** An account, called a "PSU Account", shall be maintained by the Corporation for each award made to each Participant pursuant to an Award Agreement and which will be credited with an opening balance equal to the Award PSUs. PSUs that fail to vest pursuant to Article 7, or that are paid out to the Participant or his legal representative, shall be cancelled and shall cease to be recorded in the Participant's PSU Account as of the date on which such PSUs are forfeited or cancelled under the Plan or are paid out, as the case may be.

5.2 **Dividend Equivalent PSUs.** Whenever cash dividends are paid on the Shares during the Performance Period applicable to a particular Award Agreement, additional PSUs will be credited to the Participant's PSU Account in accordance with this Section 5.2 ("Dividend Equivalent PSUs"). The number of such additional PSUs to be credited to the Participant's PSU Account in respect of any particular dividend paid on the Shares will be calculated by dividing (i) the amount of the cash dividend that would have been paid to the Participant if each of the PSUs recorded in the Participant's PSU Account as at the record date for the cash dividend had been Shares by (ii) the Market Value on the date on which the dividend is paid on the Shares. Dividend Equivalent PSUs shall Vest and be paid at the same time as the PSUs to which they relate and shall be considered to be designated as payable in Shares or in cash as the PSUs in the Participant's PSU Account are so designated.

5.3 **Adjustments.** In the event of any stock dividend, stock split, combination or

exchange of shares, capital reorganization, consolidation, spin-off or other distribution (other than normal cash dividends) of the Corporation's assets to shareholders, or any other similar changes affecting the Shares, proportionate adjustments to reflect such change or changes shall be made with respect to the number of PSUs outstanding under the Plan, or securities into which the Shares are changed or are convertible or exchangeable and as may be substituted for Shares under this Plan, on a basis proportionate to the number of PSUs in the Participant's PSU Account or some other appropriate basis, all as determined by the Committee in its sole discretion.

## 6. FUNDING OF PSU AWARDS

- 6.1 **Share Purchases.** Any purchases of Shares pursuant to the Plan shall be made on the open market by a broker designated by the Corporation who is independent of the Corporation in accordance with Stock Exchange Rules and who is a member of the Stock Exchange. Subject to the foregoing part of this Section 6.1, any such designation may be changed from time to time.

## 7. VESTING AND PAYMENT OF PSU AWARDS

- 7.1 **Vesting of PSUs.** Upon the first day immediately following the end of the Performance Period, the PSU's represented by the PSU Balance as at such date shall vest, with the number of Vested PSUs being equal to the PSU Balance as at such date multiplied by the Performance Adjustment Factor as determined by the Committee in accordance with the Award Agreement. For certainty, in the event the Performance Adjustment Factor is equal to zero, no PSU's will vest. Except where the context requires otherwise, each PSU which vests pursuant to Article 7 shall be referred to herein as a Vested PSU. PSUs which do not become Vested PSUs in accordance with this Article 7 shall be forfeited by the Participant and the Participant will have no further right, title or interest in such PSUs. The Participant waives any and all right to compensation or damages in consequence of the termination of employment (whether lawfully or unlawfully) or otherwise for any reason whatsoever insofar as those rights arise or may arise from the Participant ceasing to have rights or be entitled to receive any Shares or cash payment under the Plan pursuant to this Section 7.1.
- 7.2 **Performance Criteria.** The PSUs granted to a Participant under an Award Agreement and Section 4.1 (and the related Dividend Equivalent PSUs) shall become Vested PSUs only upon the Committee's determination with respect to the Performance Adjustment Factor in accordance with the Award Agreement applicable to such PSUs or have been waived in accordance with Section 4.1.7.
- 7.3 **Payment in Shares.** In the event that Vested PSUs have been designated by the Committee as payable in Shares, each Participant or his legal representative, as applicable, shall receive a number of Shares equal to the number of Vested PSUs credited to the Participant's PSU Account as of the last day of such Performance Period, (rounded down to the nearest whole number of Shares). The Shares shall be

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distributed to the Participant or his legal representative, as applicable, in a single transfer no later than six (6) months following the last day of the Performance Period (or, in the event of the Participant's death, no later than six (6) months following the date of the Participant's death).

- 7.4 **Payment in Cash.** In the event that Vested PSUs that have not been designated by the Committee as payable in Shares, each Participant or his legal representative, as applicable, shall receive a cash payment equal to the Market Value determined as of the last day of the Performance Period multiplied by the number of Vested PSUs credited to his PSU Account as of the last day of such Performance Period, (rounded down to the nearest whole number of PSUs). The cash payment shall be made to the Participant or his legal representative, as applicable, in a single lump sum no later than six (6) months following the last day of the Performance Period (or, in the event of the Participant's death, no later than six (6) months following the date of the Participant's death), less any applicable statutory withholdings or deductions.

7.5 **Death, Period of Absence.**

- 7.5.1 **Death.** Where the employment of a Participant terminates during a Performance Period by reason of the Participant's death, the PSUs credited to the Participant's PSU Account as at December 31 of the year immediately preceding the Participant's date of death shall continue to be eligible to become Vested PSUs in accordance with Sections 7.1 and 7.2 and the Participant shall be entitled to receive in cash or in Shares (or a combination thereof), as specified by the Committee, a payment relating to such PSUs determined in accordance with Sections 7.3 or 7.4. For greater clarity, the number of Vested PSUs used to calculate the value of the payment shall equal the number of Vested PSUs determined in accordance with Sections 7.1 and 7.2 as at December 31 of the year immediately preceding the Participant's date of death.

- 7.5.2 **Period of Absence.** In the event of a Participant's Period of Absence and subject to this Section 7.5.2, PSUs credited to the PSU Account immediately prior to such Period of Absence (and any related Dividend Equivalent PSUs) shall continue to be eligible to become Vested PSUs in accordance with the provisions of Sections 7.1 and 7.2 and the Participant shall be entitled to receive in cash or in Shares (or a combination thereof), as specified by the Committee, a payment relating to such PSUs determined in accordance with Section 7.3 or 7.4, as applicable, except that the number of Vested PSUs used to calculate the value of the payment shall equal the number of Vested PSUs determined in accordance with Section 7.1 and 7.2 multiplied by a fraction, the numerator of which equals the number of whole and partial months in the Performance Period for which the Participant actively performed services for the Corporation

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or an Affiliate and the denominator of which equals the number of whole and partial months in the Performance Period.

7.5.3 For greater clarity, no additional PSUs (whether pursuant to Section 4.1 or in the form of Dividend Equivalent PSUs) shall be granted to a Participant following his or her date of death, or the start of his or her Period of Absence, including following his or her date of Disability.

7.6 **Other Terminations of Employment.** In the event that, during a Performance Period, (i) the Participant's employment is terminated by the Corporation or an Affiliate of the Corporation for any reason, or (ii) a Participant retires or voluntarily terminates his employment with the Corporation or an Affiliate of the Corporation, no portion of the PSUs granted in respect of such Performance Period shall vest and the Participant shall receive no payment or other compensation in respect of such PSUs or loss thereof, on account of damages or otherwise; provided that any Vested PSUs will be settled in accordance with Sections 7.3 and 7.4. In respect of the termination of a Participant's employment, for the purposes of the Plan and any awards granted thereunder, a Participant's employment will be deemed to terminate on the date the Participant receives notice of termination and no period of notice, statutory or otherwise, shall be viewed as extending the Participant's vesting period or the Participant's period of employment for the purposes of the Plan.

