STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

In the matter of

Liberty Utilities (Granite State Electric) Corp.

Docket No. DE 19-064

Petition for Permanent Rate Increase

REDACTED
DIRECT TESTIMONY

OF

Bion C. Ostrander

On Behalf of the
New Hampshire Office of the Consumer Advocate

December 6, 2019

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I. INTRODUCTION

Q. Please state your name, business address and occupation.

A. My name is Bion C. Ostrander; I am President of Ostrander Consulting. My business address is 1121 S.W. Chetopa Trail, Topeka, Kansas 66615-1408. I am an independent regulatory consultant specializing in revenue requirement/accounting issues related to electric, gas, renewable energy, and telecommunication industries.

Q. On whose behalf are you testifying in this proceeding?

A. I am testifying on behalf of the New Hampshire Office of Consumer Advocate ("OCA") in this rate case proceeding before the New Hampshire Public Utilities Commission ("PUC" or "Commission") regarding the revenue requirements of Liberty Utilities (Granite State Electric) Corp. ("Liberty", "G.S." or the "Company").

Q. Please describe your formal education and professional experience.

A. Please see Attachment BCO-1 for my curriculum vitae and Attachment BCO-2 for a list of regulatory proceedings (by jurisdiction/docket/client) where I have participated. I am an independent regulatory consultant with a specialization in regulatory utility issues, and particularly revenue requirement/accounting issues. I have over forty years of regulatory and accounting experience, including twenty-nine years with my firm Ostrander Consulting.

I started my current consulting practice in 1990 after leaving the Kansas Corporation Commission ("KCC"). I previously served as the Chief of Telecommunications for the KCC from 1986 to 1990, and was the lead witness on most major telecom issues, while still assisting with electric/gas utility issues on a periodic basis. I served as Chief Auditor for the KCC from 1983 to 1986, addressing issues regarding the telecom, gas, electric, and transportation industries.

In addition, I have worked for international and regional certified public accounting firms, including Deloitte, Haskin and Sells (now Deloitte) and Mize, Houser, Mehlinger and Kimes (now Mize Houser and Company P.A.).

I previously held a permit to practice as a CPA in Kansas up until recent years, but I no longer perform any CPA-type services requiring a permit to practice. I remain a member of the American Institute of CPAs and the Kansas Society of CPAs.

I received a Bachelor of Science degree in Business Administration with a major in Accounting from the University of Kansas in 1978.

I have addressed many regulatory issues for various state regulatory agencies and for international regulatory and other governmental entities. My experience includes addressing issues related to rate cases under rate of return regulation, alternative regulation/price cap plans, management audits, specialized accounting and regulatory issues and other matters. I have addressed a broad range of regulatory issues in my career, including the levelized cost of renewable energy alternatives, specialized accounting matters, affiliate transactions/Cost Allocation Manual, income taxes (including net operating loss carryback), sale/leaseback, compensation, cross-subsidization, depreciation, retail and wholesale cost studies for telecom, competition, affordable rates/universal service, service quality, infrastructure/modernization, rate design for telecom, sales/acquisitions and many other matters.

Below is a high-level summary of clients I have consulted with in various jurisdictions:

Client Summary	
Consumer Advocates/Attorney General	***Public Service Commissions***
Indiana UCC	Arizona
Florida OPC	Georgia
Kansas CURB	Kansas
Kentucky AG	Maryland
Michigan AG	Minnesota
Maine OPA	North Dakota
Maine AARP	Oklahoma
Maryland OPC	***Other***
Michigan AG	Alaska Competitive Local Exchange Carrier
Minnesota DPS	Maryland - Montgomery County
Nevada AG	Virginia - CWA
New Hampshire	Kansas Counties (911 implementation issues)
Oklahoma AG	***International***
Utah OCS	Fair Trading Commission - Barbados
Vermont DPS	Eastern Caribbean Telecomm. Authority (ECTEL -
Washington AG	St. Lucia, St. Kitts/Nevis, St. Vincent, Grenada, Dominica)
Wyoming	Armenia - USAID
	Russia/Ukraine Energy Utility Training
	Saudi Arabia

Q. Have you previously provided testimony before this Commission?

A. No.

Q. Have you ever provided testimony and performed regulatory consulting services for other U.S. and international regulatory agencies, other international governments, and other entities?

A. Yes. Please see Attachment BCO-2 for a list of regulatory entities by jurisdiction, along with other clients.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present my analysis and recommendations regarding Liberty's revenue requirements, including addressing related accounting, regulatory, and policy issues. I am also addressing the Company's 2019 Step Increase, although these amounts are not included in the Company's revenue requirement calculations.

Q. Please discuss how your testimony is organized.

A. My testimony consists of three sections:

I. Introduction – Addresses various background information, my qualifications, and a summary of my adjustments and recommendations.

II. Revenue Requirements – Addresses revisions to Liberty adjustments, and additional adjustments that I have identified, along with related policy recommendations when applicable.

III. 2019 Step Increase – Addresses adjustments to Liberty's proposed 2019 Step Increase.

Attachments BCO-1 and BCO-2 address my credentials and a list of cases/proceedings that I have addressed. I am referring to my credentials and qualifications information as "Attachments" to this testimony and referring to my proposed revenue requirement and documentation supporting my proposed adjustments as "Exhibits" to this testimony.

Attachment BCO-1 is my curriculum vitae and Attachment BCO-2 is list of regulatory proceedings where I have participated.

Exhibit BCO-1 is OCA's proposed revenue requirement and related adjustments to rate base and operations. Exhibit BCO-2 is OCA's proposed adjustments to Liberty's 2019 Step Increase. Exhibit BCO-3 and all subsequent exhibits include supporting documentation for my proposed adjustments, such as Liberty's responses to data requests and other documentation as applicable.

Q. What is the test year for this case, and what period does Liberty use for adjusting amounts in this rate case?

A. The test year is the calendar year ended December 31, 2018.

For those operating expense accounts where Liberty proposes an adjustment, it typically adjusts to a "2019 going-forward amount" based on changes in cost that I sometimes consider to be known-and-measurable, and other times I do not consider to be known-and-measurable (or some combination). Sometimes the Company relies on its 2019 Budget to adjust costs (such as the base payroll amount in the Company's payroll adjustments), although most of the time Liberty does not rely on its 2019 Budget amounts. I will address the underlying basis for Liberty's adjustments when this is relevant or a concern.

Q. Will you summarize Liberty's prior electric rate case filing for some perspective on this rate case?

A. Liberty's prior electric rate case, filed on April 29, 2016 in Docket DE 16-383, used a test period ending December 31, 2015 and requested a revenue increase of $5,328,583, a temporary increase of $3,180,666, and a step increase of $2,420,717 (based on additional capital spending of $14,227,039 during 2016). Liberty proposed a return on equity ("ROE") of 10.30 percent and an overall rate of return ("ROR") of 8.32 percent. Liberty proposed to implement the step increase at four different dates, on May 1, 2018, 2019, 2020, and 2021.

On March 17, 2017, the parties submitted a Settlement to resolve all issues, and it provided for a revenue increase of $3,750,000 (about 70 percent of Liberty's original request), coupled with a step increase of $2,473,723, with related step increases to be phased in May 1, 2018 and May 1, 2019. Although certain policy positions were stipulated related to rate design and other matters, the Settlement was a black box revenue requirement agreement and did not address specific rate case adjustments that comprised the agreed-upon revenue requirement. The Settlement uses a ROE of 9.40 percent and ROR of 7.64 percent.

The Commission approved the Settlement on April 12, 2017, in Order No. 26,005.

Q. Will you summarize Liberty's current proposed rate filing?

A. On April 30, 2019, Liberty filed a Petition for permanent and temporary rate increases, including a proposed increase to permanent rates that will yield an annual revenue increase of $5,683,102, a temporary increase in revenues of $2,093,349 (37 percent of the Company's requested total increase), and a step increase of $2,293,431 related to recover the cost of projects completed through December 31, 2019.[1] On June 28, 2019, the Commission approved a temporary rate increase of $2,093,349, an increase of about $2.48 or 2 percent of the total monthly bill.[2]

Liberty proposes a ROE of 10 percent with a related overall ROR of 8.19 percent. Liberty proposes an adjusted rate base of $106,180,186 and an operating income at present rates of $4,552,039.

On November 22, 2019, Liberty filed its Corrections and Updates[3] with the Commission, and the net impact of this filing was an additional revenue deficiency of $990,390, resulting in a revised revenue deficiency of $6,673,493 (compared to the original amount of $5,683,102).

Liberty's revised filing results in an adjusted rate base of $103,024,219 and an operating income at present rates of $3,571,374. The revised filing includes Liberty-proposed adjustments that reduce net rate base by $36.7m, along with revenue and expense adjustments that decrease net income by $5.7m before income taxes.

Q. Will you summarize the OCA's revised revenue requirement and certain significant adjustments and recommendations?

[1] This includes projected capital spending through December 31, 2019 of $14,967,736 (Attachment PEG/DBS-2 Schedule Step, p. 1 of 2).

[2] Commission Order No. 26,267 in DE 19-064.

[3] Liberty's revised corrections and updates schedules are identified with an additional caption of "CU" (corrections and updates).

A. I will summarize the results of the review of revenue requirements.

Chart 1 – Summary Revenue Requirement Calculation

A	B	C	D	E
			Liberty	
		Liberty	**Nov. 22, 2109**	**OCA**
Line	**Description**	**Application**	**Update**	**Proposed**
1	Adjusted Rate Base	$ 106,180,186	$ 103,024,219	$ 102,932,498
2	ROR	8.19%	8.19%	7.21300%
3	Required Return	$ 8,696,157	$ 8,437,684	$ 7,424,521
4				
5	Adjusted Net Operating Income	$ 4,552,040	$ 3,571,374	$ 4,886,653
6				
7	Return Deficiency (Surplus)	$ 4,144,117	$ 4,866,310	$ 2,537,869
8	Revenue Conversion Factor	1.3714	1.3714	1.3714
9				
10	**Revenue Deficiency**	**$ 5,683,335**	**$ 6,673,765**	**$ 3,480,489**

Chart 1 above, shows information related to Liberty's original filing in column C, its November 22, 2019 revised filing in column D, and the OCA/Ostrander recommendation in column E. Line 10 of each column shows that Liberty originally sought a revenue increase of $5,683,335, and this was increased to $6,673,765 in the Company's revised filing. The OCA/Ostrander recommendation is a revenue increase of $3,480,489, and this represents about a $3.2m (or 48 percent) reduction from the Company's revised filing. In addition, this chart shows that Liberty proposes a ROR of 8.19 percent, compared to the OCA proposed ROR of 7.213 percent.

Chart 2 – Operating Adjustments Proposed by Liberty and OCA

Co. Adj.	Liberty Adjustments	Liberty Original	Liberty Revised	OCA Adj.	OCA Adjustments	OCA Proposed
1	Payroll expense	$ 947,257	$ 947,257	1	Payroll expense	$ (601,678)
2	Payroll taxes	$ 148,639	$ (164,334)	2	Incentives	$ (392,614)
3	Pensions and benefits	$ 294,314	$ 612,004	3	Payroll tax expense	$ (94,744)
4	Property & liab. Insur.	$ (10,689)	$ (10,689)	4	Depreciation expense	$ (661,150)
5	Tax reform adjs.			5	Pole rental fees	$ (53,619)
6	Other maint. exp.	$ (12,246)	$ (12,246)			
6	Depreciation - res. surplus	$ 781,434	$ 781,434			
7	Intercompany rent exp.	$ (7,964)	$ (345)			
8	Depreciation - new rates	$ 447,926	$ 1,561,586			
9	No adjustment	$ -	$ -			
10	Vegetation man.	$ 799,252	$ 799,252			
11	Property taxes	$ 168,744	$ 124,983			
12	Injuries and damages	$ 22,647	$ 22,647			
13	Other revenue	$ 192,548	$ 192,548			
14	Normalize distrib. revenue	$ 602,425	$ 618,740			
15	Income tax accrual					
16	Branding advertising		$ (2,990)			
16	EEI dues		$ (516)			
16	Lost base revenue		$ 280,584			
16	Expenses - water heater		$ (73,923)			
16	Revenues -water heater		$ 11,712			
	Total Operating Adjs.	**$ 4,374,287**	**$ 5,687,704**		**OCA Operating Adj.**	**$(1,803,805)**

Chart 2 above, shows the amount of operating adjustments (expenses and revenues) proposed by Liberty and OCA, all amounts are shown before any offset for income taxes. Liberty's original filing included $4.4m of net adjustments that decreased operating income (increased expenses and decreased revenues), Liberty's revised filing including total net adjustments that decreased operating income by $5.7m, and OCA proposes total net adjustments of $1.8m that increase operating income. Liberty's revised filing included some additional adjustments previously identified during the discovery process by OCA or Staff (and Liberty), and the Company's inclusion of these adjustments in its revised filing means that OCA does not need to address these issues.

Chart 3 – OCA Adjustments to 2019 Step Increase Plant Additions

A	B	C
		2019
		Step Increase
Line	Adjustments	Adjustments
1	Beginning 2019 Step Increase	$14,967,736
2	Adjustments:	
3	1 - Reduce internal capitalized labor	($2,680,000)
4	2 - Battery back-up for customer meters	($1,000,000)
5	3 - Unidentified discretionary projects	($100,000)
6	4 - Londonderry project removed by Liberty	($660,000)
7	5 - ARP breakers & closers project cancelled	($225,000)
8	Total capital costs removed	($4,665,000)
9	Revised 2019 Step Increase	$10,302,736

Chart 3 above shows the OCA adjustments to the capital plant additions included in Liberty's 2019 Step Increase, which began with a balance of $14.9m and was adjusted to a balance of $10.3m.

Chart 4 – OCA Proposed Cost of Capital

	Capital		Weighted
Description	Structure	Cost	Cost
Equity	55%	8.23%	4.527%
Debt	45%	5.97%	2.687%
Total	100%		7.213%

Chart 4 above shows the OCA's proposed cost of capital, including an 8.23 percent cost of equity and overall ROR of 7.213 percent, as supported by OCA witness Pradip K. Chattopadhyay.

Q. How will you cross-reference Liberty adjustment schedules when explaining your related adjustments?

A. If Liberty has not proposed a revision to a particular adjustment in its November 22, 2019 Corrections and Updates filing ("CU filing"), then I will refer to the original-filed schedule, and if Liberty has proposed a revised adjustment in its CU filing, then I will refer to the Liberty revised schedule which includes the designation "CU".

II. Revenue Requirement Adjustments

Adjustment BCO-1: Payroll – Exhibit BCO-1, Schedule 2.1

Q. Will you summarize your adjustment to payroll expense?

A. Liberty proposes to increase payroll expense by $947,257 (Adjustment 1, Sch. RR-3-01) to approximate its 2019 budget for going-forward payroll expense levels, and I am proposing an offsetting reduction to payroll expense of $601,678. There are a significant problems with Liberty's payroll adjustment, and some of the adjustments and primary concerns are summarized below:

1) Liberty's largest and most controversial payroll adjustment component includes an increase to payroll expense of <u>$758,355</u> to impute and add back the cost impact of virtually all vacancies and employee turnover, to treat the Company as if it

always operates at 100 percent full employment capacity, and will continue to do so on a going-forward basis without any future vacancies or turnover. Liberty has not adequately supported its rationale for this adjustment, the amounts are not known-and-measurable, and no precedent has been cited for this new type of payroll adjustment.

2) Liberty's proposed total payroll expense adjustment of $947,000 reflects a 13.4 percent increase over 2018 actual book costs, and appears excessive and unusual compared to historical trends of actual payroll cost changes from 2015 to 2018.

3) The Company includes short-term incentives in its base payroll amount of $7,081,853, and I will address adjustments to incentives at Adjustment BCO-2 of my testimony.

4) A significant portion of Liberty's payroll costs come from the category of "common employees" that perform work for both electric and gas operations, but the Company cannot identify the amount of payroll costs included in the revenue requirement that is charged by those "common" electric employees. Without this information, I cannot determine if there is a normal or reasonable level of "common" electric employee payroll costs included in this rate case. This is a concern, and I am recommending that the Commission require the Company to begin tracking these common electric/gas employee costs immediately by specific account coding, so that trends and changes in these costs can be identified and analyzed in future rate cases.

Q. Will you explain Liberty's payroll expense adjustment in this case, and those components that you oppose?

A. Liberty's payroll Adjustment 1 calculation is shown at Sch. RR-3-01. The adjustment begins with 2018 per book payroll expense of $7,081,853 and consists of three primary components:

1) The largest and most controversial component of Liberty's payroll adjustment includes a $758,000 increase to recoup and impute into the revenue requirement the payroll costs related to vacated and subsequent filled positions in 2018 and early 2019, costs of new positions in 2018 and early 2019, and the costs of some positions that were vacated in 2018 and not subsequently filled in 2018 or 2019 to-date. Liberty's adjustment essentially treats the Company as if it operates at 100 percent full employment capacity without any turnover or vacancies on a regular continuing basis, but this is not representative of the Company's actual payroll

costs on its books from year-to-year. Also, this treatment is not accurate because all sizeable businesses incur normal vacancies and turnover as part of their business cycle.

Much of the vacancy and turnover payroll costs are not known and measurable, because Liberty has not filled all of these related vacancies in 2018 or through 2019 to-date. Although the Company imputes the cost of these "2018" vacancies into its "2019 going-forward payroll costs", the Company has failed to remove the actual costs of these same positions (and others) that are subsequently being vacated or turned over in "2019" - and this continuing turnover is recurring in nature and is not reflected in the Company's adjustment. In the prior rate case, the Company's payroll adjustment sought to recover the costs of 21 "new positions", but it did not seek to impute and recover the payroll costs of vacancies and turnover as if the Company operated at 100 percent full employment capacity. The Company has not adequately supported its rationale for this adjustment and it has not identified any precedent for this new type of adjustment that it proposes in this case.

2) Liberty takes 2018 per book payroll expense of $7,081,853 and multiplies this by 3 percent, to arrive at estimated 2019 post-test period pay raises of <u>$177,047</u> that are effective for the periods February to April 2019 for union and non-union employees.[4] I do not entirely agree with this Company adjustment, but I do not propose a counter adjustment. This type of adjustment was proposed by the Company in the prior rate case.

3) Liberty calculates 3 percent pay raises of <u>$11,856</u> on $474,230 of Regional Allocated Labor. Liberty's Schedule RR-3-01 explains that Regional Allocated Labor is not included in the Company's test year labor of $7,081,853, and this is because these amounts reflect labor charges from affiliates that do not originate from Liberty's books. Although I do not completely agree with this new adjustment,[5] the adjustment is relatively immaterial and I have not adjusted these costs.

[4] OCA 1-24.

[5] This adjustment is "new" from the perspective the Regionalization process first began in 2018.

Q. Does Liberty's proposed payroll adjustment appear unusual and excessive compared to historical trends in payroll costs?

A. Yes. The information included at Table 1 below will be used to explain the unusual and significant payroll increase proposed by Liberty in this rate case.

Table 1 – Payroll Cost Trends 2015 through 2018 Compared to Liberty Adjusted Payroll

A	B	C	D	E	F	G
Ln	(amounts in millions) Description	Books 2015	Books 2016	Books 2017	Books 2018	Co. Adjusted Payroll - 2019
1	Payroll expense	$7.0	$6.9	$6.4	$7.1	$8.0
2	Short-term incentives	($0.50)	($0.40)	($0.30)	($0.50)	($0.50)
3	Net payroll expense	$6.5	$6.5	$6.1	$6.6	$7.5
4	Payroll capitalized	$3.3	$3.5	$4.0	$3.8	$3.6
5	Total Payroll	$9.8	$10.0	$10.1	$10.4	$11.1
6						
7	Payroll Exp. - % Change		0.00%	-6.15%	8.20%	13.64%
8	Payroll Exp. - $ Change		$0.00	-$0.40	$0.50	$0.90
9						
10	Total Payroll - % Change		2.04%	1.00%	2.97%	6.73%
11	Total Payroll - $ Change		$0.20	$0.10	$0.30	$0.70

Notes/Sources related to above Table 1:

Note 1 – Source document for payroll expense and payroll capitalized in columns C, D, E, and F are from OCA 1-12, adjusted payroll expense of $8.0m in column G is from Liberty Schedule RR-3-01, and OCA 2-47 provides the "capitalized" payroll included in the 2019 Budget of $3.6m (per column G, line 4 of the above table).

Note 2 – Source documents for the short-term incentive amounts in columns C through G are from OCA 1-43 and OCA TS 1-2, and these amounts are deducted from base payroll expense in the above table to provide more comparable payroll expense amounts without the impact of fluctuating incentives from year-to-year.

Note 3 – Liberty's response to OCA 7-4 indicates its reliance on the 2019 Budget (including the related 2019 budgeted payroll costs) in determining final adjusted payroll expense of $8.0m in this case at column G, line 1 – although the Company's responses to OCA 7-4 and OCA 2-17 provided different 2019 budget payroll expense amounts of $7.8m and $7.4m, respectively.

Liberty's payroll adjustment begins with per book 2018 payroll expense of $7,081,853 ($7.1m) and proposes several adjustments to increase payroll expense by $947,257 ($0.9m) or 13.0 percent, to arrive at a final 2019 going-forward payroll expense of $8,029,110 ($8m). Liberty's proposed payroll expense increase of $0.9m and adjusted 2019 payroll expense of $8m appear unusual and excessive compared to prior years' payroll costs and trends, as explained below.

- <u>Payroll adjustment exceeds increases of the combined prior three-years</u> - Liberty increased its actual 2018 per book payroll expense of $6.6m (column F, line 3) to the 2019 going-forward amount of $7.5m (column G, line 3), resulting in a total payroll adjustment of $0.9m (column G, line 8), although payroll expense only increased $0.1 m in total from $6.5m in 2015 (column C, line 3) to $6.6m in 2018 (column F, line 3) - for the combined three-year period 2015 to 2018. Liberty's payroll expense adjustment of $0.9m in this case is excessive because it is nine times greater than the combined payroll expense change of $0.1m from 2015 to 2018, and this unwarranted increase is due primarily to Liberty's $0.8 m adjustment to reflect payroll costs at 100 percent full employment levels.

- <u>Payroll expense has been very stable in prior years</u> - Payroll expense was very stable from 2015 to 2018, with 2015 and 2016 at the same amount of $6.5m (column C and D, line 3), and then payroll expense declined to $6.1m in 2017, a reduction of 6.15 percent (or $0.4m) (column E, lines 6 and 7), and then payroll expense subsequently increased to $6.6m in 2018, but this is near its prior 2015 and 2016 levels of $6.5m) – a resulting increase of 8.2 percent (or $0.5m) (column F, lines 7 and 8). Liberty's payroll expense adjustment of $0.9m appears excessive and unusual compared to the stability in payroll expense from years 2015 to 2018, and this unwarranted increase is due primarily to Liberty's $0.8 m adjustment to reflect payroll costs at 100 percent full employment levels.

- <u>Payroll expense adjustment greater than any prior year "total" payroll increase</u> – Liberty's adjustment increases payroll <u>expense</u> increase of $0.9m, although the largest increase in <u>total</u> payroll (payroll expense plus payroll capitalized)[6] for any single year was only $0.3m (column F, line 11) from 2017 to 2018, from total payroll

[6] Total payroll costs include both expensed payroll and capitalized payroll, and capitalized payroll consists of both payroll capitalized to plant construction/asset accounts and capitalized deferred storm costs.

of $10.1m in 2017 to $10.4m in 2018 (column E, line 5 and column F, line 5). The payroll adjustment appears excessive based on this information.

- Payroll expense adjustment exceeds total payroll cost increases – Liberty's adjustment increases payroll expense increase by $0.9m, although total payroll costs only increased $0.6m (or 6 percent), from $9.8m to $10.4m (column C, line 5 and column F, line 5), for the combined 3-year period 2015 to 2018. It appears very unusual that the Company's proposed payroll expense adjustment for one period of $0.9m is greater than the increase in total payroll costs over this extended time period of three years.

Q. Is there a problem relying on the Company's 2019 budget for establishing going-forward payroll expense, and perhaps other costs, in this proceeding?

A. Yes. Liberty indicated that its adjusted payroll costs of $8m are based on its 2019 Budget, and so OCA 7-4.b asked the Company to reconcile its payroll adjustment to its 2019 Budget. Liberty's response shows that its 2019 Budget payroll expense of $7,799,303 is $229,807 less than its proposed adjusted payroll costs of $8,029,110. Liberty claims this difference of $229,807 is due to a different method in calculating budgeted payroll costs versus the method used for its payroll expense adjustment in this rate case, although the description of both calculation methods appear to be the same and no further detailed reconciliation of the difference was provided by Liberty.

If the 2019 Budget was to be relied upon for the payroll adjustment, then it appears the payroll adjustment could be overstated by at least $229,807. However, my point is not to propose an additional downward payroll adjustment of $229,807 by relying on the 2019 Budget, but rather to point out that the 2019 Budget should not be relied upon for adjusting costs in this rate case unless substantial detailed supporting calculations and reconciliations can be provided for budgeted costs compared to prior year actual costs. Most importantly, this raises concerns with any other adjusted costs in this rate case that are based on the 2019 Budget, because this could also produce unreconciled differences due to calculation methods or other reasons.

Q. Does Liberty's proposed payroll adjustment in this case appear unusual and excessive compared to the Company's payroll adjustment in the prior rate case?

A. Yes. The Company's payroll adjustment in the prior case started with 2015 payroll expenses per books of $7.0m, and proposed an adjustment of $0.1m, to arrive at a 2016 going-forward level of payroll expenses of $7.1m.[7] This compares to a $0.9m payroll expense adjustment, and going-forward 2019 adjusted total payroll expense of $8m in this case, the proposed payroll expense adjustment in this case of $0.9m is nine times greater than the $0.1m payroll adjustment proposed in the prior case. This significant increase in the payroll adjustment appears unusual and excessive given prior payroll cost trends that were previously addressed.

The total payroll adjustment of $0.9m in this case consists of one primary component that increases payroll expense by $0.8m to reflect 2018 vacant positions that were subsequently filled in 2018 and early 2019, 2018 and 2019 vacant positions that have not been subsequently filled in 2018 or early 2019, along with several new positions created or unfilled in 2018 and early 2019. The effect of this adjustment is to treat the

[7] The prior case used a 2015 test period, in Docket No. DE 16-383, with the related payroll adjustment at Sch. RR-3-01.

Company as if it was operating at 100 percent full employment capacity on a 2019 going-forward basis without any subsequent employee vacancies or turnover. However, in the prior rate case, the Company did not propose a similar adjustment to reflect 100 percent full employment capacity, instead the Company adjustment proposed to include only the additional $0.1 m costs related to 21 new hires in the 2016 period (subsequent to the 2015 test period). This significant difference in the payroll adjustment format from the prior rate case contributes to an adjustment that is about $0.7m greater in this rate case.

Q. Has the Company explained the reason for its change in payroll adjustment format from the prior rate case to reflect 100 percent full employment capacity in this rate case?

A. No. The Company has not explained the reason for this change in its payroll adjustment format from the prior rate case, and has not adequately supported its significant payroll increase in this case. The Company has the discretion to propose new or different adjustments and related calculation methods in each rate case, but those changes should be supported by adequate documentation and explanation. In this case, the Company has not met a reasonable burden of proof to support this new type of payroll adjustment.

Q. Does Liberty's direct testimony adequately explain its payroll adjustment related to 100 percent full employment capacity?

A. No. Liberty's direct testimony does not adequately explain its payroll adjustment related to 100 percent full employment capacity adjustment. Liberty's written testimony only states that its payroll adjustment reflects the annual cost of a "full complement" of Granite State employees as of December 31, 2018, including wage increases and labor costs for vacancies during the test year, and planned new hires in 2019.[8] However, the Company did not explain that its adjustment also included payroll costs of employee vacancies that were not subsequently filled in 2018 or early 2019, included payroll costs of some new positions that were not subsequently filled, and essentially removed the impact of on-going and recurring payroll cost offsets or reductions related to recurring employee vacancies and turnover.

Liberty did not explain that it had essentially added back the payroll costs of all employee vacancy and turnover in 2018 and early 2019 on a going-forward basis, treating the Company as if it will always operate at 100 percent full employment capacity in 2019 and the future, despite known and measurable employee vacancy and turnover in 2019 and the future that causes continuing related decreases in payroll costs. Without a detailed explanation for this adjustment in Liberty testimony, related information was gleaned from Company responses to OCA data requests along with my own analysis.

[8] Joint Direct Testimony of Philip E. Greene and David B. Simek, p. 12, lines 3 to 6 (Bates II-088).

Q. Will you explain Liberty's 100 percent full employment capacity adjustment of $0.8m that treats vacancy and employee turnover as it if will not exist on a going-forward basis?

A. Liberty proposes a payroll adjustment of $758,355 ($0.8m) which significantly increases payroll costs by treating the Company as if it operates at 100 percent full employment with no vacancy and employee turnover when calculating its adjusted 2019 going-forward payroll costs. This adjustment incorrectly treats the Company as if it always operates at 100 percent full employment capacity, and will actually operate in that mode on a going-forward basis without any vacancies or turnover in the future - which is not representative of reality and which reflects payroll costs that are not known and measurable. The Company calculates payroll costs that were avoided for positions that were vacant in 2018 and then subsequently filled in 2018 and early 2019, along with positions that were vacant in 2018 and never subsequently filled in 2018 and 2019 to-date (along with new positions for 2018 and 2019 to-date), and it imputes these costs back into its 2019 going-forward adjusted payroll for rate case purposes.

For example, if a position was vacated in April 2018 and subsequently filled in December 2018, then for that period of 9 months when payroll expense was not recorded on the 2018 books for this position, the Company retroactively imputes nine months of payroll costs into its payroll adjustment for this position to treat the position as if it was never vacated during the test period and will never be vacated again on an on-going basis in the future. I am not totally opposed to a reasonable portion of this adjustment as I will explain later.

However, my primary concern is that Liberty's payroll adjustment goes one step further, and not only retroactively adds back the payroll costs for positions vacated and filled in 2018, it actually includes the payroll costs of positions that were vacated in 2018 and never subsequently filled in 2018 or 2019 to-date (and also includes the costs of some new positions that have not been filled in early 2019) – and these costs are clearly not known-and-measurable. The Company's 100 percent full employment capacity adjustment of $0.8m includes payroll costs for the following categories:

1) Existing positions that were vacated in 2018 and subsequently filled in 2018, and through the post-test period April 1, 2019 (this type of adjustment was not proposed in the prior rate case). I oppose part of this category of payroll costs.

2) Existing positions that were vacated in 2018 and through March 2019, but have <u>not</u> yet been backfilled in 2018 or 2019 to-date or are "on-hold" (this type of adjustment was not proposed in the prior rate case). I oppose this entire category of payroll costs.

3) New positions created in 2018 and through January 2019, with several of these positions remaining unfilled in 2018 or 2019 to-date (this type of adjustment was proposed in the prior rate case, but only for some new positions created subsequent to the test period). I primarily oppose the payroll costs of new positions created in 2018 or 2019 and not yet filled in 2018 or 2019 to-date.

4) Existing part-time Customer Care positions (55 positions) that were vacated in 2018, although it is not clear when these positions were filled in 2018 or 2019 (this type of adjustment was not included in the prior case). Although there is missing information, I am not opposing these costs, mostly because the related costs are not significant.

Q. Does any sizeable business operate at 100 percent full employment capacity all the time without any vacancies and turnover as Liberty's payroll adjustment depicts for this rate case?

A. No. Liberty's adjustment increases payroll costs by $0.8m to artificially and unreasonably treat the Company as if it will always operate at 100 percent full employment capacity going-forward with no employee vacancies or turnover based on its 2019 going-forward period (and into the future).

The 100 percent full employment capacity rationale is unreasonable because no sizeable company ever operates at 100 percent full employment capacity, especially for an extended time basis and certainly not forever in the future as depicted by the Company's payroll adjustment. This is because employee vacancies and turnover are a normal part of conducting business and the business cycle. Employee turnover is a function of conscious decisions sometimes influenced by the Company and other times reflect discretionary decisions made by employees. In other words, the Company initiates and creates some vacancies and turnover when not satisfied with employee job performance or when downsizing to improve earnings, and some employees voluntarily leave to pursue better pay, preferred jobs, improved work conditions, more work flexibility, or a host of other reasons. Virtually every sizeable business has some level of employee vacancies and turnover as a normal part of conducting business.

Q. Are Liberty's employee vacancies and turnover recurring every year, such that the Company will never operate at 100 percent full employment capacity into perpetuity as its adjustment depicts?

A. Yes. If it is the Company's intent to convey that its vacancies and turnover adjustment is intended to reflect 100 percent full employment capacity which it will actually achieve in 2019 and on a permanent basis into the future, that assumption is clearly incorrect. The Company will never operate at 100 percent full employment capacity, especially for an extended time period, and never into perpetuity as its adjustment depicts. Liberty will always operate with some level of vacancies and turnover. Liberty has not been able to demonstrate that it has ever operated at 100 percent full employment capacity without vacancies and turnover. If the Company was awarded recovery of the entire $758,000 of its 100 percent full employment adjustment in this case, it would receive a significant windfall related to vacancy and turnover related payroll costs.

Q. Will you explain the adjustment that you have made to Liberty's 100 percent full employment capacity adjustment of $758,355?

A. I propose to remove $601,678 of the Company's $758,355 full employment capacity adjustment. The calculation of my adjustment is shown in the table below, and I will explain the rationale for this adjustment after the table. The table below identifies the Company's 100 percent full employment adjustment of $758,355 by various categories, and shows the number of positions and payroll expenses associated with each of those categories. For example, column D, line 1, provides the amount of payroll costs associated with “Existing positions vacated and filled in 2018”, and this consists of 21 employees as indicated at column C, line 1. Column E shows the adjustment that I am proposing, and it consists of a Part 1 adjustment of $334, 439 related to the 100 percent cost removal in column F, and a Part 2 adjustment of $267,239 related to the 50 percent cost removal in Column F.

Table 2 – OCA Adjustment to Liberty's 100 percent Full Employment Capacity

		Highlighted Payroll Costs are Confidential				
A	B	C	D	E	F	G
		No. of	Payroll	OCA	Percent	
Ln	Category	Employ.	Expense	Adj.	Remove	Sce.
1	Existing positions vacated & filled 2018	21	[redacted]	[redacted]	50%	1
2	Existing positions vacated in 2018 & filled 2019	1	[redacted]	[redacted]	50%	1
3	New positions vacated & filled 2018	3	[redacted]	[redacted]	50%	1
4	New positions created & filled 2019	1	[redacted]	[redacted]	50%	1
5	New positions vacated in 2018 & filled 2019	1	[redacted]	[redacted]	50%	1
6	Customer care positions	55	[redacted]	[redacted]	50%	1
7	**Part 2 - Payroll costs at 50 percent removal**	82	$534,478	**$267,239**		
8						
9	Exist. positions vacated in 2018/unfilled 2018 & 2019	6	[redacted]	[redacted]	100%	1
10	New positions created in 2018/unfilled 2018 & 2019	1	[redacted]	[redacted]	100%	1
11	Subtotal OCA 2-49	7	$801,465	$266,987		
12						
13	2018 positions "on hold" - costs not removed from test period (Note 1)			[redacted]	100%	2
14	2018 position removed & replaced, costs not removed from test period			[redacted]	100%	3
15						
16	Contractor savings		($43,110)			1
17	**Part 1 - Payroll costs at 100 percent removal**		$758,355	**$334,439**	100%	1
18						
19	**Grand Total Payroll Expense**		$758,355	**$601,678**		1
20				OCA Adj.		
21	Source 1 = OCA 2-49.a., Source 2 = OCA 1-20.d.1, Source 3 = OCA 2-50.d					
22	Note 1 - These are estimated costs, the Company did not provide the actual payroll costs.					

My payroll adjustment is comprised of two components, I will refer to these as Part 1 and Part 2.

<u>Part 1 of OCA Payroll Adjustment:</u>

Part 1 of my payroll adjustment is straight-forward and is supported by the known-and-measurable regulatory principle. This adjustment removes $334,349 of the payroll costs included in the Company's 100 percent full employment payroll adjustment of $758,355. This adjustment removes all payroll costs which the Company's response to OCA 2-49 indicates are related to existing positions vacated in 2018, but not subsequently filled in 2018 or 2019 to-date, along with all new positions created in 2018 and 2019 which have not been subsequently filled. This adjustment removes all payroll costs that are not known-and-measurable, and which have not been subsequently incurred by the Company through 2019 to-date because the positions have not been filled.

Even if some of these positions are subsequently filled in the post-test period approximately April to December 2019, I would not support inclusion of these payroll costs in the rate case. This is because it would then be necessary to remove the off-setting reduction in payroll costs related to new vacancies and turnover for this same period April to December 2019 in order to achieve a proper matching of all payroll-related costs for this same period. It would not be reasonable or consistent with the regulatory matching principle to include only payroll cost increases for subsequent filled positions, without also reflecting offsetting payroll cost decreases for subsequent positions that were vacated or for on-going turnover.

The payroll costs of $334,349 that I have removed in Part 1, are reflected in the previous table at column E, with a subtotal amount of $266,987 shown at line 11 (lines 9 and 10), plus lines 13 and 14 ($67,452), equal the total adjustment of $334,439 at line 17. For this Part 1 adjustment, column F, indicates these costs have been removed 100 percent. The 100 percent removal is the distinction between Part 1 and Part 2 of my adjustment.[9]

Part 2 of OCA Payroll Adjustment:

Part 2 of my adjustment removes an additional $267,239 of the payroll costs included in the Company's 100 percent full employment payroll adjustment of $758,355. The table (column D, line 7) identifies payroll costs of $534,478 (included in the Company's total payroll adjustment of $758,355) that are related to existing positions vacated in 2018 or 2019 to-date, and subsequently filled in 2018 or 2019 to-date, along with all new positions created in 2018 or 2019 that were subsequently filled in 2018 and 2019 to-date. I have removed 50 percent of these costs of $534,478, resulting in an additional adjustment of $267,239 (column E, line 7).

Q. Will you continue by explaining the rationale to remove 50 percent of vacancy/turnover costs under Part 2 of your payroll adjustment?

A. The rationale for removing 50 percent of all vacancy/turnover payroll costs that were subsequently filled in 2018 or early 2019 consists of two primary supporting reasons as addressed below:

1) **Comparing Actual Year-to-Date 2019 Vacancy/Turnover Costs** - At first blush, it might be interpreted that the $534,478 of payroll costs related to 2018 vacancies

[9] All of these related payroll costs and related status are identified in the Company's response to OCA 2-49, OCA 2-50, and OCA 1-20.

that were subsequently filled in 2018 and early 2019 to-date are known and measurable amounts that should be allowed for recovery in this rate case. However, this assumption is still flawed, because this $534,478 of payroll costs restores the Company to an unreasonable and untenable position of 100 percent full employment capacity without any vacancies or turnover on a going-forward basis and in perpetuity for ratemaking purposes. And this remains unreasonable and not indicative of reality or on-going actual vacancies and turnover that will continue to occur in 2019 (and future years), which is the going-forward period that the Company's payroll adjustment is intended to represent (because the Company's payroll adjustment is based on 2019 Budgeted payroll costs).

OCA 2-50.c asked the Company to provide and identify the number of positions and related costs for vacancies that began in 2019 and remain unfilled through the most recent date in 2019.[10] The Company's response identified nine positions with a cost of $345,546. This is proof that vacancies and turnover is on-going, cannot be avoided, and are known and measurable. And because the actual cost of these vacancies is for the same 2019 period that the Company's payroll adjustment is attempting to replicate, it would be reasonable to propose an offsetting adjustment and decrease in 2019 payroll costs of $345,546, so that some level of actual vacancies and turnover is reflected in the Company's 2019 going forward payroll costs in the revenue requirement. However, instead of removing

[10] Liberty's response at Attachment OCA 2-50.c showed positions from March 22, 2019 through June 28, 2019 (although most positions were for the months of April and June 2019).

these actual 2019 vacancy payroll costs of $345,546, I am proposing to reduce payroll by a lesser amount of $267,239 - which is 50 percent of the Company's vacancy costs included in this rate case as previously identified in the previous table. This is a reasonable approach, and provides the Company with some recovery of these payroll costs, even when a more strict approach could be supported to remove additional payroll costs.

2) **Normal Levels of Turnover** – The Company's response to Staff 6-1 shows actual employee turnover/replacement for years 2016, 2017, and 2018, and this consists of electric-only employees of 20 in 2016, 27 employees in 2017, and 56 employees in the 2018 test period. Thus, the 2018 test period has had about twice the turnover of the two prior years with 56 employee positions turning over compared to 20 to 27 in the two prior years.

