

1                                   **STATE OF NEW HAMPSHIRE**2                                   **PUBLIC UTILITIES COMMISSION**3  
4   **October 11, 2019 - 1:37 p.m.**  
5   Concord, New Hampshire\* \* **REDACTED** \* \*  
(For *PUBLIC* Use)

NHPUC 1NOV19AM11:09

6  
7           **RE: DG 19-145**  
8           **LIBERTY UTILITIES (ENERGYNORTH**  
9           **NATURAL GAS) CORP: d/b/a**  
10           **LIBERTY UTILITIES:**  
11           **Winter 2019/2020 Cost of Gas and**  
12           **Summer 2020 Cost of Gas.**13  
14           **PRESENT:**   Cmsr. Kathryn M. Bailey, Presiding  
15                           Cmsr. Michael S. Giaimo

16                           Sandy Deno, Clerk

17           **APPEARANCES:**   **Reptg. Liberty Utilities (EnergyNorth**  
18                           **Natural Gas) Corp. d/b/a Liberty**  
19                           **Utilities:**  
20                           Michael J. Sheehan, Esq.21                           **Reptg. Residential Ratepayers:**  
22                           Christa Shute, Esq.  
23                           Office of Consumer Advocate24                           **Reptg. PUC Staff:**  
                          Mary Schwarzer, Esq.  
                          Stephen Frink, Dir./Gas & Water Div.  
                          Al-Azad Iqbal, Gas & Water Division                          Court Reporter:   Steven E. Patnaude, LCR No. 52  
  (Transcribed from audio file)**CERTIFIED**  
**ORIGINAL TRANSCRIPT**

## I N D E X

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DAVID B. SIMEK  
CATHERINE A. McNAMARA  
DEBORAH M. GILBERTSON  
MARY E. CASEY

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2	EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	1	Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities Winter 2019/2020 and Summer 2020 Cost of Gas filing (09-03-19) <b>{CONFIDENTIAL &amp; PROPRIETARY}</b>	<i>premarked</i>
6	2	Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities Winter 2019/2020 and Summer 2020 Cost of Gas filing, including Testimonies, Tariff Pages, Table of Contents, and Schedules (09-03-19) <i>[REDACTED - For PUBLIC Use]</i>	<i>premarked</i>
11	3	Revised Testimony of D. Simek & C. McNamara, including Revised Tariff Pages & Revised Attachments (10-08-19)	<i>premarked</i>
14	4	Proposed Fourth Revised Tariff Page 34 (10-10-19)	<i>premarked</i>
15	5	Testimony of Al-Azad Iqbal, including attachment (10-08-19)	<i>premarked</i>
17	6	Liberty Response to Staff 1-9 <b>{CONFIDENTIAL &amp; PROPRIETARY}</b>	<i>premarked</i>
18	7	Liberty Response to Staff 1-9 <i>[REDACTED - For PUBLIC Use]</i>	<i>premarked</i>
20	8	Liberty Response to Staff 2-3	<i>premarked</i>
21	9	Highlighted version of Exh. 3	<i>premarked</i>
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**P R O C E E D I N G**

1  
2 CMSR. BAILEY: Okay. Good afternoon.  
3 We're here today in Docket Number DG 19-145,  
4 which is Liberty Utilities (EnergyNorth) Cost  
5 of Gas filing for the period from November 2019  
6 through October 2020.

7 Let's start with appearances.

8 MR. SHEEHAN: Good afternoon,  
9 Commissioners. Mike Sheehan, for Liberty  
10 Utilities (EnergyNorth Natural Gas) Corp.

11 MS. SCHWARZER: Good afternoon,  
12 Commissioners.

13 MS. SHUTE: Sorry.

14 MS. SCHWARZER: That's okay.

15 MS. SHUTE: Christa Shute, with the  
16 Consumer Advocate, on behalf of ratepayers.

17 MS. SCHWARZER: Good afternoon. Mary  
18 Schwarzer, representing Staff. With me is  
19 Stephen Frink, Director of the Gas & Water  
20 Division, and Al-Azad Iqbal, a Utility Analyst.

21 CMSR. BAILEY: All right. I see that  
22 the witnesses are positioned.

23 Are there any preliminary matters we  
24 need to address?

1 MR. SHEEHAN: A couple minor ones.  
2 We have worked with Staff and have an exhibit  
3 list. I believe it's been typed and is in  
4 front of you.

5 Exhibit 1 is the confidential version  
6 of our original filing; Exhibit 2 is the  
7 redacted version. Exhibit 3 is the revised  
8 filing we made on October 8, which changed a  
9 handful of pages in the original filing.  
10 Exhibit 4 is a revised tariff page, which has  
11 been discussed in Mr. Iqbal's testimony.  
12 Exhibits 6, 7, and 8 are data responses. And  
13 they're itemized as the 1-9, in confidential  
14 version of 1-9, and 7 is the redacted version  
15 of 1-9, and Exhibit 8 is Staff 2-3. And, last,  
16 Exhibit 9, at Staff's request, we prepared a  
17 version of Exhibit 3, the revisions, with the  
18 changes highlighted. So, it's easier to  
19 identify what changed from the original filing  
20 to those pages in Exhibit 3.

21 The documents that we've marked as  
22 "confidential", we assert confidentiality under  
23 Puc 201.04(a)(5) and 201.06(a)(11), which  
24 presumes certain information in cost of gas

1 filings to be confidential.

2 Otherwise, our witnesses are ready to  
3 go.

4 MS. SCHWARZER: Just as a preliminary  
5 matter, the changes that were made in the  
6 October 8th filing increased the savings  
7 available to the customers. So, the difference  
8 between the Petition prices that -- the costs  
9 -- the rates from last year and this year are  
10 both lower in the Petition as filed, and again  
11 lower in the October 8th filing.

12 Had that been otherwise, Staff might  
13 have had concerns about notice to parties that  
14 may have been interested in participating.  
15 But, as it is, Staff has no concerns with  
16 notice.

17 CMSR. BAILEY: Okay. Thank you. All  
18 right. Are we ready to swear the witnesses in?  
19 Okay.

20 Could you all raise your right hand  
21 please.

22 (Whereupon **David B. Simek,**  
23 **Catherine A. McNamara,**  
24 **Deborah M. Gilbertson,** and

1                   **Mary E. Casey** were duly sworn by  
2                   Cmsr. Bailey.)

3                   CMSR. BAILEY: Thank you. All right.  
4                   Mr. Sheehan.

5                   MR. SHEEHAN: Thank you.

6                   **DAVID B. SIMEK, SWORN**

7                   **CATHERINE A. McNAMARA, SWORN**

8                   **DEBORAH M. GILBERTSON, SWORN**

9                   **MARY E. CASEY, SWORN**

10                  **DIRECT EXAMINATION**

11 BY MR. SHEEHAN:

12 Q       Let's start with Ms. McNamara. And you filed,  
13       and it's been marked as part of Exhibit 1 and 2  
14       and 3, joint testimony with Mr. Simek in this  
15       matter, is that correct?

16 A       (McNamara) Correct.

17 Q       And could you first tell us your name and your  
18       position with the Company?

19 A       (McNamara) Catherine McNamara. I'm a Rates  
20       Analyst in Regulatory Affairs.

21 Q       And the information contained in your testimony  
22       with Mr. Simek, are there any changes you need  
23       to make to that testimony?

24 A       (McNamara) There are two minor changes. On

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 Bates Pages 046 and 047, in the red-lined  
2 "Rate" column heading for the Winter Period,  
3 the red-lined should read "Rates effective  
4 April 1st of 2019 to April 30th of 2019", not  
5 "April 30th of 2020".

6 Q And that's in the heading of that column, is  
7 that correct?

8 A (McNamara) Correct.

9 Q Other than that change, and, obviously, the  
10 changes incorporated in our --

11 MS. SCHWARZER: Excuse me. I'm  
12 sorry. I just couldn't follow the change.

13 MR. SHEEHAN: Sure.

14 MS. SCHWARZER: Are we on Bates Page  
15 046 Revised?

16 WITNESS SIMEK: Yes.

17 WITNESS McNAMARA: Yes.

18 MS. SCHWARZER: And, on the column  
19 that is highlighted in the portion with changes  
20 in it, the date that I see on the top is  
21 "November 1, 2019 to April 30th, 2020".

22 WITNESS McNAMARA: It's the date  
23 that's actually red-lined. It's the former  
24 version.

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 MS. SCHWARZER: Oh, the former  
2 version. Thank you very much.

3 CMSR. BAILEY: Now, I'm confused.  
4 *(Cmsr. Bailey and Cmsr. Giaimo*  
5 *conferring.)*

6 CMSR. BAILEY: All right. Thank you.

7 BY MR. SHEEHAN:

8 Q Other than that change, and those changes that  
9 are part of the filing we made, do you have any  
10 further changes to your testimony or your  
11 schedules?

12 A (McNamara) No.

13 Q And do you adopt your testimony and schedules  
14 as your testimony here today?

15 A (McNamara) Yes, I do.

16 Q Can you give us a high-level view of what the  
17 effects of the proposed rates in this docket  
18 are, the change from last year to this year?

19 A (McNamara) Sure. The Winter '19/20 Residential  
20 Non-FPO rate, we filed for 0.6203, which is  
21 down 12 cents from last year's filing, or 15  
22 percent. The FPO rate we filed for is 0.6403.  
23 The Commercial/Industrial High Use is 0.6190,  
24 and the Commercial/Industrial Low Use is

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1 0.6258.

2 Q And the rough percentage change for a  
3 residential customer from last year to this  
4 year is what?

5 A (McNamara) Approximately 16 percent.

6 Q Reduction, correct?

7 A (McNamara) Correct.

8 Q Thank you. Mr. Simek, your name and position  
9 with the Company please?

10 A (Simek) David Simek. And I'm Manager of Rates  
11 and Regulatory Affairs.

12 Q And did you participate in the preparation of  
13 the testimony and the revised testimony that's  
14 been marked as Exhibits 1 through 3?

15 A (Simek) Yes, I did.

16 Q And, other than the changes already discussed  
17 by Ms. McNamara and in the revised filings, do  
18 you have any further changes to those  
19 documents?

20 A (Simek) I do not.

21 Q And do you adopt those, that testimony and  
22 schedules, as your testimony here today?

23 A (Simek) I do.

24 Q Ms. Gilbertson, your name please and position

1 with the Company?

2 A (Gilbertson) Deborah Gilbertson, Senior Manager  
3 of Energy Procurement.

4 Q Did you file testimony in this matter?

5 A (Gilbertson) Yes, I did.

6 Q And it appears beginning at Page 21, I believe,  
7 is that correct?

8 A (Gilbertson) Yes, it is.

9 Q Do you have any changes to your testimony?

10 A (Gilbertson) Yes, I have a minor change on  
11 Bates Page 033. On Line 18, the word "lower"  
12 should be stricken, and the word "higher"  
13 should be put in its place. And the number  
14 "19.3 million" should be stricken, and the  
15 actual number is "17,220,159".