7.7 **Change in Control.** Notwithstanding any other provision of the Plan, but subject to the terms of any Award Agreement or any employment agreement between the Participant and the Corporation or any Affiliate, in the event of a Change in Control, all PSUs credited to each PSU Account (including for greater certainty Dividend Equivalent PSUs) which have not become Vested PSUs, shall become Vested PSUs on the basis of one (1) PSU becoming one (1) Vested PSU, as at the time of Change in Control (unless otherwise determined by the Committee). As soon as practicable following a Change in Control each shall, at the discretion of the Committee, receive in cash or in Shares (or a combination thereof) a payment equal to the number of such Vested PSUs (as determined pursuant to this Section 7.7) credited to the Participant's PSU Account at the time of the Change in Control (rounded down to the nearest whole number of Vested PSUs) multiplied by the price at which the Shares are valued for the purpose of the transaction or series of transactions giving rise to the Change in Control, or if there is no such transaction or transactions at the Market Value on the date of the Change in Control, less any statutory withholdings or deductions. Notwithstanding the foregoing, where a Change in Control occurs and no Shares are distributed and no cash payments are made to a Participant within thirty (30) days following the Change in Control, the Corporation shall cease to have the discretion to provide the Participant with Shares and shall be required to pay (or cause an Affiliate to pay) to the Participant in respect of his Vested PSUs and Dividend Equivalent PSUs the amount determined in accordance with the cash payment formula set out above.

## 8. CURRENCY

- 8.1 **Currency.** All references in the Plan to currency refer to lawful Canadian or United States currency as indicated.

## 9. SHAREHOLDER RIGHTS

- 9.1 **No Rights to Shares.** PSUs are not Shares and neither the grant of PSUs nor the fact that Shares may be acquired by, or provided from, the Corporation in satisfaction of Vested PSUs will entitle a Participant to any shareholder rights, including, without limitation, voting rights, dividend entitlement or rights on liquidation.

## 10. ADMINISTRATION

- 10.1 **Committee.** Unless otherwise determined by the Board, the Plan shall be administered by the Committee.
- 10.2 **Delegation and Administration.** The Committee may delegate to any one or more directors, officers or employees of the Corporation and/or its participating Affiliates such duties and powers relating to the Plan as it may see fit. The Committee may, in its discretion, delegate such of its powers, rights and duties under the Plan, in whole or in part, to any committee or any one or more directors, officers or employees of the Corporation and/or its participating Affiliates as it may determine from time to time, on terms and conditions as it may determine, except the Committee shall not, and shall not be permitted to, delegate any such powers, rights or duties to the extent such delegation is not consistent with Applicable Law. .
- 10.3 **Effects of Committee's Decision.** Any interpretation, rule, regulation, determination or other act of the Committee hereunder shall be made in its sole discretion and shall be conclusively binding upon all persons.
- 10.4 **Liability Limitation.** No member of the Committee, the Board or any officer, director or employee of the Corporation or any Affiliate shall be liable for any action or determination made in good faith pursuant to the Plan or any Award Agreement under the Plan. To the fullest extent permitted by law, the Corporation and its Affiliates shall indemnify and save harmless each person made, or threatened to be made, a party to any action or proceeding in respect of the Plan by reason of the fact that such person is or was a member of the Committee or the Board or is or was an officer, director or employee of the Corporation or an Affiliate.
- 10.5 **Compliance with Laws and Policies.** The Corporation's issuance of any PSUs and its obligation to make any payments or discretion to provide any Shares hereunder is subject to compliance with Applicable Law. Each Participant shall acknowledge and agree (and shall be conclusively deemed to have so acknowledged and agreed by participating in the Plan) that the Participant will, at all times, act in



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strict compliance with Applicable Law and all other laws and any policies of the Corporation applicable to the Participant in connection with the Plan including, without limitation, furnishing to the Corporation all information and undertakings as may be required to permit compliance with Applicable Law. Such laws, regulations, rules and policies shall include, without limitation, those governing “insiders” or “reporting issuers” as those terms are construed for the purposes of Applicable Laws.

- 10.6 **Withholdings.** So as to ensure that the Corporation or an Affiliate, as applicable, will be able to comply with the applicable provisions of any federal, provincial, state or local law relating to the withholding of tax or other required deductions, the Corporation, or an Affiliate may withhold or cause to be withheld from any amount payable to a Participant, either under this Plan, or otherwise, such amount, or may require the sale of such number of Shares, as may be necessary to permit the Corporation or the Affiliate, as applicable, to so comply.
- 10.7 **No Additional Rights.** Neither designation of an employee as a Participant nor the establishment of an Award Value for or grant of any PSUs to any Participant entitles any person to the establishment of an Award Value, grant, or any additional grant, as the case may be, of any PSUs under the Plan.
- 10.8 **Amendment, Termination.** The Plan may be amended or terminated at any time by the Committee in whole or in part. No amendment of the Plan shall, without the consent of the Participants affected by the amendment, or unless required by Applicable Law, adversely affect the rights accrued to such Participants with respect to PSUs granted prior to the date of the amendment.
- 10.9 **Administration Costs.** The Corporation will be responsible for all costs relating to the administration of the Plan. For greater certainty and unless otherwise determined by the Committee, a Participant shall be responsible for brokerage fees and other administration or transaction costs relating to the transfer, sale or other disposition of Shares on behalf of the Participant that have been previously distributed to or provided to the Participant pursuant to the Plan.

## 11. ASSIGNMENT

- 11.1 **Assignment.** The assignment or transfer of the PSUs, or any other benefits under this Plan, shall not be permitted, other than by operation of law.

