



**STATE OF NEW HAMPSHIRE  
BEFORE THE  
PUBLIC UTILITIES COMMISSION**

Docket No. DE 19-064

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities  
Distribution Service Rate Case

**REBUTTAL TESTIMONY**

**OF**

**PHILIP E. GREENE**

**AND**

**DAVID B. SIMEK**

January 30, 2020

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1 **I. INTRODUCTION AND BACKGROUND**

2 **Q. Please state your names and business addresses.**

3 A. (PEG) My name is Philip E. Greene. My business address is 15 Buttrick Road,  
4 Londonderry, New Hampshire.

5 (DBS) My name is David B. Simek. My business address is 15 Buttrick Road,  
6 Londonderry, New Hampshire.

7 **Q. By whom are you employed and in what position?**

8 A. (PEG) I am a Finance Manager for Liberty Utilities Service Corp. (“Liberty”), which  
9 provides service to Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities  
10 (“Granite State” or “the Company”). My responsibilities include management of staff  
11 and processes for the Company’s fixed asset accounting, roles in Financial Planning and  
12 Analysis (FP&A), budgeting, financial reporting, capital planning support, and Granite  
13 State rate case revenue requirement support.

14 (DBS) I am employed by Liberty as Manager of Rates and Regulatory Affairs. I am  
15 responsible for rates and regulatory affairs for Granite State and EnergyNorth.

16 **Q. Have you previously submitted testimony in this proceeding?**

17 A. Yes. We submitted joint prefiled testimony as part of the Company’s April 30, 2019,  
18 filing for an increase in distribution rates. Our professional backgrounds and  
19 qualifications are contained in that testimony. Terms defined in our prefiled direct  
20 testimony have the same meaning in this rebuttal testimony.

1 **II. PURPOSE AND SUMMARY OF TESTIMONY**

2 **Q. What is the purpose of your testimony?**

3 A. The purpose of our testimony is to respond to the direct testimonies of Donna H.  
4 Mullinax filed on behalf of the Staff (“Staff”) of the New Hampshire Public Utilities  
5 Commission (the “Commission”) and Bion C. Ostrander filed on behalf of the New  
6 Hampshire Office of the Consumer Advocate (“OCA”).

7 **Q. Are you submitting any attachments with your testimony?**

8 A. Yes, we are submitting the following attachments:

- 9 • Attachment PEG/DBS-1-Rebuttal, presenting updates to the revenue requirement  
10 schedules that were submitted in the November 22, 2019, Corrections and Update  
11 filing (“CU”). The attachment includes only certain schedules to demonstrate the  
12 limited changes that were made since the CU filing and the impact of those  
13 changes.
- 14 • Attachments PEG/DBS-2-Rebuttal, PEG/DBS-3-Rebuttal, and PEG/DBS-4-  
15 Rebuttal are copies of discovery responses that support our rebuttal testimony.

16 **Q. Please summarize the results of your testimony.**

17 A. The Company agrees with the following changes proposed by Staff, with the particular  
18 schedules where the changes appear in Attachment PEG/DBS-1-Rebuttal noted in each  
19 change:

- 1           • Removal of depreciation expense from cash working capital (Adjustment #10 on  
2           page 1 of Attachment PEG/DBS-1, reflected on Schedule RR-5-3 (R), Line 4);
- 3           • Removal of severance pay related to mutual separation agreement (Adjustment #5  
4           on page 1 of Attachment PEG/DBS-1, reflected on Schedule RR-3-17 (R), Line  
5           1); and
- 6           • Correction to the adjustment for vacancies to correctly allocate for a portion of  
7           capital labor not considered, and a reduction to a vacancy adjustment (Adjustment  
8           #3 on page 1 of Attachment PEG/DBS-1, reflected on Schedule RR-3-01 (R),  
9           Line 11 and Schedule RR-3-02 (R), Line 13).

10           The Company agrees with the following Staff Audit Report recommendations, with the  
11           particular schedules where the changes appear in Attachment PEG/DBS-1-Rebuttal noted  
12           in each change:

- 13           • **Audit Issue #6:** Removal of costs related to EAP software upgrade from rate base  
14           (Adjustment #1 on page 1 of Attachment PEG/DBS-1, reflected on Schedule RR-  
15           2-1 (R), Line 3 and Schedule RR-3-08 (R), Line 5);
- 16           • **Audit Issue #12:** Reclassification of substation fencing from expense to  
17           General/Common Plant (Adjustment #2 on page 1 of Attachment PEG/DBS-1,  
18           reflected on Schedule RR-2-1 (R), Line 22 and Schedule RR-3-08 (R), Line 26);
- 19           • **Audit Issue #13:** Removal of a \$75 donation from distribution expense  
20           (Adjustment #6 on page 1 of Attachment PEG/DBS-1, reflected on Schedule RR-  
21           3-17 (R), Line 3);

- 1           • **Audit Issue #19:** Removal of expenses for vegetation management not charged to  
2           FERC account 593 during the test year (Adjustment #9 on page 1 of Attachment  
3           PEG/DBS-1, reflected on Schedule RR-3-17 (R), Lines 5 and 7);
- 4           • **Audit Issue #20:** Adjustment to remove Statewide Education Tax assessed by  
5           various cities and towns in error, note that 2019 tax amounts were used as the  
6           basis for adjustment (Adjustment #7 on page 1 of Attachment PEG/DBS-1,  
7           reflected on Schedule RR-3-17 (R), Line 9); and
- 8           • **Audit Issue #21:** Adjustment to correct overstatement of income tax expense for  
9           the test year (Adjustment #8 on page 1 of Attachment PEG/DBS-1, reflected on  
10          Schedule RR-3-17 (R), Line 11).

11          The changes resulting from the Staff Audit Report would normally be reflected in the  
12          Company's CU filing. However, as the Audit Report was not finalized until January  
13          2020, relevant adjustments are being included in this rebuttal testimony.

14          The Company also proposes the following change, with the particular schedule where the  
15          change appears in Attachment PEG/DBS-1-Rebuttal noted:

- 16          • Correction to properly reflect test year vegetation management expenses  
17          recognized during the test year of \$1,500,000 (Adjustment #4 on page 1 of  
18          Attachment PEG/DBS-1, reflected on Schedule RR-3-10 (R), Line 7)

19          The impact of the above changes is a revenue deficiency (compared to revenue at present  
20          rates) of \$6,340,293, which is \$333,200 less than revenue deficiency reflected in the

1 Technical Statement (“TS”) of Philip E. Greene and David B. Simek dated November 22,  
2 2019<sup>1</sup>. All other changes proposed by Staff should be rejected for reasons discussed in  
3 the Company’s rebuttal testimony.

4 **Q. Please summarize the adjustments that Ms. Mullinax proposed.**

5 A. Ms. Mullinax recommended fourteen adjustments to the Company’s revenue  
6 requirement. Ms. Mullinax also included Adjustment 3 in her testimony as a placeholder  
7 for any audit issue findings. The table below summarizes Staff’s proposed adjustments<sup>2</sup>  
8 including the audit issue placeholder for consistency purposes.

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<sup>1</sup> This filing appears in the Commission’s docketbook with a date of November 25, 2019.

<sup>2</sup> Source: Direct testimony of Donna H. Mullinax dated December 6, 2019, Bates 000005

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**Table 1. Proposed Staff Adjustments**

<b>Adjustment</b>	<b>Description</b>	<b>Rate Base Adjustment</b>	<b>Operating Income Adjustment</b>	<b>Revenue Deficiency Adjustment</b>
1	Modify Plant in Service	(\$5,361,696)	\$165,909	(\$750,310)
2	Cash Working Capital	(844,617)		(82,354)
3	Audit Issues-Placeholder			
4	Proforma Payroll		477,209	(654,428)
5	True-Up Payroll Taxes		48,169	(66,058)
6	Short Term Incentive Plan – Earnings Objective		233,260	(319,885)
7	Remove LTIP (PSU) Related to Shareholder Goals		154,990	(212,548)
8	Remove Severance		19,195	(26,324)
9	Non-Electric Distribution Related Charges		118,500	(162,507)
10	Allocated Cost to Liberty		559,001	(766,595)
11	Normalize Outside Legal Expense		8,599	(11,793)
12	Depreciation Reserve Deficiency Amortization Period		86,943	(119,231)
13	Disallowed Transition-Related Asset Depreciation		900,102	(1,234,369)
14	Remove Additional Vegetation Management		485,847	(666,274)
15	Interest Synchronization		33,115	(45,413)

2

3 **Q. Please summarize the adjustments that Mr. Ostrander proposed.**

4 A. Mr. Ostrander recommended five adjustments to the Company’s revenue requirement.

5 The table below summarizes OCA’s proposed adjustments.<sup>3</sup>

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<sup>3</sup> Source: Direct testimony of Bion C. Ostrander dated December 6, 2019, Bates 12

1 **Table 2. Proposed OCA Adjustments**

<b>Adjustment</b>	<b>Description</b>	<b>Revenue Deficiency Adjustment</b>
1	Payroll Expense	(\$601,678)
2	Incentives	(392,614)
3	Payroll Tax Expense	(94,744)
4	Depreciation Expense	(661,150)
5	Pole Rental Fees	(53,619)

2  
3 **III. RESPONSE TO STAFF REVENUE REQUIREMENT ADJUSTMENTS**

4 **Q. Please summarize Staff's Adjustment #1 regarding plant in service.**

5 A. Staff adjusted Plant in Service based on recommendations included in the testimonies of  
6 Mr. Dudley and Mr. Demmer (Mullinax Direct Testimony, Bates 000014, Lines 6–7).

7 **Q. Do you agree with the adjustment?**

8 A. No. The joint rebuttal testimony of Heather Green, Joel Rivera, Anthony Strabone, and  
9 Heather Tebbetts discusses the Company's position with Staff's recommended Plant in  
10 Service adjustments.

11 **Q. Please summarize Staff's Adjustment #2 regarding cash working capital.**

12 A. Staff made two adjustments to Cash Working Capital. The first adjustment was the  
13 removal of depreciation expense and the second was to reflect its other adjustments to  
14 operation and maintenance expenses (Mullinax Direct Testimony, Bates 000014, Lines  
15 17–20).

1 **Q. Do you agree with those adjustments?**

2 A. We agree conceptually with these adjustments, although, as discussed throughout this  
3 rebuttal testimony, we do not agree with many of the underlying adjustments themselves.  
4 Schedule RR-5-3 (R), Line 7 provides the cash working capital allowance, adjusted for  
5 those Staff and OCA adjustments the Company agrees are reasonable.

6 **Q. Please summarize Staff's Adjustment #4 regarding payroll and related income**  
7 **taxes.**

8 A. Staff recommended a portion of payroll and associated income taxes be removed from  
9 the revenue requirement which reduced payroll expense by \$654,455 and increased  
10 operating income by \$477,209 (Mullinax Direct Testimony, Bates 000020, Lines 14–15).  
11 Staff removed costs associated with all 2018 vacancies and one unfilled 2019 incremental  
12 position in their recommendation.

13 **Q. Do you agree with the adjustment?**

14 A. No. The provision of reliable distribution service requires a full complement of  
15 employees. If the Company is operating with a less than full complement of employees,  
16 the excess work would either be completed by other employees (and thus increase  
17 overtime costs) and/or by incremental temporary/contract labor. While Staff is correct  
18 that vacancies entail lower direct labor costs, Staff does not recognize that the decrease  
19 would be offset by other cost increases. In addition, positions such as line workers, many  
20 of which were vacant during the test year, are particularly vital to operation and  
21 maintenance of the distribution system, so providing less than full funding would not be

1 in the best interests of customers and would hamper the Company's ability to fill those  
2 positions going forward. The Company did make a correction to the adjustment for  
3 vacancies to correctly allocate capital labor associated with two particular positions.

4 **Q. Please summarize Staff's Adjustment #5 regarding payroll taxes.**

5 A. Staff recommended an adjustment to payroll tax expense and the associated income taxes  
6 due to the recommended reductions to payroll expense (Adjustment #4) and short term  
7 incentive compensation (Adjustment #6) (Mullinax Direct Testimony, Bates 000020,  
8 Lines 19–21).

9 **Q. Is Staff's proposal relating to payroll tax expense correct?**

10 A. Yes, it is in theory. Payroll tax expense should be adjusted to reflect any final payroll  
11 adjustments made. That adjustment is consistent with the approach taken by the  
12 Company in its original and updated filings. The change to payroll tax expense related to  
13 adjustments to payroll taxes above is included in the overall payroll expense adjustment  
14 reflected on Schedules RR-3-01 and RR-3-02 (Adjustment #3 on page 1 of Attachment  
15 PEG/DBS-1).

16 **Q. Please summarize Staff's Adjustments #6 and #7 regarding short term and long  
17 term incentives.**

18 A. Staff recommended a portion of short term incentives (Adjustment #6) and associated  
19 income taxes be removed from the revenue requirement which reduced short term  
20 incentives by \$319,898 and increased operating income by \$233,260 (Mullinax Direct  
21 Testimony, Bates 000058, Lines 3 & 10). Staff's calculation multiplies an assumed 80%

1 weight assigned to the Balanced Scorecard against the 45% weight assigned to  
2 “Efficiencies.” Staff also recommended that the “Efficiencies” portion or 85% of long  
3 term incentives (Adjustment #7) and associated income taxes be removed from the  
4 revenue requirement which reduced long term incentives by \$212,557 and increased  
5 operating income by \$154,990 (Mullinax Direct Testimony, Bates 000025, Lines 19–20).

6 **Q. Do you agree with these adjustments?**

7 A. No. Incentives are part of the Company’s total compensation package and are necessary  
8 and appropriate for attracting and retaining employees. Incentive compensation based on  
9 a company’s performance is a widely used method of compensating employees by  
10 placing a portion of compensation at risk. The purpose of financial performance goals is  
11 to assist in earning, with existing resources, a reasonable rate of return. Providing  
12 employees an incentive to do so without additional rate relief benefits customers because  
13 it provides an incentive to reduce costs. Staff’s proposed adjustments are  
14 counterproductive and would harm customers in the end, and should be rejected.

15 **Q. Please summarize Staff’s Adjustment #8 regarding severance.**

16 A. Staff recommended severance for mutually separated employees and associated income  
17 taxes be removed from the revenue requirement, which reduced severance expense by  
18 \$26,324 and increased operating income by \$19,195 (Mullinax Direct Testimony, Bates  
19 000027, Lines 1–3).

1 **Q. Do you agree with this type of adjustment?**

2 A. Yes, this type of adjustment is consistent with the severance reduction included in  
3 Commission Order No. 26,122 in Docket No. DG 17-048, dated April 27, 2018, although  
4 the amount of 2018 severance related to a mutual separation agreement was updated in  
5 Revised Staff TS 1-35, included as Attachment PEG/DBS-2-Rebuttal. Severance  
6 expense should only be reduced by \$9,336, which increases operating income by \$8,531.