16 Q And could you just briefly tell us what that  
17 change is?

18 A (Gilbertson) Yes. It was a -- it's a change in  
19 the forecasted volume from last year. It was  
20 put in there -- it was incorrectly put in  
21 there.

22 Q Okay. With that change, do you adopt your  
23 written testimony as your sworn testimony here  
24 today?

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 A (Gilbertson) Yes, I do.

2 Q Ms. Casey, your name and position please?

3 A (Casey) Mary Casey, Senior Manager of  
4 Environment, with Liberty Utilities.

5 Q And you prepared testimony in this matter,  
6 which begins at Page 37, is that correct?

7 A (Casey) Correct.

8 Q Do you have any changes to your testimony?

9 A (Casey) I do not.

10 Q And do you adopt your testimony, written  
11 testimony, as your sworn testimony here today?

12 A (Casey) I do.

13 MR. SHEEHAN: Thank you. No further  
14 questions.

15 CMSR. BAILEY: Ms. Shute.

16 MS. SHUTE: Thanks very much,  
17 Commissioners.

18 **CROSS-EXAMINATION**

19 BY MS. SHUTE:

20 Q So, I'd like to just start with a clarification  
21 on whether or not this filing is being audited?  
22 And, if it is, at what stage in the process the  
23 audit is at?

24 A (McNamara) This process is being audited. We

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 are nearing the end stages. And, as of this  
2 point in time, there are no findings.

3 Q All right. Thank you. So, I'd like to focus  
4 most of our questions --

5 A (Simek) Excuse me, I'm sorry. Could I add a  
6 little bit to that response?

7 Q Sure.

8 A (Simek) There was -- the part that's currently  
9 being audited is for the last winter season,  
10 the actuals are being audited. Then, that  
11 amount that gets carried over is our beginning  
12 balance that we're using now for cost of gas.

13 And, then, the individual pieces within  
14 the LDAC are also being audited as we speak.  
15 And they're still all an open issue right now.

16 Q They're still what?

17 A (Simek) They're still open. They're still in  
18 the process of being audited.

19 Q Thank you. So, I'd like to turn to  
20 Schedule 19, both the revised version and the  
21 original. And, if we could just walk through  
22 this a bit, and help us understand the  
23 differences between the original submission and  
24 the revised submission, starting with -- sorry,

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[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 Bates Page 124 and 124-R.

2 MS. SCHWARZER: Just as a point of  
3 clarification. I don't know if the OCA has a  
4 copy of the exhibit that has been highlighted  
5 with changes.

6 MS. SHUTE: We do not.

7 MS. SCHWARZER: Does the Clerk have  
8 an extra exhibit available?

9 MS. DENO: Which one?

10 MS. SCHWARZER: Exhibit 9.

11 MS. DENO: Yes.

12 *(Document handed to Atty.*

13 *Shute.)*

14 BY MS. SHUTE:

15 Q Okay. So, going back to Exhibit 2,  
16 Schedule 19. And, starting with Line 1, on  
17 "Allowed Base Revenue", could you describe the  
18 difference between the number on your original  
19 filing and the number in your revised filing,  
20 and what that difference is related to?

21 A (Simek) Yes. The difference related to the --  
22 the base revenue formula had to do with a  
23 formula error that was found both by the  
24 Company and Commission Staff. We discussed it

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 during our technical session that we had.

2 Q So, what was that formula error? What did it  
3 consist of?

4 A (Simek) I don't know exactly what it consisted  
5 of. It was a formula error that was found by  
6 our analyst, and he corrected it. We discussed  
7 it at the technical session. Everyone was in  
8 agreement as to how to move forward, and that  
9 correction was made.

10 Q So, is the difference related to the change in  
11 rates and assigning -- the newer rate was  
12 assigned to all of the months, rather than the  
13 newer rate being assigned at its --

14 A (Simek) I do believe that's the case. That the  
15 rate that went into effect July 1st was carried  
16 over through all the months, when it should not  
17 have been.

18 Q Okay. And, again, on Line 2, the difference  
19 between the 44,000 Actual and Estimated Base  
20 Revenue and -- or, the 44,670,474 and the  
21 44,891 --

22 *[Court reporter interruption.]*

23 MS. SHUTE: Sorry.

24 BY MS. SHUTE:

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 Q Let me just say, could you just explain the  
2 difference between Line 2 on 124-R and Line 2  
3 on 124 please?

4 A (Simek) Yes. There were two other adjustments  
5 that were made. We had added our  
6 weather-normalized revenues to the actual base  
7 revenue. And we had also updated billing units  
8 from our estimate to actual for June 2019.

9 Q Okay. So, in both of these numbers, what  
10 period of time does it represent?

11 A (Simek) These revenue numbers represent from  
12 November 2018 through August of 2019.

13 Q Okay. And can you just help me understand why  
14 a 10-month is used, rather than a 12-month?

15 A (Simek) It had to do when the Revenue  
16 Decoupling Adjustment Factor went into effect,  
17 which was November 1st of 2018.

18 Q Okay. But, on Line 2, it says "Actual and  
19 Estimated Base Revenue". But it seems like the  
20 only numbers being included are the actual  
21 numbers and not the estimated numbers for  
22 September and October?

23 A (Simek) No. That's incorrect. The estimated  
24 numbers are actually for July and August.

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1 Q Of what year?

2 A (Simek) The numbers that are used in this  
3 formula, for July and August of 2019, we're  
4 actually using, for an estimate, the actuals  
5 for July and August of 2018.

6 Q Okay. Thank you.

7 A (Simek) You're welcome.

8 Q So, that created a excess that was collected  
9 from ratepayers over the period of ten months  
10 of 4,085,153. And that, so, my understanding  
11 is that that number, obviously, doesn't include  
12 the over-collection for -- presumed  
13 over-collection for September and October. I  
14 mean, these are significant numbers. So, if it  
15 was that high for the first ten months, then  
16 there presumably will be more in the next two  
17 months. How is that going to be accommodated  
18 or dealt with moving forward?

19 A (Simek) First off, I believe our tariff said,  
20 for the first month -- I'm sorry, for the first  
21 RDAF year, that we would be cutting it off at  
22 the end of August. So, we were just following,  
23 I believe, what the tariff had said.

24 Q Okay.

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 A (Simek) Second of all, the assumption to assume  
2 that September and October would just continue  
3 to go under the same stream, really shouldn't  
4 be the assumption. Solely because now we're  
5 starting to get into months where the -- we're  
6 getting to where there's some gas usage,  
7 especially in October.

8 So, the whole way that the forecast and  
9 everything was made, doesn't necessarily mean  
10 that it would continue to be what it had done  
11 in the past, and it's going to continue to do  
12 that going forward.

13 Q Okay. So, the remaining two months would get  
14 taken care of the next time around?

15 A (Simek) Correct.

16 Q Okay. In regards to the forecasted residential  
17 sales of 65,525,887, can you identify where in  
18 the exhibit that number is? Where it is?

19 A (Simek) Just give me one moment please.

20 *[Short pause.]*

21 **BY THE WITNESS:**

22 A (Simek) That number, the 65,525,887, is the  
23 projected sales for the upcoming 12-month  
24 period, for residential customers. That number

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[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 is not included in Schedule 19. Schedule 19 is  
2 a revenue calculation. This is the sales  
3 forecast that's used to calculate the rates.

4 BY MS. SHUTE:

5 Q Right. I was just asking for where it was  
6 identified in the exhibit as a whole, and not  
7 in Schedule 19. I was having trouble finding  
8 it and understanding, and then -- and wanted to  
9 further understand what went into the  
10 forecast, the methodology used for the  
11 projections.

12 A (Simek) Sure. If you go to Bates Page 101.

13 Q Okay.

14 A (Simek) If you look at the bottom right-hand  
15 corner, that "185,636,009"?

16 Q Okay.

17 A (Simek) That's the projected therms in total  
18 for EnergyNorth customers only. The difference  
19 between that amount and the amount shown on  
20 Bates Page 124-R is for Keene customers. And  
21 the Keene customers' projected sales, other  
22 than being used for these LDAC calculations,  
23 are not included in this filing. They're  
24 included in the separate cost of gas filing for

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[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 Keene.

2 Q Okay. And, so, the difference between the  
3 projection under "Total Residential" of  
4 "65,177" -- sorry, "65,177,472", to the number  
5 on the 124-R, are those numbers comparable?

6 A (Simek) Yes. Really, you'd be looking at the  
7 Line 5 and Line 10, the 185, in total.

8 Q Line 5, on Bates Page 101?

9 A (Simek) No. Line 5 on Bates Page 124-R.

10 Q Okay.

11 A (Simek) If you look at Line 5 and Line 10, in  
12 total, those come out to 186 or so. And that's  
13 what's comparable to the bottom Total Sales  
14 number of Line 37 on Bates Page 101. And the  
15 difference has to do with Keene projected  
16 sales.

17 Q Okay. So, my understanding is that the ten  
18 months will be divided over the next 12 months  
19 of forecasted sales, resulting in a Decoupling  
20 Adjustment Factor of 0.0623 for residential  
21 rates?

22 A (Simek) Correct.

23 Q My next question is, that's a significant  
24 over-collection. And I'm wondering if you

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1           could identify, I believe the rate case was  
2           approximately a year ago, what created -- where  
3           does the over-collection stem from, and why do  
4           you think that occurred?

5    A       (Simek) Yes. The Company has identified three  
6           major issues that drove this. Part of it had  
7           to do with customer growth, and how some of the  
8           newer customers that were coming on line  
9           weren't falling basically within the category  
10          of the average for the rate class that they  
11          were part of for usage.

12                 Another recognized issue had to do that  
13           customers are using more than they had used  
14           within our test year.

15                 And, then, the third issue had to do with  
16           a year-end customer count that was done during  
17           the last rate case, that we believe should have  
18           been done a little differently.

19    Q       Can you just explain that a little more please?

20    A       (Simek) There was an agreed-upon formula that  
21           we used at the time, to adjust for the year-end  
22           customer count, to basically forecast the  
23           ending customer count for a full year of usage  
24           for the rate case. And that approach seemed a

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 little simplistic. And, when you actually look  
2 at it and go back into the data, and look at  
3 how customers left throughout the year or came  
4 on throughout the year, and you look at it on a  
5 monthly basis more, the adjustment would have  
6 been done differently. And, so, if we would  
7 have done it that way, there was -- that  
8 contributed to this over-collection.

9 Q Okay. Can you compare -- do you have the  
10 number for last year's sales? So, in other  
11 words, the '18/19 sales versus the '19/20  
12 projection of the 65 million?

13 A (Simek) I do not have that, with me, no.

14 Q Okay. So, do you know roughly whether or not  
15 you're projecting an increase over last year's  
16 sales or staying flat and consistent with last  
17 year's sales?