Section	Region	4-Factor	Description	Weight - Consol	Weight - State
<b>EFFICIENCY</b>					
Efficiency	NH	34.1%	Business Group Profit	20%	30%
Efficiency	NH	34.1%	Net Income (Earnings Before Taxes)	40%	40%
Efficiency	NH	34.1%	APUC Adjusted EPS	10%	0%
Efficiency	NH	34.1%	Return on Equity	20.0%	0.0%
Efficiency	NH	34.1%	Return on Assets	0.0%	30.0%
Efficiency	NH	34.1%	Funds From Operations	0%	0%
Efficiency	NH	34.1%	Debt	0%	0%
Efficiency	NH	34.1%	Achieve Minimum Credit Metrics	10%	0%
Efficiency	NH	34.1%	Distribution Operating Costs > Target (-20%)	0%	0%
<b>OPERATIONS - SAFETY</b>					
Operations	NH	34.1%	LTI Calculation (Enter LTI World Class Targets)	0%	0%
Operations	NH	34.1%	LTI Calculation (Enter LTI BLS Targets)	0%	0%
Operations	NH	34.1%	Achieve World Class LTI Performance	5%	5%
Operations	NH	34.1%	Roll-out of Enterprise wide EHS&S Plan	5%	5%
Operations	NH	34.1%	Close Calls	5%	5%
Operations	NH	34.1%	RAR Calculation (Enter LTI World Class Targets)	0%	0%
Operations	NH	34.1%	RAR Calculation (Enter LTI BLS Targets)	0%	0%
Operations	NH	34.1%	RAR	5%	5%
Operations	NH	34.1%	Notices of Violation	5%	5%
Operations	NH	34.1%	Motor Vehicle Accident Targets	5%	5%
Operations	NH	34.1%	Implementation of Ethics Training program	5%	5%
<b>OPERATIONS - INITIATIVES</b>					
Operations	NH	34.1%	Complete Park Water Transition	10%	0%
Operations	NH	34.1%	Implement Liberty/APCo Way Initiative	5%	5%
Operations	NH	34.1%	Conduct Facilities Rehabilitation	0%	5%
Operations	NH	34.1%	Continuing Emergency Preparation Evaluation	0%	5%
Operations	NH	34.1%	Execute State plan to maximize ROE	10%	10%
Operations	NH	34.1%	Complete CAPEX projects on budget	0%	5%
Operations	NH	34.1%	Prepare and roll-out Outage Management System Strategic Design	5%	0%
Operations	NH	34.1%	Achieve LU State Asset Growth	0%	5%
Operations	NH	34.1%	Prepare and roll-out Liberty Utilities Culture Management Plan	5%	0%
<b>OPERATIONS - PLANNING</b>					
Operations	NH	34.1%	Complete 2016 Budget Process	5%	5%
Operations	NH	34.1%	Accuracy of Quarterly Budget/Forecasting Model	20%	20%
Operations	NH	34.1%	Implementation of centralized capital planning system	10%	10%
Operations	NH	34.1%	Implementation of centralized billing system	5%	5%
<b>CUSTOMER</b>					
Customer	NH	34.1%	Quantitative Customer Satisfaction Study	15%	10%
Customer	NH	34.1%	Customer Service Level	10%	10%
Customer	NH	34.1%	Billing Timeliness	5%	10%
Customer	NH	34.1%	Bad Debt as a percentage of Gross Revenue	1.7%	3.3%
Customer	NH	34.1%	Bad Debt versus Budget	1.7%	3.3%
Customer	NH	34.1%	Bad Debt versus PUC allowance	1.7%	3.3%
Customer	NH	34.1%	Operating Cost (Excluding Allocations)	0%	0%
Customer	NH	34.1%	Customers	0%	0%
Customer	NH	34.1%	Cost per Customer	0%	5%
Customer	NH	34.1%	Saidi/Saifi, Unplanned Disruptions	0%	10%
Customer	NH	34.1%	Update Liberty Utilities Website	20%	0%
Customer	NH	34.1%	Collect >50% of customer email addresses	0%	5%
Customer	NH	34.1%	Customer Satisfaction Benchmark Analysis	10%	0%
<b>REGULATORY</b>					
Regulatory	NH	34.1%	Regulatory Complaints	10%	10%
Regulatory	NH	34.1%	Compliance	10%	10%
Regulatory	NH	34.1%	Execute Exec /state / Municipal govt outreach program	5%	5%
<b>Community</b>					
Community	NH	34.1%	Community Outreach	5%	10%
Community	NH	34.1%	Liberty Day hours	10%	5%
Community	NH	34.1%	Conservation Program Execution	5%	5%
<b>EMPLOYEE - ENGAGEMENT</b>					
Emp-Engagement	NH	34.1%	Total # of Employees	0%	0%
Emp-Engagement	NH	34.1%	Voluntary Departures	0%	0%
Emp-Engagement	NH	34.1%	Voluntary Turnover rate	10%	10%
Emp-Engagement	NH	34.1%	Complete Training Hours Targets	10%	10%
Emp-Engagement	NH	34.1%	Minimum Spirit Submissions	10%	10%
Emp-Engagement	NH	34.1%	Interconnect Hours	5%	5%
Emp-Initiatives	NH	34.1%	Development Plans for all HIPOS	10%	10%
Emp-Initiatives	NH	34.1%	Onboarding program launch	5%	5%
<b>EMPLOYEE - SURVEY</b>					
Emp-Survey	NH	34.1%	Employee satisfaction survey participation	5%	5%
Emp-Survey	NH	34.1%	Development of Employee Survey Action Plans	5%	5%
Emp-Survey	NH	34.1%	Communication Enhancement Program (>5% improvement)	5%	5%
Emp-Survey	NH	34.1%	Implementation of L&D Program	15%	15%
<b>EMPLOYEE - INITIATIVES</b>					
Emp-Initiatives	NH	34.1%	Implementation of Succession Planning Framework	5%	5%
Emp-Initiatives	NH	34.1%	Complete pension plan review and consolidation	10%	0%
Emp-Initiatives	NH	34.1%	Implementation of Legal Requirements for Diversity Plan	0%	5%
Emp-Initiatives	NH	34.1%	Implementation of On-line Policy Training Program, Test and Employee Acknowledg	0%	5%
Emp-Initiatives	NH	34.1%	Implement HRIS Phase 2 (including performance management)	5%	5%