Per the previous table, the $534,478 of Company payroll costs related to actual 2018 and 2019 positions subsequently filled by the Company (and included in the Company payroll vacancy/turnover adjustment of $758,355) is related to 82 employees as shown at column C, lines 1 to 7.

The Part 2 adjustment proposes to remove one-half of the costs of these 82 employees (making up the $534,478 of Liberty's payroll adjustment amount), which is an adjustment of $267,239. Therefore, my adjustment is essentially removing the costs of one-half of the 82 employees, which means that I am removing the costs associated with about 41 employees but also allowing the costs of about 41 employees. The Company's response to Staff 6-1 appears to indicate that in a more normal year (such as 2016 or 2017) the Company had turnover of 20 to 27 employees compared to the unusually high turnover of 56 employees in 2018.

Therefore, my 50 percent adjustment that allows the Company to retain vacancy/turnover payroll costs related to 41 employees (and $237,239) is actually conservative and favorable to the Company because I am allowing the Company to retain payroll turnover costs associated with what appears to be a higher level of turnover than is normal, allowing for 41 turnover employees compared to the normal 20 to 27 turnover employees. I am not proposing to allow the Company to keep payroll turnover costs related to the unusually high turnover level of 56 employees for 2018, because payroll costs should not be established based on this type of one-off or unusually high level of turnover that is not recurring or representative of normal turnover based on information provided by Liberty. Therefore, I believe Part 2 of my payroll adjustment is reasonable, conservative, and very fair to the Company because an argument could be made to disallow Liberty's imputation of all vacancy/turnover costs (although considering some reasonable allowance for new employees).

Q. Have you seen a similar type of adjustment in other rate cases, where a utility company seeks to recover costs in order to achieve 100 percent full employment capacity on an on-going basis for rate-setting purposes?

A. No. I do not recall having seen or addressed this type of proposed payroll adjustment by a utility company in a rate case, particularly in the most recent seven years of rate cases that I have reviewed. I am not sure if Liberty has proposed this type of adjustment in other rates cases and if it has been adopted by a regulatory agency, but Liberty has not made me aware of any precedent for this adjustment in their other jurisdictions. I am not aware if the New Hampshire PUC has ever addressed this type of payroll adjustment, but Liberty has not made me aware of any precedent in the state.

Q. Are you proposing a payroll adjustment associated with "common employees" and what are your concerns?

A. I am not proposing an adjustment at this time related to common employees, but I also cannot state that an adjustment is not justified. A significant portion of Liberty's payroll costs come from the category of common employees that perform work for both electric and gas operations, there were 216 "common electric/gas" employees on average for 2018, and 54 "electric" only employees on average for 2018.

However, the Company cannot identify the amount of payroll costs included in the revenue requirement that is charged by these "common" electric employees. The Company also apparently does not track or analyze these costs on a routine basis, because they cannot identify these costs. Without this information, I cannot determine if there is a reasonable level of "common" electric employee payroll costs included in this rate case. The amount of costs assigned by these common employees to electric operations (and gas operations) could vary each year, and if these common costs would include an amount that is 20 percent greater than normal in this rate case, then customers could be paying excessive rates for the over-recovery of these costs in this rate case.

Q. What is your recommendation regarding the tracking and accounting for payroll costs related to common employees?

A. I am recommending that the Commission require the Company to begin tracking these common electric/gas employee costs immediately by specific account coding, so that trends and changes in these costs can be identified and analyzed in future rate cases. Also, I believe this is important information that the Company should have available for its own analysis related to internal budgeting and cost control tracking.

Adjustment BCO-2: Short & Long-Term Incentives – Exhibit BCO-1, Schedule 2.2

Q. Will you summarize your adjustment to short-term incentives ("STI") and long-term incentives ("LTI")?

A. Liberty does not propose any adjustments to STI or LTI expense. However, I am proposing to reduce the 2018 STI expense by $322,308, and reduce the 2018 LTI expense by $70,307, for a total incentives adjustment of $392,615. My adjustment includes two components. First, I have removed the amount of unsupported and excessive growth in the incentive expense for the 2018 period compared to previous periods, which reduces STI and LTI by $157,786. Second, I have disallowed 50 percent of the remaining incentive balance that is primarily driven by financial-focused incentive performance measures that benefit shareholders over the interests of customer-focused performance measures, and this reduces STI and LTI by $234,829. The total of these two components of $157,786 plus $234,829, equals the total adjustment of $392,615. For comparison purposes, if I would have reduced the total STI and LTI expense by 50 percent (without first reducing the balances for excessive and unsupported growth), this would produce a reduction in STI and LTI expense of $313,721.

A 50 percent disallowance of incentive expense that is based on financial-focused performance measures that unduly favors shareholders over customers is an adjustment that is commonly accepted by state regulatory agencies in numerous jurisdictions. I am not proposing that incentive compensation payments or plans be eliminated by the Company; I am only proposing that incentive compensation expense be reduced for regulatory ratemaking purposes as discussed below.

Q. What is the purpose of "incentive" compensation?

A. Incentive compensation should promote "pay-for-performance" and represent "pay at risk," such that incentives are paid only if reasonable documented performance measures are met, and the performance measures should be challenging but realistic. Incentive compensation is paid if certain reasonable performance measures are achieved, and if these performance measures are not met then incentive compensation should either be reduced or not paid. The incentives for any particular employee often include both company goals and individual goals tied to certain financial, customer, or operating performance measures. All goals should be established in advance of the beginning of an incentive plan's performance period to promote objectivity and eliminate any possible manipulation of the performance measures and results achieved.

Q. Will you explain the difference between financial-focused performance measures and customer-focused performance measures of incentive plans and how this can lead to regulatory adjustments?

A. Incentive plans can include a mix of incentive performance measures that are both financial-focused and customer-focused, the financial-focused incentive measures are primarily beneficial to shareholder interests instead of customers, and customer-focused incentive measures can provide benefits to customers. For some incentive plans, the financial-focused performance measures are primarily included in the LTI, but both Liberty's STI and LTI plans are heavily weighted with financial-focused performance measures. Examples of financial-focused performance measures include those that establish targets and track actual results for return on equity ("ROE"), earnings before interest, taxes, depreciation, and amortization ("EBITDA"), stock price, and other financial or operational statistics or key data. Examples of customer-focused performance measures include those that establish targets and track actual results for service quality, customer service, safety, and other customer-related statistics or data that have some benefit to customers.

The underlying rationale for excluding any incentive costs associated with financial-focused performance measures is that these types of measures primarily benefit shareholder interests over customer interests. This is because common financial-focused performance measures such as ROE, EBITDA, and stock price serve to benefit shareholder interests, but do not provide any significant, meaningful and tangible benefits to customers. For example, if a company is successful in increasing its ROE as a financial-focused performance measure, then this will cause employee incentive pay to increase and shareholders can realize significant tangible benefits such as appreciation in stock price or increases in dividends. However, customers realize virtually little or no quantifiable or significant meaningful benefit. And these financially-focused performance measures are not intended to directly benefit customers, because the company's incentive plans do not formally document any benefits to be passed along to customers if there is an increase in ROE or earnings - - such as rate refunds, permanent rate reductions, or even a freeze of existing rates for some duration.

Q. Does Liberty agree that its "Efficiency" performance measure is financial-focused, and does it link the LTI plan with shareholder interests?

A. Yes. Liberty uses the term "Efficiency" and "Financial" interchangeably at times, but the Efficiency measure of both the STI and LTI plans is "financially-focused", per the Company's response to OCA TS 1-18.c and OCA TS 1-18.d.

Also, the 2018 LTI Plan, Appendix C, addresses the "Total Shareholder Return" Modifier ("TSR"), and indicates this component is used "…to promote further alignment between employees and shareholders of the Company."[11] This is an indication that the LTI is intended to be aligned with shareholder interests and not customer interests, because the Company does not mention alignment with any customer interests.

[11] OCA TS 2-12, Attachment OCA TS 2-12.3, page 6 of 8.

Q. What percent of STI and LTI expenses are you proposing to exclude as the second part of your incentive adjustment, and how is this tied to Liberty's financial-focused performance measures included in its incentive plans?

A. I am proposing to remove 50 percent of both STI and LTI expenses, because both plans are heavily weighted with financial-focused performance measures. The 50 percent adjustment is reasonable and conservative, because I could justify a greater disallowance given that Liberty's STI plan is 70 percent or more weighted with financial-focused performance measures and the LTI plan is 85 percent weighted with financial-focused performance measures. This information is shown in the two tables below, the first table is Liberty's STI plan, and the second table is the LTI plan.

Table 3 – Short-Term Incentives (Source: OCA TS 1-18.a)

STI	**Financial**	**Operations & Stakeholders**	**Customers, Communities & Regulators**	**Employees**	**Total**
2015 Perf. Meas.	**70%**	**10%**	**10%**	**10%**	**100%**
2015 Ranges	50, 60, 65, 70	10, 15, 20	10, 15	10, 15	
2016 Perf. Meas.	**70%**	**10%**	**10%**	**10%**	**100%**
2016 Ranges	50, 60, 65, 70	10, 15, 20	10, 15	10, 15	
2017 Perf. Meas.	**70%**	**10%**	**10%**	**10%**	**100%**
2017 Ranges	50, 60, 65, 70, 100	10, 15, 20	10, 15	10, 15	
2018 Perf. Meas.	**70%**	**10%**	**10%**	**10%**	**100%**
2018 Ranges	50, 55, 60, 65, 70, 100	10, 15, 20	10, 15, 20	10, 15	

Liberty's STI plan in the table above shows four categories of performance measures, with 70 percent related to "Financial" (financial-focused) performance measures, and the three remaining combined performance measures of 30 percent (10 percent each) are primarily customer-focused.[12] This weighting of 70 percent financial-focused and 30 percent customer-focused for STI performance measures has been in place for the four most recent years 2015 to 2018 as shown in the table, although there have been some changes within the details of the STI plan from year-to-year.

Also, the table shows additional numbers in the individual categories of performance measures. Using the "Financial" measure as an example, it shows "2015 Ranges" of 50, 60, 65, and 70,[13] and this represents the various percentages of financial-focused performance measures that apply to different employee positions,[14] some employees are subject to a weighting of 50 percent to 100 percent for the Financial performance measure.[15]

And although the Financial measure which is 70 percent financial-focused (with benefits to shareholders) could justify an exclusion of 70 percent of STI expenses, I am

[12] However, some of these three other categories include some individual measures that could be interpreted as financial-focused.

[13] These amounts are intended to represent "percentages", but the limited size of the fields did not allow percentage signs to be placed with these items.

[14] Examples of employee positions include President, Vice President, Assistant General Counsel, Director, Senior Business Manager, Area Manager, etc.

[15] The STI is also based on two components of "Balanced Scorecard Achievement" and "Individual Performance Achievement" which vary by position level.

proposing to only remove 50 percent of these expenses (along with removing part of the 2018 excessive STI balance, which is addressed later in this section).

Table 4 – Long-Term Incentives (Source: OCA TS 1-18.e.1, e.2, e.3, OCA TS 2-12):

LTI	Financial	Safety	Customer Service	Total
2013	60%	20%	20%	100%
2014	85%	10%	5%	100%
2015	85%	10%	5%	100%
2016	85%	10%	5%	100%
2017	85%	10%	5%	100%
2018	85%	10%	5%	100%

Liberty's LTI plan in the table above shows three categories of performance measures, and for the five most recent years 2014 to 2018 it shows 85 percent related to "Financial" (financial-focused) performance measures, 10 percent related to "Safety" (customer-focused), and 5 percent related to "Customer Service" (customer-focused).[16] Similar to LTI plans of other companies, the Liberty LTI plan is more heavily weighted with financial-focused performance measures of 85 percent compared to its STI plan with financial-focused performance measures of 70 percent.

[16] The 2013 period shows 60% Financial, 20% Safety, and 20% Customer Service.

And although the Finance measure of 85 percent financial-focused (with benefits to shareholders) could justify an exclusion of 85 percent of LTI expenses, I am proposing to only remove 50 percent of these expenses (along with removing part of the 2018 excessive balance, which will be addressed later in this section).

Q. The second part of your adjustment proposes to remove 50 percent of STI and LTI expense as part of your adjustment, although up to 70 percent of STI and 85 percent of LTI is tied to financial-focused performance measures. Was Liberty able to quantify the specific amount of STI and LTI expense that is tied to financial-focused versus customer-focused STI and LTI expense?

A. No. The second part of my incentive adjustment only proposes to remove 50 percent of STI and LTI expense tied to financial-focused performance measures, although a larger adjustment could be justified because at least 70 percent of STI and 85 percent of LTI is tied to specific financial-focused performance measures as I previously addressed at Tables 3 and 4. I am reducing incentive expense using the approximate "percentage of financial-focused" incentives, because Liberty did not quantify the requested amount of STI and LTI expense that is specifically related to financial-focused versus customer-focused performance measures. OCA 1-44 requested the amount of STI, LTI, and shared bonus pool expenses specifically related to financial-focused and customer-focused performance measures. However, Liberty's response to OCA 1-44.b states that the incentive payments are not broken down for each incentive criterial or measurement, and only a single amount is determined using an overall blended score.

It would be more accurate to remove the specific amount of STI and LTI expense that is paid based on financial-focused incentives, but Liberty did not provide this amount. However, the method that I used, which removes STI and LTI expense related to the percentage of financial-focused performance measures is also used in other jurisdictions (or sometimes a 50 percent generic split or other approach is used). This is the best approach when the Company does not provide the specific amount of STI and LTI expense related to financial-focused performance measures.

Q. If you had used a method of removing the actual amounts of Liberty's STI expense that is financial-focused (70 percent) and LTI expense that is financial-focused (85 percent), would this result in a larger adjustment than the two-part method that you propose?

A. Yes. this information is shown in the table below.

Table 5 – Comparing Removal of 70% STI and 85% LTI to OCA Proposed Incentives Adjustment (Source: OCA 1-43 for incentive amounts)

	STI	LTI	Total
Total 2018 expense	$528,944	$98,498	
Financial-focused 70% STI & 85% LTI	70%	85%	
Potential adjustment to remove 70% & 85%	$370,261	$83,723	$453,984
OCA proposed adjustment to remove 50%,			
plus unreasonable growth in STI & LTI	$322,307	$70,306	$392,613
70% & 85% Adjustment exceeds OCA Adj.	$47,954	$13,417	$61,371

It would be justified to exclude 70 percent of STI expenses and 85 percent of LTI expenses that are both tied to financial-focused performance measures, and the Commission can still consider this option. This alternative approach would produce an adjustment that is $61,371 greater than the adjustment that I am proposing as demonstrated in the table above.

As a reminder, the method that I propose is an initial adjustment to reduce Liberty's STI and LTI to a more reasonable and normalized level representative of prior year incentives expense, and then reduce the remaining balances by a 50 percent financial-focused factor. This information indicates the adjustment that I propose is reasonable, conservative, and more favorable to the Company.

Q. Are you merely proposing to exclude these incentive costs from the revenue requirement, and you are not requesting that Liberty discontinue or cease incentive payments?

A. That is correct. I am merely proposing the removal of incentive costs as a regulatory adjustment, similar to any other regulatory adjustment that may exclude a portion of costs from the revenue requirement. I am not proposing that the Company discontinue its incentive plans or cease making payments under its incentive plans.

Q. Some utility companies claim that adopting an adjustment that excludes part of incentive expenses impairs a utility's ability to attract and retain employees, do you agree?

A. No. I am aware that utility companies have made this claim in other regulatory proceedings. However, I am not aware of a utility company that has been able to prove (and provide verifiable documentation) this type of incentive adjustment has actually impaired its ability to attract and retain employees. It is easier to make this claim of impairment, but more difficult to support it with verifiable documentation. Because this type of incentive adjustment is now common in other jurisdictions, if there was verifiable proof it was actually impairing a utility company's ability to attract and retain employees, this would have become well-known in the industry by now. I am not aware there exists a movement to dismiss this type of adjustment due to proof it impairs a utility company's ability to attract and retain employees.

Q. Moving on to the other component of your incentive adjustment, why did you first remove part of the significant increase in STI and LTI expense for 2018, prior to removing 50 percent of the remaining incentive expense tied to financial-focused performance measures?

A. It has become fairly common practice for state regulatory agencies to adopt the removal of 50 percent or greater (as applicable) of the incentive expense tied to financial-related performance measures. However, and especially in this case, I believe it is important to begin with a proper normalized level of incentive expense, otherwise incentive expense can still be unreasonably overstated or excessive even after removing 50 percent of incentive expense tied to financial-related performance measures. The starting point of incentive expense should first be normalized to reasonable levels so they are free of significant or unusual increases in incentive expense that cannot be properly identified, reconciled, and supported by proper objective incentive performance measures.

I have concerns with the significant increase in Liberty's STI and LTI expense in recent years, which has not been properly documented, explained, and reconciled by the Company to incentive performance measures and results, and these incentive amounts are not reasonably known-and-measurable. In addition, the concerns that I have related to the significant increase in incentive expense in recent years can also be used to justify in part the other part of my incentive adjustment that supports 50 percent exclusion of STI and LTI expenses.

Q. Can you show the significant increases in STI and LTI in recent years?

A. The overall significant upward trend in both STI and LTI for years 2015 to 2018 is shown in the table below, per the Company response to OCA 1-43.

Table 6 – Changes in STI and LTI from 2015 to 2018 (Source: OCA 1-43):

Incentives	2015	2016	2017	2018
Short-Term Incentives	$496,198	$439,714	$303,908	$528,944
Increase $		($56,484)	($135,806)	$225,036
Increase %		-11%	-31%	74%
Long-Term Incentives	$33,554	$34,963	$100,633	$98,498
Increase $		$1,409	$65,670	($2,135)
Increase %		4%	188%	-2%

Regarding STI expense in the table above, I am primarily concerned with the $225,000 (and 74 percent) increase from 2017 to 2018 (increasing from $303,908 in 2017 to $528,944 in 2018), especially when STI was decreasing 11 percent and 31 percent from

2015 to 2016, respectively. Also, the increase from 2016 STI of $439,714 to 2018 STI of $528,944 is about 20 percent.

Regarding LTI expense in the table above, I am primarily concerned it has tripled in amount from the two years 2015 and 2016 ($33,554 and $34,963 for 2015 and 2016), to the two years 2017 and 2018 ($100,633 and $98,498) with a 188 percent increase from 2016 to 2017 - and then with 2018 LTI expense remaining about the same as 2017.

In addition, OCA 1-43 requested the amount expensed by account number for short-term incentives, shared bonus pool, and the performance and restricted share unit plan (long-term incentives) for 2015 to 2018. The amounts provided by Liberty are shown in the table above, and include $98,498 for LTI expense. However, Liberty's response to Staff 6-6, appears to identify an additional 2018 accrued expense of $151,568 for LTI (in addition to the amount of $98,498 included in the table above). I have relied on the lesser amount of LTI expense of $98,498 for my adjustment, although it appears my adjustment could be understated if Liberty provided the wrong amount of 2018 LTI expense in response to OCA 1-43 (or if Liberty failed to separately identify amounts related to the shared bonus pool as requested in OCA 1-43).

Q. Has Liberty specifically identified and quantified the various reasons causing the significant increase in STI and LTI expense in recent years (as requested by OCA)?

A. No. Although Liberty originally identified, and then subsequently revised, some of the reasons related to the recent increases in STI and LTI expense, the Company has not specifically quantified any of the reasons it gave for the recent increase in STI and LTI expense as shown in Table 6. I will identify some of the reasons that Liberty gave for the recent increase in STI and LTI expense, and show how the Company failed to quantify these impacts in data request responses. The Company's failure to specifically quantify the reasons for the recent significant increase in STI and LTI expense justifies the first part of my adjustment which reduces and normalizes these incentive expenses to a more reasonable level, prior to applying the 50 percent adjustment as the second part of my incentive adjustment.

Q. Are you concerned that the recent increase in STI and LTI expense could result in New Hampshire customers subsidizing the better (or improved) financial performance in other jurisdictions compared to New Hampshire's lesser financial performance in recent years?

A. Yes, but initially it is important to understand the foundation and assumptions for this concern. First, STI and LTI are driven by significant weightings of 70 percent financial-focused performance measures for STI and 85 percent financial-focused performance measures for LTI (per prior Tables 3 and 4), this should mean that financial performance is a significant driver of STI and LTI expense (especially compared to lesser weightings for customer-focused performance measures).[17] Second, STI expense has

[17] Although as previously indicated, OCA 1-44 requested a break-out of STI and LTI expense between financial and customer-focused performance measures, but Liberty's response states that the incentives payout is not broken out by each of these criteria.

increased significantly in 2018 (per prior Table 6)[18], compared to prior years 2015 to 2017, although New Hampshire Liberty financial-focused performance has been challenged and is not indicative of increased incentive payments for the recent years. Similarly, LTI expense has increased significantly in 2017 and 2018 (per prior Table 6)[19], compared to prior years 2015 and 2016, although New Hampshire Liberty financial-focused performance has been challenged and is not indicative of increased incentive payments for the recent years. And additional documentation supporting concerns with New Hampshire Liberty's financial performance in recent years (and when compared to peer East Region members Georgia and Massachusetts) is generally inconsistent with increasing STI and LTI expenses tied primarily to financial-focused performance measures) as illustrated by the following:

1) The direct testimony of Liberty states that for the test year December 31, 2018, the Company earned return on rate base was 6.43 percent, and this is less than the Company's allowed ROR of 7.69 percent using the current capital structure.[20]

2) Given that return on equity ("ROE") is one of the financial-focused performance measures under the incentive plan, Liberty New Hampshire's reported ROE for recent years has lagged its other peer companies in other jurisdictions as shown in the Confidential information below from Liberty's response to OCA 7-34 Attachment OCA 7-34.b.1 (2016), Attachment OCA 7-34.b.2 (2017), Attachment OCA 7-34.b.3 (2018), and Attachment OCA 7-34.b.4 (2019 to-date) that is from the Quarterly Management Report – East Region:

[18] 2018 STI expense of $528,944 increased by $225,036 and 74 percent over 2017 STI expense of $303,908.

[19] 2017 and 2018 LTI expense levels of $100,633 and $98,498, respectively have just about tripled compared to 2015 and 2016 LTI expense levels of $33,554 and $34,963, respectively.

[20] Joint direct testimony of Philip E. Greene and David B. Simek, page 3 of 9 (Bates II-007).

BEGIN CONFIDENTIAL***

[redacted]

*****END CONFIDENTIAL.**

Q. Do you have some further concerns regarding incentive costs based on the previous Confidential information comparing the financial performance of New Hampshire to other jurisdictions?

A. I understand it may be reasonable for a Company to have different ROE incentive performance goals among various jurisdictions due to different challenges and issues that exist in each jurisdiction. However, I am concerned that Liberty is paying elevated LTI expense levels based on claimed elevated financial performance for prior years 2015 to 2017, yet the actual ROE (and even the ROE goals) earned in those prior years is not representative of elevated financial performance. **BEGIN CONFIDENTIAL***** [redacted]

[redacted]

*****END CONFIDENTIAL**

Although my review of Financial/Efficiency performance measures was limited to just the ROE component in the previous Confidential data included in the Quarterly Management Reports – East Region for the period 2016 through 2nd quarter of 2019, this data did not support a significant increase in STI or LTI expense for 2018 over the 2016 to 2017 incentive expense levels. Although a more comprehensive review of all Financial-focused measures (besides ROE) could be undertaken in an attempt to determine if these additional measures have justified a significant increase in STI and LTI expense in recent years, the review that I have performed surpasses the absence of Company-provided explanation and quantification of reasons for increases in STI and LTI expense in recent years.

I also understand that 2018 incentive expense can be influenced by Financial-related performance measures for the three prior years, and that 2018 incentive expense can include estimated costs related to projected future year incentive performances. Regardless, I was unable to determine why a significant increase in 2018 incentives expense was justified when compared to 2016 to 2017 periods. Although, for LTI expense, part of this significant increase for 2017 and 2018 can be tied to an increase in the number of shares for recent years 2017 and 2018, and I will explain later that these increased shares are not necessarily directly tied to improved Financial-focused performance.

Q. Because you could not identify any substantial Financial-focused improvement for New Hampshire operations for 2016 to 2018 to justify a significant increase in STI and LTI expense, is it a concern that increases in STI and LTI expense are primarily driven by improved Financial-focused measured in other regional state jurisdictions?

A. Yes. I understand that STI and LTI expense in this rate case are driven in part by regional and Company-wide financial performance, and not just by the financial performance of New Hampshire. And I understand from an incentives policy standpoint, that executive/management personnel that influence financial-related performance in all of these jurisdictions should be evaluated and paid incentives on that regional/Company-wide basis.

However, for regulatory rate-making purposes, I do not believe it is reasonable that customers of New Hampshire Liberty electric operations should pay increased electricity rates due to improved or better Financial-focused performance in other state jurisdictions (compared to under-performing financial results in New Hampshire) which has contributed to significant increases in incentive expense in recent years as included in this rate case for Liberty New Hampshire operations. This is another reason supporting my two-part adjustment to STI and LTI expense, especially when Liberty has not met a reasonable burden of proof in justifying the significant increase in STI and LTI expense in recent years.

Q. What reason did the Company initially give for the $225,000 significant increase in STI from 2017 to 2018 in the prior table, and what are your concerns?

A. I will explain this below, along with numerous concerns regarding the Company's reasons and related responses.

First, OCA 1-43 asked the Company to explain the reasons for changes in STI expense from 2015 to 2018, and the Company stated the increase from 2015 to 2018 is "directly related to an increase in staff," and no further explanation or documentation was provided. Based on the brief response to OCA 1-43 which seemed unusual[21] and did not include supporting documentation, I decided to issue a follow-up data request OCA 7-17.

OCA 7-17.f referred to the response to OCA 1-43, and asked the Company to provide the number of employees eligible for STI during the periods 2015 to 2018, and the reasons for changes in the number of eligible employees. The Company's response to OCA 7-17.c. and OCA 7-17.f did not address the change in eligible STI employees, but now provided new reasons for the increase in STI (from 2017 to 2018) by referring to

[21] Liberty's response appeared unusual based on my analysis of the change in headcount which did not support the Company's statement.

changes in the structure of the bonus plan, changes in the corporate scorecard,[22] and increase in the New Hampshire employee population supporting Granite State Electric.

The Company did not provide any detailed written explanation of how these changes caused increases in STI from 2017 to 2018, or how much dollar impact each of the changes had on STI expense – mostly the Company referred to pre-existing attachments with a lot of numbers and data in the fields, but no explanation of what this information means. For example, Liberty's response to OCA 7-17.d provided a copy of a document called "2018 Bonus Plan Changes", but this document only states what the new 2018 "objectives, indicators, target, and stretch target" will be, it does not compare or explain what the prior 2017 data was, and it does not explain why these changes were made, and it does not identify the quantitative or qualitative impact of such 2018 changes.

The Company's vague response to OCA 7-17 referred to a change in scorecard as a reason for the increase in LTI expense from 2017 to 2018, so follow-up data request OCA TS 2-10.b asked the Company why it changed to a unified Liberty utilities scorecard from an individual state basis. The Company's response was, "All STIP measures moved to a unified Liberty Utilities scorecard in 2018. Please refer to Attachment 7-17.c." This response provided no reason for the change, and merely circled me back to the Company's original vague response to OCA 7-17 that did not provide the requested information.

[22] The Company changed to a unified Liberty Utilities Scorecard rather than state scorecards that had been used since 2015.

The Company's responses to OCA 7-17 caused me concern because it did not point to what should be the most obvious and important factor causing an increase in STI, which would be improved employee performance under the STI. Instead, the response points to more administrative and less-people focused reasons, such as changes in how the plans or scorecards were structured - which are all reasons that could make it easier for employees to qualify for increased incentive payments (leading to increased STI expense in 2018) without actually improving their performance. I am unable to state with certainty the reasons for the increase in STI expense from 2017 to 2018, because the Company did not provide a specific written explanation with supporting calculations that quantify the impact by type of factor causing the increase.

Also, the Company's response to OCA 7-17.d states that there was an increase in the balanced measures (performance) from 2016 to 2017, although this seemed to be contrary to a reduction in the actual STI expense from 2016 to 2017 (if performance increases or improves, this should lead to an increase in incentive expense). And although the Company refers to several Excel attachments for an "explanation of the increase", the related attachments did not include any written explanation or clarification.[23]

The burden of proof rests with the Company to explain and support the significant increase in STI expense, and these Company data request responses do not meet that

[23] The related Excel attachments OCA 7.17.d.1, 7-17.d.2, and 7-17.d.3 only included numbers and data in thousands of fields but did not include any written explanation of these results. I reviewed the data but did not attempt to interpret these results, because the Company provided no further explanation.

standard. The Company's initial explanation that increasing headcount was causing an increase in STI expense did not make sense, and I became further concerned that the Company required me to initiate a subsequent follow-up data request in order to elicit a revised response with a significantly different reason for the increase in STI expense from 2017 to 2018. However, the Company's subsequent response was again lacking an adequate explanation with supporting documentation for the Company's rationale.

Q. Will you continue to explain your second concern with the significant increase in STI expense from 2017 to 2018?

A. Although the Company subsequently appeared to back off its initial response that the increase in STI from 2017 to 2018 was due to increase in headcount, I decided to analyze headcount and determine if this was valid. The headcount data is shown in the table below, followed by my related analysis which indicates there is no strong correlation between headcount and STI expenses.

Table 7 - Headcount

Headcount (Source - OCA 1-23)			
	Average for each calendar year		
	2016	2017	2018
Electric Only	51	52	54
Electric/Gas Common	148	159	162
Total	199	211	216
Change in Electric #		1	2
Change in Electric %		2.0%	3.8%
Change in Common #		11	3
Change in Common %		7.4%	1.9%
Change in Total #		12	5
Change in Total %		6.0%	2.4%

I will use information from the table above to address the Company's assertion about the correlation between STI expense and headcount.[24] It is important to understand that for the category "Electric/Gas Common" employees shown above, this represents a group of common employees who work on both electric and gas matters, but for any specific year the Company is unable to identify either equivalent number of employees or the specific amount of payroll dollars assigned to specific electric or gas operations by this group. With that caveat, I am providing the information in the best format available from the Company.

1) STI expense decreased 31 percent from 2016 to 2017, but the headcount for all categories above increased from 2 percent to 7.4 percent, so there does not appear

to be any direct correlation from this data that the change in STI expense is tied to headcount changes.[25]

2) STI expense increased 74 percent from 2017 to 2018, but the maximum increase in headcount for any category above is 3.8 percent, so there does not appear to be any direct correlation from this data that the change in STI expense is tied to headcount changes.

In conclusion, the Company has not provided adequate explanation and supporting documentation to justify the significant increase of $225,000 (74 percent) in STI from 2017 to 2018, therefore it is reasonable to adjust STI downward to a more reasonable level of historical STI expense levels.

Q. Shifting to LTI expense now, what reason did the Company give for the tripling of LTI incentive expense from years 2015 and 2016, to years 2017 and 2018, (prior Table 6) and what are your concerns?

A. OCA 1-43.a asked Liberty to explain the reasons for changes in LTI expense from 2015 to 2018, and the Company stated the increase from 2016 to 2017 was based on, "…an increase in the total number of shares granted." Liberty also stated that the number of LTI shares granted is approved by the compensation committee and the board of directors and is based on Company performance and the number of qualified employees. The Company provided no further explanation, and no additional documentation or calculations supporting the increase in LTI expense.

[25] I understand that percentage change in STI expense percent for any specific year would not agree with the specific percentage change in headcount, but there should be a correlation in the general direction or magnitude of these changes, such that a large or small change in STI expense would correlate to a large or small change in the direction of headcount.

One of the most significant concerns is the increase in LTI expense appears to be primarily driven by an increase in the number of shares granted to a limited number of executive employees, yet the increase in the number of shares granted to these executives does not appear to be strongly tied, if at all, to executive's incentive performance. Therefore, regardless of specific executive performance under the LTI plan, the number of executive shares granted can increase significantly and may be the primary factor that is causing LTI expense to increase. This is a concern because it diminishes the justification and purpose of an LTI plan that is not primarily driven by incentives, and the LTI plan become just another avenue for giving executive employees increased pay.

Q. Can you elaborate on this substantial concern that increases in LTI expense appears to be driven by increases in the number of shares granted, and the increase in number of shares granted does not appear to be primarily driven by employee performance?

A. I do agree with the Company's response to OCA 1-43.a that the significant increase in LTI expense from the 2015-2016 period to the 2017-2018 is tied to an increase in the number of shares granted primarily. However, my concern is that the increase in shares does not appear to be primarily driven by executive performance under the LTI plan.

The Company's response to OCA 7-14.a is the primary support for my position and related concern. First, Liberty's response to OCA 7-14.a states, "No, there is no correlation between the number of awards granted in a given year and the ultimate performance factor for these grants."[26] Second, Liberty's response to OCA 7-14.d states that the significant increase in awards that started in 2017 was driven by a new policy (and 2017 was the first year of the significant increase in LTI expense per the previous table).

I interpret Liberty's response as meaning the number of executive awards can increase in any given year and this is not tied to an executive's performance under the LTI plan. Therefore, regardless of whether an executive does or does not meet specific incentive performance measures in any particular year, an executive could be granted a significant increase in shares. Thus, it appears the increase in the number of shares may be the most important individual factor that increases LTI expense from the 2015-2016 years to the 2017-2018 years (instead of executive performance under the incentive plan).[27]

Q. Can you elaborate on your concerns regarding the absence of supporting documentation to support the new policy change in 2017, along with concerns about LTI market studies?

A. Yes. To compound my prior concerns, the Company states that its increased number of shares is a result of a policy change in 2017, but the policy change has not been quantified, explained, or adequately supported. OCA TS 2-7.e, asked Liberty why this

[26] The Company's last statement in response to OCA 7-14 appears to provide somewhat of a conflicting statement, by stating that employee performance can increase or decrease the number of awards.
[27] The market value of the shares has also increased from years 2015-2016 to years 2017-2018, but that is not my concern.

new policy was implemented in 2017 and requested supporting documentation regarding the pros and cons of implementing such policy.

Liberty's response merely stated the change brings the LTI in alignment with industry practice, and the Company only cited to some market study results at Attachment OCA TS 2-7.e - - but the Company did not provide the actual market studies and underlying supporting documentation, and did not explain these market study results. OCA TS 2-7.f asked if the "new" policy was consistent with similarly sized and situated utilities as Liberty, and asked for related supporting documentation. Again, the Company only referred to the same prior market study results, but the response to OCA 2-7.e and OCA 2-7.f did not provide any supporting documentation for the Company-cited market studies related to LTIP.

Q. What does your experience tell you about market studies for comparing LTI?

A. It has been my experience that market studies for comparing actual LTI amounts for various similarly-sized and situated companies does not exist, rather these market studies show "total" executive compensation and the amount of LTI included in the total compensation amounts is based on a high-level estimate and is not based on actual LTI payments or expenses. However, because Liberty did not provide the actual LTI market studies supporting documentation, I cannot confirm if the LTI amount is based on actual results, is based on a high level estimate, or if Liberty has properly compared itself to similar-sized and situated utilities in the same geographic area. Regarding compensation studies, the devil is in the significant level of details, and there are numerous assumptions that can affect results and conclusions, so it is always important to review the underlying supporting documentation.

In conclusion, Liberty does not quantify specific reasons for the increase in LTI expense from the 2015-2016 years to the 2017-2018 years. And I find it unusual that LTI expense is not primarily driven by executive performance under the LTI plan, and this is contrary to the basic concept that incentive pay is premised upon – which is "pay for performance." If my interpretation of the Company's statements are correct, this and other concerns provide substantial justification for reducing 2018 LTI expense.

Q. Is it your position that executive performance does not have some impact on LTI expense?

A. No, it is my position that LTI expense appears to be primarily driven by the number of shares that is not influenced by executive performance, but I still believe LTI expense is driven to some degree by executive performance.

Q. Will you show the significant increase in shares for years 2017 and 2018 (caused by a policy change in 2017), that is primarily contributing to an increase in LTI expense?

A. The table below shows the significant increase in LTI-related shares for 2017 and 2018, compared to 2015 and 2016.

Table 8 – Significant Increase in LTI Shares or 2017 and 2018

	No. of Eligible Employees	Grant Price	Source - OCA TS 1-15 No. of Shares 2015	2016	2017	2018
2013 Grant	7	$8.22	6,680			
2014 Grant	11	$8.22	18,967	18,967		
2015 Grant	12	$9.75	15,998	15,998	15,998	
2016 Grant	8	$11.66		7,667	7,667	7,667
2017 Grant	8	$13.65			24,562	24,562
2018 Grant	9	$12.63				23,013
Total 3-year performance period			41,645	42,632	48,227	55,242
Increase shares				987	5,595	7,015
Increase %				2%	13%	15%

The table above shows the number of shares have increased significantly, from 23,665 shares (15,998 and 7,667) in 2015 and 2016, to 47,575 shares (24,572 and 23,013) in 2017 and 2018, an increase of 101 percent. Although this trend began in 2016, the number of increasing shares have become concentrated among fewer executives over time, from a peak of 12 executives in 2015 to the current level of 8 or 9 executives from 2016 to 2018. Liberty's response to OCA 1-43.a states that the number of LTI shares is based on the number of qualified employees, but this is not an accurate statement because the number of shares has increased from 2016 to 2018 with a reduction in the number of qualified employees.

Q. What is your next concern with the significant increases for LTI in recent years from a known-and-measurable regulatory perspective?

A. I am concerned that LTI expense for the 2019 going forward period in this rate case, and any particular year, is not known-and-measurable from a regulatory perspective under the current incentive structure.

In this proceeding, the Company has not adjusted LTI expense, so Liberty's actual 2018 LTI expense is also its 2019 going forward estimate for this rate case. Because the 2019 going forward amount of LTI expense is not known-and-measurable, I believe it is reasonable to adjust the 2018 LTI expenses to a more normalized level reflective of actual past performance by using a 3-year average of 2015, 2016, and 2017 LTI expenses as the first step in my adjustment – prior to reducing LTI by the 50 percent financial-focus reduction as the second part of my adjustment.

The Company statements and reasons which support my conclusion that the 2019 going forward level of LTI expense (which is the 2018 actual LTI expense) is not known-and-measurable are set forth below.

First, LTI for any particular year is determined based upon a three-year performance and vesting period. For 2018 LTI awards, the performance period is 2018, and future years 2019 and 2020, and Company results for the third performance year are not usually available until the first quarter of the subsequent year. The total expense for the three-year period is recognized straight-line over the three-year performance period, and adjustments are made as necessary when information about updated performance factors are received. Also, the 2018 period includes true-up accruals related to prior performance years, primarily for the 2015 grants that were paid in 2018.[28]

[28] Liberty's response to OCA TS 2-10.d and OCA TS 2-10.e.

The final payout amount is only determined after the three-year performance period, and uses a blended score of the LTI efficiency/financial-focus,[29] safety, and customer service measures looked at collectively over that three-year period, so the 2013, 2014, and 2015 awards were paid out in 2016, 2017, and 2018, respectively.[30] For example, to the extent 2015, 2016, and 2017 actual performance affected 2018 LTI expense, the actual Efficiency/Financial-Focus measure (which is more heavily weighted than the other two factors) for these three prior years was much higher (and would result in greater LTI expense) than the 2018 Efficiency/Financial Focus measure. Therefore, the 2016, 2017, and 2018 performance measure had a three-year average Efficiency/Financial Focus measure of 136 percent, compared to the 2018 Efficiency/Financial Focus measure of 85 percent.[31]

This statement by Liberty raises concerns because this appears to indicate that the 2015 to 2017 three-year average Efficiency/Financial Focus measure of 136 percent was greater than the single-year 2018 Efficiency/Financial Focus of 85 percent, and that is supposed to explain why the 2017 and 2018 LTI expense is greater than the 2015 and 2016 LTI expense. I am concerned about this mis-match for regulatory rate-setting purposes, in test year 2018 the Company experienced inferior Efficiency/Financial performance (85 percent result), yet customer rates could reflect a higher level of LTI expense in 2018 due

[29] The efficiency performance measure is the same as the "financial-focused" performance measure.

[30] Liberty's response to OCA TS 1-18.b (Revised).

[31] Liberty's response to OCA TS 2-7.a, shows 2015, 2016, and 2017 Efficiency measures of 153 percent, 153 percent, and 102 percent, compared to the 2018 Efficiency measure of 85 percent.

to the supposed better financial performance in the three prior years 2015, 2016 and 2017. But even this statement by itself does not make sense, because prior years' 2015 and 2016 LTI expense was significantly lower than 2017 and 2018 LTI expense, and this would appear to indicate inferior financial performance for years 2015 and 2016 (and not better financial performance), which does not remedy the concerns about increased LTI expense in 2018 (using a three-year performance factor).