18 A (Gilbertson) We're projecting an increase in  
19 sales.

20 Q Do you know roughly by what percent you're  
21 projecting an increase in sales?

22 A (Gilbertson) About five percent.

23 Q Okay. And what is that projected increase  
24 based on?

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[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 A (Gilbertson) It's based on customer usage and  
2 the demand forecast.

3 Q What is the increase based on?

4 A (Gilbertson) The increase is based on  
5 historical consumption of the portfolio.  
6 Coupled with an econometric model that projects  
7 what the anticipated growth of the portfolio  
8 would be or the decrease in the portfolio, and  
9 any out-of-model adjustments that there may be.

10 Q So, effectively, the increase in sales that  
11 you've seen, in the last year or so, lead you  
12 to believe that you'll see a continued increase  
13 in sales moving forward?

14 A (Gilbertson) Well, that's kind of a tough  
15 question. So, we look at historicals, and we  
16 see where our portfolio is. And, then, we look  
17 at certain -- we have a forecaster that looks  
18 at certain checkpoints, such as Moody's. They  
19 look at an econometric forecast. And they look  
20 at the different segments that we have for  
21 customer base, which would be residential and  
22 commercial, heating and non-heating, and what  
23 that modeling -- what effect that forecast has  
24 on those customer segments. And, then, they

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1 look at any, you know, anything that's going on  
2 that would either cause us to reduce that or  
3 increase that, meaning out-of-model  
4 adjustments.

5 So, I don't know if that answers your  
6 question.

7 Q Okay. But there isn't, you know, it's not  
8 based on a planned marketing effort or, you  
9 know, some other --

10 A (Gilbertson) Are you asking me to tell you  
11 what's beyond next year? Or, I'm sorry, I'm  
12 not sure.

13 Q No. I was just simply trying to get at -- I  
14 was just looking at what the projections were  
15 compared to what the actual sales had been, to  
16 get a comfort around the difference, primarily  
17 because of seeing such a high difference  
18 between the rate case a year ago and now. I  
19 mean, I don't know what the number of sales  
20 that the rate case was based on, but this, you  
21 know, over-collection, substantive  
22 over-collection, brings up the question of the  
23 estimation that you're doing moving forward.

24 A (Gilbertson) Okay. I understand. So, if you

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1 go to Bates 032. So, this tells us that last  
2 year our forecast was, I'm on Line 10, it shows  
3 that our forecast last year was "87,958,623  
4 therms", and that was from November through  
5 April of 2019. But, then, we did an -- you  
6 know, after the fact, we go back and we check  
7 what our assumptions were, and we check to see  
8 what actually happened. And you can see, on  
9 Line 12, that our sendout, our sales, was  
10 "90,387,490 therms". So, it was much higher.  
11 Well, not "much higher", but it was higher.

12 Q Okay. So, you're essentially continuing that  
13 trend, and that's part of what's accounting for  
14 the 5 percent increase?

15 A (Gilbertson) Yes. And, as David said, we are  
16 burning a lot of the gas. The portfolio is  
17 burning a lot of gas.

18 MS. SHUTE: Okay. No further  
19 questions.

20 CMSR. BAILEY: Ms. Schwarzer.

21 MS. SCHWARZER: Thank you.

22 BY MS. SCHWARZER:

23 Q Just to make a correction to begin with. I  
24 believe that redacted Pages 125 through 129

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[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 contain a heading that shows "2018" for July  
2 and August. Is that correct or should that be  
3 "2019"?

4 CMSR. BAILEY: Ms. Schwarzer, did you  
5 mean "Revised Pages 125 through 129"?

6 MS. SCHWARZER: I did. Thank you.

7 BY MS. SCHWARZER:

8 Q So, Revised Pages 125-R to 129-R, should the  
9 headings for July and August be "2019"?

10 A (Simek) No. Those are -- the projections that  
11 we're using for July and August are based on  
12 the July and August actuals from 2018.

13 Q Thank you. The Company filed revised  
14 testimony, tariffs, and schedules on  
15 October 8th. Could you identify and explain  
16 the changes made to the Company's initial  
17 filing?

18 A (Simek) Yes. The Company's initial filing  
19 included two different scenarios for the  
20 Revenue Decoupling Adjustment Factor. One  
21 scenario calculated actual revenues based on  
22 the calculation in the tariff, which calculated  
23 residential low income customer revenues using  
24 non-low income residential rates. The other

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1 scenario calculated actual revenues based on  
2 non-low income residential rates consistent  
3 with the benchmark revenue calculation in DG  
4 17-084.

5 During discussions with Staff and the OCA  
6 at our cost of gas technical session, Mr.  
7 Iqbal, from Staff, stated that the calculation  
8 in the tariff was essentially correct, once a  
9 weather-normalized adjustment is made, because  
10 of the mechanics of how the Residential Low  
11 Income Assistant Program is handled within the  
12 Local Delivery Adjustment Clause.

13 So, in other words, Mr. Iqbal had  
14 suggested some changes to the way we were  
15 calculating the decoupling mechanism. Again,  
16 those three changes were that we added  
17 weather-normalization revenues to the actual  
18 base revenues. It was also that, for the  
19 remainder of the calculation within the tariff,  
20 that we continue calculating it just as it  
21 states. And, then, we also corrected a formula  
22 error that was in there. And, then, we also  
23 had updated some billing units from an estimate  
24 to an actual for the month of June of 2019.

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 And, then, we refiled the pages.

2 Q Thank you.

3 A (Simek) You're welcome.

4 Q If you would reference Schedule 19 RDAF, page  
5 124-R, and what's been marked "Exhibit 6",  
6 which is Liberty's -- sorry, Exhibit 8, which  
7 is Liberty's response to Staff's Data Request  
8 2-3. Do you have those before you, sir?

9 MS. SCHWARZER: Does the Clerk have a  
10 copy?

11 WITNESS SIMEK: Could I have a copy  
12 please?

13 *[Atty. Schwarzer handing*  
14 *document to Witness Simek.]*

15 WITNESS SIMEK: Thank you.

16 MS. SCHWARZER: You're welcome.

17 BY MS. SCHWARZER:

18 Q The calculated actual revenue in 124-R and the  
19 Company's actual revenue in Exhibit 8 do not  
20 match. The difference between the two is  
21 approximately 0.8 to 1.2 million in aggregate,  
22 with the answer in the data request being  
23 higher. Could you please explain that  
24 difference, and how you might address that?

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[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 A (Simek) Yes. Excuse me. Comparing the billed  
2 sales or billed revenues that was requested in  
3 the data request to the calculated calendar  
4 month normal weatherized revenues that is used  
5 for the decoupling RDAF calculation is kind of  
6 like comparing apples to oranges.

7 The formula that we use for the RDAF,  
8 again, was consistent with the formula that was  
9 approved in Docket DG 17-048, which is calendar  
10 month sales and revenues, weather-normalized.  
11 Whereas, billed sales will include the timing  
12 difference that you get when you're looking at  
13 meter read dates and when bills are mailed out.

14 Q Thank you.

15 A (Simek) You're welcome.

16 Q This is a question about future prices. I  
17 don't know if that's best addressed to you or  
18 to Ms. Gilbertson, someone else. How do the  
19 most recent NYMEX future prices compare to  
20 those used for this cost of gas filing?

21 A (McNamara) Sorry. The NYMEX prices have  
22 changed by -- would change the rate by 0.003  
23 cents.

24 Q And you're Ms. Casey, is that correct? I want

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1 to make sure I've got the -- I'm sorry, just  
2 your name?

3 A (McNamara) Oh. It's McNamara.

4 Q McNamara. Thank you.

5 A (McNamara) And that's based on the NYMEX future  
6 from October 9.

7 Q And if Liberty were to use those current NYMEX  
8 future prices, how would they impact the cost  
9 of gas rates?

10 A (McNamara) The Winter 2019/2020 filed rate  
11 would change by 0.01 percent. So, essentially,  
12 they're the same.

13 Q Thank you. A question for Ms. Gilbertson.

14 A (Gilbertson) Uh-huh.

15 Q Your Bates testimony at 032 to 033 discuss this  
16 forecasted sendout requirement. And your  
17 testimony states the number of customers is  
18 down, but use per customer is up. And you  
19 compare current sales forecast with last year's  
20 forecast and actual sales. What is the current  
21 number of customers, and how does that compare  
22 to the customer count at this time last year?

23 A (Gilbertson) Okay. We just touched on this a  
24 tiny bit.

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1 Q We did.

2 A (Gilbertson) Yes. Okay. So, the statement  
3 that is in -- on Bates Page 032, it begins on  
4 Line 15, and it reads: "After its typical  
5 forecast review, the Company adjusted its count  
6 down slightly to reflect the actual; however,  
7 that adjustment was more than offset by a  
8 higher UPC [per customer] which resulted in the  
9 higher load." And that's what we just talked  
10 about.

11 So, as far as -- so, this is a forecast  
12 review, which we do -- which we do every year.  
13 And we're looking at a forecast today for next  
14 year, and we'll do the same thing.

15 So, as far as the customer count goes,  
16 it's not probably correct to say that the  
17 number of customers has "decreased". It would  
18 probably be more correct to say that the  
19 forecasted number of customers has "changed",  
20 and maybe lowered slightly.

21 It doesn't mean that we didn't add as many  
22 customers as we thought we were. It just means  
23 that customer count is really kind of a hard  
24 thing to nail down, depending on when you

1           actually -- you're kind of taking this as an  
2           average, because customers come on, they go  
3           off, they come on, they go off. So, it's  
4           really very difficult to -- it's not like  
5           you're lining them up and counting them. It's  
6           very -- it's very complicated.

7           So, I don't know that I could tell you,  
8           sitting here, what is the exact number of  
9           customers, which could change tomorrow.

10           I can tell you that the point of that  
11           statement was to address the fact that, during  
12           the reconciliation, we had 90 million therms,  
13           and we only estimated for or forecasted for  
14           87 million. The point of that statement is to  
15           say that that isn't because of all these new  
16           customers that came on. That's because the  
17           existing customers that we have today are  
18           burning more gas.

19    Q       Can you explain why customer usage is higher,  
20           given Liberty's energy efficiency programs and  
21           greater insulation in new construction?

22    A       (Gilbertson) You know, I can speculate. I can  
23           speculate that the economy is good. That  
24           people are putting additions on their homes.

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1           That business is doing better. I mean, I can  
2           only speculate.

3           But we forecast every day for the next  
4           day. And we use something called --

5                               *[Court reporter interruption.]*

6           **CONTINUED BY THE WITNESS:**

7           A       (Gilbertson) -- "like days" to do it. So, we  
8           want to find a day that's very similar to the  
9           weather pattern that we're going to see for the  
10          next day. We want to see maybe the same day of  
11          the week, we want to see a recent period. And  
12          we did this all last winter. And we worked  
13          closely with Gas Control, who monitors the flow  
14          of what's happening during the day.