## Attachment 6-30b 2015 Excerpt

Bonus Amounts Charged

Sum of Total Row Labels	Column Labels			
	2012	2013	2014	2015
8830-2-0000-10-1380-1630		110.78	4534.97	
8830-2-0000-10-1615-1830		113.74	903.99	
8830-2-0000-10-1618-1070		74401.71	190376.72	214496.26
8830-2-0000-10-1655-1081		1491.84	14999.53	16062.09
8830-2-0000-10-1655-1084		66.14	29.54	
8830-2-0000-10-1930-1825		35.86	5621.47	
8830-2-0000-51-5010-5630		43.02	381.42	
8830-2-0000-51-5010-5660		228.62	597.59	
8830-2-0000-51-5010-5800		6439.36	35074.65	21880.85
8830-2-0000-51-5010-5810		160.23	26249.53	38046.43
8830-2-0000-51-5010-5820		434.55	3838.59	3184.5
8830-2-0000-51-5010-5830		33575.96	137768.15	20069.19
8830-2-0000-51-5010-5840		104.51	544.09	330.61
8830-2-0000-51-5010-5850		5.84		862.98
8830-2-0000-51-5010-5860		13426.96	43059.8	1323.83
8830-2-0000-51-5010-5870			34.33	42.73
8830-2-0000-51-5010-5880		7073.47	31225.35	42142.68
8830-2-0000-51-5420-5850		201.11	84.1	1292.97
8830-2-0000-56-5010-5701				812.04
8830-2-0000-56-5010-5900		1281.11	8430.43	2838.93
8830-2-0000-56-5010-5910				151.16
8830-2-0000-56-5010-5920		561.85	8017.37	4751.02
8830-2-0000-56-5010-5930		15047.5	25545.49	11790.73
8830-2-0000-56-5010-5932		2292.14	7449.1	9529.04
8830-2-0000-56-5010-5940			46.92	
8830-2-0000-56-5010-5950				2184.88
8830-2-0000-56-5010-5960			297.01	3078.78
8830-2-0000-56-5010-5970			7067.16	19967.3
8830-2-0000-56-5010-5980			852.12	35838.93
8830-2-0000-69-5010-9010		348.56	847.53	9945.46
8830-2-0000-69-5010-9020			5985.84	15455.68
8830-2-0000-69-5010-9030		1774.96	66836.36	79710.09
8830-2-0000-69-5010-9070		460.84		
8830-2-0000-69-5010-9080		1749.99	15266.82	29943.99
8830-2-0000-69-5010-9100		489.88	5068.26	3069.83
8830-2-0000-69-5010-9120		591.03	8703.2	1699.12
8830-2-0000-69-5010-9160				238.95
8830-2-0000-69-5010-9234		1957.6		
8830-2-0000-69-5390-9100		55.37	1842.92	3691.04
8830-2-0000-69-7450-4264			271.64	878.83
8830-2-9800-69-5010-9200	6125.67	3456.11	10257.03	10226.16
8830-2-9810-69-5010-9200	14925.71	11333.41	30111.34	23028.87
8830-2-9815-69-5010-9200	5566.41	4671.13	10035.15	10851.53
8830-2-9820-69-5010-9200	9222.06	10618.59	32148.9	35237.2
8830-2-9820-69-5010-9201		164.26		
8830-2-9823-69-5010-9200		401.54	11290.46	7760.12
8830-2-9825-69-5010-9200		311.3	6494.06	6043.12
8830-2-9830-69-5010-9200	14779.87	10722.46	20831.48	18283.65
8830-2-9830-69-5010-9201		94.95		
8830-2-9835-69-5010-9200	11705.66	3887.7	12256.92	12896.75
8830-2-9840-69-5010-9200	3800.14	2640.67		
8830-2-9850-69-5010-9200	171669.47	49335.05	20233.93	2125
8830-2-9850-69-5010-9201		175.35		
8830-2-9850-69-5200-9230			37.14	
8830-2-9855-69-5010-9200	2873.01	2792.2		
8830-2-9860-69-5010-9200	8384.22	3693.68	11179.73	9805.42
8830-2-9865-69-5010-9200	25531.61	14241	846.53	
<b>Grand Total</b>	<b>274583.83</b>	<b>283063.93</b>	<b>823574.66</b>	<b>731568.74</b>

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities

DE 16-383

Distribution Service Rate Case

Staff Data Requests - Set 8

Date Request Received: 8/19/16  
Request No. Staff 8-33

Date of Response: 9/2/16  
Respondent: Mark Smith

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**REQUEST:**

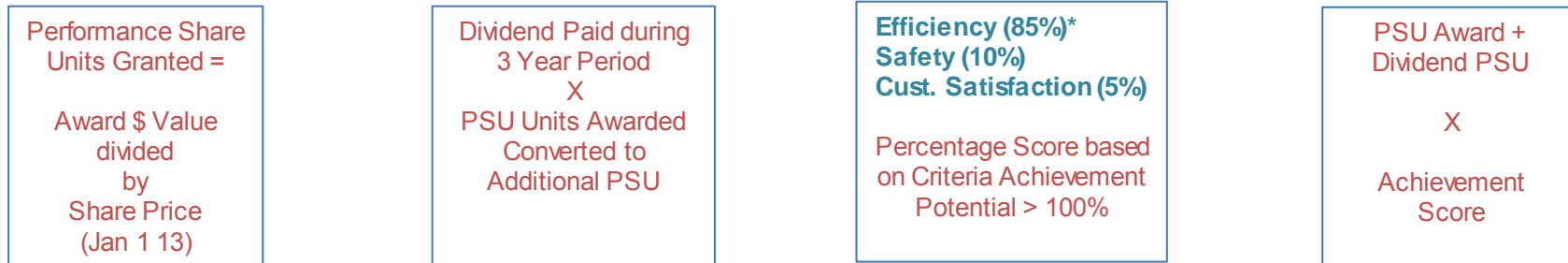
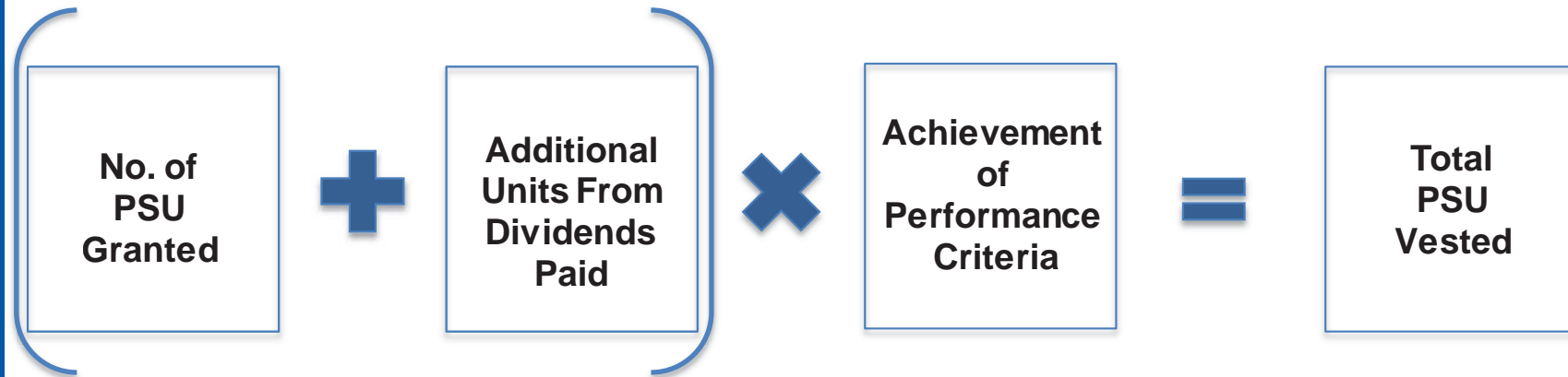
Incentive compensation: Please confirm that Total Awards is the only manager and above incentive compensation plan. If there are other incentive compensation plans for managers and above, for each plan, are there costs included within the revenue request in this proceeding?

- a. If so, please provide summary of the plan
- b. Amounts included in 2015 in operating expense and the amount capitalized
- c. Amounts included in the pro forma 2016 in operating expense and the amount capitalized
- d. Goals that must be met including their ranking for award
- e. Please provide the potential award and the actual award in 2013, 2014, and 2015.

**RESPONSE:**

- a. There is one additional plan that applies: the Long Term Incentive Plan, otherwise known as the Performance Share Unit Plan. A copy of the LTIP Plan was provided in Attachment Staff 6-30.a.3.
- b. The amount charged to operating expense for the LTIP Plan in 2015 was \$33,554. No amount was capitalized.
- c. There was no proforma adjustment to 2016 for the LTIP Plan beyond the test year amount that was included in operating expense.
- d. Please see Attachment Staff 8-33.d for an outline of the Plan and an example of an award payment.
- e. There were no potential or actual awards in 2013, 2014 or 2015. The first award will be eligible in 2016.