7 **Q. Please summarize Staff's Adjustment #9 regarding non-electric related distribution**  
8 **charges.**

9 A. Staff recommended removal of costs charged to Account 735 - Misc. Production Expense  
10 for \$69,113 and costs charged to the Energy Procurement department for \$93,401. These  
11 adjustments reduced expenses by \$162,514 and increased operating income by \$118,500  
12 (Mullinax Direct Testimony, Bates 000027, Lines 18–19).

13 **Q. Do you agree with these adjustments?**

14 A. No. Staff's removal of the costs charged to Account 735 – Misc. Production Expense is  
15 based solely on the account number and description of the account. No inquiry was ever  
16 made asking for the detail of the charges or why the charges are included in an electric  
17 distribution rate case. These costs are legitimate electric fleet costs that were charged to  
18 the wrong account due to a mapping error but still belong in the case. This issue was also  
19 reviewed as part of the Staff audit and was not recommended to be removed from the rate  
20 case.

1 Staff removed the Energy Procurement costs stating the Company “should seek to  
2 recover these costs through the Default Service docket.” The types of administrative  
3 costs that the Company recovers through Default Service rates were authorized by Order  
4 No. 24,577 in Docket No. DE 05-126, dated January 13, 2006. Only administrative costs  
5 associated with the design and implementation of Default Service, supply-related  
6 working capital, and supply-related bad debt costs are recovered in Default Service rates  
7 through a “transfer” of such costs from base distribution rates. Thus, it is inappropriate  
8 for Staff to recommend removal of the Energy Procurement costs from the rate case as it  
9 would be contrary to the prior Commission rulings in past Energy Service proceedings.

10 **Q. Please summarize Staff’s Adjustment #10 regarding direct charges from affiliated**  
11 **companies.**

12 A. Staff recommended a three-year average cost (2015–2017) for direct inter-company  
13 charges. This adjustment reduced expenses by \$766,626 and increased operating income  
14 by \$559,001 (Mullinax Direct Testimony, Bates 000029, Lines 8–11).

15 **Q. Do you agree with the adjustment?**

16 A. No. First, Staff’s methodology is flawed in that it used an average that excluded the test  
17 year. In a discovery response, Ms. Mullinax explained that she excluded the test year  
18 because she viewed the increase in direct charges from 2017 to 2018 as not being  
19 representative of a typical level of annual costs. However, in reviewing the Company’s  
20 discovery response used by Ms. Mullinax,<sup>4</sup> the reality was that the total charges she was

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<sup>4</sup> See Attachment DHM-13 to Ms. Mullinax’s December 2, 2019, testimony.

1 referencing indicated that 2017 was abnormally low as compared to 2016 and 2018.

2 Further review indicated that Ms. Mullinax's adjustment is also incorrect because the  
3 total charges included in that discovery response included charges that were included  
4 in balance sheet accounts in addition to expense accounts. Ms. Mullinax incorrectly  
5 included those balance sheet items in her total recommended reduction to operating  
6 expenses. This resulted in Staff's proposed adjustment being overstated by hundreds of  
7 thousands of dollars and, along with the incorrect exclusion of the test year from Staff's  
8 proposed normalizing adjustment, invalidates the adjustment.

9 **Q. Please summarize Staff's Adjustment #11 regarding outside legal services.**

10 A. Staff recommended a three-year average cost (2016–2018) for outside legal service  
11 charges. This adjustment reduced expenses by \$11,793 and increased operating income  
12 by \$8,599 (Mullinax Direct Testimony, Bates 000030, Lines 2–5).

13 **Q. Do you agree with the adjustment?**

14 A. No. Liberty Utilities New Hampshire only employs one attorney who shares his time  
15 between Granite State and EnergyNorth. The Company is projecting that outside legal  
16 service costs will increase, not decrease, over the next few years given the large array of  
17 matters handled by the Company's counsel.

18 **Q. Please summarize Staff's Adjustment #12 regarding the depreciation reserve**  
19 **imbalance.**

20 A. Staff contended that the appropriate amortization period for the depreciation reserve  
21 imbalance is 12 years rather than the 6 years as proposed by the Company. This

1 adjustment reduced depreciation expenses by \$116,650 and increased operating income  
2 by \$86,943 (Mullinax Direct Testimony, Bates 000031, Lines 4–8). Staff’s proposed  
3 adjustment resulted from using an average of 18 years between depreciation studies  
4 performed for 1995 and 2013 rate cases and 6 years between depreciation studies  
5 performed between the 2013 rate case and this current rate case. However, Staff agreed  
6 that 18 years between rate cases is atypical and could not cite to any Commission rulings  
7 in support of such an extended period of time between rate cases. In fact, the 18-year  
8 period from 1995 to 2013 resulted from a combination of no rate cases being filed during  
9 that period as well as a rate plan that was implemented as part of the Docket No. DG 06-  
10 107 merger docket between National Grid and Keyspan. In contrast, the six-year period  
11 proposed by the Company is consistent with the amortization period approved for  
12 EnergyNorth in its recent distribution rate case, Docket No. DG 17-048.

13 **Q. Please summarize Staff’s Adjustment #13 regarding the removal of a ratemaking**  
14 **adjustment from DG 11-040.**

15 A. Staff recommended depreciation expense for a transition-related IT capital investment  
16 ratemaking adjustment and associated income taxes be removed from the revenue  
17 requirement, which reduced depreciation expense by \$1,234,419 and increased operating  
18 income by \$900,102 (Mullinax Direct Testimony, Bates 000013, Lines 22–23, and Bates  
19 000014, Lines 1–3).

1 **Q. Do you agree with the adjustment?**

2 A. No. As the adjustment relates to the cessation of a ratemaking adjustment that originated  
3 in Docket No. DG 11-040, the docket wherein Granite State was acquired from National  
4 Grid, the Company stands by its adjustment for the reasons described in our November  
5 25, 2019, Joint Technical Statement supporting the Corrections and Updates filing.

6 **Q. Please summarize Staff's Adjustment #14 regarding vegetation management.**

7 A. Staff adjusted vegetation management costs based on recommendations included in the  
8 testimony of Mr. Demmer (Mullinax Direct Testimony, Bates 000031, Lines 13–14).

9 **Q. Do you agree with the adjustment?**

10 A. No. The joint rebuttal testimony of Heather Green, Joel Rivera, Anthony Strabone, and  
11 Heather Tebbetts discusses the Company's position with Staff's recommended vegetation  
12 management adjustments.

13 **Q. Please summarize Staff's Adjustment #15 regarding interest synchronization.**

14 A. Staff proposed to adjust interest synchronization to reflect any final adjustments to rate  
15 base and to the cost of capital (Mullinax Direct Testimony, Bates 000032, Lines 1–3).

16 **Q. Is Staff's proposal relating to interest synchronization correct?**

17 A. Yes, in theory. The Company agrees that interest synchronization should be adjusted to  
18 reflect any final adjustments to rate base and the cost of capital. That approach is  
19 consistent with the approach taken by the Company in its original and updated filings.  
20 Schedule RR-3-15 (R), Line 10 shows the adjusted amount of synchronized interest

1 expense of \$2,751,912, which is \$15,834 lower than the \$2,767,746 included in the CU  
2 filing.

3 **IV. RESPONSE TO OCA REVENUE REQUIREMENT ADJUSTMENTS**

4 **Q. Please summarize OCA's Adjustment #1 regarding payroll expense.**

5 A. OCA recommended a portion of payroll be removed from the revenue requirement which  
6 reduced payroll expense by \$601,678 (Ostrander Direct Testimony, Bates 026, Lines 17–  
7 18). OCA removed all payroll costs associated with 2018 vacancies that were not filled  
8 in 2018 or 2019 and 50% of payroll costs for vacancies that were filled in 2018 or 2019.

9 **Q. Do you agree with the adjustment?**

10 A. No. Please see the above discussion of the Company's response to Staff's Adjustment  
11 #4.

12 **Q. Please summarize OCA's Adjustment #2 regarding incentives.**

13 A. OCA recommended a portion of incentives be removed from the revenue requirement  
14 which reduced payroll expense by \$392,614 (Ostrander Direct Testimony, Bates 068,  
15 Lines 6–7). OCA removed the difference of the average 2015–2017 incentive expense  
16 from the 2018 book balance for both short term and long-term incentives. The remaining  
17 balances were then reduced by 50% to account for financial-focused incentive measures  
18 that benefit shareholders.

19 **Q. Do you agree with the adjustment?**

20 A. No. Please see the above discussion of the Company's response to Staff's Adjustments #6  
21 and #7.

1 **Q. Please summarize OCA's Adjustment #3 regarding payroll tax expense.**

2 A. OCA recommended an adjustment to payroll tax expense due to the recommended  
3 reductions to payroll expense (Adjustment #1) and incentive compensation (Adjustment  
4 #2) (Ostrander Direct Testimony, Bates 068, Lines 15–18).

5 **Q. Is OCA's proposal relating to payroll tax expense correct?**

6 A. Yes, it is in theory. Please see the above discussion of the Company's response to Staff's  
7 Adjustment #5.

8 **Q. Please summarize OCA's Adjustment #4 regarding depreciation expense.**

9 A. OCA recommended a portion of depreciation expense be removed from the revenue  
10 requirement which reduced depreciation expense by \$661,150 (Ostrander Direct  
11 Testimony, Bates 072, Lines 3–11). OCA removed all depreciation expense adjustments  
12 (other than intangible plant accounts) recommended by the Company's depreciation  
13 expert, including the theoretical reserve deficiency amortization.

14 **Q. Do you agree with the adjustment?**

15 A. No. The Company hired Mr. Dane Watson, a certified depreciation expert from Alliance  
16 Consulting Group, to perform the depreciation study. Mr. Ostrander, admittedly not an  
17 expert on depreciation rates and lives, provided no support for his arbitrary acceptance of  
18 only Mr. Watson's recommended depreciation lives for intangible assets while essentially  
19 ignoring the remainder of Mr. Watson's recommendations with respect to depreciation  
20 lives, net salvage, and a depreciation reserve deficiency. Mr. Ostrander stated in  
21 response to LU 1-30, which is included as Attachment PEG/DBS-3-Rebuttal, that he was

1 “instructed by the OCA, as a matter of its internal policy, not to reflect the impact of new  
2 depreciation rates or the related reserve deficiency for non-intangible related plant in the  
3 new revenue requirement of this case.” Any recommendations regarding depreciation  
4 should come from an expert.

5 **Q. Please summarize OCA’s Adjustment #5 regarding pole rental fees.**

6 A. OCA recommended additional pole rental fees be added to the revenue requirement,  
7 which increases revenue by \$53,619 (Ostrander Direct Testimony, Bates 081, Lines 1–2).

8 **Q. Do you agree with the adjustment?**

9 A. No. In the Company’s response to OCA 2-23, which is included as Attachment  
10 PEG/DBS-4-Rebuttal, it stated that it reviewed pole attachment fees in 2018 and found  
11 that the standard rate for solely owned poles could increase to \$24.33 (a 21.47 percent  
12 increase) using the FCC pole attachment fee formula. OCA calculated potential pole  
13 rental revenue by simply applying the 21.47 percent increase to the jointly owned  
14 standard rate and both cable rates and then multiplying by the number of poles in each  
15 class. This simplistic approach does not take into consideration that there are many other  
16 considerations in Puc 1304.06 that complicate whether or not the proposed FCC  
17 calculated rate of \$24.33 would be just and reasonable.

18 **Q. Does this conclude your rebuttal testimony?**

19 A. Yes, it does

#	Source	Schedule(s) Changed	Description	Adjustment Amount - Rate Base	Change in Revenue Increase
1	Audit Issue #6	RR-2-1 RR-3-08	Removal of costs related to EAP software upgrade from rate base.	(168,498)	(33,865)
2	Audit Issue #12	RR-2-1 RR-3-08	Reclassification of substation fencing from expense to Plant (structures & improvements)	3,500	57
3	Rebuttal	RR-3-01 RR-3-02	Adjustment to amount of known and measurable adjustment for vacancies.	0	(39,989)
4	Model Correction	RR-3-10	Correction to properly reflect test year vegetation management expenses @ \$1,500,000	0	45,270
5	Rebuttal	RR-3-17	Removal of Severance Related to a Mutual Separation Agreement	0	(9,382)
6	Audit Issue #13	RR-3-17	Removal of \$75 donation from distribution expense	0	(75)
7	Audit Issue #20	RR-3-17	Adjustment to remove Statewide Education Tax assessed by cities and towns in error (2019 tax as basis for adjustment).	0	(17,186)
8	Audit Issue #21	RR-3-17	Adjustment to correct overstatement of income tax expense for the test year.	0	(122,750)
9	Audit Issue #19	RR-3-17	Removal of expenses for vegetation management not charged to 593 during the test year.	0	(96,388)
10	Rebuttal	RR-5-3	Removal of depreciation expense from Cash Working Capital	0	(58,893)
				<u><u><b>(333,200)</b></u></u>	

RR-1 **Liberty Utilities (Granite State Electric) Corp.**  
Final **Computation of Revenue Deficiency and Revenue Requirement**  
RR

Schedule RR-1 (R)

Line	Description	Reference	Amount
1	Rate Base	Schedule RR-5 (CU)	102,434,842
2			
3	Target Rate of Return on Rate Base	Schedule RR-6 (CU)	<u>8.19%</u>
4			
5	Operating income requirement	Line 1 X Line 3	8,389,414
6			
7	Operating income at present rates	Schedule RR-2 (CU)	<u>3,766,072</u>
8			
9	Operating income deficiency	Line 5 - Line 7	4,623,342
10			
11	Gross-up Factor for Income tax	Line 21	<u>1.37136588</u>
12			
13	Revenue deficiency	Line 9 X Line 11	<u><u>6,340,293</u></u>
14			
15	Increase in Income tax expense	Line 13 - Line 9	1,716,951
16			
17	<u>Gross-up factor for Income Taxes</u>		
18	Federal income tax rate		21.00%
19	New Hampshire state income tax rate		7.70%
20	Combined income tax rate	Line 18 + Line 19 - (Line 18 X Line 19)	27.08%
21	Total Gross-up Factor	1 / (1 - Line 20)	1.3714

RR-2-1 **Liberty Utilities (Granite State Electric) Corp.**  
Final **Rate Base and Operating Income Statement- Detail**  
RR **Historic Year Ended Dec. 31, 2018**  
**Historic Year With Known and Measurable Changes**  
Schedule RR-2-1 (R)