One mitigating factor could be the lower level of LTI expense in 2015 and 2016 was significantly impacted by the prior three-year performance period lag (2012, 2013, and 2014), regardless of what the actual performance was in 2015 and 2016. The bottom-line is that customer rates in 2018 should not reflect a higher level of LTI expense for better financial performance in the three prior years 2015 to 2017 compared to test year 2018 (although the LTI expense suggests financial performance was worse in 2015 to 2016, compared to 2017 and 2018) just because the LTI plan is set up in that manner by the Company.

Second, the response to OCA TS 2-7.c states that the projected performance factors for a future year are based on the most recent year as a proxy, and OCA TS 2-7.a indicates that estimated 2019 and 2020 performance is based on actual 2018 performance measures. However, using <u>one period</u> of historical performance to project future years' performance is not reasonable, especially when performance is based on a rolling three-year period (and not based on just a one-year period).

With this combination of above factors, the amount of actual 2019 going-forward LTI expense is an estimate, and is not based on actual known performance, thus it is not known-and-measurable. This supports using a three-year average of LTI expense to normalize this expense as the first part of my LTI adjustment.

Q. Will you explain your adjustment to remove part of the excessive and unsupported increase in 2018 STI and LTI expense (this adjustment occurs before the 50 percent adjustment is applied)?

A. First, I adjusted the STI and LTI 2018 expense to reasonable normalized amounts by removing the unsupported and excessive levels based on the concerns addressed previously in this section of my testimony, and then I removed 50 percent of the remaining balance to remove financially-focused incentive performance measures that are primarily beneficial to shareholder interests, and do not provide any significant or meaningful benefits to customers.

For STI, I started with the 2015 to 2017 3-year average of STI expense of $413,273 and deducted this from the actual 2018 STI book balance of $528,944, and disallowed the difference of $115,671 that reflects unsupported and excessive 2018 levels of STI. For the remaining balance of $413,273, I removed 50 percent of these costs or $206,636 related to financial-focused incentive measures that benefit shareholders, for a total adjustment to STI of $322,307 ($115,671 plus $206,636).

For LTI, I started with the 2015 to 2017 3-year average of LTI expense of $56,383 and deducted this from the actual 2018 STI book balance of $98,498, and disallowed the difference of $42,115 that reflects unsupported and excessive 2018 levels of LTI. For the remaining balance of $586,383, I removed 50 percent of these costs or $28,191 related to financial-focused incentive measures that benefit shareholders, for a total adjustment to STI of $70,306 ($42,115 plus $28,191). Therefore, the total incentive expense adjustment is $392,615.

Adjustment BCO-3: Payroll Taxes – Exhibit BCO-1, Schedule 2.3

Q. Will you summarize your adjustment to payroll tax expense?

A. Liberty originally proposed an Adjustment 2 to increase payroll taxes by $148,639, and its Corrections and Update filing revised this adjustment to a decrease in payroll taxes of $164,334. I am proposing an adjustment to reduce payroll taxes by an additional amount of $94,744.

My revision to the Company's payroll tax adjustment reflects adjustments that I made to payroll expense and short-term incentives, and I used the same format of the Company at its Payroll Tax Adjustment 2 at Schedule RR-3-02 (CU) with the exception described below.

The Company's payroll tax adjustment includes an amount of "2019 Salary & Wage Increase" of $1,421,487 at line 7, and this amount includes the Company's proposed

Adjustment 1 to increase payroll expense of $947,257, plus the Company's Regional Allocated Labor of $474,230. First, because I reduced payroll expense by an adjustment of $601,678, the base amount of $1,421,487 should be reduced by this amount. Second, the Regional Allocated Labor included in Liberty's base amount of $1,421,487 is not a "payroll increase" in this rate case, the Company only calculates a 3 percent increase on this payroll amount in its payroll adjustment. Therefore, the amount of $474,230 should also be removed from this portion of the payroll tax calculation.

Adjustment BCO-4: Depreciation Expense & Amortization Adjustment – Exhibit BCO-1, Schedule 2.4

Q. Will you summarize your adjustment to depreciation & amortization expense?

A. Liberty's original filing proposed to increase depreciation & amortization expense by $447,926 at Adjustment 8 and by $781,434 at Adjustment 6, and its Corrections and Updates filing now proposes to increase depreciation & amortization expense by $1,561,586 at Adjustment 8 (Schedule RR-3-08 CU) and there is no change from the original filing for Adjustment 6 (Schedule RR-3-06 CU). The increase in Liberty's proposed Adjustment 8 depreciation expense from $447,926 to $1,561,586 is due to: a) the removal of depreciation on water heater assets of $120,758; and b) an increase in depreciation expense of $1,234,419 to offset the reduction to depreciation expense of this same amount in the Company's original filing.[32]

[32] This depreciation expense is shown at Schedule RR-5-4 in the Company's original filing, and is related to the removal of the acquisition adjustment assets of $6, 172,095 in DG 11-040.

I am proposing an offsetting reduction to Liberty's Adjustment 8 depreciation & amortization expense of $661,150, which consists of the two following components:

1) <u>Impact of Liberty Proposed Depreciation Rates (Liberty Adjustment 8)</u> – Liberty depreciation rate witness Dane Watson has proposed new depreciation rates for various accounts which have an overall impact of increasing depreciation expense by about $546,852 (this does not include the reservice deficiency amortization impact of $233,300). The OCA has accepted Liberty's proposed amortization rates for intangible plant, but OCA is using existing depreciation rates for all other plant accounts and has removed the impact of proposed depreciation rates for all other plant accounts. This results in an adjustment to reduce depreciation expense by $427,850.

2) <u>Impact of Liberty Proposed Reserve Deficiency (Liberty Adjustment 8)</u> - Liberty depreciation rate witness Dane Watson has proposed amortization of a new reserve deficiency, and this results in an increase in depreciation expense of $233,300 (Schedule RR-3-09). I am removing the impact of this proposed reserve deficiency.

Q. Prior to addressing your concerns with the Liberty's depreciation expense adjustments, what position does OCA take on the Company's proposed new depreciation rates and reserve deficiency amortization?

A. Liberty's depreciation rates witness Dane Watson, proposes new depreciation rates (and a related overall increase in depreciation expense) and a new theoretical depreciation reserve deficiency of $1,399,800, and when amortized over six years this reserve deficiency produces an annual increase in depreciation expense of $233,300 (Sch. RR-3-09). I am primarily addressing Liberty's depreciation expense adjustment from an accounting/revenue requirement perspective, and I am not addressing the details of the proposed depreciation rates and reserve deficiency from the perspective of a depreciation rates expert.

I have accepted the Company's new proposed amortization rates for intangibles/software, and the related depreciation/amortization expense adjustment that I propose includes these new amortization rates. The changes in proposed amortization rates for intangibles/software are less complex. However, I have removed the impact of Liberty's proposed depreciation rates for all other plant accounts and I have removed the impact of Liberty's proposed theoretical reserve deficiency. Thus, I have reduced depreciation expense by $427,850 for the impact of Liberty's proposed depreciation rates on all other plant accounts except intangible assets. Also, I have removed the reserve deficiency amortization expense of $233,300.

Q. Will you explain your adjustment to depreciation and amortization expense and compare it to the adjustment proposed by Liberty?

A. The table below compares the depreciation and amortization expense adjustments proposed by Liberty and OCA, and I will explain these amounts.

Table 9 – Comparing Liberty and OCA Depreciation & Amortization Adjustments

A	B	C	D	E	F	G
Ln	Description	Liberty Adj.	Per Books	Difference between Liberty Adj. & Books	OCA Adj.	Difference between Liberty & OCA Adj.
1	Reserve surplus amort. from 2018	$781,434	-$781,434	$0	$781,434	$0
2	Amort. of acquistion assets in Liberty adj. & on books	$1,234,419	$1,234,419	$0	$1,234,419	$0
3	Deprec. expense at proposed rates for Liberty & OCA	$8,418,033	$7,871,181		$7,990,183	($427,850)
4	Liberty & OCA adjusted deprec. exp.	$9,652,452		$0	$9,224,602	
5	Liberty deprec. & amort expense per books		$8,324,166			
6	Liberty proposed reserve defic. amort.	$233,300			$0	($233,300)
7	Liberty & OCA adjusted deprec. exp.	$9,885,752	$8,324,166	$1,561,586	$9,224,602	($661,150)
8	Liberty/OCA adjusted deprec. and reserve surplus	$10,667,186	$8,324,166	$2,343,020	$10,006,036	($661,150)
9	Note 1 - Liberty adjusted depreciation expense per Company Schedule RR-2-1					**OCA Adj.**

I am proposing to reduce depreciation and amortization expense by $661,150 (column G, lines 7 and 8), and this consists of the two components: a) reducing depreciation expense by $427,850 (column G, line 3), which is the impact of Liberty's proposed depreciation rates applied to all other accounts except intangible plant accounts (I have used Liberty's proposed amortization rates for intangible assets); and b) reducing amortization expense by $233,300 (column G, line 6) related to Liberty's proposed theoretical reserve deficiency amortization. Both of the adjustment components reflect the difference between Liberty's proposed depreciation expense (column C lines 3 and 6) and OCA's proposed depreciation expense (column F, lines 3 and 6).

Liberty's proposed adjustment for depreciation and amortization expense of $1,561,586 (column E, line 7) is also reflected at Liberty's Schedule RR-3-08 (final column, line 43), and this adjustment reflects the difference between Liberty's final adjusted depreciation and amortization expense of $9,885,752 (column C, line 7) and the Company's per book amount of $8,324,166 (column D, line 7).

Liberty's adjusted depreciation and amortization expense of $9,652,452 (column C, line 4) is shown at Liberty Schedule RR-3-08 (final column, line 38), and Liberty's final adjusted amount of $9,885,752 including the $233,300 reserve deficiency (column C, line 6) is also reflected at Liberty Schedule RR-3-08 (final column, line 39). The OCA adjusted depreciation and amortization expense at column F, along with related calculations, is shown at related OCA exhibits for this adjustment.

Q. Will you explain how the Company treated the $781,434 of expiring reserve surplus amortization credit in its depreciation expense adjustment?

A. The amount of $781,434 is the Company's annual amortization of the accumulated reserve surplus[33] that expires in April 2019, and is reflected at Liberty Schedule RR-3-06 (CU). Because this amount was a reserve "surplus" the accounting entry was to debit Accumulated Amortization – Other Regulatory Asset (account 1823) and to credit Depreciation Expense (account 4030) - the amount is treated as a reduction or offset to depreciation expense on the 2018 books (and all prior applicable years). Thus, as shown at the previous table, the 2018 per book depreciation and amortization expense of $8,324,166 consists of depreciation/amortization expense of $9,105,600 ($1,234,419 plus

[33] Docket 13-063, Order No. 25,638, per the response to OCA TS 2-34.a, p. 3 of 3, the amount is amortized over five years as shown at Company Adjustment 6, Schedule RR-3-06 (CU).

$7,871,181 at column D, lines 2 and 3 of prior table), less the credit/offsetting amount of $781,434 related to the reserve surplus amortization.

Although it may be somewhat confusing, my understanding is that the Company proposed a separate adjustment to increase amortization expense by this reserve surplus amount of $781,434 to offset the credit amount recorded in the per book amounts so that depreciation expense is reflected on a proper going-forward basis, and so the credit amount of $781,434 is not reflected as a recurring amount in the future because this related amortization expires in April 2019. Per the prior table, the amount of $781,434 is shown as a debit adjustment to Liberty's adjustment (column c, line 1) and is shown as a credit amount per books (column d, line1), and these amounts properly offset each other to ensure that no going-forward amounts for this component are reflected in future rates.

Q. Will you explain how the Company treated the $1,234,419 of amortization expense related to acquisition assets from Docket DG 11-040 (Liberty Schedule RR-3-06)?

A. The related $1,234,419 of amortization expense and the related assets and accumulated depreciation reserve for these intangible acquisition assets should be removed from the rate case to be consistent with approved prior Commission practice. Because this amortization expense of $1,234,419 is included in both the Company's adjusted depreciation/amortization expense (prior table, column C, line 2) and in the 2018 per book amounts (prior table, column D, line 2), when the Company's adjusted depreciation balance is deducted from the 2018 per book depreciation balance, this amount gets zeroed out and is not reflected in the going-forward level of adjusted depreciation expense. This appears to be correct treatment.

Liberty's technical statement of Philip E. Greene and David B. Simek (page 4, item 9),[34] indicates it included an increase of $1,234,419 to its revised depreciation adjustment to offset this same credit amount that was incorrectly included in the Company's original depreciation expense adjustment. I reviewed the Company's proposed adjustments at Schedule RR-3 (CU), pages 1 to 3, and it does not appear that a formal adjustment was made by the Company to increase depreciation expense by this amount of $1,234,419. Because the amount of $1,234,419 is included in both the Company's adjusted depreciation expense and depreciation expense per books, these amounts properly offset each other and it is not necessary to increase the Company's adjustment a second time for this same amount of $1,234,419. It does not appear that the Company has made a second formal adjustment to increase depreciation expense by $1,234,419, and that appears to be the correct treatment. However, if I have overlooked a second adjustment, then depreciation expense would be overstated by this amount of $1,234,419 because it would be recovered twice in the revenue requirement.

[34] This document was filed with the Company's Corrections and Update filing on November 22, 2019 to explain revised adjustments proposed by Liberty.

Q. Do the Company's workpapers properly calculate amortization expense on the intangibles plant balance of $6,172,095 related to the acquisition asset from Docket DG 11-040?

A. It does not appear so, but the difference is likely immaterial. First, the plant balance of $6,172,095, along with the related accumulated depreciation, and amortization expense of $1,234,419 should be properly removed from rate base and the depreciation expense adjustment calculation. However, if the related amortization expense of $1,234,419 is properly included in both the depreciation expense adjustment and the amounts per books (which Liberty appears to have done), then this amount is effectively removed from the case when the per book amounts are deducted from the Company adjusted amount in determining the related adjustment for depreciation expense.

However, there may be a minor reconciliation issue that causes a slight difference in the amount of amortization expense calculated on the $6,172,095 acquisition asset included in the Company's adjustment. Per Liberty's Schedule RR-3-08, under the column titled "Adjustments to Plant Balances", the Company removed total intangibles plant of $10,987,554, and then re-allocated these amounts to specific intangibles accounts based on their specific and applicable amortization rate (so there is no net change in intangible plant amounts, just a re-allocation of these amounts). However, as this Schedule shows, after re-allocation, none of the re-allocated amounts are as great as the acquisition asset of $6,172,095, so it does not appear that the acquisition asset was entirely allocated to one account with the proper related amortization rate of 20 percent, so part of the re-allocated balance could have been shifted to one or several accounts with amortization rates that vary from 10 percent, to 20 percent, to 33 percent (and there should not be a change in amortization rate for this related acquisition asset). I have made an adjustment in my workpaper exhibit to re-allocate these amounts so that the maximum amount of $6,172,095 is allocated to an intangible asset account using the proper 20 percent amortization rate (and this also means that asset amounts of other accounts had to be reduced as part of this re-allocation). This does not have a significant impact on my final proposed adjustment.

Adjustment BCO-5: Pole Rental Fees – Exhibit BCO-1, Schedule 2.5

Q. Will you summarize your adjustment to pole rental fees?

A. Liberty does not propose any adjustments to pole rental fees, but I am proposing an adjustment to increase pole rental fees by $53,619, in addition to the amounts already recorded on 2018 Company books of $250,438. The OCA calculation supporting pole rental fees uses Liberty's spreadsheet provided with OCA 2-23, and because this document is voluminous the OCA's detailed adjustment calculation will be provided in a supporting workpaper (and not provided as an Exhibit).

Q. Why are you proposing an adjustment to increase pole rental fees?

A. OCA data requests sought additional information from the Company about pole rental fees. The Company's response to OCA 2-23 supported an increase in pole rental fees.

First, The Company's response to OCA 2-23 states that pole rental fees have not increased since Liberty acquired the National Grid assets. Therefore, it is reasonable to update pole rental fees.

Second, the Company's response to OCA 2-23 states that contracts for wireless facilities provide for a yearly increase. I do not believe Liberty has been increasing these fees based on its various responses to OCA 2-23.

Third, the Company's response to OCA 2-23 states the adoption of the current version of the Puc 1300 rules on September 1, 2018 require pole owners to adopt the FCC calculation among other things. The Company reviewed its pole attachment fees in 2018 using the related formula to ensure fees were consistent with the FCC formula because those calculations had not been performed in the past. The Company determined there could be an increase in the Standard Rate from $20.03 to $24.33 (for solely owned poles), although the Company has not updated these rates because there are 21 different attachers and each contract would need to be reopened.

Q. Should pole rental fees be reflected at cost, per FCC requirements?

A. Yes. Based on my experience and understanding of the FCC formula for pole rental fees calculation, the cost standard is fully allocated costs. I believe it is reasonable to update pole rental fees to help ensure, at the very least, that the Company's pole rental rates are closer to cost. If pole rental fees are below cost, then arguably the amount of fees collected by the Company from pole attachers are not adequate to cover its costs, and any related cost deficiency will be subsidized and born by ratepayers, who will then effectively subsidize both the Company and pole attachers. It is neither reasonable nor sustainable that ratepayers should subsidize any party for below-cost pole rental fees, particularly when the Company has the necessary legal basis and cost-causation foundation to seek and support a reasonable increase in these pole rental rates from attachers.

Q. Do you have the cost and supporting documentation that would enable you to determine the current cost to support updated pole rental fees?

A. No. Therefore, I am relying on information provided by the Company in its response to OCA 2-23 which indicates it determined that an increase in rate from $20.03 to $24.33 could be justified by the present formula. Thus, I am using the amount of $24.33 as the amount for pole rental fees (solely owned poles) in my calculation.

Q. How did you calculate updated pole rental fees for other types of poles, give you only have the updated rate of $24.33 for Standard Rate – Solely Owned Poles?

A. The Company's increase in rate for the Standard Rate – Solely Owned Poles from $20.03 to $24.33 reflects a 21.47 percent increase. For the three remaining types of Pole Rates shown below, I applied this same 21.47 percent increase as a reasonable surrogate pole rental fee increase to arrive the adjusted fees below. I then applied these revised pole rental fees to the number and type of poles provide in response to Attachment OCA 2-23.b.1, to arrive at my proposed adjustment of $53,619.

	Current Rate	Proposed Rate	% Increase
1) Standard Rate – Solely Owned Pole	$20.03	$24.33	21.47%
2) Standard Rate – Jointly Owned Pole	$10.02	$12.17	21.47%
3) Cable Rate – Solely Owned Pole	$13.84	$16.81	21.47%
4) Cable Rate – Jointly Owned Pole	$6.92	$8.40	21.47

Q. The Company's response to OCA 2-23.d states there are other complications in negotiating revised pole rental rates with other parties. Regardless of the Company position, are you proposing to impute additional revenues for pole rental fees which will effectively avoid any claimed complications?

A. Yes. The Company's full response to OCA 2-23.d states that Puc 1300 rules provide for negotiation between parties, but there are other considerations in Puc 1304.06 that complicate the question of whether the proposed FCC rate of $24.33 would be just and reasonable for each attaching entity.[35] I don't know which complications the Company is specifically referring to and the related implications for this rate case. The Company has not formally asserted that the cost of negotiating new pole rental rates would exceed the benefit of increased revenues, and I would not necessarily agree with that conclusion without substantiation. In addition, any cost of negotiation could be borne by the Company's internal legal staff, and if additional outside legal assistance was needed then these types of costs are recoverable in a rate case (as are the Company's payroll costs for its internal legal staff).

[35] The Company's response to OCA TS 1-29 makes the same point, but does not lend any further detail regarding specific complications or related costs.

However, I am proposing that additional pole rental fees and related revenues of $53,619 be imputed into the revenue requirement of this case. Imputing these pole rental revenues helps ensure that customers are not subsidizing the Company or pole attachers for below-cost fees, and it also avoids imposing any time and cost imposition upon the Company that they might normally assert would develop from negotiations. Adopting this imputation method does not mean that the Company is actually collecting these increased pole rental fees from attachers, but this method avoids any argument of new imposed costs on the Company, and it can also give the Company an incentive to negotiate new pole rental fees if it believes that would be beneficial to offsetting any negative impacts it perceives from this revenue imputation.

Q. The Company's Confidential response to OCA 7-34.b.4, page 18 of 45, addresses poles, how does this situation bear upon your recommendation?

A. The Company's Confidential response indicates **BEGIN CONFIDENTIAL*****

[redacted]

[redacted] *****END CONFIDENTIAL.**

Q. Without disclosing any Confidential information, did the previous Q & A about poles include any information to undermine your proposed adjustment?

A. No.

Adjustment BCO-6: Income Tax Expense – Exhibit BCO-1, Schedule 2.6

Q. Will you summarize your adjustment to true-up income taxes?

A. This adjustment adjusts income tax expense for the incremental impact of the adjustments that I propose, and results in an increase in income taxes of $488,525.

Adjustment BCO-7: Cash Working Capital – Exhibit BCO-1, Schedule 2.7

Q. Will you summarize your adjustment to cash working capital?

A. I used the same cash working capital ("CWC") formula as Liberty and this produced a reduction in CWC of $91,721.

Q. Are you proposing an adjustment to interest synchronization?

A. No. This impact would appear to be immaterial, so no adjustment is proposed.

III. 2019 Step Increase

2019 Step Increase – Exhibit BCO-2

Q. Are you proposing adjustments to Liberty's 2019 Step Increase capital plant additions?

A. Yes.

Q. What amount are you using for the starting point of your adjustments to the 2019 Step Increase?

A. I am using a starting point of $14,967,736 (gross plant) for the 2019 Step Increase, and this is the same amount included in Liberty's original filing at Attachment PEG/DBS-2, Sch. Step, p. 1 of 2 (also cited as the "2019 Capital Budget" at this schedule) and cited in the Joint Direct Testimony of Philip E. Greene and David

B. Simek.[36]

OCA 2-10 asked Liberty to reconcile its proposed 2019 Step Increase of $14,967,736 to the amount of $20,034,736 referred to as the "Current Year 2019 Capital Budget" at the Filing Requirements Puc 1604.01 (a)(8). Liberty's response stated the 2019 Step Increase of $14,967,736 inadvertently excluded three projects totaling $3,342,000,[37] and the remaining difference of $1,725,000 is due to the removal of the Reliability Enhancement Plan (REP) projects.

I anticipated that Liberty's November 22, 2019 Corrections and Update Filing would include the revisions and additions to the 2019 Step Increase of $14,967,736, but the filing did not address the 2019 Step Increase or any revisions to these amounts. Therefore, I will rely on the 2019 Step Increase of $14,967,736 because this is the amount supported in the Company's original filing by its witnesses and underlying schedules.

Q. Will another OCA witness address the timeline for recovery of the 2019 Step Increase?

A. Yes. Liberty proposes to recover the revenue requirement impact of this 2019 Step Increase, which is $2,293,431, upon implementation of permanent rates but no earlier than January 1, 2020 (for these projects completed by December 31, 2019). OCA witness Ron Nelson will propose a timeline for recovery of these capital projects.

[36] Page 17, line 14, Bate II-093.

[37] These three projects included Project 8830-1937 GSE-DIST-New-Resid Blanket - $1,000,000, Project 8830-1938 GSE-DIST-New Bus- Comm Blanket - $1442,000, and Project 8830-1958 Install Services to Tuscan Village South Line - $900,000.

Q. Are the Step Increase plant additions added to rate base of this case and recovered in the same manner as the traditional revenue requirements?

A. No, these amounts are not included in rate base and are not recovered from customers in the same manner via permanent rates to be established in the revenue requirements of this case. Instead, these amounts are handled consistently with the treatment in the past, whereas the Company seeks to recover the revenue requirement impact of these post-test period plant additions (constructed during 2019) from customers as soon as possible after construction is completed at December 31, 2019 - and before the completion of hearings in this case and a final Order that will establish the new customer rates for the traditional revenue requirement in this proceeding.

Q. Should the revenue requirement calculation inputs for these Step Increases be updated after the amount of these capital additions is determined?

A. Yes. The existing components of rate of return and property taxes should be updated for any adjustments/revisions in this case.

Q. Can you summarize the adjustments you are proposing to the 2019 Step Increase plant additions?

A. I am proposing the following adjustments to the 2019 Step Increase:

Table 10 – Adjustments to 2019 Step Increase:

A	B	C
		2019
		Step Increase
Line	Adjustments	Adjustments
1	Beginning 2019 Step Increase	$14,967,736
2	Adjustments:	
3	1 - Reduce internal capitalized labor	($2,680,000)
4	2 - Battery back-up for customer meters	($1,000,000)
5	3 - Unidentified discretionary projects	($100,000)
6	4 - Londonderry project removed by Liberty	($660,000)
7	5 - ARP breakers & closers project cancelled	($225,000)
8	Total capital costs removed	($4,665,000)
9	Revised 2019 Step Increase	$10,302,736

Q. Why did you adjust the 2019 Step Increase plant additions related to internal capitalized labor?

A. Liberty's response to OCA TS 1-21 states the estimated internal capitalized labor[38] included in the 2019 Step Increase was $5,092,000, although the Company cannot identify capitalized labor by specific project. In contrast, Liberty's response to OCA 2-47 indicates that Liberty's internal capitalized labor per the 2019 Budget will be $3,600,000 (at 33 percent capitalized and 67 percent expensed), although part of this internal capitalized

[38] The term "internal" refers to capitalized labor only from Liberty's work force and does not include labor of outside vendors.

labor could be related to deferred storm costs and the data request response did not identify these amounts separately.

Liberty's response to OCA 1-12.a identifies 2018 actual internal capitalized plant-related labor of $2,578,756 (along with other capitalized labor of $1,265,260 that is presumably storm-related), which results in total internal capitalized labor of $3,844,017, and the ratio of capitalized plant labor to total internal labor is 67 percent ($2,578,756 divided by $3,844,017). I next applied the actual 67 percent ratio of plant-related labor for 2018, to the estimated 2019 Budget total capitalized labor of $3,600,000 (from OCA 2-47),[39] and this produces estimated plant-related labor of $2,412,000 for 2019.

This calculation indicates the Company's total internal capitalized labor related for plant of $5,092,000 (related to plant, per OCA TS 1-21) exceeds the Company's 2019 Budget internal capitalized labor for plant of $2,412,000 (as calculated above), by an amount of $2,680,000. Thus, my adjustment will reduce capitalized plant additions by $2,680,000.

Part of my concern regarding this adjustment is to make sure the Company does not gain a benefit by overstating its capitalized labor for purposes of the 2019 Step Increase (to increase rate base and customer rates), and in contrast trying to understate its capitalized labor for purposes of the payroll adjustment (which would increase the amount of payroll expensed and increase customer rates). The Company should not be

[39] I applied the actual 2018 plant-related capital labor ratio of 67 percent to the 2019 Budgeted total capitalized labor (total includes "plant" and "storm" capital labor) to arrive at estimated 2019 Budgeted plant-related capital labor. This calculation is performed to create a match between 2019 Budget plant-related labor and the related 2019 Step Increase plant additions (because this 2019 plant-related labor will be part of the cost included in the 2019 Step Increase plant additions).

able to unduly benefit from overstated capitalized labor for one adjustment (2019 Step Increase) while also unduly benefitting from the understatement of labor for the other adjustment (payroll expense adjustment).

Q. Why did you remove $1,000,000 from the discretionary category of the 2019 Step Increase plant additions related to battery back-up?

A. I have removed the $1,000,000[40] of Tesla batteries for backing up customer meters because Liberty has not proved it is compliant with terms of the Commission's 2019 Order in DE 17-189 related to this matter, the Company has not included any offsetting adjustments for customer payments for these batteries (in order to provide proper matching for all impacted revenue requirement components), and this cost is included in the "discretionary" and is a lower priority with less certainty and support.

The Commission's Order in DE 17-189,[41] page 39-41, expressed concern that the Company costs presented only as estimated in the proceeding could be much greater than anticipated, including costs related to the battery price, installation cost, Cogsdale billing system upgrade costs and meter programming expenses. If these costs are significantly more expensive than was anticipated, this would reduce the net benefits of the program. Thus, the Commission required Liberty to promptly inform the Commission, Staff, and parties if any program cost items are expected to be greater than

[40] Attachment PEG/DBS-2, Schedule Step, p. 1 of the filing related to the 2019 Capital Budget, and project # 8830-1933 of OCA 7-25, OCA 1-2.3, and the filing requirements Puc 1604.01(a)(8), p. 1 of 2.
[41] Commission Order No. 26,206, dated January 17, 2019, *Petition to Approve Battery Storage Program, Order Approving Settlement Agreement and Implementation of Pilot Program and Granting Motions for Confidential Treatment.*

estimated because this might warrant a re-evaluation of the decision to authorize implementation of the pilot program.

Also, the Commission was not satisfied that Liberty had completely evaluated the potential of cybersecurity risks, or that these could be adequately mitigated. Before Phase I of the pilot is implemented, the Commission required that Liberty complete a comprehensive evaluation of the cybersecurity risk and confirm there are no risks. And an evaluation of the related vendors' practices must be completed by Liberty and deemed to be sufficient, along with a written certification confirming that such evaluations have been completed and conclusions reached, including documentation describing the supporting methods used and a copy of the Cybersecurity Plan. There are other requirements to be met also, including a customer education and information program to be collaborated with Staff, OCA and other parties.

OCA TS 1-27.a asked Liberty for the per unit costs of batteries included in its $1,000,000 budget and related copies of purchase orders, bids, and other documents to support the price. Liberty's response only referred to its estimated battery prices provided in DE 17-189, and it did not provide the actual battery prices and related purchase orders or invoices supporting the $1,000,000 budget. Liberty's response to OCA TS 1-27.c makes a statement about battery prices being reduced to $6,500, but it is not clear if this has been achieved because the contract has not been signed yet so there is no documentation to support this statement. Liberty states that the $1,000,000 budget for 2019 was prepared in 2018 when the pilot had not yet been approved and the final number of batteries was not yet known. Finally, the Company states it has not included any offsetting impacts in this rate case such as potential payments by customers, because it does not have a list of customers signed up regarding their choice of payment options.

Q. Are you aware of recent activity in Docket No. DE 17-189, and does this change your opinion regarding this adjustment?

A. I am aware of recent information provided by the Company and some of this may help satisfy some prior Commission concerns,[42] but this does not change my opinion because there are remaining concerns. I am aware that on October 17, 2019, Liberty filed a Motion to delay its battery installation to February 28, 2020, and this issue was addressed in Heather M. Tebbetts Technical Statement provided to the Commission on November 25, 2019. This delay for the install date is significantly beyond the December 31, 2019 date when Liberty states that all of its plant additions related to the 2019 Step Increase will be in service. These batteries will not be considered completed, installed, or treated as Plant in Service at December 31, 2019, given installation is not until February 28, 2020.

In addition, the Company's October 17, 2019 filing included a detailed spreadsheet with costs and benefits, and Liberty's $1,000,000 Step Increase adjustment does not include any of the offsetting benefits identified in this spreadsheet. The full impact of battery installation should be reflected in revenue requirements, and not just the "cost" portion that increases revenue requirements.

[42] Such as the cybersecurity review, which is now complete.

There are still questions regarding Company compliance with the Commission's Order, therefore, this line item of $1,000,000 should be removed from the 2019 Step Increase.

Q. Why did you remove $100,000 from the discretionary category of the 2019 Step Increase plant additions related to reserve for unidentified discretionary projects?

A. I have removed $100,000[43] of reserve for unidentified discretionary projects because the descriptions, purpose and benefits are vague and "unidentified", and this appears to be a highly discretionary item. Also, per Liberty's response to OCA TS 1-22, the "reserve for unidentified discretionary projects" was not included as a line item in prior 2016 to 2018 budgets and this was the first year it was included.

Q. Why did you remove $660,000 from the discretionary category of the 2019 Step Increase plant additions related to reserve for Londonderry reconfiguration projects?

A. I have removed $660,000[44] related to the Londonderry reconfiguration because Liberty's response to OCA 7-25 and OCA TS 2-18.i indicates this project has been removed from the 2019 budget.

[43] Project # 8830-1926 of Staff 3-28.h, OCA 7-25, Staff 3-28, and the filing requirements Puc 1604.01(a)(8), p. 1 of 2.

[44] Project # 8830-1948 of Staff 3-28.h, OCA 7-25, Staff 3-28, and the filing requirements Puc 1604.01(a)(8), p. 1 of 2.

Q. Why did you remove $225,000 from the discretionary category of the 2019 Step Increase plant additions related to reserve for ARP breakers & reclosers projects?

A. I have removed $225,000[45] related to ARP breakers & reclosers because Liberty's response to OCA 7-25 and OCA TS 2-18.g confirm that this project has been cancelled and all costs are reclassified to expenses.

Q. Does this conclude your testimony?

A. Yes.

[45] Project # 8830-1940 of Staff 3-28.h, OCA 7-25, Staff 3-28, and the filing requirements Puc 1604.01(a)(8), p. 1 of 2.

Bion C. Ostrander – Curriculum Vitae

Mr. Ostrander is an independent regulatory consultant with forty plus years of total regulatory and accounting experience working for Certified Public Accounting (CPA) firms, regulatory agencies, and his regulatory consulting business (including twenty-nine years as an independent consultant with his own firm). Mr. Ostrander has been providing continuous consulting services since 1990 and has addressed more than 250 cases in numerous U.S. and international jurisdictions.[1]

Mr. Ostrander has addressed a broad range of telecom and energy accounting and policy issues in his career, including rate case/revenue requirement accounting adjustments, CAM/EAM reviews, capital asset infrastructure/modernization, affordable rates/universal service, tariff design, models that calculate the levelized cost of electricity for renewable energy options (PV solar, wind, biogas, etc.) for purposes of setting feed-in/renewable energy rider tariffs, compensation, affiliate transactions, depreciation, merger/acquisitions, cross-subsidization, complex income tax issues, service quality, retail and wholesale cost studies, competition, and many others.

Mr. Ostrander's experience is summarized below:

- ✓ **Bion C. Ostrander (dba Ostrander Consulting)**: Principal/Owner - October 1990 to current.
- ✓ **Kansas Corporation Commission**: Chief of Telecommunications – 1986-1990.
- ✓ **Kansas Corporation Commission**: Chief Auditor (gas, electric, telephone & transport.) – 1983-1986.
- ✓ **Mize Houser Mehlinger & Kimes**: Auditor in audit section of regional CPA firm – 1981-1983.
- ✓ **Deloitte Haskins and Sells (now Deloitte or Deloitte Touche Tohmatsu Limited)**: Auditor for international CPA firm – 1978-1981.

[1] Mr. Ostrander maintained a permit to practice as a CPA for most years he was providing consulting services, the permit was maintained primarily for credential purposes. However, because he no longer provides any attestation or related services that require a permit to practice, he no longer maintains the permit - - although he retains membership in CPA organizations.

A client summary is included in the table below:

Client Summary	
Consumer Advocates/Attorney General	***Public Service Commissions***
Indiana UCC	Arizona
Kansas CURB	Georgia
Kentucky AG	Kansas
Michigan AG	Maryland
Maine OPA	Minnesota
Maine AARP	North Dakota
Maryland OPC	Oklahoma
Michigan AG	***Other***
Nevada AG	Maryland - Montgomery County
New Hampshire	Virginia - CWA
Oklahoma AG	***International***
Utah OCS	Fair Trading Commission - Barbados
Vermont DPS	Eastern Caribbean Telecomm. Authority (ECTEL -
Washington AG	St. Lucia, St. Kitts/Nevis, St. Vincent, Grenada, Dominica)
Wyoming	Armenia - USAID
	Saudi Arabia

Work History – Ostrander:

Bion C. Ostrander – Consulting Firm (1990 to present):

Principal

Mr. Ostrander principally addresses regulatory issues on behalf of governments and regulatory agencies, including U.S. and international regulatory agencies. Services include those related to revenue requirement issues, price caps or alternative regulation plans, competition assessment, costing/pricing, interconnection/local loop unbundling, universal service, management audits and other matters.

Kansas Corporation Commission (1983 – 1990):

Chief of Telecommunications

Supervised staff and directed all telecommunications-related matters including assessment of rate cases of SWBT, United/Sprint and rural LECs. Also, directed actions regarding alternative regulation plans, establishing access charge policy, transition to intrastate competition, depreciation filings, establishment of the Kansas Relay Center for speech and hearing impaired citizens in Kansas, filings with the FCC, billing standards, quality of service, consumer complaints, staff training and over one hundred docketed regulatory matters per year. Mr. Ostrander was the lead witness on all major telecommunications matters.

Chief Auditor

Directed rate cases of gas, electric and telecom companies prior to promotion to Chief of Telecommunications.

Mize, Houser, Mehlinger and Kimes (now Mize Houser & Company Professional Association):

Auditor – CPA firm

Performed auditing, tax and special projects for various industries.

Deloitte, Haskins and Sells (now Deloitte & Touche) – (International CPA/Audit Firm):

Auditor – CPA firm

Performed auditing, tax and special projects in industries such as utilities, savings and loan, manufacturing, retail, construction, real estate, insurance, banking and not-for-profit.

Education:

University of Kansas - B.S. Business Administration with a Major in Accounting, 1978.