# PSU AWARD – PROGRAM OUTLINE



\* Note: Efficiency criteria is 75% Base Efficiency Factor/25% Directional Efficiency Factor weighted.



# AWARD VESTING EXAMPLE-SILVER AWARD

Docket No. DE 16-383  
Attachment Staff 8-33.d  
Page 2 of 2

• Award value in Award Agreement				<b>\$ 20,000</b>
• Market value of APUC Shares at the end of year preceding the award				<b>\$ 7.37</b>
• PSU Award based on Award Dollar Value and Market Value of APUC Shares				<b>2,713</b>
• PSU from dividends paid on APUC shares over 3 Year Performance Period				<b>137</b>
• Total PSUs at end of 3 Year Performance Period				<b>2,850</b>
• Hypothetical performance against LTIP Scorecard				
Safety Factor	1.05			
Efficiency Factor	1.10			
Customer Satisfaction Achievement Factor	0.95			
			Actual	
			Performance	
<u>Weighted Average</u>		<u>Weighting</u>		
Safety Achievement Factor	10%		1.05	
Efficiency Achievement Factor	85%		1.10	
Customer Satisfaction Achievement Factor	5%		0.95	
Performance Adjustment Factor				1.09
(Weighted average of above)				
• Number of PSU's which vest at the end of 3 Year Performance Period (1.09*2,850)				<b>3,106</b>
• Hypothetical APUC Share Price at the end of 3 Year Performance Period				<b>\$8.50</b>
• Hypothetical LTIP Award Payment in 2016				<b>\$26,405</b>



Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities

DE 16-383  
Distribution Service Rate Case

Staff Data Requests - Set 6

Date Request Received: 8/4/16  
Request No. Staff 6-32

Date of Response: 8/19/16  
Respondent: Mark Smith

---

**REQUEST:**

**Severance Pay:** State whether the test year include any amounts for severance pay. If yes, provide the amount included in the adjusted test year and identify the account charged.

**RESPONSE:**

The test year did include amounts for severance pay. The amount included in the adjusted test year is \$47,473, which was charged to the following account numbers: 8830-2-9815-69-5010-9200; 8830-2-9860-69-5010-9200; 8830-2-0000-69-5010-9030; and 8830-2-9820-69-5010-9200.

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities

DE 16-383  
Distribution Service Rate Case

Staff Data Requests - Set 10

Date Request Received: 10/14/16  
Request No. Staff 10-2

Date of Response: 10/28/16  
Respondent: Mark Smith

---

**REQUEST:**

Payroll: Reference Staff 6-32: The response states that the test year included amounts for severance pay.

- a. What were the circumstances that resulted in severance pay being paid?
- b. What were the positions of the persons that received severance pay?
- c. Was any of the severance pay a consequence of the transition to or from National Grid to Liberty?

**RESPONSE:**

- a. Severance was paid as a result of releasing employees due to job performance or a decision to make leadership changes.
- b. The positions receiving severance were the President – NH, the Manager Environment, Health, Safety and Security and the Manager Meter Data Services.
- c. None of the severance pay was a consequence of the transition to or from National Grid.



# ACCOUNTING FOR PUBLIC UTILITIES

---

## Volume 1

ROBERT L. HAHNE

GREGORY E. ALIFF

DELOITTE & TOUCHE LLP

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2015

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MATTHEW  BENDER

(Rel. 32-12/2015 Pub.016)

## CHAPTER 5

# Working Capital Component of Rate Base

### SYNOPSIS

- § 5.01 Fuel Inventory
- § 5.02 Materials and Supplies
- § 5.03 Prepayments
- § 5.04 Cash Working Capital
  - [1] Formula Approach
  - [2] Lead-Lag Study
    - [a] Revenue Lag
    - [b] Expense Lag
      - [i] Operating and Maintenance Lag
      - [ii] Depreciation and Deferred Tax Lag
      - [iii] Current Income Tax Lag
      - [iv] Taxes Other Than Income Tax Lag
      - [v] Total Expense Lag
      - [vi] Net Operating Income
      - [vii] Other Cash Working Capital Requirements in Lead-Lag Studies
  - [3] Balance Sheet Approach

The financial analyst's perspective of working capital reflects a measure of financial liquidity (i.e., the availability of cash on hand and other current assets that are readily convertible to cash that may be used to meet liabilities that must be paid in the current business cycle). This financial liquidity measure is based on a comparison of current assets to current liabilities at a point in time.

The ratemaking perspective of working capital is quite different. For ratemaking purposes, working capital is a measure of the amount of funding needed to satisfy the level of the daily operating expenditures and a variety of non-plant investments that are necessary to sustain ongoing operations of the utility. The ratemaking measure of working capital is designed to identify these ongoing average funding requirements over a test period.

Regulatory commissions vary as to the identification of individual components of working capital; however, in general, the components are:

- (1) fuel inventory;
- (2) materials and supplies (M&S);
- (3) prepayments; and



(4) cash working capital.

These components are discussed in the sections below, with particular attention given to cash working capital as this is often the most controversial item.

**§ 5.01 Fuel Inventory**

Determination of the fuel inventory component of working capital often parallels the method used for determining the plant investment component of rate base. For example, average balances during the year may be used in the case of an average-year rate base, and year-end balances may be used in the case of a year-end rate base. If the monthly balances are volatile, however, an average balance may be used in either situation. Also, the balance may be based on historic data or on forecasted data, depending on the test period.

On occasion, some regulatory commissions restrict the level of fuel inventory to a set number of days of supply. As an example, a commission may conclude that the level of coal inventory should be limited to 75 days of supply even though the actual quantity is 90 days of supply. Such a restriction would be made only if the commission concludes the additional inventory supply is an imprudent management decision. Levels of fuel inventory are affected by a variety of conditions, including purchase contracts, alternative generating sources, weather, transportation conditions, and a host of other factors. The investment in these fuel inventories is most often substantial. Prudent management, therefore, will not maintain a larger fuel inventory investment than that required to assure a dependable fuel supply.

A commission should have to be absolutely convinced that a lower level of fuel inventory could be maintained without affecting the assured supply of fuel before it reduces the amounts allowed in the rate base from that which is actually maintained. A disallowance would almost certainly force the utility to lower its level of fuel inventory. If such a reduction is not consistent with sound operating conditions, the regulatory decision is contrary to the public's interest.

At the other end of the spectrum, some argue that the anticipated quantities of fuel stocks needed during the period the rates will be in effect should be allowed in the rate base. This position is theoretically valid on the basis that rates should be designed to recover costs as incurred (including the cost of financing fuel inventory). An even better theoretical measure would be to value the anticipated inventory level at a projected price throughout the period that the rates are anticipated to be in effect.