Line	Account	Source	Acct. No.	RR-2-2		RR-3	At Current Rates
				Historic Year Ended Dec. 31, 2018	Flow-Through Items	Distribution Operating Income	Known and Measurable Adjustments
1	<b>Intangible Assets</b>						
2	Organization			24,808		24,808	24,808
3	Other Intangible assets			10,987,554		10,987,554 (A)	11,012,615
4	<b>Total Intangible Plant</b>			<b>11,012,362</b>	<b>0</b>	<b>11,012,362</b>	<b>11,037,423</b>
5							
6	<b>Distribution Plant</b>						
7	Land and land rights	360		1,672,947		1,672,947 (A)	1,672,947
8	Structures and improvements	361		1,965,160		1,965,160 (A)	1,965,160
9	Station equipment	362		28,894,637		28,894,637 (A)	30,756,049
10	Poles, towers and fixtures	364		40,575,975		40,575,975 (A)	41,667,046
11	Overhead conductors, devices	365		58,746,906		58,746,906 (A)	65,174,236
12	Underground conduit	366		6,674,970		6,674,970 (A)	6,948,378
13	Underground conductors, device	367		14,932,982		14,932,982 (A)	17,274,059
14	Line transformers	368		29,063,612		29,063,612 (A)	29,638,555
15	Services	369		10,437,741		10,437,741 (A)	11,634,212
16	Meters	370		3,507,367		3,507,367 (A)	3,688,487
17	Leased Prop on Customers' Prem	372		1,167,465		1,167,465 (A)	(0)
18	Street lighting, signal system	373		5,553,466		5,553,466 (A)	5,626,782
19	<b>Total Distribution Plant</b>			<b>203,193,227</b>	<b>0</b>	<b>203,193,227</b>	<b>216,045,911</b>
20							
21	<b>General / Common Plant</b>						
22	General plant			18,297,542		18,297,542 (A)	19,275,178
23	<b>Total General / Common Plant</b>			<b>18,297,542</b>	<b>0</b>	<b>18,297,542</b>	<b>19,275,178</b>
24	<b>Total Plant in Service</b>			<b>232,503,131</b>	<b>0</b>	<b>232,503,131</b>	<b>246,358,513</b>
25	(A) Distribution of In service not classified						
26	<b>Accumulated Depreciation &amp; Amortization</b>						
27	Accumulated Depr & Amort	108		93,623,954		93,623,954	92,416,370
28	<b>Total Accum. Depr. &amp; Amort.</b>			<b>93,623,954</b>	<b>0</b>	<b>93,623,954</b>	<b>92,416,370</b>
29							

RR-2-1 **Liberty Utilities (Granite State Electric) Corp.**  
Final **Rate Base and Operating Income Statement- Detail**  
RR **Historic Year Ended Dec. 31, 2018**  
**Historic Year With Known and Measurable Changes**  
Schedule RR-2-1 (R)

Line	Account	Source Acct. No.	RR-2-2		RR-3	At Current Rates
			Historic Year Ended Dec. 31, 2018	Flow- Through Items	Distribution Operating Income	Known and Measurable Adjustments
30	<b>Other Rate Base Items</b>					
31	Materials and Supplies	154	1,877,163			1,877,163
32	Plant in service, Not classified	106	15,227,964		(15,227,964)	0
33	Accumulated Deferred FIT	ADIT	(14,944,899)			(14,944,899)
34	Customer deposits	CustDep	(1,278,349)			(1,278,349)
35	<i>Total Other Rate Base Items</i>		881,878	0	(15,227,964)	(14,346,085)
36	<b>Total Rate Base</b>		139,761,056	0	(164,998)	139,596,057
37						
38						
39	<b>Purchased Power</b>	555	38,378,791	(38,378,791)	0	0
40						
41	Transmission- Open Access		592,856	(592,856)	0	0
42	Elec Rev Wheeling		21,757,093	(21,757,093)	0	0
43	Maint of Overhead lines-Labor		(271,053)	271,053	0	0
44	<b>Transmission Expenses-O&amp;M</b>		22,078,896	(22,078,896)	0	0
45						
46	<b>Distribution O&amp;M</b>					
47	Transmisison Other	570	4,926		614	5,540
48	Supervision & Eng	580	1,499,505		176,100	1,675,605
49	Load Dispatching	581	558,385		51,227	609,612
50	Substations	582	129,660		10,307	139,967
51	Overhead Lines	583	712,491		50,142	762,634
52	Underground Lines	584	87,249		7,572	94,821
53	Outdoor Lighting	585	88,997		6,283	95,281
54	Electric Meters	586	234,938		21,624	256,562
55	Customer Installation	587	149,677		(66,214)	83,463
56	Misc Expenses	588	1,249,771		37,420	1,287,191
57	Supervision & Eng	590	24,326		3,031	27,357
58	Structures	591	72,857		7,729	80,586
59	Substations	592	156,145		(45,393)	110,751
60	Overhead Lines	593	3,081,104		937,652	4,018,756
61	Underground Lines	594	71,684		1,499	73,183
62	Line Transformers	595	49,039		2,910	51,948

RR-2-1 **Liberty Utilities (Granite State Electric) Corp.**  
Final **Rate Base and Operating Income Statement- Detail**  
RR **Historic Year Ended Dec. 31, 2018**  
**Historic Year With Known and Measurable Changes**  
Schedule RR-2-1 (R)

Line	Account	Source Acct. No.	RR-2-2		RR-3	At Current Rates	
			Historic Year Ended Dec. 31, 2018	Flow- Through Items	Distribution Operating Income	Known and Measurable Adjustments	Pro Forma Test Year With Known and Measurable
63	Outdoor Lighting	596	145,926		145,926	11,445	157,371
64	Maint of meters	597	69,893		69,893	2,199	72,091
65	Main Misc Distr Plant	598	185,504		185,504	(41,620)	143,885
66	<i>Total Distribution O&amp;M</i>		<u>8,572,078</u>	0	<u>8,572,078</u>	<u>1,174,525</u>	<u>9,746,603</u>
67							
68	<b>Customer Accounting</b>						
69	Supervision	901	181,262		181,262	22,585	203,848
70	Meter Reading	902	378,155		378,155	27,243	405,398
71	Customer Records & Collection	903	1,373,203		1,373,203	88,518	1,461,721
72	Uncollectible Accounts	904	244,477		244,477	0	244,477
73	Uncollectible Accounts- Commodity	904	(175,815)		(175,815)	0	(175,815)
74	Misc Expenses	905	30,228		30,228	0	30,228
75	<i>Total Customer Accounting</i>		<u>2,031,510</u>	0	<u>2,031,510</u>	<u>138,347</u>	<u>2,169,856</u>
76							
77	<b>Customer Service &amp; Information</b>						
78	Cust Service-Supervision	907	426		426	53	479
79	Cust Assistance Expenses	908	32,314		32,314	6	32,320
80	Cust Service-Misc Expenses	910	136,663		136,663	12,742	149,406
81	<i>Total Customer Service &amp; Info.</i>		<u>169,404</u>	0	<u>169,404</u>	<u>12,801</u>	<u>182,205</u>
82	<i>Total Customer Accounts</i>		<u>2,200,913</u>	0	<u>2,200,913</u>	<u>151,148</u>	<u>2,352,061</u>
83							
84	<b>Administrative &amp; General</b>						
85	A&G-Salaries	920	2,053,610		2,053,610	234,272	2,287,882
86	A&G-Office Supplies	921	634,851		634,851	(591)	634,260
87	A&G-Transferred	922	(5,568,517)		(5,568,517)	0	(5,568,517)
88	A&G-Outside Services	923	869,617		869,617	0	869,617
89	Property Insurance	924	1,505,054		1,505,054	(10,689)	1,494,365
90	Injuries & Damages Insurance	925	750,028		750,028	22,647	772,675
91	Employee Pensions & Benefits	926	4,240,545		4,240,545	612,004	4,852,549
92	Regulatory Comm Expenses	928	453,765		453,765	0	453,765
93	A&G-Misc Expenses	930	7,142		7,142	0	7,142

RR-2-1 **Liberty Utilities (Granite State Electric) Corp.**  
Final **Rate Base and Operating Income Statement- Detail**  
RR **Historic Year Ended Dec. 31, 2018**  
**Historic Year With Known and Measurable Changes**  
Schedule RR-2-1 (R)

Line	Account	Source Acct. No.	RR-2-2		RR-3	At Current Rates	
			Historic Year Ended Dec. 31, 2018	Flow- Through Items	Distribution Operating Income	Known and Measurable Adjustments	Pro Forma Test Year With Known and Measurable
94	Rent	931	18,385		18,385	(345)	18,040
95	LU Costs	920LU	2,099,548		2,099,548	0	2,099,548
96	A&G Maint-General Plant-Elec	932	0		0	0	0
97	<i>Total Administrative &amp; General</i>		7,064,028	0	7,064,028	857,298	7,921,326
98	<i>Total O&amp;M Expense</i>		78,294,707	(60,457,687)	17,837,019	2,182,971	20,019,991
99			78,294,707				
100	<b>Depreciation Expense</b>						
101	Intangible assets	405	2,156,872		2,156,872	0	2,156,872
102	Distribution plant	403	6,167,294		6,167,294	2,309,377	8,476,671
103	Amortization expense- Regulatory	407	359,904		359,904	0	359,904
104	<i>Total Depreciation Expense</i>		8,684,070	0	8,684,070	2,309,377	10,993,447
105							
106	<b>General Taxes</b>						
107	Municipal tax	2.23%	4,673,568		4,673,568	107,881	4,781,449
108	Payroll tax		740,520		740,520	(166,855)	573,666
109	Other tax		0		0	0	0
110	<i>Total General taxes</i>		5,414,088	0	5,414,088	(58,973)	5,355,115
111							
112	<b>Income Taxes</b>						
113	FIT Expense		2,544,566		2,544,566	(2,546,780)	(2,214)
114	SIT Expense		252,948		252,948	(265,027)	(12,079)
115	<i>Total Income Tax</i>		2,797,514	0	2,797,514	(2,811,807)	(14,293)
116							
117	<b>Interest on Customer Deposits</b>		0		0	0	0
118							
119	<b>Total Expenses</b>		<b>95,190,378</b>	<b>(60,457,687)</b>	<b>34,732,691</b>	<b>1,621,569</b>	<b>36,354,259</b>
120							

RR-2-1 **Liberty Utilities (Granite State Electric) Corp.**  
Final **Rate Base and Operating Income Statement- Detail**  
RR **Historic Year Ended Dec. 31, 2018**  
**Historic Year With Known and Measurable Changes**  
Schedule RR-2-1 (R)

Line	Account	Source Acct. No.	<u>RR-2-2</u>			<u>RR-3</u>	<u>At Current Rates</u>
			Historic Year Ended Dec. 31, 2018	Flow- Through Items	Distribution Operating Income	Known and Measurable Adjustments	Pro Forma Test Year With Known and Measurable
121	<b>Operating Revenue</b>						
122	Residential, Commercial, Lighting	440	62,827,628	(22,562,375)	40,265,253	(618,740)	39,646,512
123	Commodity revenue	Comm	38,380,547	(38,380,547)	0	0	0
124	Prov. For Refunds	449	(362,756)	362,756	0	0	0
125	Forfeited discounts		0		0	0	0
126	Misc. service revenue	451	633,217		633,217	(473,132)	160,085
127	Rent from Electric property	454	303,082		303,082	0	303,082
128	Other revenue	456	(143,536)		(143,536)	(11,712)	(155,247)
129	Sales for resale	447	165,899		165,899	0	165,899
130	<b>Total revenue</b>		<b>101,804,082</b>	<b>(60,580,166)</b>	<b>41,223,915</b>	<b>(1,103,584)</b>	<b>40,120,331</b>
131							
132	<b>Net operating income (loss)</b>		<b>6,613,704</b>	<b>(122,479)</b>	<b>6,491,225</b>	<b>(2,725,153)</b>	<b>3,766,072</b>
133							

Note: Differences between Revenue and Expense for flow-through items are timing differences.  
The differences are normalized out so that Revenue and Expense for flow-through items offset completely.

RR-3	<b>Utilities (Granite State Electric) Corp.</b>		<a href="#">Adjustment 01</a>	<a href="#">Adjustment 02</a>	<a href="#">Adjustment 03</a>	<a href="#">Adjustment 04</a>	<a href="#">Adjustment 05</a>	<a href="#">Adjustment 06</a>	<a href="#">Adjustment 07</a>	<a href="#">Adjustment 08</a>	<a href="#">Adjustment 10</a>	<a href="#">Adjustment 11</a>	<a href="#">Adjustment 12</a>	<a href="#">Adjustment 13</a>	<a href="#">Adjustment 14</a>	<a href="#">Adjustment 15</a>	<a href="#">Adjustment 16</a>	<a href="#">Adjustment 17</a>
Final	<b>Summary of Adjustments</b>																	
RR	<b>To Historic Year Ended Dec. 31, 2018</b>	3,346,771	910,057	(166,855)	612,004	(10,689)	(196,018)	769,188	(345)	1,527,943	844,301	168,744	22,647	192,548	618,740	(2,526,720)	369,725	211,499
	Schedule RR-3 (R)																	

Line	Account	Acct. No.	Total	Payroll Expense	Payroll Taxes	Pension and Benefits Expense	Property and Liability Insurance	Adjustments due to Tax Reform	Other Known and Measurable Changes	Intercompany Rent Expense	Depreciation Annualization and Rates	Vegetation Management	Property Taxes	Injuries & Damages	Other Revenue	Adjustments to Normalize Distribution Revenue	Income Tax Expense- Test Year Actual	Other Adjustments (Corrections & Updates)	Other Adjustments (Corrections & Updates)
1	<b>Purchased Power</b>	555	0	0															
2																			
3	Transmission- Open Access		0	0															
4	Elec Rev Wheeling-Elim		0	0															
5	Trans Maint-Substation-Trouble-Labor		0	0															
6	Maint of Overhead lines-Labor		0	0															
7	<b>Transmission Expenses-O&amp;M</b>		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8																			
9	<b>Distribution O&amp;M</b>																		
10	Transmission Other	570	614	614															
11	Supervision & Eng	580	176,100	176,100															
12	Load Dispatching	581	51,227	51,227															
13	Substations	582	10,307	10,307															
14	Overhead Lines	583	50,142	50,142															
15	Underground Lines	584	7,572	7,572															
16	Outdoor Lighting	585	6,283	6,283															
17	Electric Meters	586	21,624	21,624															
18	Customer Installation	587	(66,214)	7,709														(73,923)	
19	Misc Expenses	588	37,420	37,420															
20	Supervision & Eng	590	3,031	3,031															
21	Structures	591	7,729	7,729															
22	Substations	592	(45,393)	5,094															(50,487)
23	Overhead Lines	593	937,652	105,493					(12,142)			844,301							
24	Underground Lines	594	1,499	1,603					(104)										
25	Line Transformers	595	2,910	2,910															
26	Outdoor Lighting	596	11,445	11,445															
27	Maint of meters	597	2,199	2,199															
28	Main Misc Distr Plant	598	(41,620)	3,811															(45,430)
29			1,174,525	512,311	0	0	0	0	(12,246)	0	0	844,301	0	0	0	0	0	(73,923)	(95,917)
30																			