15          So, what we were seeing is that our like  
16          days weren't cutting it. The customers were  
17          burning more. And this went on all last  
18          winter. So, when we did this reconciliation,  
19          this was not a surprise to me, because I'm  
20          there every day looking at what's happening.  
21          So, the point is, the customers are burning  
22          more.

23          And we're also going through a  
24          reclassification of many of our, like, midsize

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 customers, who maybe they're a G-42, that now  
2 have to be a G-43, because no longer are they  
3 burning under 100,000 therms a year, they're  
4 burning more than 100,000. So, this is  
5 something that's new. This is a new trend.

6 So, I just think it's important to  
7 communicate that. That's really the point of  
8 that.

9 BY MS. SCHWARZER:

10 Q Thank you. Regarding the sales growth in 2018  
11 to '19, how much of that was due to  
12 transportation customers switching to firm  
13 sales service, and what are Liberty's  
14 expectations regarding transportation customers  
15 switching to sales service in 2019 to 2020?

16 A (Gilbertson) So, we had -- there's always some  
17 switching on and off and on and off. Net, at  
18 the end of the month, was 91 -- 94 customers  
19 that migrated to sales. But, in reality, there  
20 were more that, you know, migrated than -- more  
21 that migrated to transport, but that's the net.  
22 The net is 94 customers, and it's about 600  
23 decatherms a day.

24 But there's a couple of things here, and

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1 I'm really glad that you asked this question,  
2 because there's a couple of things here. We  
3 have two types of transportation customers. We  
4 have a type that is "grandfathered", and that  
5 means that they don't take our capacity. And,  
6 then, there's the other type that is  
7 "non-grandfathered", which means that they do  
8 take our capacity.

9 So, these 94 customers that came back to  
10 sale, we're not worried about them, because  
11 they were all non-grandfathered, which means  
12 that they bring their capacity back to us. But  
13 we do have an issue, there's 64, or at least at  
14 the beginning of 2018, we had 64 grandfathered  
15 customers. And a little concerning is that now  
16 we only have 59 grandfathered customers, which  
17 means that five of them came back, and they  
18 took our capacity.

19 Q When you say "came back to you", came back to  
20 firm sales?

21 A (Gilbertson) To sales, exactly. So, when they  
22 come back to firm sales, they get the  
23 opportunity to take our capacity. So, even if  
24 they go back to another marketer, they're going

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 to take our capacity. And, really important to  
2 note is that, in the wintertime, the load for  
3 those 59 customers is 8,000 a day, or 80,000  
4 therms, is that right? 8,000 MMBtu a day, or  
5 80,000 therms. Is that right? Yes, 8,000.  
6 Yes, that's right.

7 But it's a significant load, and that's  
8 the point. If they do come back, we're not  
9 ready for them. We don't have that capacity.  
10 That's important.

11 Q When you say you "don't have that capacity",  
12 you don't have that capacity as planned for in  
13 the '19/20 --

14 A (Gilbertson) Not only is it not planned for, we  
15 don't have it. So, for many, many years, these  
16 customers have been getting gas to our gate  
17 using their own resource, their own capacity.  
18 And it's something we need to watch very, very  
19 closely. Because, again, it's a good load,  
20 it's a big load. And, if they were to migrate  
21 back, we would have to plan for them.

22 Q I'm looking for another exhibit, 6 and 7. Do  
23 you have 6? Thank you.

24 (Atty. Schwarzer handing

1                                    *document to Witness Gilbertson.)*

2 BY MS. SCHWARZER:

3 Q     Exhibit 6 is the confidential response,  
4        Liberty's response to Staff's Data Request 1-9.  
5        The response provides 2018/19 iNATGAS sales  
6        and forecasted 2019/2020 sales. The forecast  
7        appears to bear little or no relation to the  
8        2018/19 usage, which here was forecasted at  
9        300,000 decatherms actual and \_\_\_\_\_ --

10                    CMSR. BAILEY: Is that confidential  
11                    information?

12                    MR. SHEEHAN: It is. But there's no  
13                    one in the room that can't hear. Everyone is  
14                    Staff, OCA. So, we'll just deal with the  
15                    transcript after the hearing.

16                    CMSR. BAILEY: Okay. Thank you.

17                    MS. SCHWARZER: Thank you. I won't  
18                    refer to the numbers again.

19                    CMSR. BAILEY: You can refer to them.

20                    MS. SCHWARZER: Okay.

21                    CMSR. BAILEY: You just have to say  
22                    it's confidential, so that the court reporter  
23                    can redact the transcript.

24 BY MS. SCHWARZER:

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 Q Okay. So, those numbers appear on the second  
2 page of the exhibit. So, at the top, the  
3 forecasted is confidential, "300,000", and then  
4 the actual consumption, at the bottom, is  
5 "\_\_\_\_\_". Can you please explain?

6 A (Gilbertson) Yes. Okay. So, this is in  
7 decatherms. And this is a large compressed  
8 natural gas facility. And they are under a  
9 contract with us. They are a sales customer.  
10 And they are under contract with us. And they  
11 can actually burn up to whatever they -- up to  
12 300,000, and they're invoiced for that 300,000.  
13 They are a take-or-pay customer. So, the fact  
14 that they actually did not burn last year, we  
15 have them in the forecast at 300,000, or  
16 3 million therms. Yet, they didn't burn that  
17 much gas.

18 The prior year, when we didn't have them  
19 in our forecast, because they hadn't burned the  
20 year before, they did burn, and they burned a  
21 lot of gas. They burned \_\_\_\_\_ decatherms in  
22 November, they burned \_\_\_\_\_ decatherms in  
23 January, and they burned \_\_\_\_\_ decatherms in  
24 February. We cannot take a chance and not have

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1           them in our forecast.

2   Q       Are those figures from 2017/2018?

3   A       (Gilbertson) Yes.  And that was the year we  
4           didn't have them in there, because they didn't  
5           burn the year before and we had them in there.  
6           And the one year we take them out, they burned,  
7           you know.

8   Q       When you were quoting the separate months, what  
9           was the usage for the entire 2017/2018?

10  A       (Gilbertson) 2017/2018?  I don't have that with  
11          me.  It's not much more than this.  This was  
12          the bulk of when they burned.  And they went  
13          back to burning little amounts.

14  Q       So, I'm sorry.  Did you say "approximately  
15          \_\_\_\_\_"?  

16  A       (Gilbertson) No, I didn't.  Is that what this  
17          adds up to?  I didn't --

18  Q       No, I thought you had mentioned that?

19  A       (Gilbertson) Oh.  No, no, no.

20  Q       Not much more than whatever the --

21  A       (Gilbertson) No.  Not much more than what I've  
22          got represented in this crossed out.  And I  
23          said all the numbers, which I probably  
24          shouldn't.

1 MR. SHEEHAN: That's fine.

2 **BY THE WITNESS:**

3 A (Gilbertson) All right. So, yes. They burned  
4 a lot in three months, and then after that they  
5 went back to the smaller usage.

6 BY MS. SCHWARZER:

7 Q Has Liberty spoken with iNATGAS regarding their  
8 plans for this winter?

9 A (Gilbertson) We do or we will. They don't have  
10 to tell us, and they don't necessarily know.  
11 It would depend on what their contract would be  
12 with whoever their contract is with. They are  
13 a sales customer. We don't -- we really don't  
14 control what they burn.

15 Q Is there some midway point between the maximum  
16 and perhaps their past few years' usage that  
17 Liberty could use?

18 A (Gilbertson) The 300,000 is probably a good  
19 number. Because, right now, and this probably  
20 can't go on the -- they're being billed for  
21 500,000. And next year they will go up to  
22 1,300,000.

23 Q So, 20 -- sorry, 2020/2021 will go up to?

24 A (Gilbertson) 1,300,000.

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 Q How does the iNATGAS sales forecast impact cost  
2 of gas rates?

3 A (Gilbertson) It doesn't.

4 Q At all?

5 A (Gilbertson) No.

6 Q For the current 2019/2020, you're planning on  
7 300,000 decatherms. Were you not to include  
8 that gas, wouldn't the cost of gas rates be  
9 lower?

10 A (Gilbertson) It's like 2 percent, less than  
11 2 percent of the portfolio. I think it would  
12 be negligible. And besides that, the customers  
13 will only pay for what we buy. This is a  
14 forecast. Next month, it will, when we start  
15 using the gas, it will be adjusted to whatever  
16 we paid. They don't -- it's not like this is  
17 it. This is just a forecast. I mean, it's  
18 close. It's close. But it's not -- prices  
19 could go up, prices could go down. INAT could  
20 burn, maybe they won't. But whatever it costs  
21 us is what the customers will pay.

22 Q Thank you. I wanted to ask some questions  
23 about the Commission audit for prior year  
24 results. And I do believe that came up at the

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[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 beginning of the hearing, and, Mr. Simek, you  
2 gave us some information on that.

3 Has the Company received the Draft Audit  
4 Report from the Commission Audit Staff on its  
5 audit of the environmental remediation  
6 reconciliation for last year?

7 A (Simek) Yes, we have.

8 Q And how would you summarize the Draft Audit  
9 Report? You had mentioned earlier "no  
10 findings". Is that this report?

11 A (Simek) Well, there was, for this report, the  
12 Audit Staff had verified that they were all --  
13 current costs and recoveries reflected in  
14 filing are correct.

15 One recurring issue that came about,  
16 again, and this report has to do with an audit  
17 issued from the prior year, which is related to  
18 our accounting in how the costs and recoveries  
19 from customers are tracked.

20 And, from the audit finding from two years  
21 ago, we were -- we responded saying that we  
22 would work on this audit, and we would move  
23 forward and we would do what we could to  
24 correct it. And that's what we attempted to do

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[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 last year. As we went through, we were able to  
2 be partially successful. And, beginning July  
3 of 2019, part of that related to the recoveries  
4 and the costs, are now properly being recorded,  
5 going forward, from July '19 forward, are  
6 properly recorded in the accounting deferral  
7 accounts.

8 What we haven't been successful with yet  
9 was reconciling the beginning balance issue and  
10 some of the true-ups. So, what we had offered  
11 in this filing was that we said that we will  
12 provide a reconciliation of the whole thing,  
13 including the beginning balance and these  
14 true-ups, all within the current deferral  
15 account accounting, and we will provide it by  
16 January 15th of 2020 to Commission Audit Staff.  
17 And that was in an attempt to hopefully be able  
18 to go back and forth through a really vigorous  
19 audit and be able to then, for next year, we  
20 would have this all cleaned up for the filing,  
21 when we make it on September 1st of 2020.

22 Q And you discuss that in your testimony, on  
23 Bates Page 015, is that correct?

24 A (Simek) Correct.

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[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 Q Has the Company received a Final or Draft Audit  
2 Report from the Commission Audit Staff on its  
3 audit of last year's cost of gas  
4 reconciliation?