**§ 5.02 Materials and Supplies**

A 13-month average of materials and supplies is used if the balances are volatile, and forecasted amounts are typically used when the test period is based on projected data. One issue raised by regulatory commissions from time to time in the determination of materials and supplies inventory to be included in working capital is to request that M&S inventories be segregated into the portion to be used for construction and the portion to be used for operations. It is argued that M&S inventory to be used for construction is similar to construction work in progress (CWIP) and, where CWIP investment is not allowed to earn a current return, M&S inventory for construction activities should also not be allowed to earn a current return. The problem

(Rel. 32-12/2015 Pub.016)



with this approach is the potential loss of the utility's ability to recover the carrying costs on the construction related M&S inventories. It is generally recognized that any dollar of investment should earn either a current return through inclusion in the rate base or that the financing cost of the investment should be allowed to be capitalized for future recovery through allowance for funds used during construction (AFUDC). However, if a regulatory commission disallows the materials and supply investment in construction-related materials, the commission should specifically prescribe that the financing costs of such investment be capitalized. Implementation of such a policy would be unduly burdensome, however, because it would require applying the carrying cost to the many individual supply items that may end up in construction or in operation. In addition, accounting problems exist because the controlling uniform system of accounts does not permit the capitalization of inventory carrying costs. Also, accounting principles generally accepted in the United States of America (GAAP) do not permit the capitalization of any equity component of inventory carrying costs. From a practical and theoretical standpoint, all M&S inventory, including the construction-related items, should be included in the rate base.

### § 5.03 Prepayments

Prepayments as a component of working capital represent an investment of funds that is generally included in the rate base if that investment has not been recognized elsewhere, such as in cash working capital. Prepayments represent cash payments that are made in advance of the period to which they apply and include items such as prepaid rents, insurance, and taxes. The amounts normally allowed are based on the same standards outlined above for fuel inventories and M&S inventories.

From a theoretical standpoint, the average measurement period should encompass more than a single test year review, since certain prepayments (such as prepayments for insurance coverage) often are made for periods in excess of one year. Therefore, one approach would be to measure the prepaid balances over whatever the longest cycle of any individual component of the prepayment item. In a period of continuing inflation or price increases, it is inequitable to make such a measurement based solely on prior years. Thus, prepayments are best measured by averaging the amount of prepayments over the period that rates will be in effect. For a three-year prepayment period, for example, it would seem to be a fair measurement of the average investment required for prepaid expenses to use the most recent historical year as well as the test year and one year into the future.

### § 5.04 Cash Working Capital

The determination of cash working capital is one of the most controversial elements in ratemaking. Even though cash working capital generally represents a small portion of the total investment in the rate base, it often consumes a significant portion of the hearing time in a regulatory proceeding.

One of the first problems in determining cash working capital is to agree on its definition. Many practitioners consider that cash working capital represents the investment requirement for cash to pay for operating expenses, to maintain compensating cash balances, and to provide for similar needs. If the usual definition of total

**Final Report on  
A Management and Operations Audit of  
The Customer Service and Accounting  
Functions of Liberty Utilities**

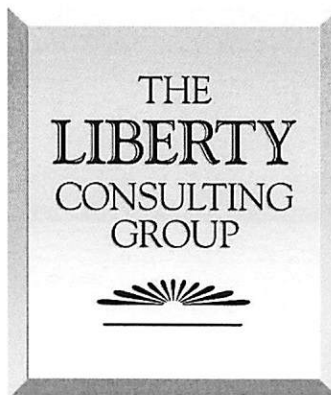
**Public Version**  
*Confidential Materials are Redacted*

**Presented to:**

*New Hampshire Public Commission  
Service Commission*

**Presented by:**

*The Liberty Consulting Group*



**August 12, 2016**

**279 North Zinns Mill Rd, Suite H  
Lebanon, Pennsylvania 17042**

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LU-NH does not have a Contact Center specific emergency/storm plan in place. The Contact Center's role and response during a large outage or storm is minimally defined in LU's Electric Emergency Response Plan (Appendix N). The level of detail provided in the four-page appendix is insufficient to guide Contact Center management and staff during a large outage or storm.

**18. Business Continuity Plan for Customer Care is not sufficiently complete.**  
(Recommendation 7)

The 2015 Customer Care Business Continuity Plan provided during the audit period was incomplete, and remained under development. Company-wide, Business Continuity Plans have been under review and development since 2015. LU projects a completion date of April 30, 2016 for Customer Care.

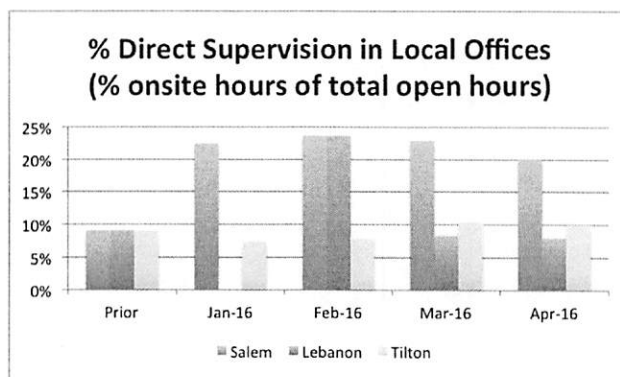
**19. Supervision at satellite offices and call monitoring have not been sufficient to support optimization of performance.** (Recommendations 9)

LU operates three satellite offices staffed with CSRs who serve walk-in customers, answer incoming customer calls, and perform other desk duties in between customers. Providing local offices for customers is a key customer service strategy for Liberty Utilities. Insufficient supervision has led to issues in quality and employee misconduct in the satellite offices.

Since opening four offices in New Hampshire, LU has been forced to close two of the four offices at different points to address employee misconduct. Management closed the Lebanon office from September 2015 through mid-February 2016, releasing the majority of Customer Service employees reporting to that location and rehiring and training replacements. The Tilton Office experienced similar issues.

Management staffed each of the satellite offices with three or four employees working full time from 9 a.m. to 5 p.m., Monday through Friday. Staffing generally included one lead CSR and two or three CSRs. A manager or supervisor visits the offices periodically. In 2015, these supervisory visits generally occurred once a week, lasting about four hours at each office.

In January 2016, LU-NH formalized a visitation calendar to provide more supervisory coverage in the offices. This approach has increased the amount of time spent at each office, as the following chart shows. Nevertheless, employees still operate without onsite supervision or management for 80 to 90 percent of the work hours each week.



Note: onsite time is calculated based on 4 hours for each visit



Call quality monitoring poses another problem. LU-NH has not fully developed a call quality monitoring program. On average, CSRs were only monitored four times in 2015. The lack of onsite supervision and minimal call monitoring results in very limited management visibility into CSR performance at these satellite locations.

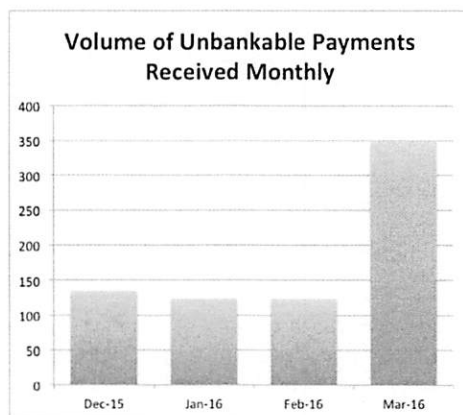
**20. Management does not process customer payments consistently or timely.**  
(Recommendation 2)

Check payments received in LU-NH's walk-in locations and at the Londonderry HQ get held for up to a week awaiting bank courier pickup. Payments get credited to customer accounts at the time of receipt, but check deposit is delayed.