Affiliations:

- Member - American Institute of CPAs (AICPA)
- Member - Kansas Society of CPAs (KSCPA)

Bion C. Ostrander - Regulatory Cases New Hampshire Office of Consumer Advocate Attachment BCO-2
Liberty Utilities Docket No. DE 19-064

Utility	State	Client/Agency	Docket/Case	Product	Summary of Issues
Renewable Energy Plan	MD.	Fair Trading Commission	N/A	Formal Report	Prepare levelized cost of electricity (LCOE) models to propose feed-in tariffs for all renewable energy options (solar centr. and distributed, wind on-shore, wind off-shore, WTE) and determine the potential impact on customer rates
Liberty Utilities	MD.	New Hampshire OCA	Docket No. DE 19-064	In progress	Revenue requirement
Washington Gas Light Company	MD.	Maryland Commission Staff	Case No. 9481	Testimony	Revenue requirement and CAM
Potomac Electric Power Co.	MD.	Maryland Commission Staff	Case No. 9418	Testimony	Revenue requirement, rate base and operating expenses
None - operational audit	OK.	Oklahoma Commission Staff	No docket	Report	Operational audit of Oklahoma Universal Service Fund
Carbon Emery Tel. Co.	UT.	Utah Office of Consumer Services	Dkt. No. 15-2302-01	Testimony	Revenue requirement/CAM
Emery Tel. Co.	UT.	Utah Office of Consumer Services	Dkt. No. 15-042-01	Testimony	Revenue requirement/CAM - case settled
Strata Tel. Co.	UT.	Utah Office of Consumer Services	Dkt. No. 15-053-01	Testimony	Revenue requirement/CAM - case settled
Beehive Tel. Co.	UT.	Utah Office of Consumer Services	Dkt. No. 14-051-01	Testimony	Revenue requirement/CAM - case withdrawn
FairPoint Comm., Inc.	MN.	Maine Office of Public Advocate	2013-00340	Testimony	Revenue requirement/CAM
Bangor Gas Company	MN.	Maine Office of Public Advocate	2012-00598	Testimony	Revenue requirement/CAM and evaluate a new Alt. Reg.
Potomac Electric Power Co.	MD.	Montgomery County	Case No. 9336	Testimony	Revenue requirement, rate base and operating expenses
Hanksville Telecom, Inc.	Utah	Utah Office of Consumer Services	Dkt. No. 14-2303-01	Consultation	Request for Univ. Service Funding, revenue requirement/CAM
Big Rivers Electric Corp.	KY	Kentucky Office of Attorney General	CN 2013-00199	Testimony	TIER rev. req., operating expenses, payroll and policy This rate case was filed while the prior rate case was still pending.
Atmos Energy Corp.	KY	Kentucky Office of Attorney General	CN 2013-00148	Testimony	Revenue requirement/rate case
Manti Telephone Company	UT.	Utah Office of Consumer Services	Dkt. No. 13-046-01	Consultation	Phase II issues, revenue requirement/CAM
Delmarva Power & Light Co.	MD.	Maryland Office of People's Counsel	Case No. 9317	Multiple testimonies	Revenue requirement, rate base, and operating expenses
Century Link	KS	Citizen's Utility Ratepayer Board	13-GIMT-473-MIS	Assist with negotation	Review of price cap plan renewal and CAM
Generic	KS	Citizen's Utility Ratepayer Board	13-GIMT-597-GIT	Comments	Address Kansas Lifeline issues
Big Rivers Electric Corp.	KY	Kentucky Office of Attorney General	CN 2012-00535	Testimony	TIER rev. req., operating expenses, payroll and policy
Potomac Electric Power Co.	MD.	Montgomery County	Case No. 9311	Multiple testimonies	Revenue requirement, rate base and operating expenses
Cable & Wireless - Caribbean	Note 1	Eastern Caribbean Telecomm. Authority	not applicable	Report	Review EAM/CAM telecom cost study and evaluate profitability by service and revise EAM allocations
Baltimore Gas & Electric Co.	MD.	Maryland Office of People's Counsel	Case No. 9299	Multiple testimonies	Revenue requirement, rate base, and operating expenses
Annual Ks. USF review	KS	Citizen's Utility Ratepayer Board	13-GIMT-130-GIT	Review/monitor	Annual review of Ks. USF funding and assessment. Mr. Ostrander has reviewed these filings for the past 15 years of the Ks. USF existence
Manti Telephone Company	UT.	Utah Office of Consumer Services	Dkt. No. 08-046-01	Testimony	Revenue requirements/CAM and and policy on universal service fund.
Generic review	UT.	Utah Office of Consumer Services	No docket	Report	Review and assessment of Utah telephone companies
Potomac Electric Power Co.	MD.	Maryland Office of People's Counsel	Case No. 9286	Multiple testimonies	Overall revenue requirement and operating expenses
Delmarva Power & Light Co.	MD.	Maryland Office of People's Counsel	Case No. 9285	Multiple testimonies	Overall revenue requirement and operating expenses
Annual Ks. USF review	KS	Citizen's Utility Ratepayer Board	12-GIMT-168-GIT	Review/monitor	Annual review of Ks. USF funding, assessment, policies
Telecom industry	KS	Citizen's Utility Ratepayer Board	12-GIMT-170-GIT	Comments and Reply Comments	Address implications of FCC changes/policy regarding ICC, Broadband, FUSF policies and other upon changes to policy for Ks. USF and carriers
PacifiCorp - Pacific Power	WA.	Washington Attorney General - Public Counsel Section	Dkt. UE-111190	Testimony	Rate case - rate base, revenues, expenses, affiliate transactions, MEHC affiliate management fee, outsourcing of services to Adecco,
Washington Gas Light	MD.	Maryland Office of People's Counsel	Case No. 9267	Multiple testimonies	Rate case - rate base, revenues, expenses, affiliate transactions, complex issues regarding outsourcing of

					services to Accenture, compensation issues, other
Telecom industry	KS	Citizen's Utility Ratepayer Board	11-GIMT-420-GIT	Client advice/review No testimony schedule released yet	General proceeding to address changes in policy and review of cost studies/CAM to determine cost-based Ks. Univ. Service Fund support for price capped telcos.
Washington Elec. Coop.	Vt.	Vt. Dept. of Public Service	Dkt. No. 7691	Draft testimony & negotiate settlement	Rate case - rate base, revenues, expenses, affiliate transactions, other matters.
Telecom industry	KS	Citizen's Utility Ratepayer Board	11-GIMT-842-GIT	Client advice/review	Method to identify and report prepaid wireless revenue for Ks. USF.
Cable & Wireless	Note 1	Eastern Caribbean Telecom Authority (ECTEL)	There is no Docket No.	Reports & Consultation Papers	Review earnings, EAM/CAM, competition, cost studies, assessment of duopoly market, implement new price caps plan.
Pioneer Tel. Assoc.	KS	Citizen's Utility Ratepayer Board	Dkt. 11-PNRT-315-KSF	Review/monitor	Monitored this case regarding Pioneer's request for increased Ks. USF support, reviewed rate case issues and monitored settlement of issues.
Telecom industry	KS	Citizen's Utility Ratepayer Board	08-GIMT-1023-GIT	Testimony	Address Sprint's petition to reduce access charges of CenturyLink, statute issues, policy and calculations.
Rural Telcos	KS	Citizen's Utility Ratepayer Board	10-GIMT-188-GIT	Review - no hearings held	Review update of rural telco update of intrastate access charges requires every 2 years by statute
Annual Ks. USF review	KS	Citizen's Utility Ratepayer Board	11-GIMT-201-GIT	Review/monitor	Annual review of Ks. USF funding, assessment, policies and carrier data
Telecom industry	Armenia	USAID and AED - Armenia assessment of Dept. of Public Services Armenia	not applicable	Report	Telecom sector strategic analysis - legal/regulatory assessment, human & institutional capacity, govt. plan for IT sector development, market structure, performance gaps, telecom law, and other universal service and compliance.
Kansas City Power & Light	KS	Citizen's Utility Ratepayer Board	09-KCPE-246-RTS	Review	How to treat common plant costs for CWIP for major upgrades to coal-fired energy plant
Annual Ks. USF review	KS	Citizen's Utility Ratepayer Board	09-GIMT-272-GIT	Review/monitor	Annual review of Ks. USF funding, assessment, policies and carrier data
Michigan - Verizon	MI	Michigan Attorney General	Dkt. 15210	Testimony	Address CAM, TSLRIC & TELRIC cost studies of Verizon
Maryland - Verizon	MD	Maryland Office of People's Counsel	Case No. 9133	Testimony	Address price caps, competition service quality, and CAM
Maryland - Verizon	MD	Maryland Office of People's Counsel	Case No. 9121	Open	Address expanded local calling for Verizon customers
Cable & Wireless	Note 2	Fair Trading Commission of Barbados	No docket	Consulting	Address C&W EAM/CAM costs/profits for regulated & deregulated services, and address 2nd price caps plan
Generic	KS.	Citizen's Utility Ratepayer Board	Dkt. No. 07-GIMT-1353	Comments	Address Lifeline hold harmless plan
Generic	KS.	Citizen's Utility Ratepayer Board	Dkt. 06-SCCC-200-MIS	Consulting	Address on-going compliance of Embarq with requirements of spin-off stipulation
Annual Ks. USF review	KS	Citizen's Utility Ratepayer Board	08-GIMT-315-GIT	Review/monitor	Annual review of Ks. USF funding, assessment, policies and carrier data
Virginia - Verizon	VA.	CWA	PUC-2007-0008	Testimony	Competition/deregulation/detariffing and CAM
Embarq - Nevada	NV	BCP of Attorney General - Nevada	Dkt. 06-11016	Stipulated	Address UNEs, CAM, and competition related to Embarq
Embarq - Nevada	NV	BCP of Attorney General - Nevada	Dkt. 06-11016	Consulting	Competition/deregulation/flexibility legislation
Embarq - Ks. &	KS.	Citizens' Utility Ratepayers Board	Dkt. 07-GIMT-782-MIS	Stipulated	Address price cap factors and CAM
AT&T - Kansas		Citizens' Utility Ratepayers Board	Dkt. 07-GIMT-782-MIS	Stipulated	Address price cap factors for AT&T and CAM
Verizon - Michigan	MI.	Michigan Attorney General	Dkt. 15312	Consulting	Address reasonableness of Verizon local rates, plus CAM review
Generic	KS.	Citizen's Utility Ratepayer Board	Dkt. 08-GIMT-315-GIT	Consulting	12th Year assessment Ks. Universal Serv. Fund
AT&T	KS.	Citizens' Utility Ratepayers Board	not docketed	Consulting	Assist with advice on 2007 legislative session

Generic	KS.	Citizen's Utility Ratepayer Board		Consulting	11th Year assessment Ks. Universal Serv. Fund
Generic	KS.	Citizen's Utility Ratepayer Board	Dkt. 06-GIMT-332-GIT	Consulting	10th Year assessment Ks. Universal Serv. Fund
Generic	KS.	Citizen's Utility Ratepayer Board	Dkt. 06-GIMT-446-GIT	Comments	Addressing requirements for ETCs
AT&T	KS.	Citizen's Utility Ratepayer Board	Dkt. 07-SWBT-277-MIS	Consulting	AT&T/SWBT annual price cap filing and CAM review
Generic	KS.	Citizen's Utility Ratepayer Board	Dkt. 06-GIMT-332-GIT	Consulting	10th Year assessment Ks. Universal Serv. Fund
Generic	KS.	Citizen's Utility Ratepayer Board	Dkt. 06-GIMT-390-GIT	Consulting	Ks. Univ. Service neutrality issues
Rural Tel. - Kansas	KS.	Citizen's Utility Ratepayer Board	Dkt. 06-RRLT-963-COC	Stipulation	Rural Tel. purchase of exchanges from Embarq
Embarq - Kansas	KS.	Citizen's Utility Ratepayer Board	Dkt. 06-SCCC-200-MIS	Consulting	Monitor dividends and EQ spin-off
Embarq - Kansas	KS.	Citizen's Utility Ratepayer Board	Dkt. 06-UTDT-962-CCS	Stipulation	Embarq sale of exchanges to Rural Tel.
Generic	KS.	Citizens' Utility Ratepayers Board	Dkt. 06-GIMT-943-GIT	Consulting	
Maine - Verizon	ME.	AARP	Dkt. 2005-155	Testimony	Yellow Pages, affiliate transactions, AFOR
Sprint - Nevada	NV.	Bureau of Consumer Protection	Dkt. 05-8032	Settlement	Sprint/Nextel change of control/LTD spin-off
Sprint - Kansas	KS.	Citizen's Utility Ratepayer Board	Dkt. 06-SCCC-200-MIS	In progress	Sprint/Nextel change of control/LTD spin-off
SWBT-Kansas	KS.	Citizen's Utility Ratepayer Board	Dkt. 05-SWBT-907-PDR	Consulting	SWBT application for deregulation
Sprint - Kansas	KS.	Citizen's Utility Ratepayer Board	06-UTDT-115-CCS	Stipulation	Sprint/United sale of exchanges to Twin Valley
Twin Valley - Kansas	KS.	Citizen's Utility Ratepayer Board	06-TWVT-116-COC	Stipulation	Sprint/United sale of exchanges to Twin Valley
Saudi Telecom		Saudi Arabia Communications & Information Technology Commission	No docket	Report	Report on Accounting Separation and recommendations for changes to CAM
SWBT-Ks.	KS.	Citizens' Utility Ratepayer Board	01-SWBT-1099-IAT	Comments	Address SWBT/Sage interconn. Agreement
Sprint/United & Blue Valley	KS.	Citizens' Utility Ratepayer Board	04-UTDT-781-CCS 04-BVTT-780-COC	Stipulation	Sale of exchanges from Sprint/United to Blue Valley Tel.
Generic	KS.	Citizens' Utility Ratepayer Board	04-GIMT-653-GIT	Comments	Address lifeline payment policy
Generic	KS.	Citizens' Utility Ratepayer Board	04-GIMT-1080-GIT	Comments	Policy on KUSF audits/tariff filings
Verizon, Bell South & Sprint	FL.	Florida Office of Public Counsel	Dockets 030867-TL, 030869-TL, 030961-TL	Testimony	Impact of access rate rebalancing, rate design, and universal service, plus review of CAM
SWBT-Ks.	Ks.	Citizens' Utility Ratepayer Board	98-SWBT-677-GIT	Testimony	SWBT's failure to comply with provision of DSL
Generic	KS.	Citizens' Utility Ratepayer Board	03-GIMT-932-GIT	Comments	Ks. Universal Service Fund policies
Kansas - generic	KS.	Citizens' Utility Ratepayer Board	03-GIMT-284-GIT	Testimony	Review KUSF assessment
Maryland Verizon	MD.	Maryland People's Counsel	Case No. 8918	Testimony	Review of earnings, price cap & deregulation issues.
Verizon Maine	ME.	Maine Office of Public Advoc.	2000-849	Testimony	Verizon's 271 filing
Ameritech	MI.	Michigan Attorney General	Case No. 12320	Comments	Ameritech's 271 filing
Verizon Vermont	VT	Dept. of Public Service	Docket 6533	Testimony	Verizon's 271 filing
Sprint Nevada	NV.	Nevada Attorney General	Docket 01-12047	Testimony	Review of earnings, CAM, rate design and affiliate issues
Western/KP&L	KS.	Citizens' Utility Ratepayer Board	01-WSRE-436-RTS	Testimony	Review allocation of costs between regulated & nonregulated operations/CAM, review of aircraft logs, and analysis of compensation benefits.
Southern Ks.	KS.	Citizens' Utility Ratepayer Board	02-SNKT-1014-EAS	Testimony	Review of Southern Ks. EAS applic.
SWBT, Sprint/United	KS.	Citizens' Utility Ratepayer Board	02-GIMT-272-MIS	Testimony	Price cap formula of LECs, plus CAM
Gen. Invest.	KS.	Citizens' Utility Ratepayer Board	01-GIMT-082-GIT	Testimony	Access charges, afford. rates and misc.
Verizon	MI.	Michigan Attorney General	U-12682	Comments	Review earnings, CAM, universal service regarding Verizon's request to restructure basic local rates
Ks. Rural LECs	KS.	Citizens' Utility Ratepayer Board	02-GIMT-068-KSF	Testimony	Rural LECs KUSF, affordable rates & access
Ameritech	MI.	Michigan Attorney General	U-12622	Briefs	Review policy for use of shared transport for intraLATA toll traffic over AM's network
Generic	KS.	Citizens' Utility Ratepayer Board	00-GIMT-910-GIT	Comments	Methods to improve Lifeline
Ameritech	MI.	Michigan Attorney General	U-12598	Testimony	Evaluate Ameritech's service quality problems, service quality standards and customer credits

					to be paid to customers
Ameritech & Verizon	MI.	Michigan Attorney General	U-12528	Testimony	Evaluate earnings of Ameritech and Verizon in regards to expanded local calling and removal
Bell Atlantic	VT.	Vermont Department of Public Service	Docket No. 6167	Testimony	Addressing earnings of Bell Atlantic, CAM, rate design and alternative regulation plan
Sprint	NV.	Nevada Attorney General - Bureau of Consumer Protection	Docket No. 99-2024	Testimony	Address earnings of Sprint Nevada, CAM and related policy issues
Ameritech	MI.	Michigan Attorney General	U-12287	Testimony	Review of Ameritech's earnings and CAM in regards to addressing access charges and in-state EUCL
Verizon	MI.	Michigan Attorney General	U-12321	Testimony	Review of Verizon's earnings and CAM in regards to addressing access charges and in-state EUCL
Generic	KS.	Citizens' Utility Ratepayer Board	99-GIMT-326-GIT	Filed comments and testimony Phase I	Address generic universal service costing methods, adjustment of Kansas Universal Service Fund, geographic deaveraging, etc.
GTE	MI.	Michigan Attorney General	U-11759	Comments/ Testimony	Address GTE's request for intrastate PICC charge and address related cost study issues
Southwestern Bell Telephone	KS.	Citizens' Utility Ratepayer Board	98-SWBT-677-GIT	Testimony on Stipulation	Address SWBT's cost of local service, KUSF levels and policy issues, plus CAM review Universal Service Fund
ILEC's	MI.	Michigan Attorney General	U-11899	Briefs	Address universal service fund for ILECs
Ameritech	MI.	Michigan Attorney General	U-11660	Comments/ Testimony	Address Ameritech's request for intrastate PICC charge and related cost study issues
Generic Investigation	KS.	Citizens' Utility Ratepayer Board	94-GIMT-478-GIT	Testimony/ Comments	Performed the first audit of the KUSF, reviewing first two years of actual operations and third year projections, addressing cellular issues, excessive assessment and per line charges
Ameritech UNEs	MI.	Michigan Attorney General	U-11635	Comments briefs	Address Ameritech cost studies for deaveraging issues
Generic Investigation	KS.	Citizens' Utility Ratepayer Board	96-LEGT-670-LEG	Comments	Address increased Lifeline Support measures
Generic Investigation	KS.	Citizens' Utility Ratepayer Board	194, 734-U	Comments	Address industry billing standards
Ameritech	MI.	Michigan Attorney General	U-11743	Testimony	Address problems with Ameritech's position on intraLATA dialing parity and 55% access discount and previous Court case
Southwestern Bell	KS.	Citizens' Utility Ratepayer Board	98-SWBT-380-MIS	Comments	Address problems with SWBT's price cap plan and various components/calculations
Southwestern Bell	KS.	Citizens' Utility Ratepayer Board	97-SCCC-411-GIT	Testimony	Address SWBT's 271 application in Kansas and level of competition, Track A and B, long distance rates, joint marketing, FCC issues
BellSouth	GA.	Georgia Public Service Commission	7061-U	Assistance on case	Address BellSouth and Hatfield cost studies for unbundled elements and policy issues
Generic Investigation	KS.	Citizens' Utility Ratepayer Board	194,734-U	Comments	Deregulation/detariffing of CLECs/LECs
Generic Investigation	KS.	Citizens' Utility Ratepayer Board	97-SCCC-149-GIT	Testimony, along with comments	Review of cost study methodology of Hatfield, BCPM (Sprint) and Southwestern Bell for unbundled elements
AT&T, Sprint & U S WEST	ND.	North Dakota Public Service Comm.	PU-453-96-82 and PU-987-96-389	Case assistance	Address proposed deregulation of AT&T, Sprint and U S WEST

Rulemaking into Interconnection & Unbundling	WY.	Wyoming Public Service Commission	Gen. Order No. 76	Comments	Comments supporting proposed rules for interconnection, dialing parity, pricing, privacy and other competition issues
SWBT/Generic	KS.	Citizens' Utility Ratepayer Board	Cases before Ks. Court of Appeals & Supreme Court	Assistance	Address issues regarding non-cost basis of Kansas Universal Service Fund and problems with revenue neutrality end user charges
Ameritech	MI.	Michigan Attorney General	Case No. U-11155, U-11156 and U-11280	Comments and assistance	Review retail/wholesale cost studies of Ameritech
GTE	MI.	Michigan Attorney General	Case No. U-11207	Comments and assistance	Review cost studies of GTE
Generic Rulemakings	GA.	Georgia Public Service Commission	Various dockets	Assistance and analysis	Assisted GPSC with various rulemakings on competition, universal service and conducted workshop for number portability
General Investigation into Competition	KS.	Citizens' Utility Ratepayer Board	190,492-U 94-GIMT-478-GIT	Testimony	Address SWBT retail cost study for local service, universal service fund, universal service policy issues, alternative regulation and other matters
General Presentation	N/A	Russian/Ukrainian Regulatory Agency and Utilities	Misc.	Presentations/ analysis	Provide presentations and analysis for Russian/ Ukrainian executives in Moscow and Kansas
U S WEST	WY.	Wyoming Consumer Advocate Staff	70000-TR-95-238	Testimony	Address USW's rate/price plan, competition issues, rate design for access charges, and CAM
Generic Invest. into Access Charges	KS.	Citizens' Utility Ratepayer Board	190,383-U	Testimony	Address access charge plan for Kansas and related issues
General Investigation into Competition	KS.	Citizens' Utility Ratepayer Board	190,492-U 94-GIMT-478-GIT	Testimony, Suppl. and Rebuttal	Address competition issues, alternative regulation, universal service issues, costing methods and related issues
United Tel. of Kansas	KS.	Citizens' Utility Ratepayer Board	189-150-U	Testimony/ report	Review quality of service via show-cause and address service standards, modernization schedule and customer complaints
U S WEST	MN.	Minnesota Dept. of Public Service	P421/EI-89-860	Address revenue req. for alternative reg. plan for period 1990 - 1993	Key issues include management salaries, fringe benefits, short/long-term incentive compensation plans, work force reduction issues, space-utilization, Bellcore expenses, software expense, CAM, rent expense and affiliate transactions
Southwestern Bell Tel.	KS.	Citizen's Utility Ratepayer Board (CURB)	183,522-U	Testimony	FASB 106 and issues related to alternative rate plan
Michigan	MI.	Michigan Dept. of Attorney	U-10138	Testimony	IntraLATA equal access competition
Northern States Power Company	N.D.	North Dakota Public Service Commission	PU-400-92-399	Oversight and Review	Compensation issues (salaries, wages and incentive compensatiion)
U.S. WEST	MN.	Minnesota Dept. of Public Service	P421/DI-92-168	Formal report on various regulatory issues	Management salaries, fringe benefits, CAM, force reduction and costs, pensions, training, maintenance expense, leasing and affiliate relations
Southwestern Bell Telephone	KS.	Kansas Counties/Cities - Harvey, Douglas, Butler, Riley,	92-SWBT-143-TAR	Comments	911 service issues - recurring and nonrecurring rates for trunk/circuit and

		Crawford, Dodge City, Jackson and Pottawatomie			ALI/ANI, data base unbundling, cost studies and dedicated/public provision
Michigan LECs and IXCs	MI.	Michigan Dept. of Attorney General	U-10063	Comments	Establishment of quality of service standards for LECs/IXCs
Michigan LECs and IXCs	MI.	Michigan Dept. of Attorney General	U-10064	Comments	Establishment of the procedures and format for the filing of tariffs
Southwestern Bell Telephone	KS.	City of Wichita - subcontracting with law firm of Woodard, Blaylock Hernandez, Pilgreen & Roth	90-1342-C U.S. District Court for the District of Ks.	Affidavit	Lawsuit by City of Wichita vs. SWBT regarding violation of franchise agreement
U.S. WEST	AZ.	Arizona Corporation Commission	E-1051-91-004	Rate case subcontract	Toll/access revenues, income taxes and misc., plus CAM
Indiana Bell Telephone	IN.	Indiana Utility Consumer Counselor	Cause No. 39017	Rate case subcontract	Rate base, operations, affiliate transactions & misc.
Southwestern Bell Telephone	OK.	Oklahoma Attorney General	PUD 000662	Rate case subcontract	Royalty fee, affiliate transactions and misc.
JBN Telephone Co., Inc.	KS.	Kansas Corporation Commission	171,826-U	Rate case	Rate base, operations, capital structure acquisition issues, rate design and CAM
AT&T Comm. of the Southwest	KS.	Citizens' Utility Ratepayers Board	91-AT&T-90	Comments	Directory assistance rates and call allowances, costs studies and misc.
Kansas LECs and IXCs	KS.#	Kansas Corporation Commission	127,140-U	Testimony - Access policy witness	Generic investigation into access charges- access charge policy, rate design and revenue requirements
Kansas LECs and IXCs	KS. #	Kansas Corporation Commission	148,200-U	Formal recomm. to Comm.	Initiated generic investigation into affiliated transactions and established policies
Kansas LECs and IXCs	KS. #	Kansas Corporation Commission	168,334-U	Formal recomm. to Comm.	Initiated generic docket and established policies to implement Dual Party Relay Service for persons whom are hearing and speech impaired. The Center opened in 1990.
AT&T Comm. of the Southwest	KS. #	Kansas Corporation Commission	167,493-U	Testimony - Chief witness	Rate case/regulatory flexibility - Competition, policy, regulatory flexibility, rate design and CAM
Southwestern Bell Telephone	KS. #	Kansas Corporation Commission	166,856-U	Testimony - Chief witness	Rate case/regulatory flexibility - Rate base, operations, capital structure, CAM, rate design, policy, regulatory flexibility, affiliated transactions, modernization issues, depreciation and misc.
Pioneer Tel. Co.	KS. #	Kansas Corporation Commission	89-PNRT-350-CON	Formal recomm. to Comm.	Promoted introduction of two-way interactive video services in rural areas by introduction of economic develop. rates
United Telephone Company	KS. #	Kansas Corporation Commission	162,044-U	Testimony - Chief witness	Rate case - Yellow pages, royalty fee, rate base, CAM, operations, capital structure, rate design, policy, penalties, affiliated transactions revenue adjustments, misc.
United Telephone Long Distance	OH. #	Office of the Consumers' Counsel	86-2173-TP-ACE	Testimony	Royalty fee, Part X, affiliate transactions, cross-subsidization
Continental	KS. #	Kansas Corporation Commission	157,053-U	Formal	Reserve deficiency - settled reserve

Tel. Co.				recomm. to Comm.	deficiency issue with protections for local ratepayers
Continental Tel. Co.	KS. #	Kansas Corporation Commission	157,052-U	Formal recomm. to Comm.	Tax Reform Act - Reduced rates permanently and collected refunds
AT&T Comm. of the Southwest	KS. #	Kansas Corporation Commission	156,655-U	Formal recomm. to Comm.	Tax Reform Act - Obtained rate reductions and rate refunds
Southwestern Bell Telephone	KS. #	Kansas Corporation Commission	156,655-U	Formal recomm. to Comm.	Tax Reform Act - Obtained rate refunds. Offset Comm. approved dollar shift to local rates from access charges with TRA savings to avoid increases in local rates
United Telephone Long Distance	KS. #	Kansas Corporation Commission	154,728-U	Formal recomm. to Comm.	UTLD/United required to make a formal request for affiliate loan per statutes per findings in Docket 153,655-U
United Tel. Co.	KS. #	Kansas Corporation Commission	154,610-U	Formal recomm. to Comm.	Reserve deficiency - set precedent requiring deficiencies resulting from uneconomic plant placement go below the line
United Tel. Co.	KS. #	Kansas Corporation Commission	153,662-U	Formal recomm. to Comm.	Request by United to deregulate billing and collection is denied upon recommendation
United Tel. Long Distance	KS. #	Kansas Corporation Commission	153, 655-U	Testimony - Chief witness	Royalty fee, affiliate transactions, cross-subsidization and affiliate loans
Southwestern Bell Telephone	KS. #	Kansas Corporation Commission	151,488-U	Formal recomm. to Comm.	Reserve deficiency - settled deficiency with protections for local ratepayers
Kansas Gas & Electric Company	KS. #	Kansas Corporation Commission	142,098-U	Testimony - Chief witness	Company Regulatory Plan - Gross-of-tax/net-of-tax deferred carrying costs analysis, FAS 71 and 90 - impact on imprudence disallowance and physical/ economic excess capacity, life insurance financing and policy issues
Kansas Electric Power Coop, Inc.	KS. #	Kansas Corporation Commission	151,191-U	Testimony - Chief witness	Rate case - deferred carrying charges, present value depreciation, FAS 71 implications, operations and misc.
United Tel. Co.	KS. #	Kansas Corporation Commission	149,685-U	Motion - Chief auditor	Rate case - United withdrew rate case as a result of findings regarding significant overstatement of payroll expenses and understatement of lease revenues due from other affiliates
Kansas State Tel. Co. of Ks.	KS. #	Kansas Corporation Commission	147,585-U	Testimony	Rate case - excess plant capacity, rate base, operations, capital structure and misc.
AT&T Comm. of the Southwest	KS. #	Kansas Corporation Commission	145,718-U	Testimony	Rate case - rate base and operations
Elkhart Tel. Co.	KS. #	Kansas Corporation Commission	144,087-U	Testimony	Rate case - rate base, operations, capital structure and loans
Continental Tel. Co. of Ks.	KS. #	Kansas Corporation Commission	143, 565-U	Testimony	Rate case - rate base, operations and capital structure
Kansas LECs and IXCs	KS. #	Kansas Corporation Commission	144,299-U	Testimony	General investigation - intraLATA operator services, duplication of services and misc.
Kansas Power	KS. #	Kansas Corporation Commission	140,015-U	Testimony	Rate case - revenue/sales annualization,

& Light Co.					purchased gas cost, nonrecurring expenses unfunded deferred taxes and misc.
United Tel. Co.	KS. #	Kansas Corporation Commission	138,500-U	Testimony	Rate case - rate base and operations, plus CAM
Greyhound Lines, Inc.	KS. #	Kansas Corporation Commission	137,873-U	Testimony	Rate case - rate base and operations
Southwestern Bell Telephone	KS. #	Kansas Corporation Commission	137, 534-U	Testimony	Rate case - rate base and operating income, plus CAM review
The Gas Service Co.	KS. #	Kansas Corporation Commission	136, 850-U	Testimony	Rate case - revenue annualization/weather normalization, purchased gas cost, rate base, operations and capital structure
Kansas Power & Light Co.	KS. #	Kansas Corporation Commission	136,381-U	Testimony	Rate case - review of Jeffrey Energy #3 construction costs and contracts, rate base and misc.
DS&O Rural Electr. Coop	KS. #	Kansas Corporation Commission	136,249-U	Testimony	Rate case - rate base, operations and capital structure

Work performed while employed by the Kansas Corporation Commission.

Note 1: ECTEL - Performed for island nations of St. Lucia, Dominica, St. Kitts & Nevis, Grenada, and St. Vincent & the Grenadines.

New Hampshire Office of the Consumer Advocate
Liberty Utilities (Granite State Electric)
Twelve months ending December 31, 2018
Summary Comparison of Revenue Requirement and Revenue Deficiency

Docket No. DE 19-064
Exhibit BCO-1
Schedule 1

A	B	C	D	E
Line	**Description**	**Liberty Application**	**Liberty Nov. 22, 2109 Update**	**OCA Proposed**
1	Adjusted Rate Base	$ 106,180,186	$ 103,024,219	$ 102,932,498
2	ROR	8.19%	8.19%	7.21300%
3	Required Return	$ 8,696,157	$ 8,437,684	$ 7,424,521
4				
5	Adjusted Net Operating Income	$ 4,552,040	$ 3,571,374	$ 4,886,653
6				
7	Return Deficiency (Surplus)	$ 4,144,117	$ 4,866,310	$ 2,537,869
8	Revenue Conversion Factor	1.3714	1.3714	1.3714
9				
10	**Revenue Deficiency**	**$ 5,683,335**	**$ 6,673,765**	**$ 3,480,489**
11				
12				
13	Per Liberty filing	$ 5,683,102	$ 6,673,493	
14	Difference - Immaterial, rounding	$ 233	$ 272	
15				
16	Temp. Rate Increase - June 29, 2019	$ 2,093,349	$ 2,093,349	$ 2,093,349
17				
18	Federal Income Tax Rate	21.00%	21.00%	21.00%
19	State Income Tax Rate	7.70%	7.70%	7.70%
20				
21	Combined Income Tax Rate	27.0830%	27.0830%	27.0830%
22	Complement of Composite	137.14%	137.14%	137.14%

New Hampshire Office of the Consumer Advocate
Liberty Utilities (Granite State Electric)
Twelve months ending December 31, 2018
Summary OCA Proposed Rate Base and Operating Income Adjustments

Docket No. DE 19-064
Exhibit BCO-1
Schedule 2

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
					OCA/Ostrander Adjustments											
Line	Account	Liberty Per Books	Liberty Adjustments	Liberty Adjusted	Payroll Expense Adj. BCO-1	Incentives Expense BCO-2	Payroll Tax BCO-3	Deprec. Expense BCO-4	Pole Rental BCO-5	Income Taxes BCO-6	CWC Update BCO-7	OCA Total Adjustments	OCA Adjusted Balances	OCA Income Tax Update	OCA Interest Synch.	Tax Rate
	Rate Base														Impact is immaterial	
1	Plant in Service	$ 232,503,131		$ 232,503,131	$ -							$ -	$ 232,503,131			
2	Less: Accumulated Depreciation	$ (93,623,954)		$ (93,623,954)								$ -	$ (93,623,954)			
3	Net Plant in Service	$ 138,879,177		$ 138,879,177								$ -	$ 138,879,177			
4																
5	Add: Materials & Supplies	$ 1,877,163	$ 409,772	$ 2,286,935								$ -	$ 2,286,935			
6	Add: Prepayments	$ -		$ -								$ -	$ -			
7	Add: Cash Working Capital	$ -	$ 2,423,196	$ 2,423,196							$ (91,721)	$ (91,721)	$ 2,331,475			
8	Add: Plant in Service not Classified	$ 15,227,964	$ (15,227,964)	$ -								$ -	$ -			
9	Less: Accumulated Deferred FIT	$ (14,944,899)	$ (18,776,467)	$ (33,721,366)								$ -	$ (33,721,366)			
10	Less: Excess Accum. Deferred FIT	$ -	$ (5,640,070)	$ (5,640,070)								$ -	$ (5,640,070)			
11	Less: Customer Deposits	$ (1,278,349)	$ 74,696	$ (1,203,653)								$ -	$ (1,203,653)			
12	**Total Rate Base**	139,761,056	(36,736,837)	103,024,219								$ (91,721)	$ 102,932,498			
13																
14	**Operating Revenue**															
15	Distribution	$ 40,265,253	$ (618,740)	$ 39,646,512								$ -	$ 39,646,512	$ -		27.083%
16	Commodity	$ -	$ -	$ -								$ -	$ -	$ -		27.083%
17	Other operating revenue	$ 958,663	$ (484,844)	$ 473,819					$ 53,619			$ 53,619	$ 527,438	$ 14,522		27.083%
18	Total Operating Revenues	$ 41,223,915	$ (1,103,584)	$ 40,120,331					$ 53,619			$ 53,619	$ 40,173,950	$ 14,522		27.083%
19		$ -	$ -	$ -												
20	**Operating Expenses**	$ -	$ -	$ -												
21	Purchased Power	$ -	$ -	$ -								$ -	$ -	$ -		27.083%
22	Transmission Expenses	$ -	$ -	$ -								$ -	$ -	$ -		27.083%
23	Distribution O&M	$ 8,572,078	$ 1,246,335	$ 9,818,413	$ (338,711)	$ (54,792)						$ (393,503)	$ 9,424,910	$ 106,572		27.083%
24	Customer Accounting	$ 2,031,510	$ 144,002	$ 2,175,511	$ (91,467)	$ (32,231)						$ (123,698)	$ 2,051,814	$ 33,501		27.083%
25	Customer Service & Info.	$ 169,404	$ 13,447	$ 182,850	$ (10,440)							$ (10,440)	$ 172,410	$ 2,827		27.083%
26	Administrative & General	$ 7,064,028	$ 876,667	$ 7,940,695	$ (161,060)	$ (305,590)						$ (466,650)	$ 7,474,045	$ 126,383		27.083%
27	Depreciation Expense	$ 8,684,070	$ 2,343,020	$ 11,027,090				$ (661,150)				$ (661,150)	$ 10,365,940	$ 179,059		27.083%
28	General Taxes	$ 5,414,088	$ (39,351)	$ 5,374,737			$ (94,744)					$ (94,744)	$ 5,279,993	$ 25,660		27.083%
29	Income Taxes	$ 2,797,514	$ (2,767,852)	$ 29,662						$ 488,524		$ 488,524	$ 518,186			27.083%
30	Interest on Cust. Dep.	$ -	$ -	$ -								$ -	$ -	$ -		27.083%
31	Total Operating Expenses	$ 34,732,691	$ 1,816,268	$ 36,548,959	$ (601,678)	$ (392,613)	$ (94,744)	$ (661,150)	$ (53,619)	$ 488,524		$ (1,261,661)	$ 35,287,298	$ 474,003		27.083%
32		$ -	$ -	$ -												
33	**Net operating income (loss)**	$ 6,491,225	$ (2,919,852)	$ 3,571,373	$ 601,678	$ 392,613	$ 94,744	$ 661,150	$ 53,619	$ (488,524)		$ 1,315,280	$ 4,886,653	$ 488,524		27.083%
														$ 488,524		

Note 1: Allocated payroll adjustment BCO-1 among accounts using ratio of Liberty payroll expense allocation at Schedule RR-3 (CU), pp. 1-3.

Note 2: Allocation incentives adjustment BC-2 among accounts using response to OCA 1-43.a and OCA TS 1-15, the long-term incentives were all allocated to one account, and short-term incentives allocated among Distrib., Cust. Service, and A&G.

New Hampshire Office of the Consumer Advocate
Liberty Utilities (Granite State Electric)
Twelve months ending December 31, 2018
Payroll Expense Adjustment

Docket No. DE 19-064
Exhibit BCO-1
Schedule 2.1
Page 1 of 2
Adj. BCO-1

A	B	C	D	E
Line	**Adjustment Summary**	**Adjustment**		
1	Liberty Adjusted Payroll Expense	$ 8,029,110		
2	OCA Adjusted Payroll Expense	$ 7,427,432		
3	OCA Adjustment	**$ (601,678)**		
4				**OCA**
5		**Liberty**	**OCA**	**Adjusted**
6	**Description**	**Adjustment**	**Adjustment**	**Payroll**
7	Test Year LU NH Labor charged to Granite State Electric	$ 7,081,853		
8	2019 Salary & Wage Increase - O&M(1)	3%		
9	2019 Payroll Increase	$ 212,456		
10	Adjustment for pro rated increase (effective March)	$ (35,409)		
11				
12	2018 LU Regional Allocated Labor (Note 1)	$ 474,230		
13	2019 Salary & Wage Increase	3%		
14	2019 Payroll Increase on Regional Allocated Labor	$ 14,227		
15	Adjustment for pro rated increase (effective March)	$ (2,371)		
16				
17	Adjustment for 2018 Vacancies/Additions (Note 2)	$ 758,355	$ (601,678)	$ 156,677
18				
19	Pro Forma LU NH Labor for 2019 Payroll Increase	$ 8,029,110	$ (601,678)	$ 7,427,432
20				
21	Test Year Labor Charged to Granite State Electric - O&M	$ 7,081,853		
22				
23	**Payroll Adjustment**	**$ 947,257**	**$ (601,678)**	**$ 345,579**
24		Liberty Adj.	**OCA Adj.**	
25				
26	Note 1: Amount not included in test year labor (treated as affiliate charge)			
27	Note 2: Some of these vacancies/new positions were never filled in 2018 or 2019 to-date			

New Hampshire Office of the Consumer Advocate
Liberty Utilities (Granite State Electric)
Twelve months ending December 31, 2018
Payroll Expense Adjustment

Exhibit BCO-1
Schedule 2.1
Page 2 of 2
Adj. BCO-1

Highlighted Payroll Costs are Confidential

A	B	C	D	E	F	G
Line	**Category**	**No. of Employees**	**Payroll Expense**	**OCA Adj.**	**Percent Remove**	**Source**
1	Existing positions vacated & filled 2018	21			50%	1
2	Existing positions vacated in 2018 & filled 2019	1			50%	1
3	New positions vacated & filled 2018	3			50%	1
4	New positions created & filled 2019	1			50%	1
5	New positions vacated in 2018 & filled 2019	1			50%	1
6	Customer care positions	55			50%	1
7	**Part 2 - Payroll costs at 50 percent removal**	82	$ 534,478	**$ (267,239)**		
8						
9	Exist. positions vacated in 2018/unfilled 2018 & 2019	6			100%	1
10	New positions created in 2018/unfilled 2018 & 2019	1			100%	1
11	Subtotal	7	$ 266,987	$ (266,987)		
12						
13	2018 positions "on hold" - costs not removed from test period (Note 1)				100%	2
14	2018 position removed & replaced, costs not removed from test period				100%	3
15	Subtotal			$ (67,452)		
	Subtotal OCA 2-49 - Co. adj. before contractor savings		$ 801,465			
16	Contractor savings		$ (43,110)			1
17	**Part 1 - Payroll costs at 100 percent removal**		$ 758,355	**$ (334,439)**	100%	1
18						
19	**Grand Total Payroll Expense**		$ 758,355	**$ (601,678)**		1
20				**OCA Adj.**		
21	Source 1 = OCA 2-49.a., Source 2 = OCA 1-20.d.1, Source 3 = OCA 2-50.d					
22	Note 1 - These are estimated costs, the Company did not provide the actual payroll costs.					

New Hampshire Office of the Consumer Advocate
Liberty Utilities (Granite State Electric)
Twelve months ending December 31, 2018
Short & Long-Term Incentives Expense

Docket No. DE 19-064
Exhibit BCO-1
Schedule 2.2
Page 1 of 1
Adj. BCO-2

A	B	C	D	E	F	G
Line	**Adjustment Summary**	**OCA Incentives Adjustment**				
1	Short-term incentives	$ (322,307)				
2	Long-term incentives	$ (70,306)				
3	**OCA Adjustment**	**$ (392,614)**				

Line	Incentives Expense	2015	2016	2017	2018	OCA 7-13 Sept. 2019 YTD Actual
1	Short-term incentive	$ 496,198	$ 439,714	$ 303,908	$ 528,944	$ 251,191
2	Increase $		$ (56,484)	$ (135,806)	$ 225,036	
3	Increase %		-11%	-31%	74%	
4						
5						
6	Long-term incentive	$33,554	$34,963	$100,633	$98,498	
7	Increase $		$1,409	$65,670	($2,135)	
8	Increase %		4%	188%	-2%	
9						
10						
11		**Disallow**	**Disallow 50%**	**OCA**		
12		**Unusual STI**	**of Remaining**	**Total**		
13	**Description**	**Increase in 2018**	**Balance**	**Adj.**		
14	2018 STI Expense	$ 528,944	$ (413,273)			
15	3-Year Avg. 2015-2018	$ 413,273	50%			
16		$ (115,671)	$ (206,637)	**$ (322,307)**	OCA Short-term incentive adj.	
17						
18						
19	2018 LTI Expense	$ 98,498	$ (56,383)			
20	3-Year Av g. 2015-2018	$ 56,383	50%			
21		$ (42,115)	$ (28,192)	**$ (70,306)**	Long-term incentive adj.	
22						
23	**OCA Total Incentives Adjustment**			**$ (392,614)**		
24						

27 Source for amounts: OCA 1-43, OCA TS 1-2 (OCA 1-43 in Excel), OCA TS 1-14 (LTI only), Staff 3-17 for LTI
28 Staff DR 3-17 refers LTD allocated amount of $151,568, although the reference to this amount is not clear.