5 A (Simek) We have not received a draft yet. That  
6 is still an ongoing audit.

7 MS. SCHWARZER: I have no more  
8 questions. Thank you.

9 CMSR. BAILEY: Commissioner Giaimo.

10 CMSR. GIAIMO: Good afternoon.

11 WITNESS SIMEK: Good afternoon.

12 WITNESS CASEY: Good afternoon.

13 CMSR. GIAIMO: So, I have a couple of  
14 clarifications. And I think, Ms. Gilbertson,  
15 you would probably be best to answer these  
16 questions.

17 BY CMSR. GIAIMO:

18 Q You were asked if you've contacted iNATGAS, and  
19 I thought I heard you say "we do, we will".  
20 But I think the question was "have you?"

21 A (Gilbertson) No. I have not. But Gas Control  
22 may have.

23 Q Okay.

24 A (Gilbertson) And I'm pretty sure Bill Clark

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 has. So, I have not personally, but we're on  
2 it.

3 Q Okay. Thanks. That's helpful. You also -- I  
4 also thought I heard you say that "iNATGAS will  
5 not affect the cost of gas." But, then, I  
6 thought you also said "it only represents about  
7 2 percent" of your portfolio. So, what I think  
8 you said was, basically, it will "have a  
9 negligible effect"?

10 A (Gilbertson) It should have a negligible  
11 effect. Especially, the fact that they really  
12 haven't done what they say they can do, when we  
13 haven't seen that kind of usage.

14 Q Okay.

15 A (Gilbertson) So, customers will only pay what  
16 we have to pay.

17 Q Thank you. That's an important clarification.  
18 And this is pretty close to a direct quote.  
19 You said "the portfolio is burning a lot of  
20 gas."

21 A (Gilbertson) It is.

22 Q And, so, you verified it is. My understanding  
23 is the Company has an affirmative duty with  
24 decoupling to push for the portfolio burning

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[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 less gas. What was done or what has been done,  
2 with respect to energy efficiency, to move  
3 towards that objective?

4 And I can let anyone on the panel answer  
5 that.

6 A (Simek) Yes. I don't think any of us up here  
7 are really familiar with what the whole Energy  
8 Efficiency Division and all the activities that  
9 they are performing.

10 Q But my understanding of decoupling is accurate,  
11 that was part of the deal?

12 A (Simek) Absolutely.

13 CMSR. GIAIMO: Okay. All right.

14 Commissioner Bailey has a question.

15 BY CMSR. BAILEY:

16 Q Mr. Simek, you were involved in the rate case,  
17 weren't you?

18 A (Simek) I was, yes.

19 Q And, so, you remember that commitment that, if  
20 you got decoupling, you were going to promote  
21 energy efficiency. And none of you here knows  
22 anything about the promotion, what the Company  
23 has done to promote energy efficiency?

24 A (Simek) Well, I mean, I can talk to the costs

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1           that we've spent towards energy efficiency  
2           programs. That's included in this filing. So,  
3           I know that we -- we have a whole entire team.  
4           I'm just not familiar with each and every  
5           program that they're offering and what they're  
6           working towards. I can definitely talk towards  
7           the costs, though.

8   Q       Okay. Let's see the costs.

9   A       (Simek) Sure. If we go to the LDAC section in  
10          Schedule 19, and I'll get you the Bates page in  
11          a moment.

12                       MS. SCHWARZER: Revised pages?

13                       WITNESS SIMEK: No. These are not  
14          revised.

15   **CONTINUED BY THE WITNESS:**

16   A       (Simek) So, this would be on Bates Pages 132  
17          through 134.

18                       So, we can see, if we actually look at  
19          Bates Page 134, because -- just to give you a  
20          background. Page 132 is the Residential Energy  
21          Efficiency Program and the tracking of the  
22          costs; Bates Page 133 is for Commercial and  
23          Industrial; and then they're consolidated in  
24          the Bates Page 134.

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[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1           So, if we look at Bates Page 034 [134?],  
2           at the box on the bottom, we can see that the  
3           Energy Efficiency Program budget for November  
4           '19 through October 2020 is "9,169,771".

5 BY CMSR. BAILEY:

6 Q       And do you know what it was, for November '19  
7       through -- do you know what it was for the  
8       prior year, before you had the decoupling  
9       authority?

10 A       (Simek) I do not, no.

11 Q       And is this from the EERS funds?

12 A       (Simek) Correct.

13 Q       So, you didn't increase your programs, you just  
14       used what was already there from the EERS  
15       funds?

16 A       (Simek) That I'm not the right person to  
17       answer. I know that a portion of the EERS  
18       funds are definitely in here, and maybe they  
19       are all. I don't -- I'm not the right person  
20       to answer that.

21                       CMSR. BAILEY: Okay.

22                       CMSR. GIAIMO: I think we've moved  
23       off that subject. So, thank you.

24 BY CMSR. GIAIMO:

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 Q But, Mr. Simek, I was struggling with the  
2 numbers that were being thrown about as you  
3 were talking with the Consumer Advocate. So,  
4 Bates 101, we have the total sales of  
5 185 million.

6 A (Simek) Correct.

7 Q And I'll wait for you to get to that page.

8 A (Simek) I'm there.

9 Q Okay. You're there. And, then, revised  
10 Schedule 19, 124-R, we had Line 4.

11 A (Simek) Yes.

12 Q Which was the 65 million. And I thought I  
13 heard you say, if we subtract the 65 million  
14 from the 185 million, we'd have Keene?

15 A (Simek) Yes. If we could just --

16 Q But I don't think that's right.

17 A (Simek) If we look at, like you said, on Bates  
18 Page 124-R, and, Line 4, it shows the  
19 "65,525,887" of projected residential sales.

20 Q Residential?

21 A (Simek) Correct.

22 Q Okay.

23 A (Simek) And that number includes both Keene and  
24 EnergyNorth. So -- and that's total sales, of

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1 course.

2 If we look at Bates Page 101, and we look  
3 at Line 12, --

4 Q Okay.

5 A (Simek) -- and we go all the way over, that's  
6 "65,177,472", and that is for EnergyNorth only.  
7 So, the difference would be the Keene.

8 Q All right. So, Keene is about 350,000?

9 A (Simek) Is that the difference?

10 Q More or less.

11 A (Simek) Yes.

12 Q Okay. Thank you for the clarification. That  
13 makes sense now.

14 CMSR. GIAIMO: But Commissioner  
15 Bailey has a question, so --

16 CMSR. BAILEY: Sorry. I had a  
17 similar confusion, and it's not all cleared up.

18 BY CMSR. BAILEY:

19 Q I thought you were comparing the 65,525,887, in  
20 forecasted residential sales, on 124-R, to the  
21 total therms of EnergyNorth only, at the bottom  
22 right-hand corner on Page 101?

23 A (Simek) Yes. I got a little confusing there  
24 what I was describing. On Page 124-R, I was

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 looking at Line 4, and adding together Line 9,  
2 because they're both Residential, then  
3 Commercial and Industrial. When you take those  
4 two together, then it gets much closer to the  
5 bottom number, on Page 101.

6 CMSR. BAILEY: Okay. Thank you.

7 WITNESS SIMEK: You're welcome.

8 CMSR. GIAIMO: So, I have a couple of  
9 additional questions, but they should be really  
10 quick. I'm sure people will know it off the  
11 top of their head.

12 BY CMSR. GIAIMO:

13 Q In the filing, it looks as if bad debt has gone  
14 down. Any idea why that is?

15 A (Simek) I'm not aware of a program that the  
16 Company may have done to increase the effort of  
17 chasing down bad debt. We're just reporting  
18 the actual numbers that are on the Company's  
19 books. And they have gone down.

20 Q Okay. Page 9 talks about the under-collection.  
21 And it says "the under-collection was driven  
22 mainly by the lag in the timing of the monthly  
23 cost of gas rate adjustments as compared to the  
24 charges [changes?] in the underlying costs." I

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 believe it's McNamara and Simek. So, provide a  
2 little more context for me there.

3 A (Simek) Sure. Obviously, we adjust the cost of  
4 gas rates on a monthly basis. And we aren't  
5 able to really -- when we adjust the rate, we  
6 have to base it on the best known information  
7 available. So, for example, the month of  
8 November's actual data won't be available until  
9 mid December, and we won't really be looking at  
10 that data to make an informed decision on how  
11 we should adjust the rate until rates that are  
12 effective January 1st. So, that's really the  
13 two-month lag that, when we -- we may be  
14 accumulating an over or under balance, but we  
15 don't really know until a month and a half  
16 afterwards, from when that month's actuals had  
17 occurred.

18 Q Okay.

19 BY CMSR. BAILEY:

20 Q I think the rate that we approved last year was  
21 higher than the actuals. So, if that's the  
22 case, the lag would create an over-collection,  
23 not an under-collection, wouldn't it?

24 A (Simek) If the rate we are -- well, I guess it

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[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 would depend on a couple different things. It  
2 would depend on what the beginning balance was  
3 to begin with. If we were already at a  
4 over-collection, and then, if that is the case,  
5 that the rate we approved was higher than the  
6 actuals, that under-collection --  
7 over-collection may be getting smaller  
8 throughout the months.

9 Q Wait a minute. That doesn't make sense either.

10 A (Simek) Okay.

11 Q Can you try that again? You, last year,  
12 assumed, and I don't know if this is true or  
13 not, --

14 A (Simek) Okay.

15 Q -- you want to assume that you were in an  
16 over-collected state. So, you had to refund  
17 customers, is that right?

18 A (Simek) But I don't -- okay. So, the question  
19 is --

20 Q Let's forget about the over- or  
21 under-collection starting balance. Let's  
22 just --

23 A (Simek) Okay.

24 Q -- think about for simplicity.

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 A (Simek) Okay.

2 Q If the rate we approved last year was 0.7411,  
3 and the average actual rate that you paid was  
4 0.66337 -- no, sorry, that's a question mark --  
5 0.6633, --

6 A (Simek) Okay.

7 Q -- then the lag would have produced you  
8 collecting more than you needed to?

9 A (Simek) It's depending. Because what we do is  
10 we look at all the best information available  
11 when we change the rates on a monthly basis.  
12 So, yes, there's a beginning -- there's an  
13 accounting lag that we can only tell by when  
14 they hit the books. But we also update things  
15 based on updated NYMEX futures. So, if they're  
16 lower, we would be lowering the rate. If  
17 they're higher, we'd be lowering the rate. We  
18 just wouldn't know what the accounting impact  
19 would be yet on that portion.

20 We also have a basis factor that takes the  
21 delivery from NYMEX -- or, from Henry Hub, and  
22 then gets the gas up here to New England, and  
23 that basis factor also adjusts on a monthly  
24 basis, on the best information that we have

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1 available.