RR-3 Utilities (Granite State Electric) Corp.		Adjustment 01	Adjustment 02	Adjustment 03	Adjustment 04	Adjustment 05	Adjustment 06	Adjustment 07	Adjustment 08	Adjustment 10	Adjustment 11	Adjustment 12	Adjustment 13	Adjustment 14	Adjustment 15	Adjustment 16	Adjustment 17		
Final Summary of Adjustments																			
RR To Historic Year Ended Dec. 31, 2018		3,346,771	910,057	(166,855)	612,004	(10,689)	(196,018)	769,188	(345)	1,527,943	844,301	168,744	22,647	192,548	618,740	(2,526,720)	369,725	211,499	
Schedule RR-3 (R)																			
Line	Account	Acct. No.	Total	Payroll Expense	Payroll Taxes	Pension and Benefits Expense	Property and Liability Insurance	Adjustments due to Tax Reform	Other Known and Measurable Changes	Intercompany Rent Expense	Depreciation Annualization and Rates	Vegetation Management	Property Taxes	Injuries & Damages	Other Revenue	Adjustments to Normalize Distribution Revenue	Income Tax Expense- Test Year Actual	Other Adjustments (Corrections & Updates)	Other Adjustments (Corrections & Updates)
31	<b>Customer Accounting</b>																		
32	Supervision	901	22,585	22,585															
33	Meter Reading	902	27,243	27,243															
34	Customer Records & Collection	903	88,518	88,518															
35	Uncollectible Accounts	904	0	0															
36	Uncollectible Accounts- Commodity	904	0	0															
37	Misc Expenses	905	0	0															
38	<b>Total Customer Accounting</b>		<b>138,347</b>	<b>138,347</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
39																			
40	<b>Customer Service &amp; Informati</b>																		
41	Cust Service-Supervision	907	53	53															
42	Cust Assistance Expenses	908	6	6															
43	Cust Service-Misc Expenses	910	12,742	15,732														(2,990)	
44	<b>Total Customer Service &amp; Info.</b>		<b>12,801</b>	<b>15,791</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,990)</b>	<b>0</b>
45	<b>Total Customer Accounts</b>		<b>151,148</b>	<b>154,138</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,990)</b>	<b>0</b>
46																			
47	<b>Administrative &amp; General</b>																		
48	A&G-Salaries	920	234,272	243,608								0							(9,336)
49	A&G-Office Supplies	921	(591)	0														(516)	(75)
50	A&G-Transferred	922	0	0								0							
51	A&G-Outside Services	923	0	0								0							
52	Property Insurance	924	(10,689)	0			(10,689)												
53	Injuries & Damages Insurance	925	22,647	0										22,647					
54	Employee Pensions & Benefits	926	612,004	0		612,004													
55	Regulatory Comm Expenses	928	0	0															
56	A&G-Misc Expenses	930	0	0															
57	Rent	931	(345)	0					(345)										
58	LU Costs	920LU	0	0															
59	A&G Maint-General Plant-Elec	932	0	0								0							
60	<b>Total Administrative &amp; General</b>		<b>857,298</b>	<b>243,608</b>	<b>0</b>	<b>612,004</b>	<b>(10,689)</b>	<b>0</b>	<b>0</b>	<b>(345)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>22,647</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(516)</b>	<b>(9,411)</b>
61	<b>Total O&amp;M Expense</b>		<b>2,182,971</b>	<b>910,057</b>	<b>0</b>	<b>612,004</b>	<b>(10,689)</b>	<b>0</b>	<b>(12,246)</b>	<b>(345)</b>	<b>0</b>	<b>844,301</b>	<b>0</b>	<b>22,647</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(77,429)</b>	<b>(105,328)</b>
62																			

RR-3 Utilities (Granite State Electric) Corp.		Adjustment 01	Adjustment 02	Adjustment 03	Adjustment 04	Adjustment 05	Adjustment 06	Adjustment 07	Adjustment 08	Adjustment 10	Adjustment 11	Adjustment 12	Adjustment 13	Adjustment 14	Adjustment 15	Adjustment 16	Adjustment 17		
Final Summary of Adjustments																			
RR To Historic Year Ended Dec. 31, 2018		3,346,771	910,057	(166,855)	612,004	(10,689)	(196,018)	769,188	(345)	1,527,943	844,301	168,744	22,647	192,548	618,740	(2,526,720)	369,725	211,499	
Schedule RR-3 (R)																			
Line	Account	Acct. No.	Total	Payroll Expense	Payroll Taxes	Pension and Benefits Expense	Property and Liability Insurance	Adjustments due to Tax Reform	Other Known and Measurable Changes	Intercompany Rent Expense	Depreciation Annualization and Rates	Vegetation Management	Property Taxes	Injuries & Damages	Other Revenue	Adjustments to Normalize Distribution Revenue	Income Tax Expense- Test Year Actual	Other Adjustments (Corrections & Updates)	Other Adjustments (Corrections & Updates)
63	<b>Depreciation Expense</b>																		
64	Intangible assets	405	0																
65	Distribution plant	403	2,309,377						781,434		1,527,943								
66	Amortization expense- Regulatory	407	0																
67	<b>Total Depreciation Expense</b>		2,309,377	0	0	0	0	0	781,434	0	1,527,943	0	0	0	0	0	0	0	0
68																			
69	<b>General Taxes</b>																		
70	Municipal tax		107,881										124,983						(17,102)
71	Payroll tax		(166,855)		(166,855)														
72	Other tax		0																
73	<b>Total General taxes</b>		(58,973)	0	(166,855)	0	0	0	0	0	0	0	124,983	0	0	0	0	0	(17,102)
74																			
75	<b>Income Taxes</b>																		
76	FIT Expense		(2,546,780)					(196,018)									(2,350,762)		
77	SIT Expense		(265,027)														(175,958)		(89,069)
78	<b>Total Income Tax</b>		(2,811,807)	0	0	0	0	(196,018)	0	0	0	0	0	0	0	0	(2,526,720)	0	(89,069)
79																			
80	<b>Interest on Customer Deposits</b>		0																
81																			
82	<b>Total Expenses</b>		1,621,569	910,057	(166,855)	612,004	(10,689)	(196,018)	769,188	(345)	1,527,943	844,301	124,983	22,647	0	0	(2,526,720)	(77,429)	(211,499)
83																			
84	<b>Operating Revenue</b>																		
85	Residential, Commercial, Lighting	440	(618,740)													(618,740)			
86	Commodity revenue	Comm	0																
87	Prov. For Refunds	449	0																
88	Forfeited discounts		0												0				
89	Misc. service revenue	451	(473,132)												(192,548)			(280,584)	
90	Rent from Electric property	454	0												0				
91	Other revenue	456	(11,712)												0			(11,712)	
92	Sales for resale	447	0												0				
93	<b>Total revenue</b>		(1,103,584)	0	0	0	0	0	0	0	0	0	0	0	(192,548)	(618,740)	0	(292,296)	0
94																			
95	<b>Net operating income (loss)</b>		(2,725,153)	(910,057)	166,855	(612,004)	10,689	196,018	(769,188)	345	(1,527,943)	(844,301)	(124,983)	(22,647)	(192,548)	(618,740)	2,526,720	(369,725)	(211,499)

RR-3-01 **Liberty Utilities (Granite State Electric) Corp.**

Final **Adjustments to Test Year**

AD **Adjustment 01**

**Payroll Expense**

Schedule RR-3-01 (R)

Line	Description	Total
1	Test Year LU NH Labor Charged to Granite State Electric - O&M	7,081,853
2	2019 Salary & Wage Increase - O&M <sup>(1)</sup>	3%
3	2019 Payroll Increase	212,456
4	Adjustment for pro rated increase (effective March)	(35,409)
5		
6	Test year LU Regional Allocated Labor (not included in test year labor)	474,230
7	2019 Salary & Wage Increase - O&M <sup>(1)</sup>	3%
8	2019 Payroll Increase on Regional Allocated Labor	14,227
9	Adjustment for pro rated increase (effective March)	(2,371)
10		
11	Adjustment for 2018 Vacancies and/or 2019 (incremental) Additions <sup>(1)</sup>	721,155
12		
13	Pro Forma LU NH Labor for 2019 Payroll Increase	7,991,910
14		
15	Test Year Labor Charged to Granite State Electric - O&M	7,081,853
16		
17	<b>Increase Due to Known and Measurable - O&amp;M Payroll</b>	<b>910,057</b>

RR-3-02 **Liberty Utilities (Granite State Electric) Corp.**

Final **Adjustments to Test Year**

AD **Adjustment 02**

**Payroll Taxes**

Schedule RR-3-02 (R)

Line	Description	Ref.	Amount
1	<b>Actual 2018</b>		
2	Total Payroll (including capitalized payroll)	RR-3-01 Ln 15	10,928,574
3	Payroll Tax Expense	RR-2-1 Ln 108	740,520
4	% of Applicable Salary	Line 3 / Line 2	6.78%
5			
6	<b>Pro Forma</b>		
7	2019 Salary & Wage Increase(1)	RR-3-01 Ln 2	1,384,287
8			1,384,287
9			
10	Pro Forma Salary & Wages - O&M		8,466,140 RR-3-01 Ln 6 & Ln 113
11	<b>Payroll Taxes to O&amp;M</b>	Line 4 X Line 10	<b>573,666</b>
12	Test Year Expense- Account 408.4	Line 3	740,520
13	<b>Decrease Due to Known and Measurable</b>	<i>To RR-3</i>	<b>(166,855)</b>

Note:

This adjustment aligns Payroll taxes with the Labor costs reflected on RR-3-01

RR-3-08 Liberty Utilities (Granite State Electric) Corp.  
Final Adjustments to Test Year  
AD Adjustment 08  
Depreciation Annualization and Rates  
Schedule RR-3-08 (R)

Line	Account	Acct. No.	Depreciation Rates	Balance Historic Year Ended Dec. 31, 2018	Account 106	Balance Historic Year Ended Dec. 31, 2018	Adjustments to Plant Balances	Balance Historic Year Ended Dec. 31, 2018	Pro Forma Depreciation Expense
1	<b>Intangible Assets</b>								
2	Organization	301		24,808		24,808		24,808	0
3	Other Intangible assets	303	20.00%	10,987,554		10,987,554	(10,987,554)	0	0
4	Other Intangible assets (3 yr life)	303	33.33%			0	320,288	320,288	106,752
5	Other Intangible assets (5 yr life)	303	20.00%			0	5,759,108	5,759,108	1,151,822
6	Other Intangible assets (10 yr life)	303	10.00%		193,559	193,559	5,152,610	5,346,170	534,617
7	<i>Total Intangible Assets</i>			<u>11,012,362</u>	<u>193,559</u>	<u>11,205,921</u>	<u>244,453</u>	<u>11,450,375</u>	<u>1,793,191</u>
8									
9	<b>Distribution Plant</b>								
10	Land and land rights	360		1,672,947	0	1,672,947		1,672,947	0
11	Structures and improvements	361	2.39%	1,965,160	0	1,965,160		1,965,160	46,967
12	Station equipment	362	3.00%	28,894,637	1,861,412	30,756,049		30,756,049	922,681
13	Poles, towers and fixtures	364	3.64%	40,575,975	1,091,070	41,667,046		41,667,046	1,516,680
14	Overhead conductors, devices	365	3.26%	58,746,906	6,427,330	65,174,236		65,174,236	2,124,680
15	Underground conduit	366	1.96%	6,674,970	273,408	6,948,378		6,948,378	136,188
16	Underground conductors, device	367	3.04%	14,932,982	2,341,077	17,274,059		17,274,059	525,131
17	Line transformers	368	3.51%	29,063,612	574,943	29,638,555		29,638,555	1,040,313
18	Services	369	3.89%	10,437,741	1,196,471	11,634,212		11,634,212	452,571
19	Meters	370	5.00%	3,507,367	181,121	3,688,487		3,688,487	184,424
20	Leased Prop on Customers' Prem	372	10.00%	1,167,465	40,119	1,207,584	(1,207,584)	0	0
21	Street lighting, signal system	373	3.67%	5,553,466	73,315	5,626,782		5,626,782	206,503
22	<i>Total Distribution Plant</i>			<u>203,193,227</u>	<u>14,060,268</u>	<u>217,253,495</u>	<u>(1,207,584)</u>	<u>216,045,911</u>	<u>7,156,140</u>
23									
24	<b>General Plant</b>								
25	Land	389		1,620,372		1,620,372		1,620,372	0
26	Structures and Improvements	390	1.62%	8,934,141	375,659	9,309,799	(56,121)	9,253,678	149,910
27	Office Furniture and Improvement	391	4.00%	847,122		847,122	(676,961)	170,161	6,806
28		391.1	20.00%				44,312	44,312	8,862
29		391.2	20.00%				279,318	279,318	55,864
30	Transportation Equipment	392	7.50%	2,730,590	384,144	3,114,734		3,114,734	233,605
31	Stores Equipment	393	3.33%	161,336	8,320	169,656		169,656	5,650
32	Tools Shop and Garage Equipment	394	4.17%	317,359	63,547	380,905		380,905	15,884
33	Laboratory Equipment	395	3.03%	270,548	21,943	292,491		292,491	8,862
34	Power Equipment	396	6.00%	1,466,922	55,510	1,522,432		1,522,432	91,346
35	Communication Equipment	397	4.17%	1,828,418	36,544	1,864,962		1,864,962	77,769
36	Miscellaneous Equipment	398	10.00%	120,736	28,469	149,205		149,205	14,921
37	<i>Total General Plant</i>			<u>18,297,542</u>	<u>974,137</u>	<u>19,271,678</u>	<u>(409,452)</u>	<u>18,862,227</u>	<u>669,478</u>
38	<b>Total</b>			<u>232,503,131</u>	<u>15,227,964</u>	<u>247,731,095</u>	<u>(1,372,582)</u>	<u>246,358,513</u>	<u>9,618,809</u>
39	Depreciation Deficiency (Annual)								233,300
40	Rate-making Adjustment per DG 11-040 (Acquisition)								0
41	Depreciation expense computed, Plant assets as of 12/31/2018								<u>9,852,109</u>
42	Depreciation expense recorded for Historic Year								<u>8,324,166</u>
43	<b>Depreciation expense adjustment</b>								<u>1,527,943</u>