New Hampshire Office of the Consumer Advocate
Liberty Utilities (Granite State Electric)
Twelve months ending December 31, 2018
Payroll Taxes

Docket No. DE 19-064
Exhibit BCO-1
Schedule 2.3
Page 1 of 1
Adj. BCO-3

A	B	C	D	E	F	G	H
Line	**Description**	**Ref.**	**Liberty Adjustment**	**OCA Adjusted Balances**	**OCA Payroll Tax Adjustment**		
	Actual 2018						
1	Total Salary - Expensed and Capitalized	RR-3-01 Ln	10,928,574	10,928,574			
2	Payroll Tax Expense	RR-2-1 Ln 116	740,520	740,520			
3	% of Applicable Salary	Ln 2/ln 1	6.78%	6.78%			
4							
5	**Pro Forma**						
6	2019 Salary & Wage Increase(1)	RR-3-01 Ln 2	1,421,488	345,580			
7			1,421,488	345,580			
8							
9	Pro Forma Salary & Wages - O&M		8,503,340	7,105,115			
10	**Payroll Taxes to O&M**	Ln 3 x Ln 9	576,186	481,442	**(94,744)**		
11	Test Year Expense- Account 408.4		740,520	740,520			
12	**Payroll Tax Change**		(164,334)	(259,078)	**(94,744)**		
13							
14	Note 1 - Liberty incorrectly treats $474,230 as a payroll adjustment, but calculation shows this is not an adjustment and is not						
15	recorded as payroll on Liberty's books.						
16						**Liberty**	**OCA**
17	**Liberty Adjustments to**	**Liberty**	**OCA**			**Adjusted**	**Adjusted**
18	**Salary and Wages - Sch. RR-3-01 (CU)**	**Payroll Tax**	**Payroll Tax**	**Description**		**Payroll**	**Payroll**
19	2019 payroll increase	$ 212,456	$ 212,456	Liberty uses incorrect adjusted payroll		$ 8,503,340	
20	2019 payroll increase	$ (35,409)	$ (35,409)	Remove regional allocated labor (Note 1)		$ (474,230)	
21	LU Regional allocated labor - not an adjustment	$ 474,230		Liberty's actual payroll adjustment		$ 8,029,110	$ 8,029,100
22	2019 payroll increase on Regional labor	$ 14,227	$ 14,227	OCA Adj. BCO-1 to payroll			$ (601,678)
23	2019 payroll increase on Regional labor	$ (2,371)	$ (2,371)	OCA Adj. BCO-2 to payroll - STI only			$ (322,307)
24	2018 vacancies/new positions - not all filled	$ 758,355	$ 758,355	Correct salary and wages - above calculation		$ 8,029,110	$ 7,105,115
25	OCA Adj. BCO-1 to payroll		$ (601,678)				
26	Salary & wages per above	$ 1,421,488	$ 345,580	Note - STI are included in the base salary amounts, so amounts removed			
27				by OCA via Adj. BCO-2 are removed above in payroll tax calculation			

New Hampshire Office of the Consumer Advocate
Liberty Utilities (Granite State Electric)
Twelve months ending December 31, 2018
Depreciation & Amortization Expense

Docket No. DE 19-064
Exhibit BCO-1
Schedule 2.4
Page 1 of 2
Adj. BCO-4

A	B	C
Line	**Adjustment Summary**	**OCA Depreciation Adjustment**
1	Liberty Adjusted Depreciation Expense	$ 9,885,752
2	OCA Adjusted Depreciation Expense	$ 9,224,602
3	**OCA Adjustment**	**$ (661,150)**

A	B	C	D	E	F	G
				(Col. C - Col. D) Difference between		**(Col. F - Col. C) Difference between**
Line	**Description**	**Liberty Adjusted**	**Per Books**	**Liberty Adjusted & Books**	**OCA Adjusted**	**Liberty & OCA Adjusted**
1	Reserve surplus amort. from 2018	$ 781,434	$ (781,434)	$ -	$ 781,434	$ -
2	Amort. of acquistion assets in Liberty adj. & on books	$ 1,234,419	$ 1,234,419	$ -	$ 1,234,419	$ -
3	Deprec. expense at proposed rates for Liberty & OCA	$ 8,418,033	$ 7,871,181		$ 7,990,183	$ (427,850)
4	Liberty & OCA adjusted deprec. exp.	$ 9,652,452		$ -	$ 9,224,602	
5	Liberty deprec. & amort expense per books		$ 8,324,166			
6	Liberty proposed reserve defic. amort.	$ 233,300			$ -	$ (233,300)
7	Liberty & OCA adjusted deprec. exp.	$ 9,885,752	$ 8,324,166	$ 1,561,586	$ 9,224,602	**$ (661,150)**
8	Liberty/OCA adjusted deprec. and reserve surplus	$ 10,667,186	$ 8,324,166	$ 2,343,020	$ 10,006,036	**$ (661,150)**
						OCA Adj.

9 Note 1 - Liberty adjusted depreciation expense per Company Schedule RR-2-1

New Hampshire Office of the Consumer Advocate
Liberty Utilities (Granite State Electric)
Twelve months ending December 31, 2018
Depreciation & Amortization Expense

Docket No. DE 19-064
Exhibit BCO-1
Schedule 2.4
Page 2 of 2
Adj. BCO-4

Source: The source of the spreadsheet below is Liberty's Schedule RR--3-08 and the revised version at RR-3-08 (CU), all columns are the same except
OCA added Columns L to P, and rows 43 to 61 at Columns L to P.

OCA added Columns L to P, along with rows 43 to 61, Columns L to P.

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Line	Account	Acct. No.	Existing Rates	Proposed Rates	Balance Historic Year Ended Dec. 31, 2018	Account 106 - 2019	Test Year End 2018	Company Adjs. To Plant	Company Adjusted Test Year Plant	Company Deprec. Expense	OCA Reclass. Adj. Reconcile to $6,172,095 Acq. Asset per Sch. RR-5-4 - Note 1	OCA Adjusted Plant Balance	OCA Adjusted Deprec. Exp.	OCA Adjustment to Deprec. Exp.	Deprec. Rates used by OCA
1	Intangible Assets														
2															
3	Organization	301	0.00%	0.00%	$ 24,808	$ -	$ 24,808	$ -	$ 24,808	$ -	$ -	$ 24,808	$ -	$ -	
4	Other Intangible assets	303	20.00%	20.00%	$ 10,987,554	$ -	$ 10,987,554	$ (10,987,554)	$ -	$ -	$ -	$ -	$ -	$ -	Liberty proposed rates
5	Other Intangible assets (3 yr life)	303	20.00%	33.33%	$ -	$ -	$ -	$ 320,288	$ 320,288	$ 106,752	$ (320,288)	$ 0	$ 0	$ (106,752)	Liberty proposed rates
6	Other Intangible assets (5 yr life)	303	20.00%	20.00%	$ -	$ -	$ -	$ 5,514,655	$ 5,514,655	$ 1,102,931	$ 657,440	$ 6,172,095	$ 1,234,419	$ 131,488	Liberty proposed rates
7	Reclass from structures	0	1.62%	20.00%	$ -	$ -	$ -	$ 15,309	$ 15,309	$ 3,062	$ -	$ 15,309	$ 3,062	$ -	Liberty proposed rates
8	Reclass from office furn.	0	4.00%	20.00%	$ -	$ -	$ -	$ 397,643	$ 397,643	$ 79,529	$ -	$ 397,643	$ 79,529	$ -	Liberty proposed rates
9	Other intangibles	0	20.00%	10.00%	$ -	$ -	$ -	$ 5,152,610	$ 5,152,611	$ 515,261	$ (337,152)	$ 4,815,459	$ 481,546	$ (33,715)	Liberty proposed rates
10	Reclass from acct. 106	303	20.00%	10.00%	$ -	$ 193,559	$ 193,559	$ -	$ 193,559	$ 19,356	$ -	$ 193,559	$ 19,356	$ -	Liberty proposed rates
11	Total Intangible Assets	0	0.00%	0.00%	$ 11,012,362	$ 193,559	$ 11,205,921	$ 412,952	$ 11,618,874	$ 1,826,891	$ -	$ 11,618,874	$ 1,817,911	$ (8,979)	
12															
13	Distribution Plant														
14	Land and land rights	360	0.00%	0.00%	$ 1,672,947	$ -	$ 1,672,947	$ -	$ 1,672,947	$ -	$ -	$ 1,672,947	$ -	$ -	Original rates
15	Structures and improvements	361	2.56%	2.39%	$ 1,965,160	$ -	$ 1,965,160	$ -	$ 1,965,160	$ 46,967	$ -	$ 1,965,160	$ 50,308	$ 3,341	Original rates
16	Station equipment	362	2.80%	3.00%	$ 28,894,637	$ 1,861,412	$ 30,756,049	$ -	$ 30,756,049	$ 922,681	$ -	$ 30,756,049	$ 861,169	$ (61,512)	Original rates
17	Poles, towers and fixtures	364	3.25%	3.64%	$ 40,575,975	$ 1,091,070	$ 41,667,046	$ -	$ 41,667,046	$ 1,516,680	$ -	$ 41,667,046	$ 1,354,179	$ (162,501)	Original rates
18	Overhead conductors, devices	365	3.19%	3.26%	$ 58,746,906	$ 6,427,330	$ 65,174,236	$ -	$ 65,174,236	$ 2,124,680	$ -	$ 65,174,236	$ 2,079,058	$ (45,622)	Original rates
19	Underground conduit	366	2.00%	1.96%	$ 6,674,970	$ 273,408	$ 6,948,378	$ -	$ 6,948,378	$ 136,188	$ -	$ 6,948,378	$ 138,968	$ 2,779	Original rates
20	Underground conductors, device	367	3.17%	3.04%	$ 14,932,982	$ 2,341,077	$ 17,274,059	$ -	$ 17,274,059	$ 525,131	$ -	$ 17,274,059	$ 547,588	$ 22,456	Original rates
21	Line transformers	368	3.51%	3.51%	$ 29,063,612	$ 574,943	$ 29,638,555	$ -	$ 29,638,555	$ 1,040,313	$ -	$ 29,638,555	$ 1,040,313	$ -	Original rates
22	Services	369	3.17%	3.89%	$ 10,437,741	$ 1,196,471	$ 11,634,212	$ -	$ 11,634,212	$ 452,571	$ -	$ 11,634,212	$ 368,805	$ (83,766)	Original rates
23	Meters	370	5.23%	5.00%	$ 3,507,367	$ 181,121	$ 3,688,487	$ -	$ 3,688,487	$ 184,424	$ -	$ 3,688,487	$ 192,908	$ 8,484	Original rates
24	Leased Prop. On Cust. Premise	372	NA	10.00%	$ 1,167,465	$ 40,119	$ 1,207,584	$ (1,207,584)	$ (0)	$ (0)	$ -	$ -	$ -	$ 0	Original rates
25	Street lighting, signal system	373	4.33%	3.67%	$ 5,553,466	$ 73,315	$ 5,626,782	$ -	$ 5,626,782	$ 206,503	$ -	$ 5,626,782	$ 243,640	$ 37,137	Original rates
26	Total Distribution Plant	0	0.00%	0.00%	$ 203,193,227	$ 14,060,268	$ 217,253,495	$ (1,207,584)	$ 216,045,911	$ 7,156,140	$ -	$ 216,045,911	$ 6,876,935	$ (279,205)	
27															
28	General Plant														
29	Land	389	0.00%	0.00%	$ 1,620,372	$ -	$ 1,620,372	$ -	$ 1,620,372	$ -	$ -	$ 1,620,372	$ -	$ -	
30	Structure & Improv.	390	1.68%	1.62%	$ 8,934,141	$ 375,659	$ 9,309,799	$ (59,621)	$ 9,250,178	$ 149,853	$ -	$ 9,250,178	$ 155,403	$ 5,550	Original rates
31	Office Furn. & Improv.	391	4.00%	4.00%	$ 847,122	$ -	$ 847,122	$ (676,961)	$ 170,161	$ 6,806	$ -	$ 170,161	$ 6,806	$ -	Original rates
32	Software & Desktop Comput.	391.1	4.00%	20.00%	$ -	$ -	$ -	$ 44,312	$ 44,312	$ 8,862	$ -	$ 44,312	$ 1,772	$ (7,090)	Original rates
33	Laptop Computer Equip.	391.2	4.00%	20.00%	$ -	$ -	$ -	$ 279,318	$ 279,318	$ 55,864	$ -	$ 279,318	$ 11,173	$ (44,691)	Original rates
34	Transportation Equipment	392	7.50%	7.50%	$ 2,730,590	$ 384,144	$ 3,114,734	Note 1	$ 3,114,734	$ 233,605	$ -	$ 3,114,734	$ 233,605	$ -	Original rates
35	Stores Equipment	393	3.33%	3.33%	$ 161,336	$ 8,320	$ 169,656	$ -	$ 169,656	$ 5,650	$ -	$ 169,656	$ 5,650	$ -	Original rates
36	Tools & Shop Equip.	394	4.17%	4.17%	$ 317,359	$ 63,547	$ 380,905	$ -	$ 380,905	$ 15,884	$ -	$ 380,905	$ 15,884	$ -	Original rates
37	Laboratory Equipment	395	3.03%	3.03%	$ 270,548	$ 21,943	$ 292,491	$ -	$ 292,491	$ 8,862	$ -	$ 292,491	$ 8,862	$ -	Original rates
38	Power Equipment	396	0.00%		$ 1,466,922	$ 55,510	$ 1,522,432	$ -	$ 1,522,432	$ 91,346	$ -	$ 1,522,432	$ -	$ (91,346)	Original rates
39	Communication Equipment	397	4.55%		$ 1,828,418	$ 36,544	$ 1,864,962	$ -	$ 1,864,962	$ 77,769	$ -	$ 1,864,962	$ 84,856	$ 7,087	Original rates
40	Miscellaneous Equipment	398	3.85%		$ 120,736	$ 28,469	$ 149,205	$ -	$ 149,205	$ 14,921	$ -	$ 149,205	$ 5,744	$ (9,176)	Original rates
41	Total General Plant				$ 18,297,542	$ 974,137	$ 19,271,678	$ (412,952)	$ 18,858,727	$ 669,422	$ -	$ 18,858,727	$ 529,756	$ (139,666)	
42	Total				$ 232,503,131	$ 15,227,964	$ 247,731,095	$ (1,207,584)	$ 246,523,511	**$ 9,652,452**	$ -	$ 246,523,512	**$ 9,224,602**	**$ (427,850)**	**OCA Remove Proposed Deprec. Rates**
43				**Liberty Depreciation Adjustment Reconciliation:**											
44				Liberty proposed new Reserve Defic. Amortization to Deprec. Exp. (Sch. RR-3-09)						$ 233,300	Liberty Proposed Res. Defic. Amort. (Sch. RR-3-09)		$ -	**$ (233,300)**	**OCA Remove Proposed Res. Defic.**
45				Ratemaking Adjustment per DG 11-040 (Acquisition)							**OCA Adjusted Depreciation Expense**		**$ 9,224,602**		
46				Depreciation expense computed, Plant assets as of 12/31/2018						$ 9,885,752					
47				Depreciation expense recorded for Historic Year						$ 8,324,166					
48				**Liberty Depreciation Expense Adjustment**					To RR-3	**$ 1,561,587**	Liberty Depreciation Expense per Books		$ 8,324,166		
49											Liberty Adjustment for New Deprec. Rates		$ 1,328,287		
50	Note 1: The Company's reclassification of Acct. 106 assets did not properly classify assets										Liberty Proposed Reserve Deficiency Amortization		$ 233,300		
51	to equal $6,172,095 intangible Acquisition Assets from DG 11-040, per Co. Sch. RR-5-4,										Liberty Total Adjustments		$ 1,561,587		
52	at the correct 20% depreciation rate. OCA reclassified plant among intangible										Liberty Total Adjusted Depreciaton Expense		**$ 9,885,753**		
53	accounts to make sure that $6,172,095 is properly reclassified to intangible plant with														
54	20% depreciation rate.										**OCA Depreciation Expense Adjustment**		**$ (661,151)**	**$ (661,150)**	
55															
56											**Reconciliation of Above OCA Adjustment:**				
57											OCA Adjusted Deprec. Expense		$ 9,224,602		
58											Liberty Deprec. Expense per Books - Dec. 31, 2018		$ 8,324,166		
59											OCA Proposed Increase in Deprec. Expe.		$ 900,436		
60											Liberty Proposed Increase in Deprec. Expense		$ 1,561,587		
61											**OCA Depreciation Expense Adjustment**		**$ (661,150)**		

New Hampshire Office of the Consumer Advocate
Liberty Utilities (Granite State Electric)
Twelve months ending December 31, 2018
Pole Rental Fees

Docket No. DE 19-064
Exhibit BCO-1
Schedule 2.5
Page 1 of 1
Adj. BCO-5

A	B	C	
Line	**Adjustment Summary**	**OCA Pole Rental Fees Adjustment**	
1	Liberty Pole Rental Fees	$	250,438
2	OCA Adjusted Pole Rental Fees	$	304,057
3	**OCA Adjustment**	**$**	**53,619**

Source: The Liberty source for the information used in calculating additional Pole Rental Fees is OCA TS 1-29.a.4xls. The Liberty document is voluminous and will be provided via a supplemental workpaper.

New Hampshire Office of the Consumer Advocate
Liberty Utilities (Granite State Electric)
Twelve months ending December 31, 2018
Incremental Impact on Income Taxes from OCA Adjustments

Docket No. DE 19-064
Exhibit BCO-1
Schedule 2.6
Page 1 of 1
Adj. BCO-6

A	B	C	
Line	**Description**	**Incremental Income Taxes**	
1	OCA Total Adjustments to Operations	$	1,803,805
2	Effective State and Federal Income Tax		27.083%
3	Incremental Impact and Increase in Income Tax Expense	$	488,525

New Hampshire Office of the Consumer Advocate
Liberty Utilities (Granite State Electric)
Twelve months ending December 31, 2018
Cash Working Capital

Docket No. DE 19-064
Exhibit BCO-1
Schedule 2.7
Page 1 of 1
Adj. BCO-7

A	B	C	D	E
		Sch. RR-2 (CU)		
Line	**Description**	**Liberty CWC Adjustment**	**OCA CWC Adjustment**	**OCA Adjustment**
1	Distribution, before adjustments	$ 34,732,691	$ 36,548,959	
2	Adjustments, before income tax	$ 4,584,120	$ (1,857,423)	Excluded Revenue Adj.
3	Adjustment for income tax	$ (2,767,852)	$ 474,003	Excluded Tax on Revenue Adj.
4		$ 36,548,959	$ 35,165,539	
5				
6	CWC Required 24.20 days	6.63%	6.63%	
7	Cash Working Capital Required	$ 2,423,196	$ 2,331,475	**$ (91,721)**

New Hampshire Office of the Consumer Advocate | Docket No. DE 19-064
Liberty Utilities (Granite State Electric) | Exhibit BCO-2
Twelve months ending December 31, 2018 | Schedule 1
OCA Adjustments to Step Increase | Page 1 of 1

A	B	C
Line	Adjustments	OCA Adjustments to 2019 Step Increase
1	Beginning 2019 Step Increase	$14,967,736
2	Adjustments:	
3	1 - Reduce internal capitalized labor	($2,680,000)
4	2 - Battery back-up for customer meters	($1,000,000)
5	3 - Unidentified discretionary projects	($100,000)
6	4 - Londonderry project removed by Liberty	($660,000)
7	5 - ARP breakers & closers project cancelled	($225,000)
8	Total capital costs removed	($4,665,000)
9	Revised 2019 Step Increase	$10,302,736

Exhibit BCO-3

Docket No. DE 19-064

Public Version OCA 2-49

New Hampshire Office of the Consumer Advocate

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

DE 19-064
Distribution Service Rate Case

OCA Data Requests - Set 2

Date Request Received: 6/25/19 | Date of Response: 7/10/19
Request No. OCA 2-49 | Respondent: Philip E. Greene
David B. Simek

REQUEST:

Address the following regarding Liberty's adjustment of $758,355 for filling vacancies and new positions as addressed at Liberty's response to 1-15 and 1-17, and Confidential PDF Attachment 1-17.a.1 (only the payroll amounts are Confidential, so issues addressed in this DR are not confidential). Address the following:

a. Liberty's response to 1-15(a) states that Confid. Attach. OCA 1.17.a.1 shows both 2018 and 2019 incremental additions (new positions), although it is not clear from this Attachment which new positions relate to the 2018 or 2019 period. Please identify new positions for each year and explain how a "vacancy start date" and "vacancy end date" apply to "new positions" and how are these dates used to determine the annualization of payroll costs included in this adjustment for new positions.

b. Regarding (a) above, Confid. Attach. OCA 1.17.a.1 shows a new position for Line Work Apprentice in Lebanon with a "vacancy start" of January and "vacancy end" of April, for total vacancy of 3 months, with 3 months of payroll allocated to the adjustment. Explain why "new positions" have a "start" and "end" date. And if this new position started in either January or April 2018, explain why annualized payroll costs in the adjustment to limited to three months in the test period (and why not annualized for 12 months if started in January 2018, or for 9 months if started in April 2018). If the new position started in January or April 2019, again, explain why the annualized payroll costs in the adjustment are limited to three months of the 2019 period.

c. Regarding Confid. Attach. OCA 1.17.a.1, explain if any of the "vacancies" relate to the 2019 period, or if they just related to vacancies for the 2018 period that were subsequently filled in 2018 (also explain if any 2018 vacancies were subsequently filled in the 2019 period and identify these positions at the workpaper).

d. For vacancies (if applicable) and new positions related to the 2019 period, explain how many months beyond the 2018 test period the Company annualized/adjusted payroll costs, and explain if the Company annualized payroll costs as much as 12 months beyond the test period (December 2019), or if explain if the Company cut-off the date for annualization at six months or some other time period beyond the test period. If not apparent, for each position at Confid. Attach. OCA 1.17.a.1, identify the 2019 month through which payroll costs are annualized/adjusted.

<u>RESPONSE:</u>

a. Please see Confidential Attachment OCA 2-49.a, provided in the same format as referenced Confidential Attachment OCA 1-17.a.1 and providing additional details in columns labeled “Period” and “Description.”

   i. In the Period column, “Test Year” indicates where the respective adjustment amount relates to the test year, intended to include a full year annual salary attributable to Granite State for each position as a known and measurable adjustment. These are indicated in the Description column as “Test year vacancy; backfill.” Certain new positions or additions were created and filled during the test year. The adjustment amount in these cases intended to increase test year labor to include the full annual salary amount attributable to Granite State for these positions. These are indicated in the Description column as “Test year vacancy; new position.”

   ii. In the Period column, “2019” indicates a new position created and budgeted/added for 2019. The respective adjustment amount is intended to include the full year annual salary attributable to Granite State for these positions as a known and measurable adjustment as they were not included in the test year total labor. New positions not filled in the test year and intended to be filled in 2019 are indicated in the Description column as “New position – 2019 known & measurable.” The intention of these adjustments is to include the full complement of these new positions in the test year total labor amount.

b. The new position for Line Work Apprentice in Lebanon was created and opened in January 2018, subsequently filled in April 2018. The position remained filled for the remainder of the 2018 test year. Therefore, wages covering the period from April through December 2018 are included in the test year total labor. Including the prorated three-month salary for this position in the adjustment calculated on Schedule RR-3-01 provides for the full annual salary of this Line Worker Apprentice in the revenue requirement total test year labor. Similar instances are identified in Confidential Attachment OCA 1-49.a under the Description column, identified as “Test year vacancy; new position.”

c. Please refer to above response OCA 2-49.a.i and response OCA 2-49.a.ii. Only one of the 2018 test year vacancies was filled in 2019, Manager, Financial Reporting (Londonderry). 2018 test year vacancies remaining unfilled as of 2019 are as follows:

   i. Substation Worker 1/C (3 positions covering Lebanon and Salem)

   ii. Meter Worker 3/C (Lebanon)

   iii. Lineworker 1/C (Salem)

d. For vacancies that are backfilling existing positions during the test year, the adjustment amount does not extend beyond the test year. The intent for the adjustment in these instances is to include the full annual salary amount for these positions in the total test year labor. Similarly, new positions created during the test year do not extend beyond the test year, with the same intent of adjusting to include the full annual salary of these positions in the total test year labor. Please refer to the above response OCA 2-49.a.ii regarding new positions related to 2019. Note that new positions related to 2019 include a full 12-month salary amount attributable to Granite State, calculated in this manner in order to include a full year salary in total test year labor as a known and measurable adjustment.

The shaded or redacted portions of Confidential Attachment OCA 2-49.a contain salary information for specific positions that can be traced to specific individuals, which information is confidential personnel information protected by RSA 91-A:5, IV. Therefore, pursuant to that statute and Puc 203.08(d), the Company has a good faith basis to seek confidential treatment of this information and will submit a motion seeking confidential treatment prior to the final hearing in this docket.

Adjustment for 2018 Vacancies
Supporting Calculation

Department	Position	Location	Vacancy Type	Vacancy Start	Vacancy End	Vacancy Months	Period	Description	Date Req. Opened	Date Filled/Start Date	Annual Salary	Allocation to Capital	Allocation to GSE	Expense Allocated Amount	Prorated Test Year Adjustment	Position Description/Justification
Electric Operations	Meter Worker 3/C	Salem	Replacement	January	February	1	Test Year	Test year vacancy; backfill	2/13/2018	5/7/2018	[redacted]	5%	100%	[redacted]	[redacted]	Backfill existing vacancy
Electric Operations	Supervisor, Electric Operations	Salem	Replacement	May	July	2	Test Year	Test year vacancy; backfill	6/8/2018	7/30/2018	[redacted]	83%	100%	[redacted]	[redacted]	Backfill existing vacancy
Electric Operations	Supervisor, Substation Construction and Maint.	Salem	Replacement	May	July	2	Test Year	Test year vacancy; backfill	6/7/2018	7/30/2018	[redacted]	40%	100%	[redacted]	[redacted]	Backfill existing vacancy
Electric Operations	Supervisor, Electric Metering	Salem	Replacement	January	August	8	Test Year	Test year vacancy; backfill	6/1/2018	9/4/2018	[redacted]	20%	100%	[redacted]	[redacted]	Backfill existing vacancy
Electric Operations	Line worker 1/C	Lebanon	Replacement	January	April	3	Test Year	Test year vacancy; backfill	1/31/2018	4/23/2018	[redacted]	37%	100%	[redacted]	[redacted]	Backfill existing vacancy
Electric Operations	Line worker 1/C	Lebanon	Replacement	January	April	3	Test Year	Test year vacancy; backfill	1/31/2018	4/23/2018	[redacted]	37%	100%	[redacted]	[redacted]	Backfill existing vacancy
Electric Operations	Line Worker Apprentice	Lebanon	New Position	January	April	3	Test Year	Test year vacancy; new position	1/31/2018	4/23/2018	[redacted]	37%	100%	[redacted]	[redacted]	New position; URD as agreed to with PUC
Electric Operations	Line Worker Apprentice	Salem	New Position	January	April	3	Test Year	Test year vacancy; new position	1/31/2018	4/30/2018	[redacted]	37%	100%	[redacted]	[redacted]	New position; URD as agreed to with PUC
Electric Operations	Meter Worker 3/C	Salem	Replacement	June	July	2	Test Year	Test year vacancy; backfill	7/20/2018	9/17/2018	[redacted]	5%	100%	[redacted]	[redacted]	Backfill existing vacancy
Electric Operations	Meter Worker 3/C	Lebanon	Replacement	June	August	3	Test Year	Test year vacancy; backfill	9/10/2018	10/1/2018	[redacted]	5%	100%	[redacted]	[redacted]	Backfill existing vacancy
Electric Operations	Line Worker 1/c	Lebanon	Replacement	January	April	3	Test Year	Test year vacancy; backfill	1/31/2018	4/16/2018	[redacted]	37%	100%	[redacted]	[redacted]	Backfill existing vacancy
Electric Operations	Line Worker 1/c	Lebanon	Replacement	January	October	9	Test Year	Test year vacancy; backfill	1/31/2018	10/8/2018	[redacted]	37%	100%	[redacted]	[redacted]	Backfill existing vacancy
Electric Operations	Line worker 1/C	Lebanon	Replacement	September	December	3	Test Year	Test year vacancy; backfill	9/18/2018	12/3/2018	[redacted]	37%	100%	[redacted]	[redacted]	Backfill existing vacancy
Electric Operations	Line worker 1/C	Lebanon	Replacement	September	December	3	Test Year	Test year vacancy; backfill	9/18/2018	12/3/2018	[redacted]	37%	100%	[redacted]	[redacted]	Backfill existing vacancy
Electric Operations	Line worker 1/C	Lebanon	Replacement	September	December	3	Test Year	Test year vacancy; backfill	9/18/2018	12/3/2018	[redacted]	37%	100%	[redacted]	[redacted]	Backfill existing vacancy
Electric Operations	Line worker 1/C	Salem	Replacement	January	September	9	Test Year	Test year vacancy; backfill	11/6/2018	11/18/2018	[redacted]	37%	100%	[redacted]	[redacted]	Backfill existing vacancy
Electric Operations	Line worker 1/C	Salem	Replacement	July	November	3	Test Year	Test year vacancy; backfill	6/18/2018	12/3/2018	[redacted]	37%	100%	[redacted]	[redacted]	Backfill existing vacancy
Electric Operations	Line worker 3/C-1/C	Lebanon	Replacement	October	December	3	Test Year	Test year vacancy; backfill	9/18/2018	12/17/2018	[redacted]	37%	100%	[redacted]	[redacted]	Backfill existing vacancy
Electric Operations	meterworker 3/c	lebanon	Replacement	July	November	4	Test Year	Test year vacancy; backfill	7/20/2018	11/12/2018	[redacted]	5%	100%	[redacted]	[redacted]	Backfill existing vacancy
Electric Operations	operations analyst	Leb/Sal	New Position	January	March	3	Test Year	Test year vacancy; new position	2/26/2018	4/9/2018	[redacted]	50%	100%	[redacted]	[redacted]	New position; in support of growth
Electric Operations	Sub Station worker 1/c	Leb/Sal	Replacement[(1)]	September	December	3	Test Year	Test year vacancy; backfill	2/13/2018		[redacted]	76%	100%	[redacted]	[redacted]	Backfill existing vacancy
Electric Operations	Sub Station worker 1/c	Leb/Sal	Replacement[(1)]	September	December	3	Test Year	Test year vacancy; backfill	9/12/2018		[redacted]	76%	100%	[redacted]	[redacted]	Backfill existing vacancy
Electric Operations	Sub Station worker 1/c	Leb/Sal	Replacement[(1)]	September	December	3	Test Year	Test year vacancy; backfill	9/12/2018		[redacted]	76%	100%	[redacted]	[redacted]	Backfill existing vacancy
Electric Operations	Meter worker 3/C	lebanon	Replacement	April	December	9	Test Year	Test year vacancy; backfill	2/13/2018		[redacted]	5%	100%	[redacted]	[redacted]	Backfill existing vacancy
Electric Operations	Lineworker 1/C	Salem	Replacement	April	December	9	Test Year	Test year vacancy; backfill	3/30/2018		[redacted]	37%	100%	[redacted]	[redacted]	Backfill existing vacancy
EH&S	Program Manager	Concord	New Position			12	2019	New position - 2019 known & measurable	1/2/2019	4/1/2019	[redacted]	10%	10%	[redacted]	[redacted]	New position; support of employee count, workload and another manager assuming regional duties
Finance	Manager, Financial Reporting	Londonderry	Replacement[(2)]	August	December	4	Test Year	Test year vacancy; backfill	12/24/2018	3/18/2019	[redacted]	20%	19%	[redacted]	[redacted]	Backfill existing vacancy (see footnote[2] below)
Rates & Regulatory	Rates Analyst II	Londonderry	New Position			12	2019	New position - 2019 known & measurable	12/21/2018	1/28/2019	[redacted]	0%	100%	[redacted]	[redacted]	New position; in support of growth
Rates & Regulatory	Analyst	Londonderry	Replacement	September	December	3	Test Year	Test year vacancy; backfill	11/14/2018	12/31/2018	[redacted]	0%	70%	[redacted]	[redacted]	Backfill existing vacancy
Engineering	Project Manager	Salem	New Position			12	2019	New position - 2019 known & measurable	10/12/2018		[redacted]	0%	100%	[redacted]	[redacted]	New position; in support of construction
Engineering	Engineer	Lebanon	Replacement	January	July	7	Test Year	Test year vacancy; backfill	3/22/2019		[redacted]	0%	100%	[redacted]	[redacted]	Backfill existing vacancy
Customer Care	See attached page 2	Various	Replacement	*See pg 2*	*See pg 2*	*See pg 2*	Test Year	Test year vacancy; backfill	*See pg 3*	*See pg 3*	[redacted]	0%	30%	[redacted]	[redacted]	Backfill existing vacancy
														Total Adjustment:	**801,465**	
														Less: Annual Contractor Savings[(1)]	(43,110)	
														Equals: Electric Ops Adjustment for Vacancies (Test Year)	**758,355**	

(1) Substation worker positions in part to replace United Power Group contract labor for substation work and project managemen
(2) New position created which replaces previously existing position that was eliminated

Customer Care Vacancies
Calendar Year 2018

Month	# Vacancies	$/hr	Total Hourly	# Hrs/Month	Total Amount	GSE Alocation (30%)
Jan	2	$ 17.00	$ 34.00	**184**	$ 6,256.00	$ 1,876.80
Feb	2	$ 17.00	$ 34.00	**160**	$ 5,440.00	$ 1,632.00
Mar	2	$ 17.00	$ 34.00	**176**	$ 5,984.00	$ 1,795.20
Apr	3	$ 17.00	$ 51.00	**168**	$ 8,568.00	$ 2,570.40
May	6	$ 17.00	$ 102.00	**184**	$ 18,768.00	$ 5,630.40
Jun	6	$ 17.00	$ 102.00	**168**	$ 17,136.00	$ 5,140.80
Jul	7	$ 17.00	$ 119.00	**176**	$ 20,944.00	$ 6,283.20
Aug	7	$ 17.00	$ 119.00	**184**	$ 21,896.00	$ 6,568.80
Sep	7	$ 17.00	$ 119.00	**160**	$ 19,040.00	$ 5,712.00
Oct	3	$ 17.00	$ 51.00	**184**	$ 9,384.00	$ 2,815.20
Nov	3	$ 17.00	$ 51.00	**176**	$ 8,976.00	$ 2,692.80
Dec	7	$ 17.00	$ 119.00	**168**	$ 19,992.00	$ 5,997.60
				Totals	**$ 162,384.00**	**$ 48,715.20**

Above includes GSE 30% allocation of vacancies

Above all represent backfill existing vacancies

Customer Care - Hiring Detail (2018)
Calendar Year 2018

Job	Department	Hire Date	Base Rate	Termination Date	Comment
Representative, Customer Service	Customer Service	2/5/2018	[redacted]	active	
Representative, Customer Service	Customer Service	2/12/2018		7/3/2018	
Representative, Customer Service	Customer Service	2/5/2018		active	
Representative, Customer Service	Customer Service	3/19/2018		9/21/2018	
Representative, Customer Service	Customer Service	3/19/2018		active	
Representative, Customer Service	Customer Service	4/9/2018		active	
Representative, Customer Service	Customer Service	4/9/2018		active	
Representative, Customer Service	Customer Service	5/14/2018		5/29/2018	
Representative, Customer Service	Customer Service	5/14/2018		active	
Representative, Customer Service	Customer Service	5/14/2018		active	
Representative, Customer Service	Customer Service	5/14/2018		active	
Representative, Customer Service	Customer Service	8/15/2018		active	Re-hire
Representative, Customer Service	Customer Service	8/20/2018		active	
Representative, Customer Service	Customer Service	8/20/2018		8/28/2018	
Representative, Customer Service	Customer Service	9/10/2018		active	
Representative, Customer Service	Customer Service	9/10/2018		9/10/2018	never started
Representative, Customer Service	Customer Service	11/5/2018		active	
Representative, Customer Service	Customer Service	11/5/2018		active	
Representative, Customer Service	Customer Service	11/5/2018		11/5/2018	
Representative, Customer Service	Customer Service	11/5/2018		11/30/2018	
Representative, Customer Service	Customer Service	11/5/2018		active	
Representative, Customer Service	Customer Service	1/28/2019		active	
Representative, Customer Service	Customer Service	1/28/2019		active	
Representative, Customer Service	Customer Service	3/11/2019		active	
Representative, Customer Service	Customer Service	3/11/2019		3/18/2019	
Representative, Customer Service	Customer Service	4/15/2019		4/15/2019	never started
Representative, Customer Service	Customer Service	4/15/2019		active	
Representative, Customer Service	Customer Service	4/15/2019		active	
Representative, Customer Service	Customer Service	4/15/2019		4/23/2019	
Representative, Customer Service	Customer Service	4/15/2019		active	
Representative, Customer Service	Customer Service	4/15/2019		active	
Representative, Customer Service	Customer Service	4/15/2019		active	

Exhibit BCO-4

Docket No. DE 19-064

Public Version OCA 2-50

New Hampshire Office of the Consumer Advocate

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

DE 19-064
Distribution Service Rate Case

OCA Data Requests - Set 2

Date Request Received: 6/25/19
Request No. OCA 2-50

Date of Response: 7/10/19
Respondent: Philip E. Greene
David B. Simek

REQUEST:

Address the following regarding Liberty's adjustment of $758,355 for filling vacancies and new positions as addressed at Liberty's response to 1-15 and 1-17, and Confid. Attach. 1-17.a.1 (only the payroll amounts are Confidential, so issues addressed in this DR are not confidential). Address the following:

a. Using the same format as the Company used in Confid. Attach. 1-17.a.1 for calculating vacant positions subsequently filled, provide the number of positions and the related payroll amounts (by position and location) that were included in the test period, but which were vacated in 2018 and remain unfilled at December 31, 2018.

b. Using the same format as the Company used in Confid. Attach. 1-17.a.1 for calculating vacant positions subsequently filled, provide the number of positions and the related payroll amounts (by position and location) that were included in the test period, but which were vacated in 2018 and remain unfilled through the most recent date in 2019.

c. Using the same format as the Company used in Confid. Attach. 1-17.a.1 for calculating vacant positions subsequently filled, provide the number of positions and the related payroll amounts (by position and location) that were included in the test period, but which were vacated in 2019 and remain unfilled through the most recent date in 2019.

d. Using the same format as the Company used in Confid. Attach. 1-17.a.1 for calculating vacant positions subsequently filled, identify all positions that have been permanently eliminated by Liberty (or by Corporate and other affiliates that allocate these costs to Liberty) in 2018 and 2019 to date (and whose costs were included in the 2018 test year), and provide the related payroll costs (by position and location).

e. Regarding (a),(b) and (c) above, explain why the Company included an adjustment for vacant positions that were subsequently filled in the test period, but did not remove payroll costs for vacant positions that were not subsequently filled in the test period, or which were vacated in 2018 and still not filled in 2019, or which were vacated in 2019 and still not filled through the most recent date in 2019.

RESPONSE:

a. Please refer to Confidential Attachment OCA 2-49.a, which includes all data from Confidential Attachment 1-17.a.1 plus additional details including Date Filled/Start Date. This attachment includes all vacancies at any point during the test year. Any listing identified as "Test Year" in the Period column and a blank Filled/Start Date field would indicate positions vacated during the year and not filled prior to year-end.

b. Please refer to Confidential Attachment OCA 2-49.a and response to OCA 2-50.a above. Filled/Start Date fields in this attachment are up to date as of this response.

c. Please refer to Confidential Attachment OCA 2-50.c.

d. Please refer to Confidential Attachment OCA 2-50.d.

e. The intent of calculating an adjustment for vacancies is to arrive at a total cost of labor for a full complement of personnel to be included in the revenue requirement. The adjustment for vacancies on Schedule RR-3-01 includes only that period within the test year for which vacancies were present, or a 12-month period for newly created positions not filled for any part of 2018. Removal of any part of that full complement would leave the Company short of funding to fill those necessary positions.