2 Q So, what you're saying is that you charged a  
3 rate that was too low to recover what you  
4 actually paid?

5 A (Simek) I believe that's correct.

6 Q Even though the rate that we approved was much  
7 higher than the actual rate?

8 A (Simek) Correct. Because, again, if the  
9 futures market is going down, down, down, and  
10 we're adjusting the rates on the best available  
11 information, we would be adjusting it lower.

12 CMSR. BAILEY: Okay.

13 CMSR. GIAIMO: Okay. I only have two  
14 more questions.

15 BY CMSR. GIAIMO:

16 Q On Page 27, there's a discussion about the type  
17 of gas or location of the gas being purchased.  
18 And there's a discussion about getting gas from  
19 Eastern Canada. Is the Company actually  
20 getting gas from Eastern Canada, from the likes  
21 of Deep Panuke and Sable Island? It's my  
22 understanding that those resources were  
23 actually --

24 A (Gilbertson) Right. We buy it at Niagara. We

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 buy at Niagara and we buy at Dawn.

2 Q Okay. But is that gas from Eastern Canada?

3 A (Gilbertson) Are you asking me to do geography  
4 here?

5 Q Yes, I guess. No math.

6 A (Gilbertson) Okay. Well, so, I guess it would  
7 be the Dawn gas, we get, like, 4,000 delivered  
8 from Dawn. And, then, we get 3,122 delivered  
9 from Niagara a day. We have contracts for  
10 that.

11 Q Okay.

12 A (Gilbertson) We also have a new contract of  
13 Portland Xpress, where we -- that's a new  
14 contract for us, and it's being phased in over  
15 three years. So, this year, we picked up an  
16 additional, like, 3,000, and it will go to  
17 Dracut, where it is very expensive at Dracut.  
18 So, now, we can source some cheaper Dawn gas,  
19 and, honestly, I don't know if that's the East  
20 or the -- but the idea is we have the ability  
21 to buy cheap gas at Dawn, to replace what we're  
22 buying at Dracut, which is very expensive.

23 Q Okay. That's helpful. So, I still have two  
24 more questions. I found one additional one.

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1           On Page 31, there's a discussion about the  
2           Company's propane facilities. And, starting on  
3           Line 11, says "the Company has allocated  
4           approximately 12,000 MMBtus of the Amherst  
5           capacity to its Keene Division, leaving  
6           approximately 110,000 MMBtus of combined  
7           workable storage for EnergyNorth."

8           So, my question is, in future years, are  
9           we to expect that the allocation for Keene will  
10          go down?

11   A       (Gilbertson) Yes. Yes.

12   Q       Okay. Thank you. And my last question has to  
13          do with the hedging program. It seems to me,  
14          at least based on, and I'm on Page 34, that the  
15          hedging program, Ms. Gilbertson, you provided  
16          us three years of historical background.

17   A       (Gilbertson) Yes.

18   Q       And the hedging program last year cost about  
19          1.6 million?

20   A       (Gilbertson) Yes. It was a cost last year.

21   Q       It was a cost. Whereas, in prior years, there  
22          was 400 -- the benefit, and I think that's how  
23          you termed it, was 4 million and then -- I'm  
24          sorry -- yes, 4 million and 1.2 million.

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 A (Gilbertson) Correct.

2 Q Can you explain why last year was unique?

3 A (Gilbertson) Well, it's pricing. It's just --  
4 it's volatility. And, really, we're just  
5 trying to stabilize. You always hope that  
6 you're going to beat the market and, you know,  
7 make some money. But, in reality, sometimes  
8 you don't. But you don't want to run the risk  
9 of not having some kind of a price fixer, in  
10 the event that prices spike so badly, that, and  
11 if you didn't do it, you would probably be  
12 sorry for not doing it.

13 Q Is there, off the top of your head, the hedging  
14 program is more than three years old?

15 A (Gilbertson) Oh, yes. Yes.

16 Q On the whole, the Company has generally found  
17 itself a net benefit by hedging?

18 A (Gilbertson) Well, I looked back the three  
19 years. I really don't know, off the top of my  
20 head, about what was, you know, four years  
21 back. I could find out.

22 Q The Company thinks, I guess just to reiterate  
23 what I think I know from what I think you said,  
24 is the Company thinks the hedging process is a

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 prudent thing to do?

2 A (Gilbertson) Absolutely.

3 Q Thing to deal with?

4 A (Gilbertson) Yes.

5 Q The last year was the outlier, at least over  
6 the past three years?

7 A (Gilbertson) Yes. And there's no guarantees.  
8 But I think it is an insurance policy that we  
9 should have.

10 CMSR. GIAIMO: Thank you.

11 BY CMSR. BAILEY:

12 Q Mr. Simek, can you tell me where in the filing,  
13 and it may not be here, the tariffed rates from  
14 last year are? Is it on a red-lined page?

15 A (Simek) Just give me one moment please. I  
16 believe they are in here, for the last month of  
17 the winter period. Let me look. I'll tell you  
18 in a second.

19 Q Okay.

20 A (Simek) So, the pages that we discussed at the  
21 opening, 046-R and I believe it's 047-R, show  
22 what the tariffed cost of gas rates were. But  
23 they were only the ones effective for the month  
24 of April.

{DG 19-145} [REDACTED - For PUBLIC Use] {10-11-19}

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 Q All right. Help me out with what I'm looking  
2 at. On Page 46, show me where the cost of gas  
3 rate per therm is? Or, is it on Page 47?

4 Let's say, for a residential heating customer.

5 A (Simek) Sure. So, if we go under the "R-3"  
6 rates, from the left-hand side.

7 Q Uh-huh.

8 A (Simek) And, then, we go over to the middle  
9 column in the first section, where it has the  
10 "0.6203", which is what we're proposing. Below  
11 that --

12 Q Wait a minute. I don't see that. The middle  
13 column --

14 A (Simek) The second column of rates.

15 Q So, it's highlighted? It says "Total Rate"?

16 A (Simek) No. If you go two left of that, where  
17 it says "Cost of Gas Rate" there.

18 Q Okay. I see it.

19 A (Simek) And, then, if you go down to the R-3  
20 section, --

21 MS. SCHWARZER: Excuse me. Are we on  
22 Revised 47?

23 CMSR. BAILEY: Yes.

24 MS. SCHWARZER: Thank you.

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 CMSR. BAILEY: Forty-six (46).

2 MS. SCHWARZER: Forty-six (46).

3 CMSR. BAILEY: Sorry.

4 **CONTINUED BY THE WITNESS:**

5 A (Simek) If we go over to the "Cost of Gas Rate"  
6 column, we can see that the proposed rate of  
7 the "0.6203" per therm is what we're proposing  
8 here.

9 The rate below that, with the red line  
10 through it, of "0.5825", is what was effective  
11 for the month of April 2019.

12 BY CMSR. BAILEY:

13 Q And the rate that we approved was "0.4445", the  
14 opening rate for the last year's summer cost of  
15 gas?

16 A (Simek) Well, that -- now, we're talking about  
17 the summer cost of gas in those columns over  
18 there on the right.

19 Q Well, the 0.5825, right, that's the -- oh,  
20 that's a winter cost?

21 A (Simek) Yes.

22 Q Okay. So, then, we -- that's the rate. Do you  
23 know what the cost was that month? Is that in  
24 the filing?

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[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 A (Simek) I don't believe the costs are, no.  
2 That's a separate cost of gas reconciliation  
3 filing, that gets audited by the Audit Staff.  
4 There's no prior costs included in this filing.

5 Q Because, again, that's much lower than the rate  
6 we approved, 0.7411, for the winter cost of gas  
7 rate?

8 A (Simek) Correct, because the futures market  
9 again kept going down and down and down.

10 Q And you just over -- you think you  
11 overestimated the futures market, so you put a  
12 rate of 0.5825 in, and the costs might have  
13 been somewhere higher than that, but lower than  
14 0.74, whatever we approved. Is that what  
15 happened?

16 A (Simek) Well, kind of, yeah. I mean, we're  
17 taking the best information available. It's  
18 our group, in Regulatory & Rates, Cathy and I,  
19 we work with Debbie's group, in Energy  
20 Procurement, and we all work together to come  
21 up with what, with all the information we have,  
22 what we think the best rate should be.

23 Q Do you think you could put together a table for  
24 me that showed all of the monthly rates that

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[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1           you charged for November 2018 through, I don't  
2           know, September?

3   A       (Simek) Absolutely.

4   Q       And, then, compare that to the rate that -- the  
5           cost, the gas costs for that period?

6                   MS. SCHWARZER: Excuse me. It's  
7           possible that what you're looking for is  
8           already filed on Revised Page -- Schedule 8, on  
9           228-R.

10                   CMSR. BAILEY: Thank you.

11 BY CMSR. BAILEY:

12 Q       So, I see the rate on Line 26. Is that right,  
13           Mr. Simek?

14 A       (Simek) Yeah. Line 26 does compare the actual  
15           rates, yes.

16 Q       So, the actual rates didn't change from  
17           November through April.

18 A       (Simek) Well, this would be -- the first box  
19           that we're looking at is the proposed rates --

20 Q       Okay.

21 A       (Simek) -- for November '19 through April '20.  
22           So, if we go to the box below, that would be  
23           what the rates were for the prior winter, of  
24           November '18 through April of '19, and what

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[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1           they were each month.

2   Q       Okay.  That's the --

3   A       (Simek) You can see that they did go --

4                                *[Court reporter interruption.]*

5   **CONTINUED BY THE WITNESS:**

6   A       (Simek) You can see that the activity, it did  
7           go -- stayed pretty close to the approved rate  
8           of 0.7411, for the first three months, and then  
9           it went up, for February, March, and April.

10  BY CMSR. BAILEY:

11  Q       But the testimony says the average rate was  
12           "0.6633", which is lower?

13  A       (Simek) That -- do you know where in the  
14           testimony that's referenced?

15  Q       Let me see if I can find it.

16                               MS. SCHWARZER:  Revised Page 092-R  
17           may also be helpful.

18  **BY THE WITNESS:**

19  A       (Simek) I'm sorry.  The 228-R page that we were  
20           just looking at, that was a summer comparison.

21  BY CMSR. BAILEY:

22  Q       So, the summer rate was higher than the winter  
23           rate?

24  A       (Simek) No.  So, I just need to look at another

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 page here to verify that we're still talking  
2 the same information.

3 Q All right. I found the --

4 MS. SCHWARZER: 092-R has the winter  
5 rates.

6 MR. SHEEHAN: And the 0.663, in  
7 testimony, is on Bates 009.

8 *[Short pause.]*

9 BY CMSR. BAILEY:

10 Q And 0.6633 is also on Page 092-R, the average.

11 A (Simek) So, yes. 092-R is the correct  
12 reference page.

13 Q Okay. So, those are the rates that you  
14 actually charged, and 0.6633 is the average  
15 rate over the period?

16 A (Simek) Correct.

17 Q What was the average cost over the period? Do  
18 you know where that is?

19 A (Simek) Is that included in the filing?

20 A (Gilbertson) I don't think it is. Could we get  
21 that for you? I honestly don't know.

22 CMSR. BAILEY: Okay. All right.

23 We'll take that as a record request.

24 MR. SHEEHAN: Could you repeat it for

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 my benefit, to make sure we get you what you're  
2 looking for?