Due to delays in processing payments for customers with multiple accounts (paying with one check), many of these customers have been instructed to send payments directly to the Londonderry office for processing, bypassing the lockbox, requiring manual scanning by LU-NH Finance personnel to process them.

Customers paying through third-party vendors (BillMatrix/Fiserv, Western Union, Checkfree/Fiserv) do not receive credit for their payment until LU-NH posts the payment files. Many customers have complained about lengthy delays in processing payments, especially customers paying electronically through local banks or credit unions bill pay services. Banks not part of Fiserv's electronic banking network print and send paper checks in place of an electronic payment. This step slows down the payment receipt process.

Any payments that cannot be processed by LU's third-party vendors, whether by physical check or through an online portal, are returned to LU as unbankable payments. Liberty Utilities did not begin tracking the volume of unbankable payments received until December 2015. The following chart details the volume of unbankable payments received from December 2015 to March 2016.



The numbers appear relatively low, but each represents a payment submitted to Liberty Utilities to be applied to a customer balance. Until these unbankables are researched and resolved, payment processing is delayed. Depending upon the month of receipt, delay in the processing could result in some customers being disconnected for non-payment.



LU-NH began a call quality monitoring program in 2015. However, it has not been fully developed or implemented. While this is an important step in helping employees and management recognize the importance of the “customer experience”, more should be done to further develop the program and emphasize the importance of service quality.

- Revise call evaluation criteria to include components that monitor compliance with PUC administrative rules.
- Monitor inbound customer care calls as well as manual outbound dunning calls.
- Commit the resources to adequately monitor, evaluate, and discuss results. Effective call monitoring is all about commitment of resources.
- Implement coaching training to ensure that supervisors, trainers, and managers are equipped to provide constructive coaching feedback and developmental guidance.
- Develop and evaluate coaching performance (observe and coach).
- Introduce performance measures to track team progress and performance and hold coaches and supervisors accountable for team’s improvement.

**6. Review and revise billing performance metrics to be more reflective of operational performance and track billing performance consistently between the Balanced Scorecard and the metrics reported to the NHPUC. (Conclusion 16)**

LU-NH tracks different billing performance metrics in the Balanced Scorecard than are reported to the NHPUC. Discussions should be held with PUC staff to establish billing metrics that are reflective of the current system and process used by LU-NH to issue and print bills. The metrics should also be tracked in the corporate Balanced Scorecard.

**7. Update Contact Center business continuity plans and create a Call Center-specific storm plan to mitigate risk. (Conclusion 17 and 18)**

LU-NH has not updated its Contact Center Disaster Recovery plans. They do not reflect the current options for continuity. LU-LABS has established options for contact center continuity in the case of inoperability at any of its contact centers, but LU-NH has not appropriately updated the Contact Center operational section of its disaster recovery plans. LU-NH should update its formal Contact Center Disaster Recovery plans to reflect established options for contact center continuity in the event of inoperability within the Contact Center or any of the four satellite offices.

**8. Improve web-based billing and payment self-services. (Conclusion 13)**

Customers generally visit a website to make a payment, which requires knowledge of the current and prior balances due. Most expect to be able to view prior bills and payment history, so they can verify that a payment was received before they make another. While LU-NH has added more features, customers must sign up for two different services to obtain both billing and payment information, and by signing up for billing information, willingly discontinue receiving a paper bill. LU needs further improvement to its website to make it easier for customers to view billing and payment history and to make one-time and recurring payments.

**9. Increase the level of supervisory coverage in the satellite offices. (Conclusion 19)**

The lack of onsite supervision and minimal call monitoring results in very limited management visibility into CSR performance at LU-NH’s satellite locations. LU-NH should dedicate additional supervisory resources to provide fulltime supervisory coverage in the satellite offices.

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities

DE 16-383  
Distribution Service Rate Case

Staff Data Requests - Set 3

Date Request Received: 7/8/16  
Request No. Staff 3-70

Date of Response: 7/22/16  
Respondent: Susan Houghton-Fenton

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**REQUEST:**

Reference Filing, Direct Testimony of Susan Houghton-Fenton, at 4-5 (Bates 354-355). In terms of the backlog of unbilled accounts in 2014-2015, what was the total cost to the Company to eliminate the backlog in the test year?

**RESPONSE:**

Liberty Utilities reduced the backlog of unbilled accounts starting in January 2015 by:

1. Increasing overtime for its existing permanent labor force; and
2. Bringing on temporary labor.

As detailed in Attachment Staff 3-70.1 and Attachment Staff 3-70.2, the cost to Granite State Electric for eliminating the backlog in the 2015 test year was \$34,464.53:

- \$27,245.03 for permanent employee overtime; and
- \$7,219.50 for temporary labor.

2015 Billing Department Overtime Supporting GSE Backlogs

Row Labels	Sum of Pay Amount
<b>January</b>	<b>\$ 6,665.36</b>
8830-2-0000-69-5010-9030	\$ 6,665.36
<b>February</b>	<b>\$ 4,243.20</b>
8830-2-0000-69-5010-9030	\$ 4,243.20
<b>March</b>	<b>\$ 4,892.94</b>
8830-2-0000-69-5010-9030	\$ 4,892.94
<b>April</b>	<b>\$ 3,825.51</b>
8830-2-0000-69-5010-9030	\$ 3,825.51
<b>May</b>	<b>\$ 2,048.67</b>
8830-2-0000-69-5010-9030	\$ 2,048.67
<b>June</b>	<b>\$ 1,517.09</b>
8830-2-0000-69-5010-9030	\$ 1,517.09
<b>July</b>	<b>\$ 2,565.81</b>
8830-2-0000-69-5010-9030	\$ 2,565.81
<b>August</b>	<b>\$ 1,486.45</b>
8830-2-0000-69-5010-9030	\$ 1,486.45
<b>Grand Total</b>	<b>\$ 27,245.03</b>

2015 Billing Department Temp Salaries Supporting GSE Backlogs

Row Labels	Sum of Amount to GL#	
<b>February</b>	<b>\$</b>	<b>1,197.00</b>
8830-9865-cust	\$	1,197.00
<b>March</b>	<b>\$</b>	<b>2,190.00</b>
8830-9865-cust	\$	2,190.00
<b>April</b>	<b>\$</b>	<b>3,124.50</b>
8830-9865-cust	\$	3,124.50
<b>May</b>	<b>\$</b>	<b>708.00</b>
8830-9865-cust	\$	708.00
<b>Grand Total</b>	<b>\$</b>	<b>7,219.50</b>

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities

DE 16-383  
Distribution Service Rate Case

Staff Data Requests - Set 10

Date Request Received: 10/14/16  
Request No. Staff 10-5

Date of Response: 10/28/16  
Respondent: Mark Smith

---

**REQUEST:**

Payroll: Reference Staff 6-30: The 2015 Balance Score card includes the following major business categories: Efficiency, Operations, Customer, and Employee. The Plan Document states that each object is allocated a weighting.