The shaded or redacted portions of Confidential Attachment OCA 2-50.c and Confidential Attachment OCA 2-50.d contain salary information for specific positions that can be traced to specific individuals, which information is confidential personnel information protected by RSA 91-A:5, IV. Therefore, pursuant to that statute and Puc 203.08(d), the Company has a good faith basis to seek confidential treatment of this information and will submit a motion seeking confidential treatment prior to the final hearing in this docket.

ositions Vacated in 2019 (Remain Unfilled)
ost Test Year

Department	Position	Location	Vacancy Type	Vacancy Start	Vacancy End	Vacancy Months	Date Req. Opened	Date Filled/Start Date	Annual Salary(1)	Allocation to Capital	Allocation to GSE	Expense Allocated Amount	Annual Salary Allocation to GSE	Comments
Electric Operations	Meter Worker 2nd class	Lebanon	Replacement	May	n/a	2	4/29/2019	n/a	[redacted]	5%	100%	[redacted]	[redacted]	
Electric Operations	Lineworker 1/C	Lebanon	Replacement	May	n/a	2	4/30/2019	n/a	[redacted]	37%	100%	[redacted]	[redacted]	
Executive	Director, Government Relations	East Region Office - Concord	Replacement	July	n/a		Pending	n/a	[redacted]	0%	19.2%	[redacted]	[redacted]	Vacancy as of 6/17/2019; requisition pending
Electric Operations	Lineworker 1/C	Salem	Replacement	Apr	n/a	3	4/3/2019	n/a	[redacted]	37%	100%	[redacted]	[redacted]	
Engineering	Distribution Design A Engineering	Lebanon	Replacement	Apr	n/a	3	3/22/2019	n/a	[redacted]	85%	100%	[redacted]	[redacted]	
Customer Care	Representative, Customer Service	Londonderry	Replacement	Apr	n/a	3	6/28/2019	n/a	[redacted]	0%	30%	[redacted]	[redacted]	
Customer Care	Representative, Customer Service	Londonderry	Replacement	Apr	n/a	3	6/28/2019	n/a	[redacted]	0%	30%	[redacted]	[redacted]	
Customer Care	Representative, Customer Service	Londonderry	Replacement	May	n/a	2	6/28/2019	n/a	[redacted]	0%	30%	[redacted]	[redacted]	
Sales and Marketing	Manager II-Electric, Business and Community Development	Lebanon	Replacement	July	n/a		Pending	n/a	[redacted]	15%	100%	[redacted]	[redacted]	Vacancy as of 6/25/2019; requisition pending

Positions Eliminated
2018 Test Year

Department	Position	Location	Vacancy Type	Vacancy Start	Vacancy End	Vacancy Months	Date Eliminated	Months Employed	Annual Salary	Allocation to Capital	Allocation to GSE	Expense Allocated Amount	Prorated Test Year Amount	Position Description/Justification
Energy Efficiency	Program Administrator	Londonderry	n/a	n/a	n/a	n/a	1/29/2018	1	[redacted]	0%	n/a	[redacted]	[redacted]	Energy Efficiency; does not hit P&L
Energy Efficiency	Program Manager	Londonderry	n/a	n/a	n/a	n/a	1/29/2018	1	[redacted]	0%	n/a	[redacted]	[redacted]	Energy Efficiency; does not hit P&L
Executive	Vice President, Customer Experience (East Region)	Londonderry	n/a	n/a	n/a	n/a	3/16/2018	2.5	[redacted]	0%	19%	[redacted]	[redacted]	
Electric Operations	Supervisor, Electric Distribution/Substations	Lebanon	n/a	n/a	n/a	n/a	5/18/2018	4.5	[redacted]	76%	100%	[redacted]	[redacted]	
Finance	Mangager, Accounting[1]	Londonderry	n/a	n/a	n/a	n/a	8/30/2018	8	[redacted]	20%	19%	[redacted]	[redacted]	Substituted in Attach. OCA 1-17.a.1 for Manager, Financial Reporting

(1) Manager, Financial Reporting position subsequently created; included in Confidential Attachment OCA 1-17.a.1 as "Replacement.'

Exhibit BCO-5

Docket No. DE 19-064

Public Version OCA 7-34

New Hampshire Office of the Consumer Advocate

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

DE 19-064
Distribution Service Rate Case

OCA Data Requests - Set 7

Date Request Received: 9/26/19 Date of Response: 10/10/19
Request No. OCA 7-34 Respondent: Philip E. Greene
David B. Simek

REQUEST:

The Company's response to OCA TS 1-37 refers to several reports prepared and reviewed by management. Please address the following:

a. Provide the "monthly" Operations Review – East Region report for each of the months 2016, 2017, 2018, and 2019 year-to-date.

b. Provide the "quarterly" East Region – Management Report for each of the quarters in years 2016, 2017, 2018, and 2019 year-to-date.

RESPONSE:

a. Please see Confidential Attachment OCA 7-34.a.1 for 2016 (January to December 2016), Confidential Attachment OCA 7-34.a.2 for 2018 (August to December 2018), Confidential Attachment OCA 7-34.a.3 for 2019 (January to August 2019). Note that the monthly operations review reports were suspended from January 2017 to July 2018. During this time, the "quarterly" East Region – Management Report was provided monthly.

b. Please see Confidential Attachment OCA 7-34.b.1 for Q4 2016, the first quarter that the report was issued. Starting in January 2017, the East Region – Management Report was issued monthly. Please refer to Confidential Attachment OCA 7-34.b.2 for 2017 (January to December 2017), Confidential Attachment OCA 7-34.b.3 for 2018 (January to December 2018), and Confidential Attachment OCA 7-34.b.4 for 2019 (Q1 and Q2 2019). Beginning in 2019, the East Region – Management Report was issued on a quarterly basis.

Confidential Attachments OCA 7-34.a.1 through a.3 and Confidential Attachments OCA 7-34.b.1 through b.4 are internal management reports that contain confidential financial and operational information and projections, which is commercial and competitively sensitive information in which the Company has significant privacy interests, the disclosure of which would provide competitors with detailed information about internal processes causing competitive harm to the detriment of the Company and of its customers. See EnergyNorth Natural Gas, Order No. 25,208 (Mar. 23, 2011); Northern Utilities, Order No. 25,289 (Nov. 18, 2011). Therefore, pursuant to that statute, the above orders, and Puc 203.08(d), the Company has a good faith basis to seek confidential treatment of this information and will submit a motion seeking confidential treatment prior to the final hearing in this docket.

Exhibit BCO-6

Docket No. DE 19-064

OCA 2-47

New Hampshire Office of the Consumer Advocate

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

DE 19-064
Distribution Service Rate Case

OCA Data Requests - Set 2

Date Request Received: 6/25/19	Date of Response: 7/10/19
Request No. OCA 2-47	Respondent: Philip E. Greene David B. Simek

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REQUEST:

Liberty's response to OCA 1-12 compared payroll expensed to payroll capitalized for 2015 to 2018 at Attachment 1-12.a., address the following:

a. Explain and provide supporting documentation to show why the percent of payroll expensed increased from about 61% in 2017 to 65% in 2018 (and why the corresponding percent of capitalized payroll decreased from 39% in 2017 to 35% in 2018). Explain all reasons, including whether this is due to a decrease in plant construction activity, changes in accounting expense vs. capitalization policy, overtime, changes primarily driven by one or two months activity, or other reasons.

b. Provide budgeted or projected payroll costs for 2019 to show the percent of payroll expensed versus capitalized.

c. Provide the percent of payroll expensed versus capitalized for 2019 year-to-date payroll, and provide the related payroll amounts and supporting documents.

RESPONSE:

a. As reflected in the table below, the average percent of payroll expense and payroll capitalized (reflecting both capital labor and charges to other balance sheet accounts like deferred storm costs) for 2018 of 65% and 35%, respectively, are in line with the corresponding averages for the four-year period from 2015 through 2018. The Company could not determine any specific causes for the higher level of 2017 capitalized payroll and lower level of payroll expense.

	2015	2016	2017	2018	Total
Payroll Expense - Regulated	6,955,212	6,887,003	6,422,177	7,081,853	27,346,246
Payroll Expense - Other	8,525	4,161	1,145	2,705	16,535
Capitalized Payroll - Plant	3,118,716	2,976,911	2,924,133	2,578,756	11,598,517
Other Balance Sheet Payroll	198,829	523,038	1,112,089	1,265,261	3,099,222
Total Payroll	10,281,282	10,391,113	10,459,544	10,928,574	42,060,519
Payroll Expense - Regulated and Other	6,963,737	6,891,164	6,423,322	7,084,557	27,362,780
Percentage	**68%**	**66%**	**61%**	**65%**	**65%**
Total Payroll Capitalized - Plant and Other Balance Sheet Payroll	3,317,546	3,499,949	4,036,222	3,844,017	14,697,734
Percentage	**32%**	**34%**	**39%**	**35%**	**35%**

b. Shown below are the budgeted capitalized and expensed payroll for 2019.

	2019 Budget ($M)	Percent of Total Payroll
Capitalized Payroll	$3.6	33%
Expensed Payroll	$7.4	67%
Total	$11.0	100%

c. Shown below are the actual capitalized and expensed payroll from January to May 2019. Please see Attachment OCA 2-47.c.1.xlsx and Attachment OCA 2-47.c.2.xlsx for details of the actual capitalized and expensed payroll, respectively.

	YTD May 2019 ($M)	Percent of Total Payroll
Capitalized Payroll	$1.4	33%
Expensed Payroll	$2.9	67%
Total	$4.3	100%

Exhibit BCO-7

Docket No. DE 19-064

OCA 1-12

New Hampshire Office of the Consumer Advocate

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

DE 19-064
Distribution Service Rate Case

OCA Data Requests - Set 1

Date Request Received: 5/17/19
Request No. OCA 1-12

Date of Response: 6/18/19
Respondent: David B. Simek
Philip E. Greene

REQUEST:

Regarding the Joint Testimony of Greene and Simek, Bates Page 088 (lines 1 - 7) which addresses the Company's payroll adjustment, and the related adjustment workpaper at Schedule RR-3-01.

a. For each of the calendar years 2015, 2016, 2017 and 2018, provide a spreadsheet showing: i) regulated payroll expense (% expensed); ii) other payroll expense (misc. accounts/clearing (% expensed); iii) nonregulated/below-the-line payroll expense (% expensed); iv) capitalized payroll plant (% capitalized); v) other capitalized payroll (describe, and % capitalized); and vi) total payroll costs. The Excel spreadsheet format can be similar to the format below.

Description	% of Total	2015	2016	2017	2018
Payroll expense -regulated					
Other payroll expense - regulated (1)					
Payroll expense - non-reg./below line					
Total Payroll Expensed					
Capitalized payroll - plant accounts					
Other capitalized payroll - describe					
Total Payroll Costs					
(1) - Included in misc. accounts or clearing accounts.					

b. Reconcile the payroll costs in (a) above to the total payroll amounts recorded on the books and to the FERC Form 1 for 2018.

c. Explain the reasons for the change in the percent of payroll expensed and capitalized from one year to the next, if the percent expensed or capitalized changes by 3% or more from one year to the next.

RESPONSE:

a. Attachment 1-12.a.xlsx provides the detail requested in the table above.

b. In preparing this response it was discovered that the information reported on pages 354–355 of the FERC Form 1 was compiled using a limited system code that did not capture all of the payroll costs. The FERC Form 1 will be revised to correct these pages and the response will then be supplemented.

c. The large increase in Other Balance Sheet Payroll from 2015 to 2018 of $1,066,431 was primarily driven by additional storm work and an accounting change to how energy efficiency payroll gets recorded on the Company books.

	% of Total		2015		2016		2017		2018	% Change 2015 to 2018
Payroll Expense - Regulated	65.0%	$	6,955,212.04	$	6,887,003.05	$	6,422,176.85	$	7,081,852.91	1.8%
Payroll Expense - Other	0.0%	$	8,524.89	$	4,160.83	$	1,144.97	$	2,704.50	-68.3%
Capitalized Payroll - Plant	27.6%	$	3,118,716.32	$	2,976,911.19	$	2,924,132.71	$	2,578,756.41	-17.3%
Other Balance Sheet Payroll	7.4%	$	198,829.19	$	523,038.17	$	1,112,089.09	$	1,265,260.52	536.4%
Total Payroll	100.0%	$	10,281,282.44	$	10,391,113.24	$	10,459,543.62	$	10,928,574.34	6.3%

Exhibit BCO-8

Docket No. DE 19-064

OCA 1-43

New Hampshire Office of the Consumer Advocate

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

DE 19-064
Distribution Service Rate Case

OCA Data Requests - Set 1

Date Request Received: 5/17/19 Date of Response: 6/18/19
Request No. OCA 1-43 Respondent: David B. Simek

REQUEST:

The Company's filing requirements Puc 1604.01(a)(14) includes various information regarding compensation.

a. For each of the calendar years 2015, 2016, 2017 and 2018, provide the amount expensed by account number on Company books for: a) short-term incentives; b) shared bonus pool; c) performance and restricted share unit plan (long-term incentives); and d) all other one-time or recurring bonuses or awards expensed for these periods. Explain the reason for changes from year-to-year of 5% or greater for each category of incentive/compensation.

b. Explain all changes in how the compensation in (a) above is determined, calculated, and recorded on the books for each of the years 2015 to 2018.

RESPONSE:

a. Please see Attachment OCA 1-43.a for the shared and short-term incentive bonus amounts expensed for calendar years 2015, 2016, 2017, and 2018. The 6.6% shared and short-term incentive bonus expense increase from calendar year 2015 to calendar year 2018 is directly related to an increase in staff. The bonus shown in Attachment OCA 1-43.a does not include long term incentives (LTIP) of $33,554 for 2015; $34,963.20 for 2016; $100,633.13 for 2017; and $98,498.12 for 2018. The LTIP increase from calendar year 2016 to calendar year 2017 is based on an increase in the total number of shares granted. The number of LTIP shares granted is approved by the compensation committee and the board of directors and is based on Company performance and the number of qualified employees.

b. The shared bonus accrual follows actual payroll each month. It is prorated to P&L accounts based on timesheets for each month, the offset being the accrual account. When bonuses are paid out the accrual is relieved. This method of recording shared and short-term incentive bonus on the Company's books has not changed since 2015. Granite State is allocated 30% of the New Hampshire LTIP accrual which also has not changed since 2015.

Shared and Short-Term Incentive Bonus by Account Number
2015 - 2018

Sum of Net		Year				
Account Number	**Account Description**	**2015**	**2016**	**2017**	**2018**	**Grand Total**
8830-2-0000-51-5010-5800	Operation supervision and engineering-Labour	21,880.85	15,935.96	1,387.05	316.81	39,520.67
8830-2-0000-51-5010-5810	Load dispatching - Labor	38,046.43	34,444.44	57,782.96	24,796.88	155,070.71
8830-2-0000-51-5010-5820	Station expenses - Labor	3,184.50	1,877.11		17.40	5,079.01
8830-2-0000-51-5010-5830	Overhead line expenses - Labor	20,069.19	8,890.89	2,411.96	145.22	31,517.26
8830-2-0000-51-5010-5840	Underground line expenses - Labor	330.61	410.98			741.59
8830-2-0000-51-5010-5850	Maint of street lighting & signal systems - labor	862.98	408.41			1,271.39
8830-2-0000-51-5010-5860	Meter expenses - Labor	1,323.83	785.87			2,109.70
8830-2-0000-51-5010-5870	Customer installations expenses - Labor	42.73	80.27	346.41		469.41
8830-2-0000-51-5010-5880	Misc distribution expenses Labor	42,142.68	30,464.74	15,097.20	7,117.23	94,821.85
8830-2-0000-56-5010-5701	Trans Maint-Substation-Trouble-Labor	812.04	457.65	432.71	937.17	2,639.57
8830-2-0000-56-5010-5900	Maint supervision and engineering	2,838.93	2,598.79	711.51		6,149.23
8830-2-0000-56-5010-5910	Maint of structures - Labor	151.16	825.72	13.06		989.94
8830-2-0000-56-5010-5920	Maint of station equipment - Labor	4,751.02	3,128.50	4.35		7,883.87
8830-2-0000-56-5010-5930	Maint of overhead lines Labor	11,790.73	20,454.40	3,387.23	(50.59)	35,581.77
8830-2-0000-56-5010-5932	Maint of overhead lines-Veg Mgmt-Labor	9,529.04	8,439.48	11,612.11	4,836.27	34,416.90
8830-2-0000-56-5010-5950	Maint of line transformers - Labor	2,184.88	841.37	151.78		3,178.03
8830-2-0000-56-5010-5960	Maint of street lighting & signal systems - labor	3,078.78	5,216.85	307.79		8,603.42
8830-2-0000-56-5010-5970	Maint of meters - Labor	19,967.30	16,082.20	2,970.82		39,020.32
8830-2-0000-56-5010-5980	Dist Maint-Misc Distr Plant - Labour	35,838.93	45,271.71	3,404.61	538.48	85,053.73
8830-2-0000-69-5010-9010	Supervision	9,945.46	2,911.99	373.18		13,230.63
8830-2-0000-69-5010-9020	Meter reading expenses - labor	15,455.68	15,300.82	1,374.68		32,131.18
8830-2-0000-69-5010-9030	Customer records & collection expenses - labor	80,760.09	87,676.34	5,495.94		173,932.37
8830-2-0000-69-5010-9080	Customer assistance expenses - labor	29,943.99	2,798.35	14.30		32,756.64
8830-2-0000-69-5010-9100	Misc customer service and info exp-labor	3,069.83	1,372.97	724.73		5,167.53
8830-2-0000-69-5010-9120	Demonstrating and selling exp-Labor	1,699.12	-			1,699.12
8830-2-0000-69-5010-9160	Misc sales expenses (Major only)-Labor	238.95	-			238.95
8830-2-9800-69-5010-9200	A&G salaries - IT	10,226.16	8,800.96	801.31		19,828.43
8830-2-9810-69-5010-9200	A&G salaries - HR	23,028.87	22,066.67	26,260.39	72,339.24	143,695.17
8830-2-9812-69-5010-9200	L&D Salaries				488.79	488.79
8830-2-9815-69-5010-9200	A&G salaries - Environmental/Health& Safety	10,851.53	10,469.35	11,992.50	29,330.79	62,644.17
8830-2-9820-69-5010-9200	A&G salaries - Finance and Admin	35,237.20	35,289.13	49,534.27	84,843.29	204,903.89
8830-2-9823-69-5010-9200	A&G salaries - Legal	7,760.12	6,835.45	9,900.84	27,914.83	52,411.24
8830-2-9825-69-5010-9200	A&G Salaries - Purchasing	6,043.12	5,780.22	8,681.26	19,847.97	40,352.57
8830-2-9830-69-5010-9200	A&G salaries - Regulatory	18,283.65	18,397.80	26,524.75	72,464.80	135,671.00
8830-2-9835-69-5010-9200	A&G salaries - Energy Procurement	12,896.75	11,982.61	8,886.01	6,482.66	40,248.03
8830-2-9850-69-5010-9200	A&G salaries - Operations	2,125.00				2,125.00
8830-2-9851-51-5010-5630	Overhead Lines				17.77	17.77
8830-2-9851-51-5010-5810	Load Dispatching				14.97	14.97
8830-2-9851-51-5010-5820	Station Expenses				798.23	798.23
8830-2-9851-51-5010-5830	Overhead Line Expenses				2,314.79	2,314.79
8830-2-9851-51-5010-5840	Underground Line Expenses				40.09	40.09
8830-2-9851-51-5010-5850	Street Lighting & Signal Systems				120.34	120.34
8830-2-9851-51-5010-5860	Meter Expenses				2,734.35	2,734.35
8830-2-9851-51-5010-5870	Customer Installation Expenses				791.26	791.26
8830-2-9851-51-5010-5880	Misc Distribution expenses				3,410.37	3,410.37
8830-2-9851-56-5010-5701	Trans Maint Substation Trouble				50.72	50.72
8830-2-9851-56-5010-5910	Maint of Structures				826.70	826.70
8830-2-9851-56-5010-5920	Maint of Station Equipment				625.53	625.53
8830-2-9851-56-5010-5930	Maint of Overhead Lines				4,122.46	4,122.46
8830-2-9851-56-5010-5932	Maint of Overhead Lines - Veg Mgmt				1,801.13	1,801.13
8830-2-9851-56-5010-5940	Maint of Underground Lines				160.96	160.96
8830-2-9851-56-5010-5950	Maint of Line Transformers				379.37	379.37
8830-2-9851-56-5010-5960	Maint of Street Lighting & Signal Systems			6,484.04	25,515.55	31,999.59
8830-2-9851-56-5010-5970	Maint of Meters				95.36	95.36
8830-2-9851-56-5010-5980	Maint of Misc Distribution Plant				581.38	581.38
8830-2-9851-69-5010-9020	Meter Reading Expenses				2,631.05	2,631.05
8830-2-9851-69-5010-9030	Customer Records & Collections Expense				694.47	694.47
8830-2-9853-51-5010-5800	Operations Supervision & Engineering				1,684.95	1,684.95
8830-2-9853-51-5010-5810	Load Dispatching				4,822.54	4,822.54
8830-2-9853-51-5010-5880	Misc Distributions Expenses Labor				180.10	180.10
8830-2-9854-69-5010-9200	Admin and General Salaries				3,433.28	3,433.28
8830-2-9860-69-5010-9200	A&G salaries - Executive	9,805.42	13,416.01	16,613.22	62,575.11	102,409.76
8830-2-9865-69-5010-9010	Supervision			20,209.50	44,656.21	64,865.71
8830-2-9865-69-5010-9030	Customer Records & Collections Expenses - Labor				231.00	231.00
8830-2-9865-69-5010-9100	Misc Customer Service & Info Exp Labor				1.22	1.22
8830-2-9865-69-5010-9200	Admin Labor	-			4,424.90	4,424.90
8830-2-9866-69-5010-9020	Meter reading expenses - labor			10,015.23	5,737.35	15,752.58
8830-2-9867-69-5010-9160	Misc Sales Expenses - Labor				910.80	910.80
8830-2-9868-69-5010-9200	Admin & General Salaries				192.84	192.84
Grand Total		**496,197.55**	**439,714.01**	**303,907.70**	**528,944.39**	**1,768,763.65**

Exhibit BCO-9

Docket No. DE 19-064

OCA 1-44

New Hampshire Office of the Consumer Advocate

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

DE 19-064
Distribution Service Rate Case

OCA Data Requests - Set 1

Date Request Received: 5/17/19 Date of Response: 6/18/19
Request No. OCA 1-44 Respondent: David B. Simek

REQUEST:

The Company's filing requirements Puc 1604.01(a)(14) includes various information regarding: a) short-term incentives; b) shared bonus pool; and c) performance and restricted share unit plan (long-term incentives).

a. For each of the categories of short-term incentives, shared bonus pool, and performance and restricted share unit plan (long-term incentives), provide the Company amount expensed in 2018 that is related to underlying criteria that are: (1) financial-focused (return on equity/ROR driven, etc.) ; and (2) customer-focused (service quality driven, etc.).
b. Regarding (a) above, identify and explain how the Company categorized each of the criteria between financial-focused and customer-focused, and provide supporting documentation and calculations.

RESPONSE:

a. Please refer to the response to OCA 1-43, Attachment OCA 1-43.a, and the response to part b. below.
b. For short-term incentives, Company performance is measured based on the following criteria: Efficiency, Stakeholders, Business Processes, and People. Each criteria is assigned weights which are used to calculate an overall blended score and the scorecard bonus payout. The bonus payout amount is not broken down for each criteria, only a single amount is determined using an overall blended score.

   The long term incentive plan works the same way. We have three factors: Efficiency, Safety, and Customer Service, with assigned weights which we use to arrive at an overall score. The overall score determines the payout. The payout is not broken down by each criteria.

Exhibit BCO-10

Docket No. DE 19-064

OCA TS 2-12

New Hampshire Office of the Consumer Advocate

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

DE 19-064
Distribution Service Rate Case

OCA Technical Session Data Requests - Set 2

Date Request Received: 10/22/19
Request No. OCA TS 2-12

Date of Response: 11/5/19
Respondent: Philip E. Greene
David B. Simek

REQUEST:

Perhaps another data request with this information has been provided to OCA and overlooked, but the response to OCA TS 1-18, at Attachment OCA TS 1-18.e.3, shows the most recent/latest written LTIP plan/policy as the “2015 LTIP” (for performance periods 2015 to 2017). Explain if the Company provided the 2016 to 2019 written Plans, and cite to these Plans at other data requests or provide these Plans. For example, OCA 7-17 Attachment 7-17.c show the “2018 Bonus Plan Changes”, but this does not seem to be the “2018 LTIP” in the same format as the “2015 LTIP” document, and it doesn’t show specific EBITDA target “amounts/dollars” for 2018.

RESPONSE:

Attachment OCA TS 1-18.e.3 is not a copy of the most recent/latest written LTIP plan policy. Rather, as stated in the response to OCA TS 1-18, part e., that document was a “sample award letter” for the 2015 LTIP. The most recent version of the LTIP Plan is the document that was provided in the Puc 1604 filing requirements and located at Bates I-153 through Bates I-173. That document has a most recent revision date of June 8, 2017. The LTIP Plan has not changed since that time.

Additional information for the LTIP for the years 2016 through 2018 can be found in the sample award letters provided in Attachment OCA TS 2-12.1 through Attachment OCA TS 2-12.3, respectively.

The reference to Attachment OCA 7-17.c. is not relevant to LTIP as that document was related to STIP.

PRIVATE & CONFIDENTIAL

November 2016

FIRSTNAME LASTNAME

Re: 2016 Long Term Incentive Program ("LTIP")

Dear FIRST NAME

Congratulations. We are pleased to confirm your participation in the LTIP. The purpose of this award agreement (this "Award Agreement") is to advise you of the specifics of your LTIP award.

Capitalized terms utilized but not defined herein shall take the meanings ascribed thereto in "Performance Share Unit Plan for Employees of Algonquin Power & Utilities Corp. and its Participating Affiliates" (the "Plan") attached hereto as Appendix B.

The following terms shall be applicable to the PSU award set out under this Award Agreement.

Award Date:	January 1, 2016
Award Value:	CDN$10,000
Award PSUs:	VALUE PSUs (based on Market Value of $11.07 as at January 1, 2016)
Performance Period:	January 1, 2016 through December 31, 2018
Performance Adjustment Factor:	[Safety Achievement Factor + Customer Service Achievement Factor + Efficiency Achievement Factor] With each of the above noted factors calculated in accordance with Appendix A hereto.

This Award Agreement, together with Appendix A and Appendix B constitute the entire agreement with respect to this long term incentive program award. In the event of any conflict or inconsistency between the terms and conditions of this Award Agreement and the Plan, the terms and conditions of this Award Agreement shall prevail.

To acknowledge your acceptance of the terms of this Award Agreement and the grant of PSUs as set out in this Award Agreement and the Plan, please sign both copies of this Award Agreement and return one copy. You should keep the other copy for your records. <u>The terms of this Award Agreement including the terms of the Plan are considered confidential information within the meaning of the confidentiality policies in force and effect in APUC and each of its subsidiaries and must be treated as confidential in the manner required by such policies.</u>

This Award Agreement shall be governed and interpreted in accordance with the laws of the Province of Ontario.

We are grateful for your contributions to our success and are excited about the opportunity to build value over the coming years. If you have any questions about this letter describing our long term incentive program or the Plan, please contact Human Resources.

EMPLOYEE	**ALGONQUIN POWER & UTILITIES CORP.**
______________________________	______________________________
FIRSTNAME LASTNAME	By: Chief Executive Officer
______________________________	
Date Signed	

APPENDIX A – LTIP Scorecard Achievement Factors

a) Safety Achievement Factor (10%):

The Safety Achievement Factor will be calculated as set out in the table below based on the ratio of the average of the actual United States Occupational Safety and Health Administration (OSHA) recordable incident rate on a consolidated basis across all businesses operated by Algonquin Power & Utilities Corp. over the Performance Period divided by the industry average OSHA Recordable Incident Rate (“Industry RIR”) over the same period. The Industry RIR will be calculated as the EBITDA weighted average Industry RIRs for each of the business groups of Algonquin Power & Utilities Corp.

Average Actual OSHA Recordable Incident Rate / Average Industry Average OSHA RIR	Safety Achievement Factor
Less than 0.70	0.200
Between 0.70 and 0.79	0.110
Between 0.80 and 0.94	0.105
Between 0.95 and 1.04	0.100
Between 0.105 and 1.19	0.095
Between 1.20 and 1.29	0.090
Greater than 1.30	0.000

b) Customer Service Achievement Factor (5%):

The Customer Service Achievement Factor will be calculated as set out in the table below based on the average of the measured overall customer satisfaction index of the Distribution business group of Algonquin Power & Utilities Corp. divided by the customer satisfaction target for each year comprising the Performance Period.

Average Overall Customer Satisfaction Scores	Customer Satisfaction Achievement Factor
<=50%	0.025
> 50% and <= 60%	0.030
> 60% and <= 70%	0.035
> 70% and <= 80%	0.040
> 80% and <= 90%	0.045
> 90% and <= 110%	0.050
> 110% and <= 120%	0.055
> 120% and <= 130%	0.060
> 130% and <= 140%	0.065
> 140% and <= 150%	0.070
> 150%	0.075

c) Efficiency Achievement Factor (85%):

Efficiency Achievement Factor will be calculated as the arithmetic average of the number of 'points' achieved for the 'Efficiency' category set out in the Algonquin Power & Utilities Corp. corporate scorecard for each year of the Performance Period.

Average Efficiency Acheivement	Efficiency Factor
<=0.000	0.000
> 0 and <= 20	0.170
> 20 and <= 40	0.340
> 40 and <= 60	0.510
> 60 and <= 80	0.680
> 80 and <= 120	0.850
> 120 and <= 140	1.020
> 140 and <= 160	1.190
> 160 and <= 180	1.360
> 180 and <= 200	1.530
> 200	1.700

APPENDIX B – Performance Share Unit Plan for Employees for Algonquin Power & Utilities Corp. and its Participating Affiliates

PRIVATE & CONFIDENTIAL

June 2017

«First_Name» «Last_Name»

Re: 2017 Long Term Incentive Retention Program (“LTIP”)

Dear «First_Name»,

Congratulations. We are pleased to confirm your participation in the 2017 LTIP.

As communicated earlier, the Company has made some significant changes to the 2017 LTIP new discretionary program to recognize and compensate the extraordinary work being completed. The new program provides increased award targets, which ultimately provides a potential increase in your total compensation.

The purpose of this award agreement (this “Award Agreement”) is to advise you of the specifics of the Retention Element of your LTIP award.

Capitalized terms utilized but not defined herein shall take the meanings ascribed thereto in Performance Share Unit (“PSU”) Plan for Employees of Algonquin Power & Utilities Corp. and its Participating Affiliates” (the “Plan”) attached hereto as Appendix B.

The following terms shall be applicable to the PSU award set out under this Award Agreement.

Award Date:	January 1, 2017
AwardValue:	_2017_Award_Value_US_Employees_in_CAD_» (this represents «M_2017_LTIP_Percentage» of your U.S. base salary as of January 1, 2017, converted with an exchange rate of $1.34)
Award PSUs:	«M_2017_Award_PSUs» PSUs (based on Market Value of CDN$xx as at January 1, 2017)
Performance Period:	January 1, 2017 through December 31, 2019
Performance Adjustment Factor:	[Safety Achievement Factor + Customer Service Achievement Factor + Efficiency Achievement Factor] With each of the above noted factors calculated in accordance with Appendix A hereto.
Performance Modifier:	The Performance Adjustment Factor will be modified

by the relative total shareholder return ("TSR") of APUC achieved during the performance period relative to the TSR performance of the TSX Capped Utilities Index over the same period. The modifier will adjust the performance adjustment factor between 80% and 120% depending on the relative TSR performance of APUC as more particularly described in Appendix C.

This Award Agreement, together with Appendix A, Appendix B, and Appendix C constitute the entire agreement with respect to this long term incentive program award. In the event of any conflict or inconsistency between the terms and conditions of this Award Agreement and the Plan, the terms and conditions of this Award Agreement shall prevail.

To acknowledge your acceptance of the terms of this Award Agreement and the grant of PSUs as set out in this Award Agreement and the Plan, please sign both copies of this Award Agreement and return one copy. You should keep the other copy for your records. <u>The terms of this Award Agreement, including the terms of the Plan, are considered confidential information within the meaning of the confidentiality policies in force and effect in APUC and each of its subsidiaries and must be treated as confidential in the manner required by such policies.</u>

This Award Agreement shall be governed and interpreted in accordance with the laws of the Province of Ontario.

We are grateful for your contributions to our success and are excited about the opportunity to build value over the coming years. If you have any questions about this letter describing our long term incentive program or the Plan, please contact Human Resources.

Please review and sign both copies of the document and return one signed copy to Angela Law, Total Rewards Coordinator.

EMPLOYEE	**ALGONQUIN POWER & UTILITIES CORP.**
______________________________	______________________________
«First_Name» «Last_Name»	By: Chief Executive Officer
______________________________	
Date Signed	

APPENDIX A – LTIP Scorecard Achievement Factors

a) Safety Achievement Factor (10%):

The Safety Achievement Factor will be calculated as set out in the table below based on the ratio of the average of the actual United States Occupational Safety and Health Administration (OSHA) recordable incident rate on a consolidated basis across all businesses operated by Algonquin Power & Utilities Corp. over the Performance Period divided by the published industry average OSHA Recordable Incident Rate ("Industry RIR") over the same period. The most recent published average will be used for the third year. The Industry RIR will be calculated as the EBITDA weighted average Industry RIRs for each of the business groups of Algonquin Power & Utilities Corp.

Average Actual OSHA Recordable Incident Rate / Average Industry Average OSHA RIR	Safety Achievement Factor
Less than 0.70	0.200
Between 0.70 and 0.79	0.110
Between 0.80 and 0.94	0.105
Between 0.95 and 1.04	0.100
Between 0.105 and 1.19	0.095
Between 1.20 and 1.29	0.090
Greater than 1.30	0.000

b) Customer Service Achievement Factor (5%):

The Customer Service Achievement Factor will be calculated as set out in the table below based on the average of the measured overall customer satisfaction index of the Distribution business group of Algonquin Power & Utilities Corp. divided by the customer satisfaction target for each year comprising the Performance Period.

Average Overall Customer Satisfaction Scores	Customer Satisfaction Achievement Factor
< 50%	0
= 50%	0.025
> 50% and < = 60%	0.030
> 60% and < = 70%	0.035
> 70% and < = 80%	0.040
> 80% and < = 90%	0.045
> 90% and < = 110%	0.050
> 110% and < = 120%	0.055
> 120% and < = 130%	0.060
> 130% and < = 140%	0.065
> 140% and < = 150%	0.070
> 150%	0.075

c) Efficiency Achievement Factor (85%):

Efficiency Achievement Factor will be calculated as the arithmetic average of the number of 'points' achieved for the 'Efficiency' category set out in the Algonquin Power & Utilities Corp. corporate scorecard for each year of the Performance Period.

Average Efficiency Achievement	Efficiency Factor
< = 0	0
> 0 and < = 20	0.170
> 20 and < = 40	0.340
> 40 and < = 60	0.510
> 60 and < = 80	0.680
> 80 and < = 120	0.850
> 120 and < = 140	1.020
> 140 and < = 160	1.190
> 160 and < = 180	1.360
> 180 and < = 200	1.530
> 200	1.700

APPENDIX B – Performance Share Unit Plan for Employees for Algonquin Power & Utilities Corp. and its Participating Affiliates

APPENDIX C – Performance Adjustment Factor

PRIVATE & CONFIDENTIAL

June 2017

«First_Name» «Last_Name»

Re: 2017 Long Term Incentive Recognition Program (“LTIP”)

Dear «First_Name»,

Congratulations. We are pleased to inform you that you have been awarded a 2017 LTIP Recognition Award for your exceptional contribution during 2016.

As communicated earlier, the Company has made some significant changes to the 2017 LTIP new discretionary program to recognize and compensate the extraordinary work being completed. The purpose of this award agreement (this “Award Agreement”) is to advise you of the Recognition Element of your LTIP award.

The intention of the new Recognition Element is to raise a spotlight on those who have exceeded expectations. The Recognition Element is also awarded based on your Award Group, which is determined by the region you are located in. Using the recommendation and rationale provided by your manager, your award recognition level is calibrated and finalized by the APUC committee.

Capitalized terms utilized but not defined herein shall take the meanings ascribed thereto in Performance Share Unit (“PSU”) Plan for Employees of Algonquin Power & Utilities Corp. and its Participating Affiliates” (the “Plan”) attached hereto as Appendix B.

The following terms shall be applicable to the PSU award set out under this Award Agreement.

Award Date:	January 1, 2017
Award Group:	«M_2017_Recognition_Region»
Award Recognition Level:	«M_2017_Recognition_Element»
Award Value:	CDN«M_2017_Recognition_Award_Value_»
Award PSUs:	«M_2017_Recognition_Award_PSUs» PSUs (based on Market Value of CDN$xx as at January 1, 2017)
Performance Period:	January 1, 2017 through December 31, 2019

This Award Agreement, together with the information provided in the Retention Element of your LTIP award, constitute the entire agreement with respect to this long term incentive program award. In the event of any conflict or inconsistency between the terms and conditions of this Award Agreement and the Plan, the terms and conditions of this Award Agreement shall prevail.

To acknowledge your acceptance of the terms of this Award Agreement and the grant of PSUs as set out in this Award Agreement and the Plan, please sign both copies of this Award Agreement and return one copy. You should keep the other copy for your records. The terms of this Award Agreement, including the terms of the Plan, are considered confidential information within the meaning of the confidentiality policies in force and effect in APUC and each of its subsidiaries and must be treated as confidential in the manner required by such policies.

This Award Agreement shall be governed and interpreted in accordance with the laws of the Province of Ontario.

We are grateful for your contributions to our success and are excited about the opportunity to build value over the coming years. If you have any questions about this letter describing our long term incentive program or the Plan, please contact Human Resources.

Please review and sign both copies of the document and return one signed copy to Angela Law, Total Rewards Coordinator.

EMPLOYEE

____
«First_Name» «Last_Name»

____
Date Signed

ALGONQUIN POWER & UTILITIES CORP.

____
By: Chief Executive Officer

PRIVATE & CONFIDENTIAL

May 2018

«Common_Name» «Employee_Last_Name»

Re: 2018 Long Term Incentive Retention Program ("LTIP")

Dear «Common_Name»,

Congratulations. We are pleased to confirm your participation in the 2018 LTIP.

The 2018 LTIP discretionary program was developed to recognize and compensate the extraordinary work being completed.

The purpose of this award agreement (this "Award Agreement") is to advise you of the specifics of the Retention Element of your LTIP award.

Capitalized terms utilized but not defined herein shall take the meanings ascribed thereto in Performance Share Unit ("PSU") Plan for Employees of Algonquin Power & Utilities Corp. and its Participating Affiliates" (the "Plan") attached hereto as Appendix B.

The following terms shall be applicable to the PSU award set out under this Award Agreement.

Award Date:	January 1, 2018
Award Value:	CDN «M_2018_Reten_Award_Value_US_EEs_in_CAD_» (this represents «M_2018_LTIP_» of your U.S. base salary as of January 1, 2018, converted with an exchange rate of $1xxxx)
Award PSUs:	«M_2018_Award_PSUs_in_CAD» PSUs (based on Market Value of CDN $xxx as at January 1, 2018)
Performance Period:	January 1, 2018 through December 31, 2020
Performance Adjustment Factor:	[Safety Achievement Factor + Customer Service Achievement Factor + Efficiency Achievement Factor] With each of the above noted factors calculated in accordance with Appendix A hereto.
Performance Modifier:	The Performance Adjustment Factor will be modified by the relative total shareholder return ("TSR") of APUC achieved during the performance period relative to the TSR performance of the TSX Capped Utilities Index over the same period. The modifier will adjust the performance adjustment factor between 80% and 120% depending on the relative TSR performance of APUC as more particularly

described in Appendix C.

This Award Agreement, together with Appendix A, Appendix B, and Appendix C constitute the entire agreement with respect to this long term incentive program award. In the event of any conflict or inconsistency between the terms and conditions of this Award Agreement and the Plan, the terms and conditions of this Award Agreement shall prevail.

To acknowledge your acceptance of the terms of this Award Agreement and the grant of PSUs as set out in this Award Agreement and the Plan, please sign both copies of this Award Agreement and return one copy. You should keep the other copy for your records. <u>The terms of this Award Agreement, including the terms of the Plan, are considered confidential information within the meaning of the confidentiality policies in force and effect in APUC and each of its subsidiaries and must be treated as confidential in the manner required by such policies.</u>

This Award Agreement shall be governed and interpreted in accordance with the laws of the Province of Ontario.