3 CMSR. BAILEY: Yes. Give me the  
4 actual monthly cost of gas on a per therm rate  
5 that you paid for the winter period.

6 MR. SHEEHAN: Last winter?

7 CMSR. BAILEY: Last winter. From  
8 November '18 through April '19.

9 **(Exhibit 10 reserved)**

10 BY CMSR. BAILEY:

11 Q Can you look at Bates Page 010? I'm not  
12 understanding something in the first paragraph.

13 MS. SCHWARZER: There is a 010-R as  
14 well.

15 CMSR. BAILEY: Okay. Maybe that's  
16 why.

17 No, I don't think that -- I don't  
18 think that that changes.

19 BY MS. SCHWARZER:

20 Q So, on Line 3 through 5, it says "The total  
21 impact on the winter period bills for an  
22 average Fixed Price Offer heating customer...is  
23 a decrease of approximately", corrected,  
24 "\$98.27 or 9.75 percent compared to last

{DG 19-145} [REDACTED - For PUBLIC Use] {10-11-19}

1 winter."

2 And, then, on Line 7 through 9, it says  
3 "The estimated winter bill for an average  
4 residential heating customer opting for the  
5 Fixed Price Option would be approximately \$13  
6 (or 1.45 percent) higher than the bill under  
7 the proposed cost of gas rates."

8 Are those sentences -- I don't -- do they  
9 seem to conflict?

10 A (Simek) Okay. The 7, 8, and 9 portion is meant  
11 to represent the 2-cent increase that FPO  
12 customers are paying that we're proposing above  
13 and beyond the proposed Non-FPO residential  
14 rate. So, it's really just the 2-cent impact,  
15 what they would be paying more, for this  
16 proposed cost of gas rate.

17 Q So, in the first sentence that I read from,  
18 should that be an average Non-FPO customer?

19 A (Simek) No. The first, Lines 3, 4, and 5, are  
20 comparing the FPO rate from -- that we're  
21 proposing to the FPO rate that was approved  
22 last year.

23 Q And the next sentence, on 7 through 9?

24 A (Simek) That is just comparing the Non-FPO rate

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1           that we're proposing for this year, to the FPO  
2           rate that we're proposing for this year, just  
3           the 2-cent difference.

4   Q       Okay. Thank you.

5   A       (Simek) You're welcome.

6   Q       On the over-collection that you talk about on  
7           Bates Page 012, I think, I think it was a  
8           formula error, where you used the R-3 rate, and  
9           it had something to do with the LMI customers,  
10          the difference between the R-3 rate and the R-4  
11          rate?

12  A       (Simek) Correct. Well, yes. I'm sorry.

13  Q       Did that cause an over-collection?

14  A       (Simek) No. Well, for the -- so, we're talking  
15          about the pages that were omitted from 012-R.  
16          And, so, we're talking about the discussion  
17          related to the Revenue Decoupling Adjustment  
18          Factor.

19  Q       Right.

20  A       (Simek) And it was really -- it just had to do  
21          with our interpretation, our initial  
22          interpretation, of how the actuals were meant  
23          to be calculated. And, then, once meeting with  
24          Staff, and us agreeing with them on what the

{DG 19-145} [REDACTED - For PUBLIC Use] {10-11-19}

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 true calculation should have been.

2 As far as the low income customers being  
3 involved, they currently are in the tariff, in  
4 the formula, the portion related to the low  
5 income customers, is correct in the  
6 calculation. And that was confirmed by Mr.  
7 Iqbal.

8 Q Okay. Can you explain to me what "Company  
9 Allowance" is on Bates Page 016?

10 MS. SCHWARZER: I'll just note that  
11 there's a revised Page 016. Just trying to  
12 keep us on track.

13 CMSR. BAILEY: Thank you.

14 BY CMSR. BAILEY:

15 Q What is "Company Allowance"? Define it.

16 A (Gilbertson) "Company Allowance" is the line  
17 loss between the city-gate and the customer's  
18 house.

19 Q Ms. Gilbertson, can you explain to me why the  
20 direct cost of gas isn't expected to be lower  
21 than last year, when I think I understood you  
22 to say that you're going to get more supply  
23 from Dawn this year?

24 A (Gilbertson) Because prices are high this year,

{DG 19-145} [REDACTED - For PUBLIC Use] {10-11-19}

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 higher than kind of what we expected. And it's  
2 more not so much NYMEX, but basis. So, we  
3 price this exactly what the index pricing is.  
4 And there has been some excitement in the  
5 market lately, since I think it was in August  
6 there was an explosion on Enbridge or TETCO,  
7 they had a problem in Kentucky. And, since  
8 then, there's been a little bit of excitement  
9 in the market, which kind of caused the prices  
10 to go up.

11 Hopefully, prices will relax a little bit.  
12 But, right now, they are a little high.

13 Q Okay. So, if you had to buy that gas that  
14 you're going to get at Dawn from Dracut, they  
15 would be even higher?

16 A (Gilbertson) Oh, definitely.

17 CMSR. BAILEY: Okay. I think that's  
18 all I have.

19 Mr. Sheehan, do you have some  
20 redirect?

21 MR. SHEEHAN: If I could just go  
22 through my notes quickly?

23 CMSR. BAILEY: Sure.

24 *[Short pause.]*

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 MR. SHEEHAN: Actually, I don't.

2 Thank you.

3 CMSR. BAILEY: Okay. Are there other  
4 witnesses? Ms. Schwarzer, are you going to  
5 have a witness today?

6 MS. SCHWARZER: Yes. Thank you. I  
7 do have -- I'm going to call Mr. Iqbal.

8 CMSR. BAILEY: All right. I thank  
9 you for your testimony. You can be excused.  
10 And we'll -- off the record.

11 *[Brief off-the-record discussion*  
12 *ensued.]*

13 CMSR. BAILEY: Okay. Let's take a  
14 ten-minute break, and then we will start with  
15 Mr. Iqbal. Thank you.

16 *(Recess taken at 3:09 p.m.*  
17 *and the hearing resumed at*  
18 *3:25 p.m.)*

19 CMSR. BAILEY: All right.  
20 Ms. Schwarzer.

21 MS. SCHWARZER: Thank you. The  
22 witness needs to be sworn.

23 CMSR. BAILEY: Oh. Sorry. Mr.  
24 Iqbal, would you raise your right hand please.

[WITNESS: Iqbal]

1 (Whereupon **Al-Azad Iqbal** was  
2 duly sworn by Cmsr. Bailey.)

3 **AL-AZAD IQBAL, SWORN**

4 **DIRECT EXAMINATION**

5 BY MS. SCHWARZER:

6 Q Would you please introduce yourself and your  
7 position at the PUC?

8 A I'm Al-Azad Iqbal. I'm a Utility Analyst in  
9 the Gas and Water Division.

10 Q Did you prepare testimony that's filed in this  
11 docket?

12 A Yes, I did.

13 Q And, for the record, does that testimony appear  
14 as "Exhibit 5"?

15 A Yes.

16 Q Do you have any changes to your testimony?

17 A No.

18 Q And do you adopt your written testimony as your  
19 sworn testimony here today?

20 A Yes.

21 Q I'd like to ask you about the RDAF credit.  
22 What was the RDAF prior to -- the decoupling  
23 credit, what was it prior to the correction  
24 that you brought to the Company's attention?

{DG 19-145} [REDACTED - For PUBLIC Use] {10-11-19}

[WITNESS: Iqbal]

1 A The prior numbers, you have to look at original  
2 filing, Bates Page 118. And Line 5 shows the  
3 Residential Adjustment Factor, that was  
4 "0.0298", and the revised one is 124-R, that  
5 shows "0.0623", all are negative. That's a  
6 credit for the customer.

7 Q So, almost three times the credit that would  
8 have been the case before?

9 A I would say not "three times". We go 298 and  
10 623.

11 Q I see.

12 A It's a little bit more than double.

13 Q Little more than double?

14 A Yes. And, for commercial customers, it is  
15 closer. The previous one was "0.0225", and the  
16 new one is "0.0241".

17 Q Thank you. What is your opinion about the  
18 difference of actuals in Staff -- in Liberty's  
19 response to Staff 2-3 and revised Page 124-R?

20 A To a certain --

21 *[Court reporter interruption.]*

22 **BY THE WITNESS:**

23 A To a certain extent, I actually agree with  
24 Mr. Simek, what he said that's in response to a

[WITNESS: Iqbal]

1 similar question. Only thing I would say, that  
2 the confusion, which raised the -- the original  
3 confusion, which we are dealing with here, the  
4 R-3 and R-4 rate difference, was created by the  
5 tariff language. If you look at the tariff  
6 language, it talks about, when calculating  
7 actual revenue, it talks about "actual  
8 revenue", but gives an idea that part of it  
9 should be calculated. It's not the actual  
10 versus actual. It seems like that one part  
11 should be calculated, that is the low income  
12 part, low income part -- low income customers,  
13 they really should be dealt with two ways, when  
14 due for their discount. They should be treated  
15 as R-3 customers, even when they are not paying  
16 at that level.

17 The reason, I understand that why it has  
18 been done. But those are not really actual, in  
19 the sense that, in perfect world, the  
20 calculated numbers and actual revenue would  
21 match. But we don't live in a perfect world.  
22 So, it might be a little bit different. It  
23 might be minute, but it might be a little bit  
24 different. How much the RLIAP revenue they

[WITNESS: Iqbal]

1 would collect and how much, if there might be a  
2 difference in the collected revenue number plus  
3 the RLIAP number, and the calculated number.

4 So, my point is that I understand that  
5 there is monthly, what we are reporting in  
6 these two documents. But, even in reality,  
7 there might be some difference.

8 BY MS. SCHWARZER:

9 Q I'm sorry, I didn't understand.

10 CMSR. BAILEY: Wait. Excuse me.

11 WITNESS IQBAL: Yes.

12 CMSR. BAILEY: I am sorry, but do  
13 you -- is there anything that Mr. Iqbal needs  
14 to correct that he heard or rebut today?  
15 Because it's my understanding the Company  
16 accepted his revisions. We understand his  
17 written testimony, and we have read it.

18 MS. SCHWARZER: Yes. I was just  
19 going to ask him that question.

20 CMSR. BAILEY: Okay. All right.

21 Thank you.

22 MS. SCHWARZER: Sure.

23 BY MS. SCHWARZER:

24 Q Mr. Iqbal, does it remain your position that

[WITNESS: Iqbal]

1 the changes that Liberty made, as reflected in  
2 their revised filing, are accurate and  
3 sufficient?