- a. What was the weight for each major business category in the 2015 Balance Score card?
- b. What is the weight for each major business category in 2016 Balance Score card?
- c. What are the total dollars included within the Company's revenue request for Short Term Incentive Plan? Please break out the amounts by expense and rate base in both the test year and pro forma adjustments.
- d. What are the total dollars included within the Company's revenue request for LU Discretionary Shared Bonus Pool? Please break out the amounts by expense and rate base in both the test year and pro forma adjustments.

**RESPONSE:**

- a. Please refer to Attachment Staff 6-30.b.xlsx under the 2015 tab. Each major business category has several line items, and each line item has a weighting under the column titled "Weight." The weights are "points" assigned to each line item, and the number of points for each category (the weighting for the category) is the sum of the points of the individual line items for that category. By adding the percentages for each line item in each category that are on Attachment Staff 6-30.b.xlsx, one can determine the weighting for that category.
- b. The weighting for 2016 is not yet known.
- c. For 2015, Incentive Compensation total bonus at Target was \$1,586,783 for employees charging time to Granite State. The amount reflecting time charged to Granite State (i.e., for each employee, Target bonus multiplied by the percentage charged to Granite State) was \$723,262. Of this, \$500,147 was charged to Operations and the balance was capitalized.

Docket No. DE 16-383 Request No. Staff 10-5

For 2016, Incentive Compensation total bonus at Target is \$1,632,391 for employees charging time to Granite State. The Target amount reflecting time charged to Granite State (i.e., for each employee, Target bonus multiplied by the anticipated percentage charged to Granite State) is \$743,462. Of this, \$514,260 is anticipated to be charged to Operations and the balance will be capitalized.

- d. See response to subpart c. The Short Term Incentive Plan and Shared Bonus Pool were combined into the Incentive Computation included in the rate case schedules.

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities

DE 16-383  
Distribution Service Rate Case

Staff Data Requests - Set 11

Date Request Received: 10/19/16  
Request No. Staff 11-6

Date of Response: 11/2/16  
Respondent: Tisha Sanderson

---

**REQUEST:**

Reference Schedule RR-5-1, Line 2 0Bates 164). Please provide the information for prepayment by sub-account (for example account 165.01, 165.02 etc.).

**RESPONSE:**

Please see Attachment Staff 11-6.xlsx.

Period ID (Multiple Items)

Sum of Net Amount		Column Labels					
Row Labels		2012	2013	2014	2015	Grand Total	
<b>8830-2-0000-10-1240-1650</b>	\$	<b>121,655.00</b>	\$ (121,655.00)	\$ -	\$ 262,917.69	\$	<b>262,917.69</b>
Prepays	\$	121,655.00	\$ (121,655.00)	\$ -	\$ 262,917.69	\$	262,917.69
<b>8830-2-0000-10-1240-1651</b>	\$	<b>(3,227.63)</b>	\$ <b>3,227.63</b>			\$	-
Prepaid Employee Insurance	\$	(3,227.63)	\$ 3,227.63			\$	-
<b>8830-2-0000-10-1240-1653</b>	\$	<b>1,810,952.72</b>	\$ (1,101,007.98)	\$ 40,168.92	\$ 175,815.92	\$	<b>925,929.58</b>
Prepaid Taxes-Mun-Property-Oper	\$	1,810,952.72	\$ (1,101,007.98)	\$ 40,168.92	\$ 175,815.92	\$	925,929.58
<b>Grand Total</b>	\$	<b>1,929,380.09</b>	\$ (1,219,435.35)	\$ 40,168.92	\$ 438,733.61	\$	<b>1,188,847.27</b>



000142

000143



Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities

DE 16-383  
Distribution Service Rate Case

Staff Data Requests - Set 12

Date Request Received: 10/21/16  
Request No. Staff 12-6

Date of Response: 11/3/16  
Respondent: Mark Smith

---

**REQUEST:**

Audit Report, p. II-32, Recommendation 9, and Conclusion 19. Please quantify the test year costs associated with releasing firing and hiring the staff in the Lebanon and Tilton offices. Please quantify (separately) the payroll and benefits costs incurred as compensation to employees that were engaged in misconduct during the test year.

**RESPONSE:**

Approximate test year cost for the hiring and termination of the staff in the Lebanon office is \$2,100. The terminated employees were not offered severance and the hired staff did not start until January 2016. Recruiting efforts were made in the test year and job offers were made at the end of the test year. The approximate cost reflects the amounts associated with recruiting, pre-employment drug testing, and background checks.

Approximate test year costs for the hiring and termination of the staff in the Tilton office is \$4,200. Terminated employees were not offered severance. The approximate cost reflects the amounts associated with training costs, pre-employment drug testing, and background checks. The Tilton positions were filled with three temporary contractors and one full-time employee.

The payroll and benefits cost incurred in the test year associated with the employees that were engaged in misconduct are as follows:

Lebanon

Employee 1: \$27,343

Employee 2: \$27,343

Tilton

Employee 1: \$16,258.00

Employee 2: \$16,258.00

Temp Contractor 1: \$10,584.00

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities

DE 16-383  
Distribution Service Rate Case

Staff Data Requests - Set 10

Date Request Received: 10/14/16  
Request No. Staff 10-22

Date of Response: 10/28/16  
Respondent: Howard Gorman

---

**REQUEST:**

Step Adjustment: Reference Bates 0147, Schedule RR-3-04: Insurance costs total \$2,176,070 which is the amount included within the Company's insurance adjustment. The insurance included in the Step Increase appears to be all of the insurance including CGL, Fiduciary Liability, Employment Practices, Auto, Workers Comp, Property.

- a. Please explain why it would be appropriate to include each type of insurance in the Step Increase when it is based on an increase in plant in service?

**RESPONSE:**

- a. Insurance expense in the revenue requirement is \$545,222, representing the filed amount of \$676,070 (RR-03-04, line 19) less Workers Comp insurance of \$130,848, which was incorrectly double counted (see response to Staff 9-13) of which approximately \$519,000 (over 95%) varies with plant in service (CGL and excesses- \$440,000; Property- \$54,000; Auto- \$24,000; and a portion of Brokerage Fee).

The Company would not object to excluding the costs for Fiduciary Liability, Employment Practices, Workers Comp, and the related portion of Brokerage Fee, from the Step computation.

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities

DE 16-383  
Distribution Service Rate Case

Staff Data Requests - Set 10

Date Request Received: 10/14/16  
Request No. Staff 10-23

Date of Response: 10/28/16  
Respondent: Howard Gorman

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**REQUEST:**

Step Adjustment: Reference Staff 6-44.

- a. How has the Company recognized bonus depreciation in its step increase?
- b. If not, why not?

**RESPONSE:**

- a. Bonus depreciation applies to tax depreciation; book depreciation is not affected by it. Bonus depreciation was not reflected in the computation of ADIT for the Step.
- b. The Step increase is based on a snapshot. However, the Company would not object to increasing the Deferred Tax Balance (Schedule RR-Step, line 18) to reflect first year bonus depreciation for tax purposes.