To RR-3

RR-3-10 **Granite State Electric Company**  
Final **Adjustments to Test Year**  
RR **Adjustment 10**  
**Vegetation Management**  
Schedule RR-3-10 (R)

Line	Account	Description	Account	Amount
1	Adjustment for Annual Vegetation Management Expenses(1)	Adjust based on actual expenses - 2018		1,944,301
2				
3	Additional Adjustment for Hazard Tree Adjustment	Additional \$1.6m over 4 years (\$400k/y)		<u>400,000</u>
4				
5	Total REP/Vegetation Management			2,344,301
6				
7	Test Year Total Expense	Vegetation Management	593	<u>1,500,000</u>
8				
9	<b>VMP/REP Adjustment to Test Year</b>			<b><u><u>844,301</u></u></b>

(1) Adjustment in consideration for total actual Vegetation management expenses incurred during the test year

RR-3-15 **Liberty Utilities (Granite State Electric) Corp.**

Final **Adjustments to Test Year**

AD **Adjustment 15**

**Income Tax Expense- Test Year Actual**

Schedule RR-3-15 (R)

<b>Line</b>	<b>Description</b>	<b>Reference</b>	<b>Amount</b>
1	<b>Test Year Actual to Statutory Rates</b>		
2	Normalized Revenue	<i>RR-2, line 5</i>	40,120,331
3	Normalized Expenses, excluding income tax	<i>RR-2, lines 8-15, line 17</i>	36,368,552
4	Income (loss) before interest and taxes		3,751,779
5			
6	Rate base	<i>RR-1</i>	102,434,842
7	Debt Portion	<i>RR-6</i>	45.00%
8	Debt Component		46,095,679
9	Debt cost	<i>RR-6</i>	5.97%
10	Synchronized Interest expense		2,751,912
11	Pre-tax income, New Hampshire		999,867
12			
13	New Hampshire Business tax rate		7.70%
14	New Hampshire synchronized tax expense	<i>Line 11 X Line 13</i>	76,990
15	Pre-tax income, Federal	<i>Line 11 - Line 14</i>	922,877
16			
17	Federal statutory rate		21.00%
18	Federal synchronized tax expense	<i>Line 15 X Line 17</i>	193,804
19			
20	Total Income tax expense at Statutory rates	<i>Line 14 + Line 18</i>	270,794
21	Income tax expense (credit) recorded	<i>RR-2, line 16</i>	2,797,514
22	<b>Adjustment to Normalize Historic Test Year</b>		<b><u>(2,526,720)</u></b>
23			
24	Adjustment to New Hampshire		(175,958)
25	Adjustment to Federal		(2,350,762)
26	Total Adjustment		<b><u>(2,526,720)</u></b>
27			

28 This adjustment normalizes income tax expense in the Test Year to reflect statutory rates.

29

RR-3-17 **Liberty Utilities (Granite State Electric) Corp.**

Final **Adjustments to Test Year**

AD **Adjustment 17**

**Other Adjustments (Rebuttal Filing)**

Schedule RR-3-17 (R)

Line	Description	Source	Amount
1	Removal of Severance Related to a Mutual Separation Agreement		(9,336)
2			
3	Removal of charitable donation to St. Jude from distribution expenses (FERC 921)		(75)
4			
5	Removal of Vegetation Management Expenses from FERC Account 592		(50,487)
6			
7	Removal of Vegetation Management Expenses from FERC Account 598		(45,430)
8			
9	Removal of Statewide Education Tax (calculated for 2019 tax year)		(17,102)
10			
11	Adjustment for overstated Income Tax Expense in FERC 409		(89,069)
12			
13	<b>Total Other Adjustments</b>		<b><u>(211,499)</u></b>

(1) Adjustment reflects amount of 2019 tax bills where Statewide Education Tax was assessed against the Company. The Company will be unable to collect for any periods prior to January 1, 2019.

RR-3-17 **Liberty Utilities (Granite State Electric) Corp.**

Final **Adjustments to Test Year**

AD **Adjustment 17**

**Other Adjustments (Rebuttal Filing)**

Schedule RR-3-17 (R)

Line	Description	Source	Amount
1	Removal of Severance Related to a Mutual Separation Agreement		(9,336)
2			
3	Removal of charitable donation to St. Jude from distribution expenses (FERC 921)		(75)
4			
5	Removal of Vegetation Management Expenses from FERC Account 592		(50,487)
6			
7	Removal of Vegetation Management Expenses from FERC Account 598		(45,430)
8			
9	Removal of Statewide Education Tax (calculated for 2019 tax year)		(17,102)
10			
11	Adjustment for overstated Income Tax Expense in FERC 409		(89,069)
12			
13	<b>Total Other Adjustments</b>		<b><u>(211,499)</u></b>

(1) Adjustment reflects amount of 2019 tax bills where Statewide Education Tax was assessed against the Company. The Company will be unable to collect for any periods prior to January 1, 2019.

RR-5-3 Liberty Utilities (Granite State Electric) Corp.

Final Cash Working Capital

RR Historic Year Ended Dec. 31, 2018

Schedule RR-5-3 (R)

Line	Description	Reference	Pro Forma Test Year With Known and Measurable
1	Distribution, before adjustments	Schedule RR-2 (R)	34,732,691
2	Adjustments, before income tax	Schedule RR-2 (R)	4,433,375
3	Adjustment for income tax	Schedule RR-2 (R)	(2,822,583)
4	Adjustment for depreciation	Schedule RR-2 (R)	(8,684,070)
5			27,659,413
6			
7	Cash Working Capital Required- 24.20 days		6.63%
8	Cash Working Capital Required		1,833,819

REVISED

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

DE 19-064  
Distribution Service Rate Case

Staff Technical Session Data Requests - Set 1

Date Request Received: 10/18/19  
Request No. Staff TS 1-35

Date of Response: 1/3/20  
Respondent: Philip E. Greene  
David B. Simek

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**REQUEST:**

Payroll/Vacancies: Reference Staff 6-4 CONFIDENTIAL. Please provide the amount of severance paid and included within the Company's revenue request for each of the following positions:

- a. XXXXXXXXXXXX – Elimination was the result of a mutually agreed upon separation, a replacement was put into place
- b. XXXXXXXXXXXX – Elimination was the result of a mutually agreed upon separation. Another employee was promoted into this role under new restructured roles and responsibilities within the role.
- c. XXXXXXXXXXXX – Elimination was the result of a mutually agreed upon separation. The role was subsequently filled based on a re-evaluation of increasing workload related with the XXXXXXXXXXXX department.

**RESPONSE:**

The amount of severance paid during the test year for the three positions identified by the above cited language from the response to Staff 6-4 CONFIDENTIAL is as follows:

- a. \$0
- b. \$23,961.94
- c. \$2,362.50

In reviewing the prior responses on this topic, the response to Staff 3-14 CONFIDENTIAL indicated that the position that is the subject of part a. of this question received severance during the test year; however, that severance was only paid during 2017. Staff 3-14 was a follow-up to OCA 1-29, which requested information for both 2017 and 2018 and that is why that position was included in the response.

Docket No. DE 19-064 Request No. Staff TS 1-35 (Revised)

**REVISED RESPONSE:**

As a result of further inquiry during the audit process, and consistent with the change to total severance paid in 2018 per the Second Revised response to OCA 1-29, it was determined that the correct amount to response b. above is \$9,335.82. All other information included in the original response remains the same.

**DE 19-064 Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities  
OCA Responses to LU Set 1**

**Date Request Received: 12/20/19**  
**Request Number: LU 1-30**  
**Witness: Bion Ostrander**

**Date of Response: 1/10/20**  
**Page 1 of 2**

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**Data Request:**

Refer to Bates 70, lines 3-16.

- a. Please confirm that you are not an expert on the topics of depreciation rates and lives.
- b. Please provide reasoning and support for your decision to accept the proposed amortization rates for intangible plant but not for any of the other plant accounts.
- c. Was your decision based at all on the overall lengthening of lives for a significant portion of the intangible plant? Please explain.
- d. On what basis did you determine it reasonable to essentially ignore the results of the depreciation study indicating a reserve deficiency?
- e. Do you believe that there is no reserve deficiency? If so, on what basis?

**Response a.:**

I am not an expert on the topics of depreciation rates and lives for depreciation-expense related utility plant.

However, the amortization rates and lives for intangibles, such as software, is less complex and does not require analysis of Iowa curves and details that might be ordinarily addressed for non-intangible related plant. I have addressed issues related to revenue requirements and related lives for intangible plant (such as software) in some prior cases.

For example, in Case No. 9481, before the Public Service Commission of Maryland (“PSC”) related to a rate case for Washington Gas Light Company (“WGL”), I addressed a software amortization issue and related adjustment on behalf of the Staff of the PSC. I proposed to capitalize and amortize certain software costs related to a new Customer Information Billing System (related to data conversion, training, and change management) over a five year period that had been previously expensed by WGL. The Commission’s Order No. 88844 (pp. 88-90), issued December 11, 2018, adopted my proposed adjustment in full.

**Response b.:**

I have been instructed by the OCA, as a matter of its internal policy, not to reflect the impact of new depreciation rates or the related reserve deficiency for non-intangible related plant in the revenue requirement of this case.

**DE 19-064 Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities  
OCA Responses to LU Set 1**

**Date Request Received: 12/20/19**  
**Request Number: LU 1-30**  
**Witness: Bion Ostrander**

**Date of Response: 1/10/20**  
**Page 2 of 2**

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However, I have accepted Liberty's proposed lives and rates for intangible plant because these issues are less complex and do not require analysis of Iowa curves, and generally the software included in intangibles is merely a consideration of 3, 5 or 10 year lives. I have reviewed the testimony and related depreciation study (Attachment DAW-2) of Liberty's depreciation rate witness Mr. Dane Watson regarding treatment of intangible plant/software. The analysis is brief, fairly general and not complex, and I am not opposed to Mr. Watson's recommended rates/lives for intangibles/software.

**Response c.:**

No. Please see the response to (b) above.

**Response d.:**

Please see the response to (b) above.

**Response e.:**

Please see the response to (b) above.

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 2-23

Date of Response: 7/10/19  
Respondent: Anthony Strabone  
Heather M. Tebbetts

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**REQUEST:**

Address the following Consolidated and other companies (i.e., cable, internet, telephone and others) payments/credits to Liberty for use of the Company's poles and other facilities:

- a. Explain if Consolidated and other companies make payments/credits to Liberty for pole rental fees and use of other Liberty facilities, and explain why these pole rental fees should not be treated as reimbursement/credits to offset against VMP costs.
- b. Provide the amount of pole rental payments/credits paid to Liberty by account number and for each entity for each of the years 2016 to 2019 year-to-date, and explain the reasons for the changes in these fees.
- c. Regarding (b) above, explain how these amounts are recorded on Liberty's books, and the reason for that method. Provide copies of contracts and explain if these contracts have escalation or inflation factor components that automatically trigger increased payments to Liberty for each year of the contract.
- d. Cite to FERC or FCC policy regarding the calculation of pole rental and similar fees, and explain and show how Company fees are consistent with this policy.

**RESPONSE:**

- a. Consolidated does not pay the Company for pole attachment fees as it is either a joint owner of the poles, or is not attached to Granite State Electric solely owned poles.  
Other communication companies do attach to the Company's poles and pay pole attachment fees. These fees are not treated as reimbursement/credit to the VMP costs as they don't specifically relate to vegetation management activities. Pole attachment fees are treated as other revenue.
- b. The fees have not changed since Liberty acquired the National Grid assets. Please see Attachments OCA 2-23.b.1, OCA 2-23.b.2, OCA 2-23.b.3, and OCA 2-23.b.4 for the invoices from Liberty for pole attachment fees.
- c. The amounts are recorded in the following manner:

Debit: 8830-2-0000-20-2141-2420 Current & Accrued Liability – Pole Attachment Rental

Credit: 8830-2-0000-40-4210-4540 Rental Income

Please see Attachment OCA 2-23.c. for the contracts. The contracts for wired facilities do not have escalation factors. The contracts for wireless facilities provide for a yearly increase.

- d. The formula used to calculate is provided in the link below. In light of the final adoption of the Puc 1300 rules on September 1, 2018, requiring pole owners to adopt the FCC calculation among other things, the Company reviewed its pole attachment fees in 2018 using the calculation found in Attachment OCA 2-23.d to ensure the fees charged to pole attachers was calculated in a way that provided for fees that were consistent with the FCC formula, as those calculations had not been completed in the past. While it was found that there could be an increase to the Standard Rate from \$20.03 to \$24.33, the Company has not undertaken requesting changes to the contracts as there are 21 different attachers and each contract would need to be reopened. The Puc 1300 rules also provide for negotiation between parties and while they provide that the FCC formula be used, there are many other considerations in Puc 1304.06 that complicate whether or not the proposed FCC calculated rate of \$24.33 would be just and reasonable for each attaching entity.