4 A Based on the tariff language right now, yes.  
5 But the point I was making, that even tariff  
6 language doesn't correct everything.

7 Q So, you're leaving the door open to the future,  
8 should you notice an additional issue. Is that  
9 what you're --

10 A Exactly.

11 Q Okay. Have you seen the proposed tariff  
12 language that Liberty filed as "Exhibit 4"?

13 A Yes. That language actually addressed my third  
14 issue. And we are talking --

15 Q Is a different issue?

16 A Yes. That's a different issue.

17 Q Well, going back just briefly to the issue that  
18 you raised, with regard to the response to  
19 Staff 2-3 and revised Page 124-R, you find the  
20 current tariff acceptable at this time, is that  
21 correct?

22 A At this time. But I would use what the Company  
23 used, that intent and tariff language. That's  
24 what I am saying. That intent is that whatever

[WITNESS: Iqbal]

1 their actual revenue, including RLIAP, should  
2 be their actual revenue. But tariff language  
3 doesn't say that. Tariff language says that  
4 the revenue -- actual revenue from the delivery  
5 rate, and add to that the discount, calculated  
6 discount, not the actual RLIAP cost.

7 Q One moment.

8 A So, there might be a difference. It should be  
9 perfect. It should be the same, if everything  
10 is perfect. But there might be some issue  
11 there.

12 Q So, you're just reserving the opportunity to  
13 comment in the future?

14 A Exactly.

15 MS. SCHWARZER: Okay. I don't have  
16 any further questions. Is there any cross?

17 CMSR. BAILEY: Well, I'll ask that.

18 MS. SCHWARZER: Okay. I'm sorry.

19 CMSR. BAILEY: Ms. Shute, do you have  
20 anything?

21 MS. SHUTE: No. Not at this time.

22 MR. SHEEHAN: I have no questions.

23 Thank you.

24 CMSR. BAILEY: All right. Thank you.

[WITNESS: Iqbal]

1 Okay. Thank you, Mr. Iqbal. We appreciate  
2 your thorough review of the issues and the  
3 problems that you identified.

4 WITNESS IQBAL: Thank you.

5 CMSR. BAILEY: And you can be -- yes,  
6 you can be excused, because there is no  
7 redirect.

8 Okay. I'm just going to confirm,  
9 there are no other witnesses?

10 *[No verbal response.]*

11 CMSR. BAILEY: Seeing none. I don't  
12 think that we used Exhibit 7, did we? So, --

13 MS. SCHWARZER: It's the redacted  
14 version of Exhibit -- it's the redacted version  
15 of Exhibit 6, which is confidential.

16 CMSR. BAILEY: Oh, yes. And we did  
17 use 6.

18 MS. SCHWARZER: We did.

19 CMSR. BAILEY: Okay. Thank you.

20 All right. Without objection, I will  
21 strike ID on Exhibits 1 through 9. And we are  
22 reserving Exhibit 10 for the record request  
23 about the actual cost of gas each month.

24 I guess we'll start by -- we'll take

1 closing statements. Ms. Shute.

2 MS. SHUTE: Thank you, Commissioners.

3 The Office of the Consumer Advocate  
4 wants to start by appreciating and  
5 acknowledging the work of the PUC Staff in  
6 identifying over \$2 million in additional funds  
7 to be returned to ratepayers, by identifying  
8 the mistakes in the original filing that  
9 under-reported the overage collected from  
10 ratepayers.

11 We do agree with the corrections that  
12 Staff has asked them to do. We have been  
13 limited in our review of the RDAF data, to the  
14 information that was provided. So, it's  
15 possible to have other concerns.

16 But, with that caveat, and subject to  
17 the audit, and subject to corrections to  
18 Schedule 8, we support Commission approval of  
19 this cost of gas filing.

20 CMSR. BAILEY: Ms. Schwarzer.

21 MS. SCHWARZER: Thank you. Liberty's  
22 counsel is going to make a correction to  
23 Schedule 8, and that will be addressed by him.

24 CMSR. BAILEY: Okay.

1 MS. SCHWARZER: Staff has reviewed  
2 Liberty's cost of gas filings, and recommends  
3 that the Commission approve the proposed rates,  
4 as revised in the October 8th, 2019 filing.  
5 Staff also recommends approval of the proposed  
6 supplier balancing charge, capacity mitigation  
7 fee, peaking demand charge, company allowance  
8 percentage, capacity allocator percentages, and  
9 short-term debt limits. Approval of the  
10 recommended charges will result in just and  
11 reasonable rates.

12 Staff has concerns regarding the  
13 iNATGAS forecast and will be evaluating the  
14 impact in next year's cost of gas. And, if  
15 negative, the matter will be addressed in that  
16 proceeding.

17 In addition, RDAF is new for the  
18 parties. The parties have worked to address  
19 issues in preparation for this proceeding.  
20 And, if new issues are identified, we will work  
21 together accordingly.

22 Liberty's gas supply planning and  
23 dispatch is very similar to last year's and  
24 transportation and firm sales customers, and

1 winter and summer periods have been calculated  
2 in accordance with prior approved allocation  
3 methodologies, including decoupling and the  
4 Revenue Decoupling Adjustment Factor, RDAF,  
5 approved last year, and the Company's proposed  
6 tariff amendment. Therefore, Staff recommends  
7 approval of the proposed LDAC rate, as revised  
8 in the October 8th, 2019 filing, and the  
9 proposed October 10th, 2019 tariff amendment,  
10 designed to recover costs as provided for in  
11 prior dockets and as approved by this  
12 Commission.

13 The Commission Audit Staff's review  
14 of the 2018/2019 period cost of gas  
15 reconciliation is ongoing. When the review is  
16 completed, any findings can be addressed  
17 through monthly rate adjustments or in the next  
18 winter's annual cost of gas filing.

19 On October 8th, the Audit Staff  
20 issued a draft report on Liberty's July 1, 2018  
21 to June 30th, 2019 environment costs and  
22 recoveries contained in this filing. Audit  
23 Staff confirmed that the amounts in the filing  
24 were correct. However, the draft report states

1 that there is a significant disparity between  
2 the environmental response costs revenue  
3 requirement reported in the filing, and the  
4 revenue requirement reported in the balance  
5 sheet accounts on Liberty's general ledger.  
6 Audit Staff's draft report notes that this  
7 disparity has been a recurring audit issue  
8 since Liberty's acquisition of EnergyNorth.  
9 Liberty has testified that it intends to  
10 reconcile the difference and submit the  
11 reconciliation to the Audit Staff by  
12 January 15, 2020. To ensure that issue is  
13 addressed, Staff recommends the forthcoming  
14 Commission order require Liberty to provide a  
15 reconciliation to the Audit Staff no later than  
16 the January 15th, 2020 date.

17 Thank you.

18 CMSR. BAILEY: Mr. Sheehan.

19 MR. SHEEHAN: Thank you. Just to  
20 touch on a couple issues discussed during the  
21 hearing.

22 On the energy efficiency side, as the  
23 Commission is aware, the utilities have jointly  
24 filed their '19/20 Update in 17-136, and that

1 has a fairly detailed description of what each  
2 of the companies are doing, and, of course,  
3 including EnergyNorth. So, there's one source  
4 of information for the efforts.

5 We do stand by our commitment to  
6 champion energy efficiency as part of the  
7 decoupling process. That is one piece of it.

8 I know it's hard to make  
9 presentations to the Commission outside of  
10 hearings. But, should the Commission want one,  
11 with everyone here, we can certainly bring in  
12 our Energy Efficiency folks, our Communications  
13 folks, and detail all the things we have been  
14 doing. And, of course, in a proceeding where  
15 it is a central issue, that would be expected  
16 of us, and we understand that.

17 I will note that, in another docket  
18 in this building, in our IRP case, Staff  
19 consultants recently filed their testimony.  
20 And one, of course, important issue in an IRP  
21 is a demand forecast. And our demand forecast  
22 did include a reduction for energy efficiency,  
23 based on past work and based on projections.  
24 And Staff's consultant found those EE

1 reductions to be reasonable within our demand  
2 forecast. So, there's a marker there of our  
3 success.

4 And just another comment on the use  
5 per customer, which I think is what triggered  
6 the questions about energy efficiency. Why is  
7 use per customer going up, if we should be  
8 doing better with energy efficiency? The  
9 section of Staff's testimony in the IRP that  
10 mentions this actually says "the demand  
11 forecast", and this is the one we filed in 2017  
12 with the IRP, and it was updated 18 months ago,  
13 and I think it was updated a year ago, did note  
14 a reduction in use per customer in our  
15 forecast, and which is what we had forecasted.

16 But the evidence more recently is  
17 showing an increase in use per customer, and  
18 that has taken us by surprise as well. And I  
19 understand Northern is experiencing the same  
20 thing. So, it may be factors, obviously, other  
21 than energy efficiency, such as Ms. Gilbertson  
22 suggested, perhaps a good economy and people  
23 building bigger houses, whatever it may be.  
24 So, it is something we are, obviously, very

1           aware of and looking very carefully at.

2                        Last, during the break, just a few  
3 minutes ago, there was a -- some of the  
4 schedules appeared to have some improper  
5 carryforward of some numbers. And this is the  
6 "Schedule 8" that counsel just referenced. All  
7 agree that these numbers -- these are some  
8 tables that show prior year or prior period  
9 numbers. They do not affect the requested  
10 rates in this proceeding. But we will,  
11 nonetheless, correct those, make those  
12 corrections and file a revised Schedule 8  
13 promptly. But that's what counsel is referring  
14 to.

15                        So, last, we appreciate the  
16 Commission Staff and OCA support for our  
17 requested rate changes. We ask that the  
18 Commission approve them as filed, both the cost  
19 of gas rate and the associated charges.

20                        Thank you.

21                        CMSR. BAILEY: All right. Before we  
22 close, I want to acknowledge our Clerk, who has  
23 been with the Commission for 26 years, and this  
24 is her very last hearing.

1                                   *(Spirited applause.)*

2                                   CMSR. BAILEY: She's been a great  
3                                   asset to the PUC. And, in addition to her  
4                                   clerking duties, she's been a champion for  
5                                   Operation Santa Claus for more than 20 years.  
6                                   And back 20 years ago, the Commission used to  
7                                   sponsor 100 kids for Operation Santa Clause.  
8                                   So, I am willing to guess that Sandy has been  
9                                   responsible for making more than a thousand  
10                                   kids' Christmases wonderful.

11                                   So, we're going to miss you. Thank  
12                                   you very much. And the kids in New Hampshire  
13                                   are going to miss you, too. But you're still  
14                                   going to help, I think. So, thank you.

15                                   All right. With that, we'll close  
16                                   the record, take the matter under advisement,  
17                                   and issue an order as quickly as we can. Thank  
18                                   you. We are adjourned.

19                                   ***(Whereupon the hearing was***  
20                                   ***adjourned at 3:40 p.m.)***