We are grateful for your contributions to our success and are excited about the opportunity to build value over the coming years. If you have any questions about this letter describing our long term incentive program or the Plan, please contact Human Resources.

Please review and sign both copies of the document and return one signed copy to Angela Law, Total Rewards Coordinator.

EMPLOYEE	**ALGONQUIN POWER & UTILITIES CORP.**
______________________________	______________________________
«Common_Name» «Employee_Last_Name»	By: Chief Executive Officer
______________________________	
Date Signed	

APPENDIX A – LTIP Scorecard Achievement Factors

a) Safety Achievement Factor (10%):

The Safety Achievement Factor will be calculated as set out in the table below based on the ratio of the average of the actual United States Occupational Safety and Health Administration (OSHA) recordable incident rate on a consolidated basis across all businesses operated by Algonquin Power & Utilities Corp. over the Performance Period divided by the published industry average OSHA Recordable Incident Rate ("Industry RIR") over the same period. The most recent published average will be used for the third year. The Industry RIR will be calculated as the EBITDA weighted average Industry RIRs for each of the business groups of Algonquin Power & Utilities Corp.

Average Actual OSHA Recordable Incident Rate / Average Industry Average OSHA RIR	Safety Achievement Factor
Less than 0.70	0.200
Between 0.70 and 0.79	0.110
Between 0.80 and 0.94	0.105
Between 0.95 and 1.04	0.100
Between 0.105 and 1.19	0.095
Between 1.20 and 1.29	0.090
Greater than 1.30	0.000

b) Customer Service Achievement Factor (5%):

The Customer Service Achievement Factor will be calculated as set out in the table below based on the average of the measured overall customer satisfaction index of the Distribution business group of Algonquin Power & Utilities Corp. divided by the customer satisfaction target for each year comprising the Performance Period.

Average Overall Customer Satisfaction Scores	Customer Satisfaction Achievement Factor
< 50%	0
= 50%	0.025
> 50% and < = 60%	0.030
> 60% and < = 70%	0.035
> 70% and < = 80%	0.040
> 80% and < = 90%	0.045
> 90% and < = 110%	0.050
> 110% and < = 120%	0.055
> 120% and < = 130%	0.060
> 130% and < = 140%	0.065
> 140% and < = 150%	0.070
> 150%	0.075

c) Efficiency Achievement Factor (85%):

Efficiency Achievement Factor will be calculated as the arithmetic average of the number of ‘points’ achieved for the ‘Efficiency’ category set out in the Algonquin Power & Utilities Corp. corporate scorecard for each year of the Performance Period.

Average Efficiency Achievement	Efficiency Factor
< = 0	0
> 0 and < = 20	0.170
> 20 and < = 40	0.340
> 40 and < = 60	0.510
> 60 and < = 80	0.680
> 80 and < = 120	0.850
> 120 and < = 140	1.020
> 140 and < = 160	1.190
> 160 and < = 180	1.360
> 180 and < = 200	1.530
> 200	1.700

APPENDIX B – Performance Share Unit Plan for Employees for Algonquin Power & Utilities Corp. and its Participating Affiliates

APPENDIX C – Performance Adjustment Factor

The Total Shareholder Return (TSR) Modifier will be calculated as set out below, based on the Company's TSR relative to the TSR of a peer group of companies selected by the Company. For the 2018 PSU Awards the selected peer group comprises the companies in the S&P/TSX Capped Utilities Index. The TSR Modifier will be applied to adjust the number of PSUs that Vest based upon the return achieved by shareholders of the Company over the Performance Period in order to promote further alignment between employees and shareholders of the Company. Depending on the Company's TSR relative to the selected peer group, the number of Vested PSUs may be higher or lower than it would be if based solely on the factors set out in paragraphs (a), (b) and (c) of this Appendix A.

Total Shareholder Return (TSR) is defined as the change in the total value of equity investment, taking into account the change in price and the reinvestment of distributions. The TSR Modifier will be calculated as follows:

Performance Level	TSR Ranking vs. Performance Peer Group	Performance Modifier*
Below Threshold / Threshold	*≤ P25*	*80%*
Target	*P26 to P74*	*100%*
Maximum	*≥ P75*	*120%*

**The Performance Modifier when performance is between the Threshold and Target and Target and Maximum will be interpolated on a linear basis*

TSR ranking will be calculated based on cumulative 3-yr TSR over the performance period, and will be based upon the 20-day volume weighted average trading price (VWAP) of the publicly listed common shares of the relevant company at the beginning and ending of the performance period – e.g. for the 2018 PSUs, the starting price will be calculated as the 20-day VWAP on the first trading day of 2018, and the ending price will be calculated as the 20-day VWAP on the final trading day of 2020.

PRIVATE & CONFIDENTIAL

May 2018

«Common_Name» «Employee_Last_Name»

Re: 2018 Long-Term Incentive Recognition Program ("LTIP")

Dear «Common_Name»,

Congratulations! We are pleased to inform you that you have been awarded a 2018 LTIP Recognition Award for your exceptional contribution during 2017.

The purpose of this award agreement is to advise you of the Recognition Element of your LTIP award and to thank you for all your hard work. We attribute our company's continued success to the contributions of employees like you. This LTIP Recognition Award is one of the ways weshow our appreciation of your hard work.

The Recognition Element is also awarded based on your Award Group, which is determined by the region you are located in. Using the recommendation and rationale provided by your manager, your award recognition level is calibrated and finalized by the APUC committee.

Capitalized terms utilized but not defined herein shall take the meanings ascribed to it in Performance Share Unit ("PSU") Plan for Employees of Algonquin Power & Utilities Corp. and its Participating Affiliates" (the "Plan") attached as Appendix B.

The following terms shall apply to the PSU award set out under this Award Agreement.

Award Date:	January 1, 2018
Award Recognition Level:	«M_2018_Recognition_Award»
Award Value:	CDN «M_2018_Rec_Award_US_Employees_in_CAD__» (converted with an exchange rate of $xxxx)
Award PSUs:	«M_2018_Recognition_Award_PSUs_in_CAD» PSUs (based on Market Value of CDN $xxx as at January 1, 2018)
Performance Period:	January 1, 2018, through December 31, 2020

This Award Agreement, together with the information provided in the Retention Element of your LTIP award, constitute the entire agreement concerning this long-term incentive program award. In the event of any conflict or inconsistency between the terms and conditions of this Award Agreement and the Plan, the terms and conditions of this Award Agreement shall prevail.

To acknowledge your acceptance of the terms of this Award Agreement and the grant of PSUs as set out in this Award Agreement and the Plan, please sign both copies of this Award Agreement and return one copy. You should keep the other copy for your records. <u>The terms of this Award Agreement, including the terms of the Plan, are considered confidential information within the meaning of the confidentiality policies in force and effect in APUC and each of its subsidiaries and must be treated as confidential in the manner required by such policies.</u>

This Award Agreement shall be governed and interpreted in accordance with the laws of the Province of Ontario.

We are grateful for your contributions to our success and are excited about the opportunity to continue to build value over the coming years. If you have any questions about this letter describing our long-term incentive program or the Plan, please contact Human Resources.

Please review and sign both copies of the document and return one signed copy to Angela Law, Total Rewards Coordinator.

EMPLOYEE	**ALGONQUIN POWER & UTILITIES CORP.**
______________________________	______________________________
«Common_Name» «Employee_Last_Name»	By: Chief Executive Officer
______________________________	
Date Signed	

Exhibit BCO-11

Docket No. DE 19-064

OCA TS 1-15

New Hampshire Office of the Consumer Advocate

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

DE 19-064
Distribution Service Rate Case

OCA Technical Session Data Requests - Set 1

Date Request Received: 8/21/19
Request No. OCA TS 1-15

Date of Response: 9/11/19
Respondent: Philip E. Greene
David B. Simek

REQUEST:

Regarding LTIP (Performance Share Units "PSUs" and Restricted Share Units (RSUs), the Company's response to OCA 1-43.a states, "The LTIP increase from calendar year 2016 to calendar year 2017 is based on an increase in the total number of shares granted. The number of LTIP shares granted is approved by the compensation committee and the board of directors and is based on Company performance and the number of qualified employees." In addition, Puc 1604.01(a)(15)(c), pages 13 and 14 of 21 (included with the Company's filing) provides for payment of related Vested PSUs or Vested RSUs via the earliest of two possible dates, 1) payment in shares (Section 7.4); or 2) payment in cash (Section 7.5).
Regarding payment in shares, the LTIP plan states, "Subject to Section 10.10, in the event that such Vested PSUs or Vested RSUs have been designated by the Committee for settlement by way of the delivery of Shares bought on the open market, such Shares shall be delivered no later than the earlier of (i) the date that is six (6) months following the last day of the Performance Period….or (ii) December 31 of the third year following the year in which the Participant performed the services to which the Vested PSUs or Vested RSUs relate."

Regarding payment in cash, the LTIP plan states, "In the event that a Participant's Vested PSUs or RSUs have not been designated by the Committee for settlement in Shares, the Participant or his legal representative, as applicable, shall receive a cash payment equal to: (i) in the case of PSUs, the Market Value determined as of the last day of the Performance Period multiplied by the number of Vested PSUs credited to his PSU Account as of the last day of such Performance Period…and (ii) in the case of RSUs, the Market Value determined as of the Vesting Date of such RSUs multiplied by the number of Vested RSUs credited to his Account as of the Vesting Date… Subject to Section 10.10, the cash payment shall be made to the Participant or his legal representative, as applicable, in a single lump sum no later than the earlier of (i) the date that is six (6) months following the last day of the Performance Period….or (ii) December 31 of the third year following the year in which the Participant performed the services to which the Vested PSUs or Vested RSUs relate." Address the following:

a. For each of the categories of PSUs and RSUs, and for each of the years 2015 to 2019, explain and show how the related dollar amounts are recorded on the Company's books by account number and account description (and provided the related total number of

PSU and RSU share reflected in these booked amounts), and show the allocation factors used and amounts allocated/assigned to Liberty New Hampshire for each of these years, and explain and show the related amounts included in this rate case.

b. Regarding (a) above, explain and show how the amounts of PSUs and RSUs are recorded on the books (and provide the related number of PSU and RSU shares) while these amounts are being “accrued” (prior to payment in cash or shares), and explain and show how the amounts for PSUs and RSUs are recorded on the books (and provide the related number of PSUs and RSUs) when “payment” is actually made (and explain and show how the accounting on the books varies depending upon payment in shares or in cash).

c. Regarding (a) and (b) above, for each of the years 2015 to 2019, provide a schedule that shows the number of PSU and RSU shares (and value/amount) for each year of the three-year cycle (payment in cash or shares is made three years following year in which Participant performed the services to which Vested PSUs or RSUs relate). For example, if there are a total of 5,000 PSU shares and 7,000 RSU shares at December 31, 2015, provide: i) the number of PSU and RSU shares (and their value) that are in year 1 of the 3-year cycle at December 31, 2015 (and were in the first year of which the Participant performed the services for the related PSU/RSU); ii) the number of PSU and RSU shares (and their value) that are in year 2 of the 3-year cycle; and iii) the number of PSU and RSU shares (and their value) that were in their third year at December 31, 2015 (and which were subsequently paid in cash or shares).

d. Regarding (a), (b), and (c) above, reconcile the expenses for LTIP for years 2015 to 2018 to amounts provided at the Company response to OCA 1-43.a.

e. For PSUs and RSUs for 2015 to 2018, explain how the number of shares and the related dollar value of these shares changed from year-to-year based on both: i) “Company performance”; and ii) “number of qualified employees” as cited in the response to 1-43.a.

f. For each of the years 2015 to 2018, when PSU and RSU shares were paid (paid either in shares or in cash), provide the “performance adjustment factor” (Puc 1604.01(a)(15)(c), p. 5 of 21 of the Company filing)) that is applied to the PSU and RSU payment and provide related supporting calculations, and explain why the performance adjustment factor was adjusted “up” or “down.”

RESPONSE:

a. The quarterly entry is shown below:

Quarterly entry

	Account number	Account description
Debit	8830-2-0000-69-7030-9200	LTIP expense
Credit	8810-2-0000-20-2810-2596	Due from APUC

- The cost of the PSU/RSU is measured as the number of PSU/RSU vested, multiplied by the performance factor, multiplied by the fair value of Algonquin Power & Utilities Corp.’s common share on the grant date. The cost is recognized over the vesting period of three years.

- Cost of PSU/RSU granted to employees in New Hampshire is allocated 30% to Granite State and 70% to EnergyNorth. Cost of PSU/RSU granted to employees located in shared services are allocated to Liberty New Hampshire based on the CAM of that entity.

b. For the accrual, the budgeted cost of LTIP is recorded on a monthly basis. On a quarterly basis, the number of awards estimated to vest is calculated by adjusting the number of awards granted by a forfeiture factor of 10% and the performance factor is updated for the latest estimate. The expense is adjusted for the total estimated costs-to-date every quarter.

   For the payment, employees forfeit their awards when they leave the company before the three year vesting period. When a grant has vested, the final performance factor is calculated and applied to the actual number of awards vested. The expense is adjusted to the final cost. All PSU/RSU settled in these years were settled in shares.

   The recorded accrual and payment amounts are found under the Summary – Award and Expense tab within Attachment OCA TS 1-15.b.xlsx.

c. Please see the Summary – Award and Expense tab within Attachment OCA TS 1-15.b.xlsx for three years of 2015 and 2016 grants. Please note that there will only be two years and one year of data for 2017 and 2018 grants, respectively. Cycle year is indicated in Column B.

d. Please see the Summary – Award and Expense tab column I within Attachment OCA TS 1-15.b.xlsx.

e. Please see the Summary – Award and Expense tab columns J through P within Attachment OCA TS 1-15.b.xlsx for the number of shares and eligible employees for each grant year as well as the performance factors and the grant price of the APUC shares on the grant date.

f. The performance factor is determined based on the Company's performance across three areas: efficiency, customer service, and safety. Please see Attachment OCA TS 1-15.f.xlsx for the supporting calculations of each year's performance factor used upon payout.

LTIP
2016-YTD 2019

Sum of Net		Year				
Account Number	**Account Description**	**2016**	**2017**	**2018**	**YTD 2019**	**Grand Total**
8830-2-0000-69-7030-9200	LTIP Expense	34,963.20	100,633.13	-		135,596.33
8830-2-9810-69-7030-9200	LTIP Expense			98,498.12	30,441.59	128,939.71
Grand Total		**34,963.20**	**100,633.13**	**98,498.12**	**30,441.59**	**264,536.04**

LTIP
in USD

Quarterly Expense

2015

Grant	Year in Cycle	Q1	Q2	Q3	Q4	Total
2012 Grant	Settlement adj			$ 22,961		
2013 Grant	Year 3	$ 34,562	$ 34,562	$ 26,331	$ 32,743	
2014 Grant	Year 2	$ 14,329	$ 16,551	$ 12,609	$ 15,680	
2015 Grant	Year 1		$ 10,700	$ 21,521	$ 22,084	
LUC LTIP expense	CAD	$ 48,891	$ 61,813	$ 83,421	$ 70,507	**$ 264,633**
LUC allocation to Granite	CAD	$ 5,876	$ 7,211	$ 9,731	$ 8,225	$ 31,043
2012 Grant	Settlement adj			$ 35,223		
2013 Grant	Year 3	$ 14,695	$ 14,695	$ 11,195	$ 13,921	
2014 Grant	Year 2	$ 30,103	$ 27,881	$ 21,241	$ 26,414	
2015 Grant	Year 1		$ 11,800	$ 23,734	$ 24,355	
LABS LTIP expense	CAD	$ 44,798	$ 54,377	$ 91,393	$ 64,690	**$ 255,258**
LABS allocation to Granit	CAD	$ 4,241	$ 4,990	$ 8,047	$ 5,811	$ 23,088
2012 Grant	Settlement adj			$ -		
2013 Grant	Year 3	$ 115,536	$ 115,536	$ 88,019	$ 109,455	
2014 Grant	Year 2	$ 75,429	$ 75,429	$ 57,465	$ 71,459	
2015 Grant	Year 1		$ 14,720	$ 29,606	$ 41,491	
APUC LTIP expense	CAD	$ 190,965	$ 205,684	$ 175,090	$ 222,405	**$ 794,144**
APUC allocation to Gra	CAD	$ 19,323	$ 18,669	$ 15,892	$ 16,354	$ 70,238
2013 Grant	Year 3	$ 8,639	$ 8,639	$ 6,581	$ 8,184	$ 32,043
2014 Grant	Year 2	$ 14,228	$ 14,228	$ 10,840	$ 13,479	$ 52,776
2015 Grant	Year 1	$ -	$ 5,326	$ 10,711	$ 10,991	$ 27,028
NH LTIP expense		$ 12,005	$ 28,193	$ 28,132	$ 32,655	**$ 100,985**
Granite State LTIP exper	30%	$ 3,602	$ 8,458	$ 8,440	$ 9,796	$ 30,295
2013 Grant	Year 3	6,680	6,680	6,680	6,680	
2014 Grant	Year 2	18,967	18,967	18,967	18,967	
2015 Grant	Year 1	-	15,998	15,998	15,998	
NH # PSUs included		25,647	41,645	41,645	41,645	

2016

Grant	Year in Cycle	Q1	Q2	Q3	Q4	Total			
2013 Grant	Settlement adj		$ -						
2014 Grant	Year 3	$ 15,154	$ 15,154	$ 15,154	$ 15,154				
2015 Grant	Year 2	$ 22,084	$ 21,651	$ 21,651	$ 21,651				
2016 Grant	Year 1		$ 4,385	$ 18,883	$ 18,883				
LUC LTIP expense	CAD	$ 37,238	$ 41,190	$ 55,688	$ 55,688	**$ 189,804**			
LUC allocation to Granite	CAD	$ 3,594	$ 3,731	$ 5,044	$ 5,044	$ 17,413			
2013 Grant	Settlement adj		$ -						
2014 Grant	Year 3	$ 29,045	$ 29,045	$ 29,045	$ 29,045				
2015 Grant	Year 2	$ 28,685	$ 28,685	$ 28,685	$ 28,685				
2016 Grant	Year 1		$ 7,646	$ 32,924	$ 32,924				
LABS LTIP expense	CAD	$ 57,730	$ 65,375	$ 90,654	$ 90,654	**$ 304,413**			
LABS allocation to Granit	CAD	$ 4,152	$ 4,522	$ 6,213	$ 6,213	$ 21,099			
2013 Grant	Settlement adj		$ -						
2014 Grant	Year 3	$ 71,459	$ 71,459	$ 71,459	$ 71,459				
2015 Grant	Year 2	$ 38,714	$ 38,714	$ 38,714	$ 38,714				
2016 Grant	Year 1		$ 17,803	$ 76,665	$ 76,665				
APUC LTIP expense	CAD	$ 110,172	$ 127,976	$ 186,838	$ 186,838	**$ 611,824**			
APUC allocation to Gra	CAD	$ 6,703	$ 7,478	$ 10,918	$ 10,918	$ 36,016			
2013 Grant	Settlement adj		$ -						
2014 Grant		$ 13,479	$ 13,479	$ 13,479	$ 13,479	$ 53,918			
2015 Grant	Year 3	$ 10,991	$ 10,991	$ 10,991	$ 10,991	$ 43,966			
2016 Grant	Year 2	$ -	$ 1,941	$ 8,360	$ 8,360	$ 18,660			
NH LTIP expense	Year 1	$ 24,471	$ 26,412	$ 32,830	$ 32,830	**$ 116,544**	Per GL	Difference	
Granite State LTIP exper	30%	$ 7,341	$ 7,924	$ 9,849	$ 9,849	$ 34,963	34,963	$	(0)
2014 Grant	Year 3	18,967	18,967	18,967	18,967				
2015 Grant	Year 2	15,998	15,998	15,998	15,998				
2016 Grant	Year 1	-	7,667	7,667	7,667				
NH # PSUs included		34,965	42,632	42,632	42,632				

2017

Grant	Year in Cycle	Q1	Q2	Q3	Q4	Total
2014 Grant	Settlement adj	76,713				
2015 Grant	Year 3	$ 21,698	$ 28,891	$ 28,991	$ 145,156	
2016 Grant	Year 2	$ 18,904	$ 25,329	$ 25,303	$ 77,816	
2017 Grant	Year 1		$ 23,631	$ 52,813	$ 52,813	
LUC LTIP expense	CAD	$ 117,316	$ 77,851	$ 107,107	$ 275,785	**$ 578,059**
LUC allocation to Granite	CAD	$ 6,196	$ 4,212	$ 5,950	$ 15,320	$ 31,677
2014 Grant	Settlement adj	147,030				
2015 Grant	Year 3	$ 28,748	$ 38,277	$ 42,223	$ 211,406	
2016 Grant	Year 2	$ 32,961	$ 44,164	$ 52,255	$ 160,703	
2017 Grant	Year 1		$ 15,932	$ 99,509	$ 99,509	

LABS LTIP expense	CAD	$ 208,738	$ 98,373	$ 193,987	$ 471,618	**$ 972,716**		
LABS allocation to Granit	CAD	$ 9,340	$ 4,504	$ 9,097	$ 22,117	$ 45,058		
2014 Grant	Settlement adj	$ 361,737						
2015 Grant	Year 3	$ 38,780	$ 87,081	$ 49,274	$ 220,331			
2016 Grant	Year 2	$ 76,751	$ 102,837	$ 93,354	$ 287,096			
2017 Grant	Year 1		$ 225,923	$ 210,941	$ 210,941			
APUC LTIP expense	CAD	$ 477,268	$ 415,840	$ 353,569	$ 718,368	**$ 1,965,047**		
APUC allocation to Gra	CAD	$ 20,049	$ 17,758	$ 15,434	$ 31,358	$ 84,598		
2014 Grant	Settlement adj	$ 68,236	$ -	$ -	$ -	$ 68,236		
2015 Grant	Year 3	$ 11,015	$ 14,667	$ 42,488	$ 45,920	$ 114,091		
2016 Grant	Year 2	$ 8,369	$ 11,213	$ 20,256	$ 25,396	$ 65,234		
2017 Grant	Year 1	$ -	$ -	$ 43,675	$ 43,675	$ 87,350		
NH LTIP expense		$ 87,620	$ 25,880	$ 106,419	$ 114,991	**$ 334,910**	Per GL	Difference
Granite State LTIP exper	30%	$ 26,286	$ 7,764	$ 31,926	$ 34,497	$ 100,473	100,633	$ (160)
2015 Grant	Year 3	15,998	15,998	15,998	15,998			
2016 Grant	Year 2	7,667	7,667	7,667	7,667			
2017 Grant	Year 1	-	-	24,562	24,562			
NH # PSUs included		23,665	23,665	48,227	48,227			

2018

Grant	Year in Cycle	Q1	Q2	Q3	Q4	Total		
2015 Grant	Settlement adj	$ (25,081)	$ -	$ -	$ -			
2016 Grant	Year 3	$ 16,743	$ 14,519	$ 9,701	$ 21,481			
2017 Grant	Year 2	$ 89,227	$ 31,952	$ 29,133	$ 59,965			
2018 Grant	Year 1		$ 7,189	$ 19,965	$ 29,559			
LUC LTIP expense	CAD	$ 80,889	$ 53,660	$ 58,799	$ 111,005	**$ 304,353**		
LUC allocation to Granite	CAD	$ 4,493	$ 2,836	$ 3,108	$ 5,867	$ 16,304		
2015 Grant	Settlement adj	$ (36,528)	$ -	$ -	$ -			
2016 Grant	Year 3	$ 28,372	$ 61,458	$ 75,193	$ 141,021			
2017 Grant	Year 2	$ 138,430	$ 132,857	$ 151,910	$ 324,108			
2018 Grant	Year 1		$ 72,320	$ 128,362	$ 233,487			
LABS LTIP expense	CAD	$ 130,273	$ 266,634	$ 355,464	$ 698,617	**$ 1,450,989**		
LABS allocation to Granit	CAD	$ 6,141	$ 11,800	$ 15,951	$ 31,349	$ 65,240		
2015 Grant	Settlement adj	$ (38,071)	$ -	$ -	$ -			
2016 Grant	Year 3	$ 61,772	$ 104,029	$ 104,166	$ 230,883			
2017 Grant	Year 2	$ 379,694	$ 253,129	$ 235,044	$ 525,916			
2018 Grant	Year 1		$ 286,371	$ 266,542	$ 440,096			
APUC LTIP expense	CAD	$ 403,395	$ 643,529	$ 605,752	$ 1,196,895	**$ 2,849,571**		
APUC allocation to Gra	CAD	$ 17,609	$ 26,151	$ 24,615	$ 48,637	$ 117,012		
2015 Grant	Settlement adj	$ (7,934)	$ -	$ -	$ -	$ (7,934)		
2016 Grant	Year 3	$ 7,412	$ 12,483	$ 10,339	$ 20,481	$ 50,715		
2017 Grant	Year 2	$ 69,880	$ 52,410	$ 38,700	$ 57,201	$ 218,191		
2018 Grant	Year 1	$ -	$ 12,462	$ 29,775	$ 28,948	$ 71,184		
NH LTIP expense		$ 69,358	$ 77,355	$ 78,813	$ 106,630	**$ 332,156**	Per GL	Difference
Granite State LTIP exper	30%	$ 20,807	$ 23,206	$ 23,644	$ 31,989	$ 99,647	98,498	$ 1,149
2016 Grant	Year 3	7,667	7,667	7,667	7,667			
2017 Grant	Year 2	24,562	24,562	24,562	24,562			
2018 Grant	Year 1	-	23,013	23,013	23,013			
NH # PSUs included		32,229	55,242	55,242	55,242			

Quarterly entry

	Account number	Account description
Debit	8830-2-0000-69-7030-9200	LTIP expense
Credit	8810-2-0000-20-2810-2596	Due from APUC

Number of awards outstanding - New Hampshire							
Grant	**Grant date share price**	**# Eligible employees**	**2015**	**2016**	**2017**	**2018**	
2013 Grant	8.22	7	6,680				
2014 Grant	8.22	11	18,967	18,967			
2015 Grant	9.75	12	15,998	15,998	15,998		
2016 Grant	11.66	8		7,667	7,667	7,667	
2017 Grant	13.65	8			24,562	24,562	
2018 Grant	12.63	9				23,013	
2015 Perf. Factor			100.0%	100.0%	161.0%	168.0%	*168% upon payout in Q1 2018*
2016 Perf. Factor				100.0%	161.0%	168.5%	
2017 Perf. Factor					100.0%	141.0%	
2018 Perf. Factor						100.0%	

Exhibit BCO-12

Docket No. DE 19-064

OCA TS 1-18

New Hampshire Office of the Consumer Advocate

REVISED

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

DE 19-064
Distribution Service Rate Case

OCA Technical Session Data Requests - Set 1

Date Request Received: 8/21/19 Date of Response: 10/10/19
Request No. OCA TS 1-18 Respondent: Philip E. Greene
David B. Simek

REQUEST:

The Company did not provide a complete response to OCA 1-44, including the requested calculation of short and long-term incentive amounts and which criteria/targets (Balanced Scorecard measures) are considered to be financial-focused and which are customer-focused. Address the following for each of the years 2015, 2016, 2017 and 2018:

a. Provide the supporting documentation and calculations for short-term incentives including the assigned weights for each of the Balanced Scorecard measures (Efficiency, Stakeholders, Business Processes, and People) that are used to calculate an overall blended score and the scorecard bonus payout amount. If there are different Balanced Scorecard measures used for prior years 2015 to 2017, then provide the assigned weighted for each of the measures for those years that are used to calculate an overall blended score and the final bonus payout amount.

b. Provide the supporting documentation and calculations for long-term incentives including the assigned weights for each of the Balanced Scorecard measures (Efficiency, Safety, and Customer Service) that are used to calculate an overall blended score and the payout amount. If there are different Balanced Scorecard measures used for prior years 2015 to 2017, then provide the assigned weighted for each of the measures for those years that are used to calculate an overall blended score and the final payout amount.

c. For each of the short-term incentives measures of Efficiency, Stakeholders, Business Processes, and People, explain which measures are considered to be financial-focused and which are considered to be customer-focused and explain how this determination was made (cite to the Company's decisions in prior New Hampshire rate cases, the Commission's decision in prior New Hampshire rate cases, and other state-regulatory decisions in other jurisdictions that have made this determination in a rate case).

d. For each of the long-term incentives measures of Efficiency, Safety, and Customer Service, explain which measures are considered to be financial-focused and which are considered to be customer-focused and explain how this determination was made (cite to the Company's decisions in prior New Hampshire rate cases, the Commission's decision in prior New Hampshire rate cases, and other state-regulatory decisions in other jurisdictions that have made this determination in a rate case).

e. For each of the Balanced Scorecard measures in (a) and (b) above STI and LTI for years 2015 to 2019, provide a description/definition of each specific measure, provide the specific underlying measurements for each Balanced Scorecard criteria (for example, based on the specific underlying criteria of Company ROE, Service Quality results, etc.), and provide the sliding scale of incentives that can be earned based on measurement achieved. A definition/description and the actual specific underlying criteria (the specific ROE, Service Quality results, etc.) for each of these Benchmark Scorecard measures is not provided in Puc 1604.01(a)(15)(a) of the Company's filing.

f. Regarding (a) and (b) above, explain why the assigned weights changed for each of the years 2015 to 2018.

RESPONSE:

a. Please refer to Attachment OCA TS 1-18.a.1, Attachment OCA TS 1-18.a.2, Attachment OCA TS 1-18.a.3, and Attachment OCA TS 1-18.a.4 for 2015, 2016. 2017, and 2018 STIP & SBP scorecard results, respectively.

b. Please refer to Attachment OCA TS 1-18.b.1, Attachment OCA TS 1-18.b.2, and Attachment OCA TS 1-18.b.3 for 2013, 2014, and 2015 LTIP Award Calculations, respectively. As the question asked about the final payout amount, that is only determined after the three-year performance period, and done using a blended score of the efficiency, safety, and customer service measures looked at collectively over that three-year period. The 2013, 2014, and 2015 awards were paid out in 2016, 2017, and 2018, respectively.

c. Efficiency is financially focused; Stakeholders and Business Processes are customer focused. The determinations are made by the nature of the measures. The Company is not aware of prior decisions to reference on this topic.

d. Efficiency is financially focused; Safety and customer service are customer focused. The determinations are made by the nature of the measures. The Company is not aware of prior decisions to reference on this topic.

e. Please refer to Attachment OCA TS 1-18.e.1, Attachment OCA TS 1-18.e.2, and Attachment OCA TS 1-18.e.3 sample award letters for LTIP for details. For details on the scorecard measures, please see the response to OCA TS 1-19.

f. Please refer to the Company's response to subpart e. above.

REVISED RESPONSE:

When preparing responses to OCA 7-15 through OCA 7-19, it was determined that some of the attachments provided with the original response to OCA TS 1-18 needed to either be replaced or updated. This revised response includes the following attachments, which replace those included with the original response:

- Revised Attachment OCA TS 1-18.a.3 (original indicated 2015 and should have been 2016)
- Revised Attachment OCA TS 1-18.a.4 (original indicated 2015 and should have been 2017)
- Revised Attachment OCA TS 1-18.b.1 (updated to include details on the actual calculation for efficiency)
- Revised Attachment OCA TS 1-18.e.1 (original was not the final version of the document)

State Scorecard	Efficiency	Stakeholders	Business Processes	People	Blended Multiplier for SBP
NH	88.18%	89.36%	95.0%	106.09%	90.77%

2016	Liberty Utilities State Scorecard			
State Organizations	**Efficiency**	**Stakeholders**	**Business Process**	**People**
President	70%	10%	10%	10%
Vice President	65%	15%	10%	10%
Assistant General Counsel - State	60%	20%	10%	10%
Director	60%	20%	10%	10%
Area Manager	50%	20%	15%	15%
Sr. Manager	50%	20%	15%	15%
Senior Business Manager	50%	20%	15%	15%
Business Development	100%			
Manager	50%	20%	15%	15%
Business Manager	50%	20%	15%	15%
Blended Multiplier for SBP	70%	10%	10%	10%

Distribution	Efficiency	Stakeholders	Business Processes	People	blended multiplier for SBP
NH	108.00%	105.00%	115.00%	102.00%	107.73%

2017	Liberty Utilities/LABS - Head Office Scorecard			
Liberty Utilities	**Efficiency**	**Stakeholders**	**Business Processes**	**Employee**
President	70%	10%	10%	10%
Vice President	65%	15%	10%	10%
Senior Regional Business Manag	50%	20%	15%	15%
Director	60%	20%	10%	10%
Senior Regulatory Counsel	60%	20%	10%	10%
Sr. Manager	50%	20%	20%	10%
Sr. Manager LU LABS LP	55%	20%	15%	10%
Business Development	100%			
Manager	50%	20%	20%	10%
blended multiplier for SBP	70%	10%	10%	10%

Exhibit BCO-13

Docket No. DE 19-06

OCA 7-14

New Hampshire Office of the Consumer Advocate

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

DE 19-064
Distribution Service Rate Case

OCA Data Requests - Set 7

Date Request Received: 9/26/19
Request No. OCA 7-14

Date of Response: 10/10/19
Respondent: Philip E. Greene
David B. Simek

REQUEST:

The Company's response to OCA TS 1-14 shows that LTIP expense increased from $33,554 and $34,963 in 2015 and 2016 to significantly increased amounts of $100,633 and $98,498 in 2017 and 2018, respectively. The Company's response to TS 1-15, Attachment TS 1-15.b.xlsx, tab "Summary – Award & Expense" appears to show that LTIP expense increased in part in 2017 and 2018 due to a significant increase in number of shares, from shares of 15,998 in 2015, shares of 7,667 in 2016, to shares of 24,562 in 2017 and shares of 23,013 in 2018. And despite the number of shares increasing from 2015 to 2018, this same tab at Attachment TS 1-15.b.xlsx shows the related performance factor declined from 2015 to 2018, from 168 percent in 2015, 168.5 percent in 2016, 141 percent in 2017, and 100 percent in 2018 (Attachment TS 1-15.f, tabs for "Grant Performance" also show these same results for years 2013 to 2016). Please address the following:

a. Explain if the Company increased the number of shares in 2017 and 2018 to offset the decrease in the performance factor for 2017 and 2018, such that an increase in LTIP expense was the result.

b. Explain why it is reasonable for employees to be paid a greater amount in long-term incentives in 2017 and 2018 due to an increase in the number of shares, when the actual performance factor declined for both 2017 and 2018 from prior years.

c. Explain why the performance factors declined from 168.5 percent in 2016 to 141 percent in 2017, to 100 percent in 2018, and provide supporting documentation.

d. Explain why the number of shares were increased in 2017 and 2018, over prior years 2013 to 2015, and provide supporting documentation (including copies of Company policy) and calculations to explain this.

e. Per (c) above, if the reason for the increase in shares in 2017 and 2018 is due to an increase in the number of employees receiving shares, explain why there were a greater number of employees receiving shares in 2017/2018 compared to 2015/2016 and identify the change in LTIP policy that made additional employees eligible for these shares or explain the reason for the increase in the number of executives eligible for these shares.

f. For the period 2015 to 2018, identify the number of shares granted by each position description (CEO, CFO, COO, CLO, President, Secretary Treasurer, VPs, various levels of Directors, etc.), and provide the name of the person in that position description.

RESPONSE:

a. No, there is no correlation between the number of awards granted in a given year and the ultimate performance factor for these grants.

   According to the Company's policy, award amounts are determined by level (see Grants tab). For example in 2017, a director would have been awarded an amount equal to 15% of his salary. That amount (say $15,000) is divided by the market value of the APUC shares on January 1 (say $10). In that example, the employee would be allocated 1,500 award units ($15,000/$10).

   Over the three-year vesting period from January 1, 2017, to December 31, 2019, the performance factor will calculate the three-year average safety, efficiency, and customer service metrics compared to our industry (see Performance Summary tab).

   For example, say the three-year average is 139.8%. On December 31, 2019, the employee in this example has earned 2,097 awards in total (1,500*139.8%). These awards are issued by APUC from Treasury and given to the employee once that calculation has been done. GSE pays APUC the value of the award.

   Thus, the employees are incentivized to improve safety, efficiency, and customer service over the three years following the grant of awards as it will increase (decrease) the ultimate number of awards to be received at the end of that period.

b. Employees are not paid a greater amount in incentives when the actual performance factor declines. In fact, the employees get less incentives when the performance factor declines. The performance factor can range from 2% to 237% of the number of PSU granted. In the example above (see the response to part a.), if the combined performance for the 2017–2019 period was 2%, the employee would have received 30 award units (1,500*2%), a much lower number of incentives than the 1,500 granted.

c. The final performance factor used for settlement of the awards upon vesting was 168.5% in 2016. The above factors for 2017 and 2018 are estimates. The final performance factor for 2017 and 2018 will be calculated on their respective performance periods of 2017–2019 and 2018–2020. In the meantime, the performance factor is estimated quarterly. The main driver for the difference is lower expected efficiency results (see Performance by year and driver on the Performance summary tab).

d. The significant increase in awards granted starting in 2017 is driven by the new policy. Starting in 2017, the award amount is calculated as a percentage of the salary and a discretionary award (bronze, silver, gold) recognizes exceptional accomplishments in the prior year (see Grants tab 2017 table for details).

e. The increase is due to the number of units each employee received based on a change in Company Policy, not the number of employees. See Grants tab for details of units per year and policy.

f. Refer to Summary expense tab and supporting calculation tabs.

Exhibit BCO-14

Docket No. DE 19-064

OCA TS 2-7

New Hampshire Office of the Consumer Advocate

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

DE 19-064
Distribution Service Rate Case

OCA Technical Session Data Requests - Set 2

Date Request Received: 10/22/19
Request No. OCA TS 2-7

Date of Response: 11/5/19
Respondent: Philip E. Greene
David B. Simek

REQUEST:

The Company's response to OCA 7-14 regarding LTIP makes general reference to various tabs and calculations without citing to specific DR responses or specific Attachments, please provide the following:

a. The Company response to OCA 7-14.a cites to the Jan. 1, 2017 to Dec. 31, 2019 3-year average safety, efficiency and customer service metrics at the "Performance Summary tab." Explain which DR response and Attachment includes this "Performance Summary tab", and also specifically identify each of the safety, efficiency and customer service metrics for each of the periods 2017, 2018, and 2019 that are included in the "3-year average", and cite to and provide the calculation for this 3-year average.

b. The Company response to OCA 7-14.b and c. states the performance factor can range from 2% to 237% of the number of PSU granted, and the final performance factor used for settlement awards in 2016 was 168.5%, and the performance factors for 2017 and 2018 are estimates included at the "Performance Summary tab", and the final performance factor for 2017 and 2018 will be based on performance periods 2017-2019 (for 2017) and 2018-2020 (for 2018). Explain which DR response and Attachment includes this "Performance Summary tab", and explain and show how the estimated performance factors for 2017 and 2018 were calculated by showing the individual actual and projected performance factors for each of the periods 2017 to 2019 along with the 3-year average (for 2017 performance) and provide this same information for the projected performance factors for each of the years 2018-2020 along with the 3-year average (for 2018 performance). Show all actual and estimated performance factors by safety, efficiency and customer service.

c. Explain how projected 2017, 2018, 2019, and 2020 projected performance factors were determined, by explaining how the Company determines if performance will improve or decline in these projected periods, and provide all information the Company relies upon to determine if performance will improve or decline for these periods.

d. The Company's response to OCA 7-14.d states that the significant increase in awards granted began in 2017 due to a new policy, and the Company refers to the supporting calculations at the "Grants tab 2017 table" for details. Explain which DR response and

Attachment includes this “Grants tab 2017 table”, and provide this same information for 2018, 2019, and 2020.

e. The Company’s response to OCA 7-14.d states that the significant increase in awards granted began in 2017 due to a new policy. Explain why this “new” policy was implemented and provide supporting documentation debating and addressing the pros and cons of implementing this change, including various reports, recommendations, HRCC/Compensation Board of Director Minutes and decisions, and various other documents.

f. Explain if the change addressed in (e) above related to the significant increase in awards is consistent with other similarly sized and situated utilities as Liberty (and Parent Company and affiliates), and provide supporting documentation, or otherwise explain and provide the precedent for this change.

g. If the new policy in (e) above had not been implemented in 2017, explain and show the calculation of awards and number of shares and related LTIP expense for 2017, 2018 and 2019.