The current fee structure is provided below:

Standard Rate	Solely Owned Pole	\$20.03
	Jointly Owned Pole	\$10.02
Cable Rate	Solely Owned Pole	13.84
	Jointly Owned Pole	\$6.92

<https://www.gpo.gov/fdsys/pkg/CFR-2002-title47-vol1/pdf/CFR-2002-title47-vol1-sec1-1409.pdf>

#	Source	Schedule(s) Changed	Description	Adjustment Amount - Rate Base	Change in Revenue Increase
1	Audit Issue #6	RR-2-1 RR-3-08	Removal of costs related to EAP software upgrade from rate base.	(168,498)	(33,865)
2	Audit Issue #12	RR-2-1 RR-3-08	Reclassification of substation fencing from expense to Plant (structures & improvements)	3,500	57
3	Rebuttal	RR-3-01 RR-3-02	Adjustment to amount of known and measurable adjustment for vacancies.	0	(39,989)
4	Model Correction	RR-3-10	Correction to properly reflect test year vegetation management expenses @ \$1,500,000	0	45,270
5	Rebuttal	RR-3-17	Removal of Severance Related to a Mutual Separation Agreement	0	(9,382)
6	Audit Issue #13	RR-3-17	Removal of \$75 donation from distribution expense	0	(75)
7	Audit Issue #20	RR-3-17	Adjustment to remove Statewide Education Tax assessed by cities and towns in error (2019 tax as basis for adjustment).	0	(17,186)
8	Audit Issue #21	RR-3-17	Adjustment to correct overstatement of income tax expense for the test year.	0	(122,750)
9	Audit Issue #19	RR-3-17	Removal of expenses for vegetation management not charged to 593 during the test year.	0	(96,388)
10	Rebuttal	RR-5-3	Removal of depreciation expense from Cash Working Capital	0	(58,893)
				<u><u><b>(333,200)</b></u></u>	

RR-1 **Liberty Utilities (Granite State Electric) Corp.**  
Final **Computation of Revenue Deficiency and Revenue Requirement**  
RR

Schedule RR-1 (R)

Line	Description	Reference	Amount
1	Rate Base	Schedule RR-5 (CU)	102,434,842
2			
3	Target Rate of Return on Rate Base	Schedule RR-6 (CU)	<u>8.19%</u>
4			
5	Operating income requirement	Line 1 X Line 3	8,389,414
6			
7	Operating income at present rates	Schedule RR-2 (CU)	<u>3,766,072</u>
8			
9	Operating income deficiency	Line 5 - Line 7	4,623,342
10			
11	Gross-up Factor for Income tax	Line 21	<u>1.37136588</u>
12			
13	Revenue deficiency	Line 9 X Line 11	<u><u>6,340,293</u></u>
14			
15	Increase in Income tax expense	Line 13 - Line 9	1,716,951
16			
17	<u>Gross-up factor for Income Taxes</u>		
18	Federal income tax rate		21.00%
19	New Hampshire state income tax rate		7.70%
20	Combined income tax rate	Line 18 + Line 19 - (Line 18 X Line 19)	27.08%
21	Total Gross-up Factor	1 / (1 - Line 20)	1.3714

RR-2-1 **Liberty Utilities (Granite State Electric) Corp.**  
 Final **Rate Base and Operating Income Statement- Detail**  
 RR **Historic Year Ended Dec. 31, 2018**  
**Historic Year With Known and Measurable Changes**  
 Schedule RR-2-1 (R)

Line	Account	Source	Acct. No.	RR-2-2		RR-3	At Current Rates
				Historic Year Ended Dec. 31, 2018	Flow-Through Items	Distribution Operating Income	Known and Measurable Adjustments
1	<b>Intangible Assets</b>						
2	Organization			24,808		24,808	24,808
3	Other Intangible assets			10,987,554		10,987,554 (A)	11,012,615
4	<b>Total Intangible Plant</b>			<b>11,012,362</b>	<b>0</b>	<b>11,012,362</b>	<b>11,037,423</b>
5							
6	<b>Distribution Plant</b>						
7	Land and land rights	360		1,672,947		1,672,947 (A)	1,672,947
8	Structures and improvements	361		1,965,160		1,965,160 (A)	1,965,160
9	Station equipment	362		28,894,637		28,894,637 (A)	30,756,049
10	Poles, towers and fixtures	364		40,575,975		40,575,975 (A)	41,667,046
11	Overhead conductors, devices	365		58,746,906		58,746,906 (A)	65,174,236
12	Underground conduit	366		6,674,970		6,674,970 (A)	6,948,378
13	Underground conductors, device	367		14,932,982		14,932,982 (A)	17,274,059
14	Line transformers	368		29,063,612		29,063,612 (A)	29,638,555
15	Services	369		10,437,741		10,437,741 (A)	11,634,212
16	Meters	370		3,507,367		3,507,367 (A)	3,688,487
17	Leased Prop on Customers' Prem	372		1,167,465		1,167,465 (A)	(0)
18	Street lighting, signal system	373		5,553,466		5,553,466 (A)	5,626,782
19	<b>Total Distribution Plant</b>			<b>203,193,227</b>	<b>0</b>	<b>203,193,227</b>	<b>216,045,911</b>
20							
21	<b>General / Common Plant</b>						
22	General plant			18,297,542		18,297,542 (A)	19,275,178
23	<b>Total General / Common Plant</b>			<b>18,297,542</b>	<b>0</b>	<b>18,297,542</b>	<b>19,275,178</b>
24	<b>Total Plant in Service</b>			<b>232,503,131</b>	<b>0</b>	<b>232,503,131</b>	<b>246,358,513</b>
25	(A) Distribution of In service not classified						
26	<b>Accumulated Depreciation &amp; Amortization</b>						
27	Accumulated Depr & Amort	108		93,623,954		93,623,954	92,416,370
28	<b>Total Accum. Depr. &amp; Amort.</b>			<b>93,623,954</b>	<b>0</b>	<b>93,623,954</b>	<b>92,416,370</b>
29							

RR-2-1 **Liberty Utilities (Granite State Electric) Corp.**  
 Final **Rate Base and Operating Income Statement- Detail**  
 RR **Historic Year Ended Dec. 31, 2018**  
**Historic Year With Known and Measurable Changes**  
 Schedule RR-2-1 (R)

Line	Account	Source Acct. No.	RR-2-2		RR-3	At Current Rates
			Historic Year Ended Dec. 31, 2018	Flow- Through Items	Distribution Operating Income	Known and Measurable Adjustments
30	<b>Other Rate Base Items</b>					
31	Materials and Supplies	154	1,877,163			1,877,163
32	Plant in service, Not classified	106	15,227,964		(15,227,964)	0
33	Accumulated Deferred FIT	ADIT	(14,944,899)			(14,944,899)
34	Customer deposits	CustDep	(1,278,349)			(1,278,349)
35	<i>Total Other Rate Base Items</i>		881,878	0	(15,227,964)	(14,346,085)
36	<b>Total Rate Base</b>		139,761,056	0	(164,998)	139,596,057
37						
38						
39	<b>Purchased Power</b>	555	38,378,791	(38,378,791)	0	0
40						
41	Transmission- Open Access		592,856	(592,856)	0	0
42	Elec Rev Wheeling		21,757,093	(21,757,093)	0	0
43	Maint of Overhead lines-Labor		(271,053)	271,053	0	0
44	<b>Transmission Expenses-O&amp;M</b>		22,078,896	(22,078,896)	0	0
45						
46	<b>Distribution O&amp;M</b>					
47	Transmisison Other	570	4,926		614	5,540
48	Supervision & Eng	580	1,499,505		176,100	1,675,605
49	Load Dispatching	581	558,385		51,227	609,612
50	Substations	582	129,660		10,307	139,967
51	Overhead Lines	583	712,491		50,142	762,634
52	Underground Lines	584	87,249		7,572	94,821
53	Outdoor Lighting	585	88,997		6,283	95,281
54	Electric Meters	586	234,938		21,624	256,562
55	Customer Installation	587	149,677		(66,214)	83,463
56	Misc Expenses	588	1,249,771		37,420	1,287,191
57	Supervision & Eng	590	24,326		3,031	27,357
58	Structures	591	72,857		7,729	80,586
59	Substations	592	156,145		(45,393)	110,751
60	Overhead Lines	593	3,081,104		937,652	4,018,756
61	Underground Lines	594	71,684		1,499	73,183
62	Line Transformers	595	49,039		2,910	51,948

RR-2-1 **Liberty Utilities (Granite State Electric) Corp.**  
 Final **Rate Base and Operating Income Statement- Detail**  
 RR **Historic Year Ended Dec. 31, 2018**  
**Historic Year With Known and Measurable Changes**  
 Schedule RR-2-1 (R)

Line	Account	Source Acct. No.	RR-2-2		RR-3	At Current Rates	
			Historic Year Ended Dec. 31, 2018	Flow- Through Items	Distribution Operating Income	Known and Measurable Adjustments	Pro Forma Test Year With Known and Measurable
63	Outdoor Lighting	596	145,926		145,926	11,445	157,371
64	Maint of meters	597	69,893		69,893	2,199	72,091
65	Main Misc Distr Plant	598	185,504		185,504	(41,620)	143,885
66	<i>Total Distribution O&amp;M</i>		<u>8,572,078</u>	0	<u>8,572,078</u>	<u>1,174,525</u>	<u>9,746,603</u>
67							
68	<b>Customer Accounting</b>						
69	Supervision	901	181,262		181,262	22,585	203,848
70	Meter Reading	902	378,155		378,155	27,243	405,398
71	Customer Records & Collection	903	1,373,203		1,373,203	88,518	1,461,721
72	Uncollectible Accounts	904	244,477		244,477	0	244,477
73	Uncollectible Accounts- Commodity	904	(175,815)		(175,815)	0	(175,815)
74	Misc Expenses	905	30,228		30,228	0	30,228
75	<i>Total Customer Accounting</i>		<u>2,031,510</u>	0	<u>2,031,510</u>	<u>138,347</u>	<u>2,169,856</u>
76							
77	<b>Customer Service &amp; Information</b>						
78	Cust Service-Supervision	907	426		426	53	479
79	Cust Assistance Expenses	908	32,314		32,314	6	32,320
80	Cust Service-Misc Expenses	910	136,663		136,663	12,742	149,406
81	<i>Total Customer Service &amp; Info.</i>		<u>169,404</u>	0	<u>169,404</u>	<u>12,801</u>	<u>182,205</u>
82	<i>Total Customer Accounts</i>		<u>2,200,913</u>	0	<u>2,200,913</u>	<u>151,148</u>	<u>2,352,061</u>
83							
84	<b>Administrative &amp; General</b>						
85	A&G-Salaries	920	2,053,610		2,053,610	234,272	2,287,882
86	A&G-Office Supplies	921	634,851		634,851	(591)	634,260
87	A&G-Transferred	922	(5,568,517)		(5,568,517)	0	(5,568,517)
88	A&G-Outside Services	923	869,617		869,617	0	869,617
89	Property Insurance	924	1,505,054		1,505,054	(10,689)	1,494,365
90	Injuries & Damages Insurance	925	750,028		750,028	22,647	772,675
91	Employee Pensions & Benefits	926	4,240,545		4,240,545	612,004	4,852,549
92	Regulatory Comm Expenses	928	453,765		453,765	0	453,765
93	A&G-Misc Expenses	930	7,142		7,142	0	7,142

RR-2-1 **Liberty Utilities (Granite State Electric) Corp.**  
 Final **Rate Base and Operating Income Statement- Detail**  
 RR **Historic Year Ended Dec. 31, 2018**  
**Historic Year With Known and Measurable Changes**  
 Schedule RR-2-1 (R)

Line	Account	Source Acct. No.	RR-2-2		RR-3	At Current Rates	
			Historic Year Ended Dec. 31, 2018	Flow- Through Items	Distribution Operating Income	Known and Measurable Adjustments	Pro Forma Test Year With Known and Measurable
94	Rent	931	18,385		18,385	(345)	18,040
95	LU Costs	920LU	2,099,548		2,099,548	0	2,099,548
96	A&G Maint-General Plant-Elec	932	0		0	0	0
97	<i>Total Administrative &amp; General</i>		7,064,028	0	7,064,028	857,298	7,921,326
98	<i>Total O&amp;M Expense</i>		78,294,707	(60,457,687)	17,837,019	2,182,971	20,019,991
99			78,294,707				
100	<b>Depreciation Expense</b>						
101	Intangible assets	405	2,156,872		2,156,872	0	2,156,872
102	Distribution plant	403	6,167,294		6,167,294	2,309,377	8,476,671
103	Amortization expense- Regulatory	407	359,904		359,904	0	359,904
104	<i>Total Depreciation Expense</i>		8,684,070	0	8,684,070	2,309,377	10,993,447
105							
106	<b>General Taxes</b>						
107	Municipal tax	2.23%	4,673,568		4,673,568	107,881	4,781,449
108	Payroll tax		740,520		740,520	(166,855)	573,666
109	Other tax		0		0	0	0
110	<i>Total General taxes</i>		5,414,088	0	5,414,088	(58,973)	5,355,115
111							
112	<b>Income Taxes</b>						
113	FIT Expense		2,544,566		2,544,566	(2,546,780)	(2,214)
114	SIT Expense		252,948		252,948	(265,027)	(12,079)
115	<i>Total Income Tax</i>		2,797,514	0	2,797,514	(2,811,807)	(14,293)
116							
117	<b>Interest on Customer Deposits</b>		0		0	0	0
118							
119	<b>Total Expenses</b>		<b>95,190,378</b>	<b>(60,457,687)</b>	<b>34,732,691</b>	<b>1,621,569</b>	<b>36,354,259</b>
120							

RR-2-1 **Liberty Utilities (Granite State Electric) Corp.**  
 Final **Rate Base and Operating Income Statement- Detail**  
 RR **Historic Year Ended Dec. 31, 2018**  
**Historic Year With Known and Measurable Changes**  
 Schedule RR-2-1 (R)

Line	Account	Source Acct. No.	<u>RR-2-2</u>			<u>RR-3</u>	<u>At Current Rates</u>
			Historic Year Ended Dec. 31, 2018	Flow- Through Items	Distribution Operating Income	Known and Measurable Adjustments	Pro Forma Test Year With Known and Measurable
121	<b>Operating Revenue</b>						
122	Residential, Commercial, Lighting	440	62,827,628	(22,562,375)	40,265,253	(618,740)	39,646,512
123	Commodity revenue	Comm	38,380,547	(38,380,547)	0	0	0
124	Prov. For Refunds	449	(362,756)	362,756	0	0	0
125	Forfeited discounts		0		0	0	0
126	Misc. service revenue	451	633,217		633,217	(473,132)	160,085
127	Rent from Electric property	454	303,082		303,082	0	303,082
128	Other revenue	456	(143,536)		(143,536)	(11,712)	(155,247)
129	Sales for resale	447	165,899		165,899	0	165,899
130	<b>Total revenue</b>		<b>101,804,082</b>	<b>(60,580,166)</b>	<b>41,223,915</b>	<b>(1,103,584)</b>	<b>40,120,331</b>
131							
132	<b>Net operating income (loss)</b>		<b>6,613,704</b>	<b>(122,479)</b>	<b>6,491,225</b>	<b>(2,725,153)</b>	<b>3,766,072</b>
133							

Note: Differences between Revenue and Expense for flow-through items are timing differences.  
 The differences are normalized out so that Revenue and Expense for flow-through items offset completely.

RR-3	<b>Utilities (Granite State Electric) Corp.</b>		<a href="#">Adjustment 01</a>	<a href="#">Adjustment 02</a>	<a href="#">Adjustment 03</a>	<a href="#">Adjustment 04</a>	<a href="#">Adjustment 05</a>	<a href="#">Adjustment 06</a>	<a href="#">Adjustment 07</a>	<a href="#">Adjustment 08</a>	<a href="#">Adjustment 10</a>	<a href="#">Adjustment 11</a>	<a href="#">Adjustment 12</a>	<a href="#">Adjustment 13</a>	<a href="#">Adjustment 14</a>	<a href="#">Adjustment 15</a>	<a href="#">Adjustment 16</a>	<a href="#">Adjustment 17</a>
Final	<b>Summary of Adjustments</b>																	
RR	<b>To Historic Year Ended Dec. 31, 2018</b>	3,346,771	910,057	(166,855)	612,004	(10,689)	(196,018)	769,188	(345)	1,527,943	844,301	168,744	22,647	192,548	618,740	(2,526,720)	369,725	211,499
	Schedule RR-3 (R)																	

Line	Account	Acct. No.	Total	Payroll Expense	Payroll Taxes	Pension and Benefits Expense	Property and Liability Insurance	Adjustments due to Tax Reform	Other Known and Measurable Changes	Intercompany Rent Expense	Depreciation Annualization and Rates	Vegetation Management	Property Taxes	Injuries & Damages	Other Revenue	Adjustments to Normalize Distribution Revenue	Income Tax Expense- Test Year Actual	Other Adjustments (Corrections & Updates)	Other Adjustments (Corrections & Updates)
1	<b>Purchased Power</b>	555	0	0															
2																			
3	Transmission- Open Access		0	0															
4	Elec Rev Wheeling-Elim		0	0															
5	Trans Maint-Substation-Trouble-Labor		0	0															
6	Maint of Overhead lines-Labor		0	0															
7	<b>Transmission Expenses-O&amp;M</b>		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8																			
9	<b>Distribution O&amp;M</b>																		
10	Transmission Other	570	614	614															
11	Supervision & Eng	580	176,100	176,100															
12	Load Dispatching	581	51,227	51,227															
13	Substations	582	10,307	10,307															
14	Overhead Lines	583	50,142	50,142															
15	Underground Lines	584	7,572	7,572															
16	Outdoor Lighting	585	6,283	6,283															
17	Electric Meters	586	21,624	21,624															
18	Customer Installation	587	(66,214)	7,709														(73,923)	
19	Misc Expenses	588	37,420	37,420															
20	Supervision & Eng	590	3,031	3,031															
21	Structures	591	7,729	7,729															
22	Substations	592	(45,393)	5,094															(50,487)
23	Overhead Lines	593	937,652	105,493					(12,142)			844,301							
24	Underground Lines	594	1,499	1,603					(104)										
25	Line Transformers	595	2,910	2,910															
26	Outdoor Lighting	596	11,445	11,445															
27	Maint of meters	597	2,199	2,199															
28	Main Misc Distr Plant	598	(41,620)	3,811															(45,430)
29			1,174,525	512,311	0	0	0	0	(12,246)	0	0	844,301	0	0	0	0	0	(73,923)	(95,917)
30																			

RR-3	<b>Utilities (Granite State Electric) Corp.</b>		<a href="#">Adjustment 01</a>	<a href="#">Adjustment 02</a>	<a href="#">Adjustment 03</a>	<a href="#">Adjustment 04</a>	<a href="#">Adjustment 05</a>	<a href="#">Adjustment 06</a>	<a href="#">Adjustment 07</a>	<a href="#">Adjustment 08</a>	<a href="#">Adjustment 10</a>	<a href="#">Adjustment 11</a>	<a href="#">Adjustment 12</a>	<a href="#">Adjustment 13</a>	<a href="#">Adjustment 14</a>	<a href="#">Adjustment 15</a>	<a href="#">Adjustment 16</a>	<a href="#">Adjustment 17</a>
Final	<b>Summary of Adjustments</b>																	
RR	<b>To Historic Year Ended Dec. 31, 2018</b>	3,346,771	910,057	(166,855)	612,004	(10,689)	(196,018)	769,188	(345)	1,527,943	844,301	168,744	22,647	192,548	618,740	(2,526,720)	369,725	211,499
	Schedule RR-3 (R)																	

Line	Account	Acct. No.	Total	Payroll Expense	Payroll Taxes	Pension and Benefits Expense	Property and Liability Insurance	Adjustments due to Tax Reform	Other Known and Measurable Changes	Intercompany Rent Expense	Depreciation Annualization and Rates	Vegetation Management	Property Taxes	Injuries & Damages	Other Revenue	Adjustments to Normalize Distribution Revenue	Income Tax Expense- Test Year Actual	Other Adjustments (Corrections & Updates)	Other Adjustments (Corrections & Updates)
31	<b>Customer Accounting</b>																		
32	Supervision	901	22,585	22,585															
33	Meter Reading	902	27,243	27,243															
34	Customer Records & Collection	903	88,518	88,518															
35	Uncollectible Accounts	904	0	0															
36	Uncollectible Accounts- Commodity	904	0	0															
37	Misc Expenses	905	0	0															
38	<b>Total Customer Accounting</b>		<b>138,347</b>	<b>138,347</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
39																			
40	<b>Customer Service &amp; Informati</b>																		
41	Cust Service-Supervision	907	53	53															
42	Cust Assistance Expenses	908	6	6															
43	Cust Service-Misc Expenses	910	12,742	15,732														(2,990)	
44	<b>Total Customer Service &amp; Info.</b>		<b>12,801</b>	<b>15,791</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
45	<b>Total Customer Accounts</b>		<b>151,148</b>	<b>154,138</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
46																			
47	<b>Administrative &amp; General</b>																		
48	A&G-Salaries	920	234,272	243,608								0							(9,336)
49	A&G-Office Supplies	921	(591)	0														(516)	(75)
50	A&G-Transferred	922	0	0								0							
51	A&G-Outside Services	923	0	0								0							
52	Property Insurance	924	(10,689)	0			(10,689)												
53	Injuries & Damages Insurance	925	22,647	0										22,647					
54	Employee Pensions & Benefits	926	612,004	0		612,004													
55	Regulatory Comm Expenses	928	0	0															
56	A&G-Misc Expenses	930	0	0															
57	Rent	931	(345)	0						(345)									
58	LU Costs	920LU	0	0															
59	A&G Maint-General Plant-Elec	932	0	0								0							
60	<b>Total Administrative &amp; General</b>		<b>857,298</b>	<b>243,608</b>	<b>0</b>	<b>612,004</b>	<b>(10,689)</b>	<b>0</b>	<b>0</b>	<b>(345)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>22,647</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(516)</b>	<b>(9,411)</b>
61	<b>Total O&amp;M Expense</b>		<b>2,182,971</b>	<b>910,057</b>	<b>0</b>	<b>612,004</b>	<b>(10,689)</b>	<b>0</b>	<b>(12,246)</b>	<b>(345)</b>	<b>0</b>	<b>844,301</b>	<b>0</b>	<b>22,647</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(77,429)</b>	<b>(105,328)</b>
62																			

RR-3 Utilities (Granite State Electric) Corp.		<a href="#">Adjustment 01</a>	<a href="#">Adjustment 02</a>	<a href="#">Adjustment 03</a>	<a href="#">Adjustment 04</a>	<a href="#">Adjustment 05</a>	<a href="#">Adjustment 06</a>	<a href="#">Adjustment 07</a>	<a href="#">Adjustment 08</a>	<a href="#">Adjustment 10</a>	<a href="#">Adjustment 11</a>	<a href="#">Adjustment 12</a>	<a href="#">Adjustment 13</a>	<a href="#">Adjustment 14</a>	<a href="#">Adjustment 15</a>	<a href="#">Adjustment 16</a>	<a href="#">Adjustment 17</a>		
Final Summary of Adjustments																			
RR To Historic Year Ended Dec. 31, 2018	3,346,771	910,057	(166,855)	612,004	(10,689)	(196,018)	769,188	(345)	1,527,943	844,301	168,744	22,647	192,548	618,740	(2,526,720)	369,725	211,499		
Schedule RR-3 (R)																			
Line Account	Acct. No.	Total	Payroll Expense	Payroll Taxes	Pension and Benefits Expense	Property and Liability Insurance	Adjustments due to Tax Reform	Other Known and Measurable Changes	Intercompany Rent Expense	Depreciation Annualization and Rates	Vegetation Management	Property Taxes	Injuries & Damages	Other Revenue	Adjustments to Normalize Distribution Revenue	Income Tax Expense- Test Year Actual	Other Adjustments (Corrections & Updates)	Other Adjustments (Corrections & Updates)	
63	<b>Depreciation Expense</b>																		
64	Intangible assets	405	0																
65	Distribution plant	403	2,309,377					781,434		1,527,943									
66	Amortization expense- Regulatory	407	0																
67	<b>Total Depreciation Expense</b>		2,309,377	0	0	0	0	781,434	0	1,527,943	0	0	0	0	0	0	0	0	
68																			
69	<b>General Taxes</b>																		
70	Municipal tax		107,881									124,983						(17,102)	
71	Payroll tax		(166,855)	(166,855)															
72	Other tax		0																
73	<b>Total General taxes</b>		(58,973)	0	(166,855)	0	0	0	0	0	0	124,983	0	0	0	0	0	(17,102)	
74																			
75	<b>Income Taxes</b>																		
76	FIT Expense		(2,546,780)				(196,018)									(2,350,762)			
77	SIT Expense		(265,027)													(175,958)		(89,069)	
78	<b>Total Income Tax</b>		(2,811,807)	0	0	0	(196,018)	0	0	0	0	0	0	0	0	(2,526,720)	0	(89,069)	
79																			
80	<b>Interest on Customer Deposits</b>		0																
81																			
82	<b>Total Expenses</b>		1,621,569	910,057	(166,855)	612,004	(10,689)	(196,018)	769,188	(345)	1,527,943	844,301	124,983	22,647	0	0	(2,526,720)	(77,429)	(211,499)
83																			
84	<b>Operating Revenue</b>																		
85	Residential, Commercial, Lighting	440	(618,740)												(618,740)				
86	Commodity revenue	Comm	0																
87	Prov. For Refunds	449	0																
88	Forfeited discounts		0											0					
89	Misc. service revenue	451	(473,132)											(192,548)		(280,584)			
90	Rent from Electric property	454	0											0					
91	Other revenue	456	(11,712)											0		(11,712)			
92	Sales for resale	447	0											0					
93	<b>Total revenue</b>		(1,103,584)	0	0	0	0	0	0	0	0	0	0	(192,548)	(618,740)	0	(292,296)	0	
94																			
95	<b>Net operating income (loss)</b>		(2,725,153)	(910,057)	166,855	(612,004)	10,689	196,018	(769,188)	345	(1,527,943)	(844,301)	(124,983)	(22,647)	(192,548)	(618,740)	2,526,720	(369,725)	(211,499)

RR-3-01 **Liberty Utilities (Granite State Electric) Corp.**Final **Adjustments to Test Year**AD **Adjustment 01****Payroll Expense**

Schedule RR-3-01 (R)

Line	Description	Total
1	Test Year LU NH Labor Charged to Granite State Electric - O&M	7,081,853
2	2019 Salary & Wage Increase - O&M <sup>(1)</sup>	3%
3	2019 Payroll Increase	212,456
4	Adjustment for pro rated increase (effective March)	(35,409)
5		
6	Test year LU Regional Allocated Labor (not included in test year labor)	474,230
7	2019 Salary & Wage Increase - O&M <sup>(1)</sup>	3%
8	2019 Payroll Increase on Regional Allocated Labor	14,227
9	Adjustment for pro rated increase (effective March)	(2,371)
10		
11	Adjustment for 2018 Vacancies and/or 2019 (incremental) Additions <sup>(1)</sup>	721,155
12		
13	Pro Forma LU NH Labor for 2019 Payroll Increase	7,991,910
14		
15	Test Year Labor Charged to Granite State Electric - O&M	7,081,853
16		
17	<b>Increase Due to Known and Measurable - O&amp;M Payroll</b>	<b>910,057</b>

RR-3-02 **Liberty Utilities (Granite State Electric) Corp.**

Final **Adjustments to Test Year**

AD **Adjustment 02**

**Payroll Taxes**

Schedule RR-3-02 (R)

Line	Description	Ref.	Amount
1	<b>Actual 2018</b>		
2	Total Payroll (including capitalized payroll)	RR-3-01 Ln 15	10,928,574
3	Payroll Tax Expense	RR-2-1 Ln 108	740,520
4	% of Applicable Salary	Line 3 / Line 2	6.78%
5			
6	<b>Pro Forma</b>		
7	2019 Salary & Wage Increase(1)	RR-3-01 Ln 2	1,384,287
8			1,384,287
9			
10	Pro Forma Salary & Wages - O&M		8,466,140 RR-3-01 Ln 6 & Ln 113
11	<b>Payroll Taxes to O&amp;M</b>	Line 4 X Line 10	<b>573,666</b>
12	Test Year Expense- Account 408.4	Line 3	740,520
13	<b>Decrease Due to Known and Measurable</b>	<i>To RR-3</i>	<b>(166,855)</b>

Note:

This adjustment aligns Payroll taxes with the Labor costs reflected on RR-3-01

RR-3-08 Liberty Utilities (Granite State Electric) Corp.  
 Final Adjustments to Test Year  
 AD Adjustment 08  
 Depreciation Annualization and Rates  
 Schedule RR-3-08 (R)