<u>RESPONSE:</u>

a. Please see Confidential Attachment OCA TS 2-7.a.xlsm, “Performance Summary” tab (screenshot below). Also, see added tab "Performance Calculations" for detailed calculations for 2017 and 2018. The 2019 factors use 2018 as a proxy (screenshot below).

<u>Performance summary tab:</u>

	Grant Vintage							
	Actual	Actual	Actual	Actual	Estimated	Estimated	Estimated	Estimated
	2013	2014	2015	2016	2017	2018	2019*	2020*
Safety	11.0%	20.0%	10.0%	10.5%	9.5%	10.5%	10.5%	10.5%
Efficiency	85.1%	136.0%	153.0%	153.0%	102.0%	85.0%	85.0%	85.0%
Customer Service	3.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
	99.6%	161.0%	168.0%	168.5%	116.5%	100.5%	100.5%	100.5%
TSR (2017 onwards)					1.20	1.20	1.20	1.20
					139.8%	120.6%	120.6%	120.6%
**Please note that 2019 and 2020 use 2018 estimates as a proxy*								
The safety, efficiency, and customer service metrics for each grant vintage represent an average of the score over the three year performance period. For example, the 2013 safety score of 11% is based on an average of the actual safety scores of 2013, 2014, and 2015.								

<u>Performance calculations tab:</u>

		Achievement %		
	GRANT YEAR	2017	2018	2019
Safety		9.50%	10.50%	10.50%
Efficiency		102.0%	85.0%	85.0%
Customer Service		5.00%	5.00%	5.00%
Total LTIP Achievement % =		116.50%	100.50%	100.50%
TSR for 2017 onwards		1.20	1.20	1.20
Total achievement		139.80%	120.60%	120.60%

Lily Liu: used 2018 as proxy

Lily Liu: used 2018 as proxy

Lily Liu: used 2018 as proxy

Estimated placeholder - using 2016 payout as proxy

Safety - 2017 estimate

Year	APUC RIR	Industry Average	RIR LTIP Rate	Achievement Factor
2017	2.78	2	1.39	
2018	1.76	2	0.88	
2019	1.95	2	0.98	
Average =	2.163	2.000	1.08	9.5%

Note - Industry Rate is predicted rate

Safety - 2018 estimate

Year	APUC RIR	Industry Average	RIR LTIP Rate	Achievement Factor
2018	1.76	2	0.88	
2019	1.95	2	0.98	
2020	1.8	2	0.90	
Average =	1.837	2.000	0.92	10.5%

Note - Industry Rate is predicted rate

Efficiency - 2017 estimate

Year	Scorecard			Achievement Factor
2017	141.00%			
2018	145.00%			
2019	100%			
3 Yr Average	129%			102%

Efficiency - 2018 estimate

Year	Scorecard			Achievement Factor
2018	145%			
2019	100%			
2020	100%			
3 Yr Average	115%			85%

Customer Service - 2017 estimate

Year	Customer Satisfication Index, Target	Customer Satisification Results	LTIP Rate	Achievement Factor
2017	80.00	76.00	95.00%	
2018	662.56	641.66	96.85%	
2019	667.00	653.66	98.00%	
Average for Period	469.853	457.107	97%	0.050

Customer Service - 2018 estimate

Year	Customer Satisfication Inde Target	Customer Satisification Results	LTIP Rate	Achievement Factor
2018	662.56	641.66	96.85%	
2019	667.00	653.66	98.00%	
2020	724.00	709.52	98.00%	
Average for Period	68452.00%	66828.00%	98%	0.050

b. Please see the response to part a.

c. The performance factor is determined based on three metrics: safety, customer service, and efficiency. The projected performance factors for a future year are assumed based on the most recent "experienced" year being used as a proxy. That estimate is updated when actual performance is known.

d. Please see Confidential Attachment OCA TS 2-7.a.xlsm, "Grants" tab (screenshot below).

Summary of all NH & East grants		
Grant vintage	# Employees in original grant	Original grant units
2013	7	6,680
2014	11	18,967
2015	12	15,998
2016	12	10,382
2017	13	46,135
2018	16	44,005
2019	8	23,023
2020	6	15,147

The significant increase in awards granted in 2017 is driven by the new policy. Starting in 2017, the award amount is calculated as a percentage of the salary and a discretionary award (bronze, silver, gold) recognizes exceptional accomplishments in the prior year.

The Company policy is to grant awards to employees in a position of Director or above. The dollar value of awards is a function of level and personal accomplishment in the prior year. The number of award units is calculated as the award amount divided by the market price of the Algonquin share on January 1.

The award amount was set as follows for each of the years considered.

2013 - 2016

	Awards			
Position Level	Solid	Bronze	Silver	Gold
Director	$5,000	$10,000	$20,000	$40,000
Vice President	$10,000	$20,000	$40,000	$80,000
President and Senior VP	$15,000	$30,000	$60,000	$100,000

2017

Position Level	Retention Element	Recognition Element		
	LTIP Percentage of Base Salary	Bronze	Silver	Gold
Director	15%	$ 5,000	$ 10,000	$ 30,000
Vice President	20%	$ 7,500	$ 15,000	$ 40,000
Senior VP, LUCo Regional President	25%	$ 10,000	$ 20,000	$ 50,000

2018-2019

	Retention		Recognition Award		
Position Level	Retention Award	Based Upon Average Salary	Bronze	Silver	Gold
DIRECTOR / SR DIRECTOR	15%	$25,000	$5,000	$10,000	$30,000
VP / STATE PRESIDENT	20%	$40,000	$7,500	$15,000	$40,000
LU REGIONAL PRESIDENT/ SVP	25%	$55,000	$10,000	$20,000	$50,000

e. The change was to make the LTIP program in alignment with industry practice. Subsequent market studies have confirmed that our LTIP Awards are aligned or slightly below market. Please see Attachment OCA TS 2-7.e.

f. Please see the response to part e.

g. The Company does not have a calculation of what the awards and number of shares and related LTIP expense for 2017, 2018, and 2019 would have been had the new policy in (e) above had not been implemented in 2017. In order to obtain these numbers, the Company would need to recalculate each of the 2017, 2018, and 2019 grant dollar value for each APUC, LUC, LABS, and NH employees based on each individual's position at the time of grant and their recognition award level that year. Then, the Company would need to recalculate the expense for each of the three years based on the "new" grant units. This analysis has not been performed.

Confidential Attachment OCA TS 2-7.a.xlsm contains compensation information for specific employees and is thus confidential personnel information protected from disclosure by RSA 91-A:5, IV. Therefore, pursuant to that statute and Puc 203.08(d), the Company has a good faith basis to seek confidential treatment of this information and will submit a motion seeking confidential treatment prior to the final hearing in this docket.

Given the volume of confidential information in Confidential Attachment OCA TS 2-7.a.xlsm, and given that nearly all of the information is confidential, redaction of the confidential information would leave so little information visible that the document would not be informative. Thus, the Company will not provide a redacted version.

MERCER
MAKE TOMORROW, TODAY

29 March 2018
Punam Maini
Liberty Algonquin Business Services

Algonquin				Mercer Benchmark Database Tables (National)								Mercer Benchmark Database Tables (Energy Sector)							
				Short-term Incentive				Long-term Incentive				Short-term Incentive				Long-term Incentive			
Grade	Salary Mid.	STI %	LTI %	Prev.	P25	P50	P75	Prev.	P25	P50	P75	Prev.	P25	P50	P75	Prev.	P25	P50	P75
N/A	$300,000	- -	- -	91%	33%	49%	64%	72%	53%	86%	147%	98%	39%	51%	68%	88%	70%	130%	188%
A	$255,000	30%	25%	86%	29%	39%	55%	67%	34%	56%	98%	88%	31%	41%	56%	83%	39%	74%	133%
B	$227,460	30%	20%	86%	22%	31%	41%	70%	21%	38%	60%	89%	23%	31%	40%	85%	24%	40%	64%
C	$195,933	30%	20%	84%	18%	25%	34%	60%	18%	27%	44%	86%	18%	25%	33%	77%	20%	27%	45%
D	$175,787	25%	15%	84%	18%	25%	34%	60%	18%	27%	44%	86%	18%	25%	33%	77%	20%	27%	45%
E	$158,367	25%	15%	80%	14%	22%	29%	48%	13%	19%	29%	79%	14%	21%	27%	59%	13%	18%	29%
F	$142,673	20%	N/A	83%	12%	17%	23%	43%	9%	14%	23%	88%	12%	17%	23%	60%	8%	13%	22%
G	$128,534	15%	N/A	83%	12%	17%	23%	43%	9%	14%	23%	88%	12%	17%	23%	60%	8%	13%	22%
H	$115,796	10%	N/A	74%	9%	13%	18%	24%	7%	10%	18%	80%	10%	14%	19%	47%	7%	10%	18%
H	$115,796	7-9%	N/A	74%	9%	13%	18%	24%	7%	10%	18%	80%	10%	14%	19%	47%	7%	10%	18%
I	$104,321	10%	N/A	74%	9%	13%	18%	24%	7%	10%	18%	80%	10%	14%	19%	47%	7%	10%	18%
I	$104,321	7-9%	N/A	74%	9%	13%	18%	24%	7%	10%	18%	80%	10%	14%	19%	47%	7%	10%	18%
J	$93,982	7-9%	N/A	66%	7%	10%	14%	12%	- -	- -	- -	71%	8%	11%	15%	37%	6%	8%	15%
K	$84,670	7-9%	N/A	66%	7%	10%	14%	12%	- -	- -	- -	71%	8%	11%	15%	37%	6%	8%	15%
L	$76,278	7-9%	N/A	66%	7%	10%	14%	12%	- -	- -	- -	71%	8%	11%	15%	37%	6%	8%	15%
M	$68,720	7-9%	N/A	51%	5%	7%	10%	6%	- -	- -	- -	54%	6%	9%	12%	17%	- -	- -	- -
N	$61,909	4-6%	N/A	51%	5%	7%	10%	6%	- -	- -	- -	54%	6%	9%	12%	17%	- -	- -	- -
O	$55,774	4-6%	N/A	51%	5%	7%	10%	6%	- -	- -	- -	54%	6%	9%	12%	17%	- -	- -	- -
P	$50,248	4-6%	N/A	51%	5%	7%	10%	6%	- -	- -	- -	54%	6%	9%	12%	17%	- -	- -	- -
Q	$45,268	3-5%	N/A	43%	4%	5%	7%	2%	- -	- -	- -	54%	5%	7%	10%	7%	- -	- -	- -
R	$40,782	3-5%	N/A	43%	4%	5%	7%	2%	- -	- -	- -	54%	5%	7%	10%	7%	- -	- -	- -
S	$36,741	3-5%	N/A	43%	4%	5%	7%	2%	- -	- -	- -	54%	5%	7%	10%	7%	- -	- -	- -

Exhibit BCO-15

Docket No. DE 19-064

OCA TS 2-10

New Hampshire Office of the Consumer Advocate

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

DE 19-064
Distribution Service Rate Case

OCA Technical Session Data Requests - Set 2

Date Request Received: 10/22/19
Request No. OCA TS 2-10

Date of Response: 11/5/19
Respondent: Philip E. Greene
David B. Simek

REQUEST:

Per the Company response to OCA TS 1-18.b (and revised TS 1-18.b), and revised Attachment OCA TS 1-18.b.1 (and per OCA 7-16, the OCA TS 1-18.a.1 is 2014 scorecard results for 2014 expensed amounts, OCA TS 1-18.a.2 is 2015 scorecard results for 2015 expensed amounts, TS 1-18a.4 is 2017 scorecard results for 2017 expensed amounts, and OCA 7-16 shows 2018 scorecard results for 2018 expensed amounts). Also, for updated calculation of the LTIP Efficiency calculation for 2013, 2014 and 2015, the underlying target EBITDA calculation is based on all of the Liberty Utilities systems owned (along with Massachusetts Natural Gas Utility). And the 3-year performance period of 2013 to 2015 was paid in 2016, the 3-year performance period of 2014 to 2016 paid in 2017, and 3-year performance period 2015 to 2017 was paid in 2018. Also, per OCA 7-15.b, beginning in 2014 the LTIP and STIP was based on the Corporate Scorecard, also, per OCA 7-15, the Base and Directional EBITDA is not applicable to the STIP, only the LTIP, and per OCA 7-15.f, the Base and Directional EBITDA is only applicable to 2013 LTIP, and not subsequent years). Clarify if any of the previous statements were incorrect and address the follow:

a. TS-18 appears to indicate that for 2013 to 2015 (and presumably later years), an LTIP Efficiency EBITDA is based on all Liberty Utilities systems, but then the response to OCA 7-17.c and .e (also see OCA 7-18) states that beginning in 2018 there was a move to a unified Liberty utilities scorecard and bonus structure instead of the state scorecards that had been used since 2015. Please clarify when the LTIP Efficiency EBITDA and all other LTIP measures moved to a unified Liberty Utilities basis (instead of an individual state basis) since 2013.
b. Explain when all STIP measures moved to a unified Liberty utilities scorecard (instead of an individual state basis).
c. Explain if there is an effective two or three-year lag between the first year of the LTIP 3-year performance period and payout year, for example if the 3-year performance period is 2013 to 2015 and the payout is in year 2016, explain if the payout is made towards the beginning or end of 2016 (thus resulting in either a 2-year or 3-year lag period from the first performance period).

d. Explain how accruals for these LTIP payments/expenses are determined (the accrual for LTIP shares/awards is also addressed at OCA TS-15b which says LTIP is budgeted cost is recorded on a monthly basis and on a quarterly basis the number of awards estimated to vest is adjusted). For example, for a 3-year performance period of 2015 to 2017 with a payout year of 2018 (test period), explain if the 2018 test period may, or does, include true-up accruals related to prior performance years 2015 to 2017, and if the answer is "yes", then provide a history of this expense and accrual amount for all years 2015 to 2018 - - along with an explanation of the accrual amounts for each year and the final LTIP expense for payment in 2018.

e. Explain if the 2018 test period includes an accrual as part of a 3-year performance period including 2018, for a payout to be made in 2019, 2020, and 2021 that includes 2018 as one of the performance periods to be measured. If the answer is "yes", provide the accrual expense in 2018 for performance (as one year of the moving 3-year performance period), that is expected to be part of a payout in 2019, 2020, and 2021 (and break-out the accrual for each of the expected payout years 2019, 2020, and 2021).

f. Explain if the Company is aware of any other utilities that have a 3-year performance period with a lag of 2 to 3 years in payout for LTIP, and explain why the Company uses this 3-year performance payout approach instead of on an individual yearly basis, and explain the pros and cons of this approach.

RESPONSE:

Clarifications:

- "Per the Company response to OCA TS 1-18.b (and revised TS 1-18.b), and revised Attachment OCA TS 1-18.b.1" – *this is the calculation for performance factors for long term incentive (LTIP) payouts.*
- "…(and per OCA 7-16, the OCA TS 1-18.a.1 is 2014 scorecard results for 2014 expensed amounts, OCA TS 1-18.a.2 is 2015 scorecard results for 2015 expensed amounts, TS 1-18a.4 is 2017 scorecard results for 2017 expensed amounts, and OCA 7-16 shows 2018 scorecard results for 2018 expensed amounts)" – *this is for the scorecard results for short term incentive (STIP) payouts.*
- "Also, for updated calculation of the LTIP Efficiency calculation for 2013, 2014 and 2015, the underlying target EBITDA calculation is based on all of the Liberty Utilities systems owned (along with Massachusetts Natural Gas Utility)" – *LTIP Efficiency target is based on Algonquin Power & Utilities Corp. (APUC) and includes all entities in the organization.*
- "Also, per OCA 7-15.b, beginning in 2014 the LTIP and STIP was based on the Corporate Scorecard," – *from 2014 the efficiency factor for LTIP was based on the APUC Scorecard (please see response to question 9 above). STIP was based on state (NH) scorecard from 2015-2017, and in 2018 a consolidated Liberty Utilities scorecard (Business group and Region).*
- "…also, per OCA 7-15, the Base and Directional EBITDA is not applicable to the STIP, only the LTIP, and per OCA 7-15.f, the Base and Directional EBITDA is only applicable to 2013

LTIP, and not subsequent years)" – *Correct. The terminology" Base and Directional EBITDA" was only used for the 2013 LTIP Awards.*

a. TS 1-18 a. and c. are requests on STIP, while TS 1-18 b. and d. are requests on LTIP. Also, OCA 7-17 c. and e., and OCA 7-18 b., which refers to the change in the bonus structure, relate to short term incentives (STIP) and not LTIP. All LTIP efficiency metrics are based on the APUC scorecard, and the other performance factors (safety and customer service) are also measured on a company-wide basis.

b. All STIP measures moved to a unified Liberty Utilities scorecard in 2018. Please refer to Attachment OCA 7-17.c.

c. The awards are effective January 1 of the first performance year. For example, 2018 Awards are effective January 1, 2018. The performance period is for three years – e.g., for 2018 awards the performance period is January 1, 2018, through December 31, 2020. Company results for the third performance year are usually not available until the first quarter of the subsequent year. Only after the results are approved can the payout be calculated and approved – usually towards the middle of the year. So it is a three-year period for the awards to vest and then the awards are paid on the date fixed by the Board or as stated in the Award Agreement letter.

d. The total expense for the three-year period is calculated as the number of units multiplied by APUC's share price on the grant date. This expense is recognized straight-line over the three-year performance period. Adjustments are made as necessary as updated information about performance factors are received. The 2018 test period does include true-up accruals related to prior performance years – namely, the payout true-up for the 2015 grants, which were paid out in March 2018. Please see Confidential Attachment OCA TS 2-7.a.xlsm, "Summary - Expense" tab, rows 107 through 140. Rows 109, 117, 124, and 131 (in orange) show the true-up upon settlement of the 2015 awards, while cell C141 shows the portion of that expense adjustment allocated to Granite State in mixed US-Canadian dollars (see screenshot below).

Docket No. DE 19-064 Request No. OCA TS 2-10

	2018											
107	Grant	Year in Cycle		Q1		Q2		Q3		Q4		Total
109	2015 Grant	Settlement adj	$	(25,081)	$	-	$	-	$	-		
110												
111	2016 Grant	Year 3	$	16,743	$	14,519	$	9,701	$	21,481		
112	2017 Grant	Year 2	$	89,227	$	31,952	$	29,133	$	59,965		
113	2018 Grant	Year 1			$	7,189	$	19,965	$	29,559		
114	**LUC LTIP expense**	CAD	$	80,889	$	53,660	$	58,799	$	111,005	$	**304,353**
115	LUC allocation to Granite State	CAD	$	4,493	$	2,836	$	3,108	$	5,867	$	16,304
116												
117	2015 Grant	Settlement adj	$	(36,528)	$	-	$	-	$	-		
118	2016 Grant	Year 3	$	28,372	$	61,458	$	75,193	$	141,021		
119	2017 Grant	Year 2	$	138,430	$	132,857	$	151,910	$	324,108		
120	2018 Grant	Year 1			$	72,320	$	128,362	$	233,487		
121	**LABS LTIP expense**	CAD	$	130,273	$	266,634	$	355,464	$	698,617	$	**1,450,989**
122	LABS allocation to Granite State	CAD	$	6,141	$	11,800	$	15,951	$	31,349	$	65,240
123												
124	2015 Grant	Settlement adj	$	(38,071)	$	-	$	-	$	-		
125	2016 Grant	Year 3	$	61,772	$	104,029	$	104,166	$	230,883		
126	2017 Grant	Year 2	$	379,694	$	253,129	$	235,044	$	525,916		
127	2018 Grant	Year 1			$	286,371	$	266,542	$	440,096		
128	**APUC LTIP expense**	CAD	$	403,395	$	643,529	$	605,752	$	1,196,895	$	**2,849,571**
129	APUC allocation to Granite State	CAD	$	17,609	$	26,151	$	24,615	$	48,637	$	117,012
130												
131	2015 Grant	Settlement adj	$	(7,934)	$	-	$	-	$	-	$	(7,934)
132	2016 Grant	Year 3	$	7,412	$	12,483	$	10,339	$	20,481	$	50,715
133	2017 Grant	Year 2	$	69,880	$	52,410	$	38,700	$	57,201	$	218,191
134	2018 Grant	Year 1	$	-	$	12,462	$	29,775	$	28,948	$	71,184
135	**NH LTIP expense**	USD	$	69,358	$	77,355	$	78,813	$	106,630	$	**332,156**
136	Granite State LTIP expense	30%	$	20,807	$	23,206	$	23,644	$	31,989	$	99,647
137	LUC, LABS, APUC Allocation to Gran	USD	$	21,726	$	31,374	$	33,595	$	66,040	$	152,735
138	USD/ CAD FX rate used (prev month avg)			1.2586		1.2873		1.3041		1.3200		
139	LUC, LABS, APUC Allocation to Gran	USD	$	17,262	$	24,372	$	25,761	$	50,031	$	117,426
140	Total LTIP expense			38,069		47,578		49,405		82,020	$	**217,072**
141	2015 Grant total adjustments	USD-CAD mix	$	(7,157)								

For a history of the expense for the 2015 awards that were paid out in 2018, please see "Summary - Expense" tab and refer to rows that say "2015 grant" for each of the tables. The total expense for payment in 2018 can be seen in the "2015 PSU Payout Calc" tab. The total expense for APUC as a whole was $2,315,226 (cell C11). Over the three-year period we had accrued a total of $2,177,903 (cell C10). As a result, an adjustment of $137,323 (cell C13) was required Company-wide (blue highlights). The portions of the adjustment for each of LUC ($25,081), LABS ($36,528), APUC ($38,071), and NH ($7,934) can be found in rows 38–42 and are the highlighted numbers referred to above.

	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
1																
2		Expense	Dividends	Total	RSU	Check	Diff									
3	PSUs issued															
4	Original Grant less forefit	138,193														
5	Less RSUs granted	(5,304)														
6		132,889														
7	Achievement Factor	168.00%				per master payout		per taxation								
8	Final Adjusted PSUs	223,254	33,866	257,120	6,111	263,088	143	256,977	143							
9	Original Cost -most of 2015	9.75					rounding difference		0							
10	Total Expense/dividends granted	2,177,903	392,983	2,570,886												
11	Total Expense to date	2,315,226														
12	Dividends accrued		376,386													
13	Cumulative Difference	(137,323)	16,596													
14	Tax paid	1,585,488														
15	PSU Issued net of tax	133,569														
16	PSU Witheld	123,408														
17	Weighted average price	8.60	431,765,935	3,713,037,000												
18	Value of share buyback	1,061,266			1050-1-0000-											
19			2203762													
20																
37														Total Labs		(36,528.39)
38	4%	1%	1%	3%	7%	2%	2%	1%	18%	28%	0%	7%	0%	2%	0%	3%
39	South	Pine Bluff	Calpeco	Mid states	NH	Mass	Georgia	HO	LUC Cdn$	APUC Cdn$	APCo BD Cdn	APCO Cdn$	AES Cdn$	Compliance IT -9800		Transition - 9801
40	(5,626)	(938)	(1,563)	(3,751)	(9,689)	(2,188)	(2,188)	(1,505)	(25,081)	(38,071)	-	(10,196)	-	(3,298.67)	(502)	(4,013)
41	0.8189															
42	(4,608)	(768)	(1,280)	(3,072)	(7,934)	(1,791)	(1,792)	(1,232)								

e. The 2018 test period includes one-third of the expense for the 2016, 2017, and 2018 grants, which will be paid out in 2019, 2020, and 2021, respectively. Please see Confidential Attachment OCA TS 2-7.a.xlsm, "Summary - Expense" tab rows 107 to 140, which details the 2018 expense. Expenses for each of the 2016, 2017, and 2018 grants (one-third of the three-year performance expected costs) are split out for APUC, LABS, LUC, and NH (see screenshot above).

f. The purpose of the LTIP Plan is:

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

A three-year cliff vesting approach helps to align our employee's interests with long term growth plan of the company and retain critical talent.

Exhibit BCO-16

Docket No. DE 19-064

OCA 7-17

New Hampshire Office of the Consumer Advocate

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

DE 19-064
Distribution Service Rate Case

OCA Data Requests - Set 7

Date Request Received: 9/26/19
Request No. OCA 7-17

Date of Response: 10/10/19
Respondent: Philip E. Greene
David B. Simek

REQUEST:

The Company's response to OCA TS 1-18.a, provides Attachments TS 1-18.a1., a.2, a.3, and a.4 that are assumed to be related to periods 2014 to 2017 (and related to 2015 to 2018 expensed amounts), as requested for STI Balanced Scorecard. Also, the response to OCA 1-43.a, Attachment 1-43.a, shows that STI was $496,198 for 2015, decreasing slightly to $439,714 for 2016, decreased significantly to $303,907 for 2017, and increased significantly to $528,944 for 2018. Please address the following:

a. Explain if STI expense decreased slightly from 2015 to 2016 primarily because the Balanced Scorecard criteria (measured by percentages) increased from Att. OCA TS 1-18.a.1 to TS 1-18a.2 for three of the four measures of Employees, Customer, and Operations, but since these combined three measures are only 30 percent of the weighted measurement, the decline in Efficiency from the prior year (which is weighted more heavily at 70 percent) caused the overall STI expense to decrease from 2015 to 2016. Otherwise, explain other reasons for the decline in STI from 2015 to 2016, and provide all supporting documentation.
b. Explain if STI expense decreased significantly from 2016 to 2017 primarily because the Balanced Scorecard criteria (measured by percentages) decreased from Att. OCA TS 1-18.a.2 to TS 1-18a.3 for three of the four measures of Efficiency (most heavily weighted at 70 percent), Operations, and Customers (and these three combined are 90 percent of the weighting), whereas the Employees measure was the only criteria that increased from the prior year (but it is only 10 percent of the weighting), and this in turn caused the overall STI expense to decrease from 2016 to 2017. Otherwise, explain other reasons for the significant decline in STI from 2016 to 2017, and provide all supporting documentation.
c. Explain if STI expense increased significantly from 2017 to 2018 primarily because the Balanced Scorecard criteria (measured by percentages) increased from Att. OCA TS 1-18.a.3 to TS 1-18a.4 for three of the four measures of Efficiency (most heavily weighted at 70 percent), Stakeholders/Operations, and Business Processes/Customers (and these three combined are 90 percent of the weighting), whereas the People/Employees measure was the only criteria that decreased from the prior year (but it is only 10 percent of the weighting), and this in turn caused the overall STI expense to increase significantly from

2017 to 2018. Otherwise, explain other reasons for the significant increase in STI from 2017 to 2018, and provide all supporting documentation.

d. Explain the factors that caused the Balanced Scorecard measures to decrease significantly from 2016 to 2017 (from Att. OCA TS 1-18.a.2 to TS 1-18a.3) for three of the four measures of Efficiency (most heavily weighted at 70 percent), Operations, and Customers, and provide supporting documentation.

e. Explain the factors that caused the Balanced Scorecard measures to increase significantly from 2017 to 2018 (from Att. OCA TS 1-18.a.3 to TS 1-18a.4) for three of the four measures of Efficiency (most heavily weighted at 70 percent), Stakeholders/Operations, and Business Processes/Customers, and provide supporting documentation.

f. If the reason for the change (increase or decrease) in STI expense from 2015 to 2018 is primarily due to a decrease or increase in the number of employees being paid STIs, explain why there were a lesser or greater number of employees receiving STIs for that particular period compared to the prior period and identify the change in STI policy that made additional employees eligible for STI (and identify the change in the number of employees for the related periods) or explain the reason for the increase in the number of employees receiving STI that is not due to a policy change (and identify the change in the number of employees for the related periods).

<u>RESPONSE:</u>

a. Please refer to Attachment OCA TS 1-18.a.2 and Revised Attachment OCA TS 1-18.a.3. Three out of four scorecard elements declined (Efficiency, Business Processes/Operations, and Stakeholders/Customers). Only the People element had an increase. This would have been a significant factor in the expense decline.

b. Please refer to Revised Attachment OCA TS 1-18.a.3 and Revised Attachment OCA TS 1-18.a.4. Three out four scorecard elements increased (Efficiency, Business Processes/Operations, and Stakeholders/Customers). Only the People element had a slight decline.

c. Please refer to Revised Attachment OCA TS 1-18.a.4 and Attachment OCA 7-16. There were a number of significant changes within this period:

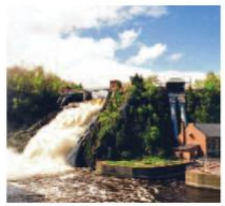
   - An increase in population as noted in final response OCA 1-43;
   - A change in the structure of the Bonus Plans;
   - Changes to scorecards – in 2018 there was a unified Liberty Utilities scorecard rather than state scorecards that had been used since 2015; and
   - Please refer to Attachment OCA 7-17.c.

d. There was an increase (not decrease) in the balance scorecard measures between 2016 and 2017. Please refer to Revised Attachment OCA TS 1-18.a.3 and Revised Attachment OCA TS 1-18.a.4. In addition, please refer to Attachment OCA 7-17.d.1, Attachment OCA 7-17.d.2.xlsx, and Attachment OCA 7-17.d.3.xlsx for an explanation of the increase and supporting documents.

e. There was a change in the scorecards – in 2018 there was a move to a unified Liberty Utilities scorecard and as well as the bonus structure. Scorecards were not tracked by state in 2018 (so there is no way to make a direct comparison).

f. Please refer to the answers to a-e. The increase would be attributed to changes in the bonus plan, corporate scorecard, and an increase in the NH employee population supporting Granite State Electric.




2018 Bonus Plan Changes



Liberty Algonquin
Business Services

Liberty Algonquin
Business Services

Liberty Utilities Scorecard

Liberty Utilities
WATER | GAS | ELECTRIC

	Objectives	Indicators	Target	Stretch Target
Customers & Communities	Conduct Operations Safely and Responsibly	Recordable Incident Rates (RIR)	2.77 RIR	2.22 RIR
	Deliver a Satisfactory Customer Experience	Achievement of customer satisfactions metrics	665 points	675 points
		Delivery of targeted customer administration costs	<100% of budget	<90% of budget
People & Team	Foster Employee Engagement through Effective Leadership	Engagement survey results	maintain engagement level	>2.5% increase engagement level
Processes	Efficient and Effective Management of Capital Re-investment Programs	Completion of the targeted capital investment program as compared against the budgetary targets	100% of targeted investment	110% of targeted investment
		Timely and on-budget completion of the annual large project construction program	100% completion on-budget	ahead of schedule and under budget
	Advance Customer First Business Process Overhaul	Achievement against the 2018 work plan	100% of work plan	material acceleration
Efficiencies	Maximizing Operating Efficiency by Managing to Budgets	Business Group profit against annual budgetary targets	100% of budget	110% of budget
		Net profit against annual budgetary targets	100% of budget	110% of budget
	Reduce Cost of Capital through Prudent Investment	New corporate customer focused capital investments	5% EPS CAGR	10% EPS CAGR
		Overall consolidated annual FFO/Debt	>14%	>14.5%

Divisional Scorecard

Liberty Algonquin Business Services

REGULATED UTILITIES – EAST REGION

Objective	Priority/Weight	Description	Evaluation / Measurement Considerations
Advance Granite Bridge Project	High (45%)	[Description]	Points will be awarded (50% for each project) based on the successful initiation and completion of the plans. If the plan has been successfully initiated but the project is not set to be completed until a future year then 100% of the points are awarded. If the plan was initiated but the project fails or is not successful then zero points are awarded. Stretch points will be awarded (50% for each project) if the plan is determined or will be ahead of target
Deliver successful Liberty Utilities rate case outcomes	Medium (15%)	The objective is to: • complete timely filing of targeted rate cases; • secure additional regulatory mechanisms to reduce earnings volatility and regulatory lag; and • secure timely and acceptable rate orders associated with current rate cases under prosecution.	Accomplishment against this objective shall be determined based on : • Timely filed of scheduled rate cases; and • Securing additional regulatory mechanisms in the spirit of reducing regulatory lag or earnings volatility. Examples of this would be decoupling, CIBS etc. • Securing of rate case orders which deliver, at least, 95% of revenue requirement projected in the long term model at the time of filing, with stretch accomplishment recognized for rate case For East Region: • Settlement of EnergyNorth rate case Filing of Granite State Electric rate case • Completion of GRAM filing in Georgia • Completion of test year in Massachusetts
Delivery of targeted distribution reliability	Medium (15%)	The objective is to deliver reliability metrics (SAIDI, SAIFI, unplanned service disruptions) which meet or exceed utility specific annual targets.	Accomplishment against this objective shall be determined based on quantitative achievement, evaluated quarterly, against the annually established reliability targets, with significantly better than target performance being recognized as stretch accomplishment (Electric and Water – 95% of target reliability; Gas – 90% of target reliability).
Foster Organic Growth	Medium (15%)	Grow earnings through the identification and of new customers or rate base investments through sales and marketing efforts including: • reconnecting dormant customers, • connecting new customers through line extensions or otherwise; • Managed expansion projects including Military Privatizations; and • Tuck-in acquisitions announcements.	Accomplishment against this objective shall be determined based on identifying and securing securing regulatory approval for investment by Liberty Utilities in growth opportunities which target: • 4,200 identified EDU customers which are expected to connect to the system within 3 years, with stretch accomplishment recognized for more than 125% of this target; • delivery of incremental gross profit margin of US$4.0 million, with stretch accomplishment recognized for more than 125% of this target; and/or • represent rate base investment of US$7 million (allocation of achievement to be partially tied to actual dollar value of committed rate base acquired – i.e. stretch accomplishment recognized for more than 125% of this target)
Reduce Motor Vehicle Accident Rate	Low (10%)	The objective is to manage the business so that safety performance for the work force meets or exceeds industry averages. The actual MVA rate will be compared against the AGA target	Accomplishment against this objective shall be determined based on delivering a 2018 actual MVA rate the which is equal to or less than the AGA industry average. Stretch accomplishment will be recognized as an actual MVA rate which is less than 80% of the AGA industry average.

Exhibit BCO-17

Docket No. DE 19-064

OCA TS 1-21

New Hampshire Office of the Consumer Advocate

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

DE 19-064
Distribution Service Rate Case

OCA Technical Session Data Requests - Set 1

Date Request Received: 8/21/19
Request No. OCA TS 1-21

Date of Response: 9/5/19
Respondent: Anthony Strabone
Heather M. Tebbetts

REQUEST:

Address the following regarding Staff 1-2, for the 2019 capital budget (and revenue requirement workpapers, 2019 Capital Budget, OCA 1-2.3):

a. Provide the amount of total capitalized labor included in the 2019 Capital Budget, and show amounts by project (the capitalized labor for the 2019 Capital Budget was not provided in the response to 2-14.g, although the capitalized labor for the 2017 and 2018 Capital Budgets were provided in this response for each project).

RESPONSE:

a. The total internal capital labor in the budget is estimated to be $5.092 million for projects using internal labor resources. When calculating the capital costs for projects, any projects using contractors are based on historical spending for like projects, which provides a baseline for costs such as labor and materials. Those costs are not broken down by cost type because those projects use a bidding process which may include materials and labor. The capitalized labor for the 2017 and 2018 projects provided in Attachment OCA 2-14.g was provided from the total actual costs when the projects were complete and was not budgeted capitalized labor.

Exhibit BCO-18

Docket No. DE 19-064

OCA TS 1-22

New Hampshire Office of the Consumer Advocate

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

DE 19-064
Distribution Service Rate Case

OCA Technical Session Data Requests - Set 1

Date Request Received: 8/21/19 Date of Response: 9/5/19
Request No. OCA TS 1-22 Respondent: Anthony Strabone
Heather M. Tebbetts

REQUEST:

Regarding Staff 3-28.f (at revenue requirement workpapers, 2019 Capital Budget, OCA 1-2.3), address the following regarding “8830-1926 Reserve for Unidentified Discretionary Projects” (such as the $100,000 in the 2019 Capital Budget):

a. Provide the amount and percentage of “8830-1926 Reserve for Unidentified Discretionary Projects” in the 2016, 2017, and 2018 Capital Budgets, and explain why these amounts varied for each year and explain how the Company determines the “Reserve for Unidentified Discretionary Projects” amount to be included in each budget (and provide copies of the related Company policy).

b. Regarding the “Reserve for Unidentified Discretionary Projects” amounts in the 2016, 2017, and 2018 Capital Budgets, provide documentation to show that these “discretionary” amounts were, or were not, filled with actual projects for those respective years.

RESPONSE:

a. For 2016–2018, the reserve for unidentified discretionary projects was not included in the budget as 2019 was the first year it was included. The reserve was included in the 2019 budget to accommodate the fact that unanticipated projects have come up during the year, such as a pole relocation request by a city or town, and to budget for those “unidentified” costs.

b. N/A

Exhibit BCO-19

Docket No. DE 19-064

OCA TS 2-18

New Hampshire Office of the Consumer Advocate

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

DE 19-064
Distribution Service Rate Case

OCA Technical Session Data Requests - Set 2

Date Request Received: 10/22/19
Request No. OCA TS 2-18

Date of Response: 11/5/19
Respondent: Joel Rivera
Anthony Strabone
Heather M. Tebbetts

REQUEST:

The Company's response to OCA 7-25 regarding the amount and percent of completion construction completed year-to-date will be subject to further questions.

a. The Company's current projections show that $14.5 m of its $20 m capital budget will be completed by Dec. 31, 2019, will that result in the Company revising downward its Step Increase/Capital Project adjustment, and explain why or why not.

b. If the Company's construction costs incurred at hearing or Dec. 31, 2019 is greater than the amount included in the Step Increase/Capital Project adjustment, will the Company seek to recover the higher amounts, and explain why or why not.

c. For those projects not projected to be 50% completed or 100% completed by Dec. 31, 2019, the Company did not provide a revised projected completion date as requested, explain if a revised schedule will be provided or if the Company is assuming that all projects will be completed by Dec. 31, 2019.

d. For project 8830-1901, explain why this amount of $247,794 is shown as over budget at Aug. 31, 2019, but shows a final cost of $70,000 at 12/31/19.

e. For 2017 and 2018, provide capital budget construction expenditures by month (not necessary to show by project) for distribution plant (it is not necessary to provide for intangible or general plant).

a. At OCA 7-24, the Company states the capitalized labor for 2019 capital budget is $5.092 m, although the Company cannot identify this by project. Attachment OCA 7-25, shows total capitalized labor of $1.4 m on these capital projects, explain the difference between the $5.092 m noted in 7-24 and the $1.4 m in OCA 7-25.

f. Attachment OCA 7-25 shows total labor/materials/vendors/OHs of $9.9 m (Overheads is $4.5 m), are these amounts similar to the capitalized labor noted in the response of OCA 7-24 whereas such amounts are considered to be high level estimates.

g. Attachment OCA 7-25 project 8830-1940 states for this $225,000 project that it has been cancelled and all costs are reclassified to expenses. Will these costs be revised/removed in the Company's revised filing, explain why or why not, and to which account number will these amounts be charged.

h. Attachment OCA 7-25 indicates for projects 8830-1944 and 1946 that actual costs are lower than budget, will these amounts be revised downward in the Company's subsequent revised filing.

i. Attachment OCA 7-25 indicates for projects 8830-1948 that the project has been removed from 2018 budget, will these amounts be removed in the Company's subsequent revised filing.

RESPONSE:

a. The $14.5 million is only the capitalized labor portion of the budget, consistent with the original request in OCA 2-12.

b. The revenue requirement shown in Attachment AS/JR/HT-1 was merely illustrative to provide guidance on how the Company will calculate its revenue requirement associated with an approved step adjustment. The $20 million shown is not the total capital budget for 2019. The capital budget for 2019 is provided starting on Bates I-064. The Company will seek to recover the actual costs of the projects placed into service by December 31, 2019, whether they are higher or lower than the budgeted amount.

c. All projects for 2019 will be completed by December 31, 2019. Some of the projects are ongoing, such as projects associated with Tuscan Village, thus the identified scope for 2019 is expected to be completed by year end.

d. The project number is associated with storm work orders. As part of the 2017 storm fund audit, capital dollars were transferred from the deferral and into this project number as is the appropriate and approved vehicle for capital charges associated with storm work orders. In addition, the $70,000 is not the final cost. Rather, it is only the capitalized labor portion of the budget, consistent with the original request in OCA 2-12.

e. Please see Staff 9-3 for all monthly expenditures for 2017 and 2018.

f. These amounts are only through August 31, 2019.

g. Yes. The project will be removed from the list of capital projects when the Company puts together the final list of 2019 completed projects to be included in the step adjustment. The charges were moved to account 592 Maintenance of Station Equipment.

h. For the list of capital projects included in the step adjustment, the actual costs will be provided.

i. Yes. To clarify, the notation in Attachment OCA 7-25 indicates that the project has been removed from the 2019 budget, not the 2018 budget.