							<b>Pro Forma</b>		
<b>Line</b>	<b>Account</b>	<b>Acct. No.</b>	<b>Depreciation Rates</b>	<b>Balance Historic Year Ended Dec. 31, 2018</b>	<b>Account 106</b>	<b>Balance Historic Year Ended Dec. 31, 2018</b>	<b>Adjustments to Plant Balances</b>	<b>Balance Historic Year Ended Dec. 31, 2018</b>	<b>Depreciation Expense</b>
1	<b>Intangible Assets</b>								
2	Organization	301		24,808		24,808		24,808	0
3	Other Intangible assets	303	20.00%	10,987,554		10,987,554	(10,987,554)	0	0
4	Other Intangible assets (3 yr life)	303	33.33%			0	320,288	320,288	106,752
5	Other Intangible assets (5 yr life)	303	20.00%			0	5,759,108	5,759,108	1,151,822
6	Other Intangible assets (10 yr life)	303	10.00%		193,559	193,559	5,152,610	5,346,170	534,617
7	<i>Total Intangible Assets</i>			<u>11,012,362</u>	<u>193,559</u>	<u>11,205,921</u>	<u>244,453</u>	<u>11,450,375</u>	<u>1,793,191</u>
8									
9	<b>Distribution Plant</b>								
10	Land and land rights	360		1,672,947	0	1,672,947		1,672,947	0
11	Structures and improvements	361	2.39%	1,965,160	0	1,965,160		1,965,160	46,967
12	Station equipment	362	3.00%	28,894,637	1,861,412	30,756,049		30,756,049	922,681
13	Poles, towers and fixtures	364	3.64%	40,575,975	1,091,070	41,667,046		41,667,046	1,516,680
14	Overhead conductors, devices	365	3.26%	58,746,906	6,427,330	65,174,236		65,174,236	2,124,680
15	Underground conduit	366	1.96%	6,674,970	273,408	6,948,378		6,948,378	136,188
16	Underground conductors, device	367	3.04%	14,932,982	2,341,077	17,274,059		17,274,059	525,131
17	Line transformers	368	3.51%	29,063,612	574,943	29,638,555		29,638,555	1,040,313
18	Services	369	3.89%	10,437,741	1,196,471	11,634,212		11,634,212	452,571
19	Meters	370	5.00%	3,507,367	181,121	3,688,487		3,688,487	184,424
20	Leased Prop on Customers' Prem	372	10.00%	1,167,465	40,119	1,207,584	(1,207,584)	0	0
21	Street lighting, signal system	373	3.67%	5,553,466	73,315	5,626,782		5,626,782	206,503
22	<i>Total Distribution Plant</i>			<u>203,193,227</u>	<u>14,060,268</u>	<u>217,253,495</u>	<u>(1,207,584)</u>	<u>216,045,911</u>	<u>7,156,140</u>
23									
24	<b>General Plant</b>								
25	Land	389		1,620,372		1,620,372		1,620,372	0
26	Structures and Improvements	390	1.62%	8,934,141	375,659	9,309,799	(56,121)	9,253,678	149,910
27	Office Furniture and Improvement	391	4.00%	847,122		847,122	(676,961)	170,161	6,806
28		391.1	20.00%				44,312	44,312	8,862
29		391.2	20.00%				279,318	279,318	55,864
30	Transportation Equipment	392	7.50%	2,730,590	384,144	3,114,734		3,114,734	233,605
31	Stores Equipment	393	3.33%	161,336	8,320	169,656		169,656	5,650
32	Tools Shop and Garage Equipment	394	4.17%	317,359	63,547	380,905		380,905	15,884
33	Laboratory Equipment	395	3.03%	270,548	21,943	292,491		292,491	8,862
34	Power Equipment	396	6.00%	1,466,922	55,510	1,522,432		1,522,432	91,346
35	Communication Equipment	397	4.17%	1,828,418	36,544	1,864,962		1,864,962	77,769
36	Miscellaneous Equipment	398	10.00%	120,736	28,469	149,205		149,205	14,921
37	<i>Total General Plant</i>			<u>18,297,542</u>	<u>974,137</u>	<u>19,271,678</u>	<u>(409,452)</u>	<u>18,862,227</u>	<u>669,478</u>
38	<b>Total</b>			<u>232,503,131</u>	<u>15,227,964</u>	<u>247,731,095</u>	<u>(1,372,582)</u>	<u>246,358,513</u>	<u>9,618,809</u>
39	Depreciation Deficiency (Annual)								233,300
40	Rate-making Adjustment per DG 11-040 (Acquisition)								0
41	Depreciation expense computed, Plant assets as of 12/31/2018								<u>9,852,109</u>
42	Depreciation expense recorded for Historic Year								<u>8,324,166</u>
43	<b>Depreciation expense adjustment</b>							<i>To RR-3</i>	<u>1,527,943</u>

RR-3-10 **Granite State Electric Company**

Final **Adjustments to Test Year**

RR **Adjustment 10**

**Vegetation Management**

Schedule RR-3-10 (R)

<b>Line</b>	<b>Account</b>	<b>Description</b>	<b>Account</b>	<b>Amount</b>
1	Adjustment for Annual Vegetation Management Expenses(1)	Adjust based on actual expenses - 2018		1,944,301
2				
3	Additional Adjustment for Hazard Tree Adjustment	Additional \$1.6m over 4 years (\$400k/y)		<u>400,000</u>
4				
5	Total REP/Vegetation Management			2,344,301
6				
7	Test Year Total Expense	Vegetation Management	593	<u>1,500,000</u>
8				
9	<b>VMP/REP Adjustment to Test Year</b>			<b><u><u>844,301</u></u></b>

(1) Adjustment in consideration for total actual Vegetation management expenses incurred during the test year

RR-3-15 **Liberty Utilities (Granite State Electric) Corp.**

Final **Adjustments to Test Year**

AD **Adjustment 15**

**Income Tax Expense- Test Year Actual**

Schedule RR-3-15 (R)

Line	Description	Reference	Amount
1	<b>Test Year Actual to Statutory Rates</b>		
2	Normalized Revenue	<i>RR-2, line 5</i>	40,120,331
3	Normalized Expenses, excluding income tax	<i>RR-2, lines 8-15, line 17</i>	36,368,552
4	Income (loss) before interest and taxes		3,751,779
5			
6	Rate base	<i>RR-1</i>	102,434,842
7	Debt Portion	<i>RR-6</i>	45.00%
8	Debt Component		46,095,679
9	Debt cost	<i>RR-6</i>	5.97%
10	Synchronized Interest expense		2,751,912
11	Pre-tax income, New Hampshire		999,867
12			
13	New Hampshire Business tax rate		7.70%
14	New Hampshire synchronized tax expense	<i>Line 11 X Line 13</i>	76,990
15	Pre-tax income, Federal	<i>Line 11 - Line 14</i>	922,877
16			
17	Federal statutory rate		21.00%
18	Federal synchronized tax expense	<i>Line 15 X Line 17</i>	193,804
19			
20	Total Income tax expense at Statutory rates	<i>Line 14 + Line 18</i>	270,794
21	Income tax expense (credit) recorded	<i>RR-2, line 16</i>	2,797,514
22	<b>Adjustment to Normalize Historic Test Year</b>		<b>(2,526,720)</b>
23			
24	Adjustment to New Hampshire		(175,958)
25	Adjustment to Federal		(2,350,762)
26	Total Adjustment		<b>(2,526,720)</b>
27			
28	This adjustment normalizes income tax expense in the Test Year to reflect statutory rates.		
29			

RR-3-17 **Liberty Utilities (Granite State Electric) Corp.**

Final **Adjustments to Test Year**

AD **Adjustment 17**

**Other Adjustments (Rebuttal Filing)**

Schedule RR-3-17 (R)

Line	Description	Source	Amount
1	Removal of Severance Related to a Mutual Separation Agreement		(9,336)
2			
3	Removal of charitable donation to St. Jude from distribution expenses (FERC 921)		(75)
4			
5	Removal of Vegetation Management Expenses from FERC Account 592		(50,487)
6			
7	Removal of Vegetation Management Expenses from FERC Account 598		(45,430)
8			
9	Removal of Statewide Education Tax (calculated for 2019 tax year)		(17,102)
10			
11	Adjustment for overstated Income Tax Expense in FERC 409		(89,069)
12			
13	<b>Total Other Adjustments</b>		<b><u>(211,499)</u></b>

(1) Adjustment reflects amount of 2019 tax bills where Statewide Education Tax was assessed against the Company. The Company will be unable to collect for any periods prior to January 1, 2019.

RR-3-17 **Liberty Utilities (Granite State Electric) Corp.**

Final **Adjustments to Test Year**

AD **Adjustment 17**

**Other Adjustments (Rebuttal Filing)**

Schedule RR-3-17 (R)

<b>Line</b>	<b>Description</b>	<b>Source</b>	<b>Amount</b>
1	Removal of Severance Related to a Mutual Separation Agreement		(9,336)
2			
3	Removal of charitable donation to St. Jude from distribution expenses (FERC 921)		(75)
4			
5	Removal of Vegetation Management Expenses from FERC Account 592		(50,487)
6			
7	Removal of Vegetation Management Expenses from FERC Account 598		(45,430)
8			
9	Removal of Statewide Education Tax (calculated for 2019 tax year)		(17,102)
10			
11	Adjustment for overstated Income Tax Expense in FERC 409		(89,069)
12			
13	<b>Total Other Adjustments</b>		<b><u>(211,499)</u></b>

(1) Adjustment reflects amount of 2019 tax bills where Statewide Education Tax was assessed against the Company. The Company will be unable to collect for any periods prior to January 1, 2019.

## RR-5-3 Liberty Utilities (Granite State Electric) Corp.

## Final Cash Working Capital

## RR Historic Year Ended Dec. 31, 2018

Schedule RR-5-3 (R)

Line	Description	Reference	Pro Forma Test Year With Known and Measurable
1	Distribution, before adjustments	Schedule RR-2 (R)	34,732,691
2	Adjustments, before income tax	Schedule RR-2 (R)	4,433,375
3	Adjustment for income tax	Schedule RR-2 (R)	(2,822,583)
4	Adjustment for depreciation	Schedule RR-2 (R)	(8,684,070)
5			27,659,413
6			
7	Cash Working Capital Required- 24.20 days		6.63%
8	Cash Working Capital Required		1,833,819

REVISED

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

DE 19-064  
Distribution Service Rate Case

Staff Technical Session Data Requests - Set 1

Date Request Received: 10/18/19  
Request No. Staff TS 1-35

Date of Response: 1/3/20  
Respondent: Philip E. Greene  
David B. Simek

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**REQUEST:**

Payroll/Vacancies: Reference Staff 6-4 CONFIDENTIAL. Please provide the amount of severance paid and included within the Company's revenue request for each of the following positions:

- a. XXXXXXXXXXXX – Elimination was the result of a mutually agreed upon separation, a replacement was put into place
- b. XXXXXXXXXXXX – Elimination was the result of a mutually agreed upon separation. Another employee was promoted into this role under new restructured roles and responsibilities within the role.
- c. XXXXXXXXXXXX – Elimination was the result of a mutually agreed upon separation. The role was subsequently filled based on a re-evaluation of increasing workload related with the XXXXXXXXXXXX department.

**RESPONSE:**

The amount of severance paid during the test year for the three positions identified by the above cited language from the response to Staff 6-4 CONFIDENTIAL is as follows:

- a. \$0
- b. \$23,961.94
- c. \$2,362.50

In reviewing the prior responses on this topic, the response to Staff 3-14 CONFIDENTIAL indicated that the position that is the subject of part a. of this question received severance during the test year; however, that severance was only paid during 2017. Staff 3-14 was a follow-up to OCA 1-29, which requested information for both 2017 and 2018 and that is why that position was included in the response.

Docket No. DE 19-064 Request No. Staff TS 1-35 (Revised)

**REVISED RESPONSE:**

As a result of further inquiry during the audit process, and consistent with the change to total severance paid in 2018 per the Second Revised response to OCA 1-29, it was determined that the correct amount to response b. above is \$9,335.82. All other information included in the original response remains the same.

**DE 19-064 Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities  
OCA Responses to LU Set 1**

**Date Request Received: 12/20/19**  
**Request Number: LU 1-30**  
**Witness: Bion Ostrander**

**Date of Response: 1/10/20**  
**Page 1 of 2**

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**Data Request:**

Refer to Bates 70, lines 3-16.

- a. Please confirm that you are not an expert on the topics of depreciation rates and lives.
- b. Please provide reasoning and support for your decision to accept the proposed amortization rates for intangible plant but not for any of the other plant accounts.
- c. Was your decision based at all on the overall lengthening of lives for a significant portion of the intangible plant? Please explain.
- d. On what basis did you determine it reasonable to essentially ignore the results of the depreciation study indicating a reserve deficiency?
- e. Do you believe that there is no reserve deficiency? If so, on what basis?

**Response a.:**

I am not an expert on the topics of depreciation rates and lives for depreciation-expense related utility plant.

However, the amortization rates and lives for intangibles, such as software, is less complex and does not require analysis of Iowa curves and details that might be ordinarily addressed for non-intangible related plant. I have addressed issues related to revenue requirements and related lives for intangible plant (such as software) in some prior cases.

For example, in Case No. 9481, before the Public Service Commission of Maryland (“PSC”) related to a rate case for Washington Gas Light Company (“WGL”), I addressed a software amortization issue and related adjustment on behalf of the Staff of the PSC. I proposed to capitalize and amortize certain software costs related to a new Customer Information Billing System (related to data conversion, training, and change management) over a five year period that had been previously expensed by WGL. The Commission’s Order No. 88844 (pp. 88-90), issued December 11, 2018, adopted my proposed adjustment in full.

**Response b.:**

I have been instructed by the OCA, as a matter of its internal policy, not to reflect the impact of new depreciation rates or the related reserve deficiency for non-intangible related plant in the revenue requirement of this case.

**DE 19-064 Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities  
OCA Responses to LU Set 1**

**Date Request Received: 12/20/19**  
**Request Number: LU 1-30**  
**Witness: Bion Ostrander**

**Date of Response: 1/10/20**  
**Page 2 of 2**

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However, I have accepted Liberty's proposed lives and rates for intangible plant because these issues are less complex and do not require analysis of Iowa curves, and generally the software included in intangibles is merely a consideration of 3, 5 or 10 year lives. I have reviewed the testimony and related depreciation study (Attachment DAW-2) of Liberty's depreciation rate witness Mr. Dane Watson regarding treatment of intangible plant/software. The analysis is brief, fairly general and not complex, and I am not opposed to Mr. Watson's recommended rates/lives for intangibles/software.

**Response c.:**

No. Please see the response to (b) above.

**Response d.:**

Please see the response to (b) above.

**Response e.:**

Please see the response to (b) above.

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 2-23

Date of Response: 7/10/19  
Respondent: Anthony Strabone  
Heather M. Tebbetts

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**REQUEST:**

Address the following Consolidated and other companies (i.e., cable, internet, telephone and others) payments/credits to Liberty for use of the Company's poles and other facilities:

- a. Explain if Consolidated and other companies make payments/credits to Liberty for pole rental fees and use of other Liberty facilities, and explain why these pole rental fees should not be treated as reimbursement/credits to offset against VMP costs.
- b. Provide the amount of pole rental payments/credits paid to Liberty by account number and for each entity for each of the years 2016 to 2019 year-to-date, and explain the reasons for the changes in these fees.
- c. Regarding (b) above, explain how these amounts are recorded on Liberty's books, and the reason for that method. Provide copies of contracts and explain if these contracts have escalation or inflation factor components that automatically trigger increased payments to Liberty for each year of the contract.
- d. Cite to FERC or FCC policy regarding the calculation of pole rental and similar fees, and explain and show how Company fees are consistent with this policy.

**RESPONSE:**

- a. Consolidated does not pay the Company for pole attachment fees as it is either a joint owner of the poles, or is not attached to Granite State Electric solely owned poles.  
Other communication companies do attach to the Company's poles and pay pole attachment fees. These fees are not treated as reimbursement/credit to the VMP costs as they don't specifically relate to vegetation management activities. Pole attachment fees are treated as other revenue.
- b. The fees have not changed since Liberty acquired the National Grid assets. Please see Attachments OCA 2-23.b.1, OCA 2-23.b.2, OCA 2-23.b.3, and OCA 2-23.b.4 for the invoices from Liberty for pole attachment fees.
- c. The amounts are recorded in the following manner:

Debit: 8830-2-0000-20-2141-2420 Current & Accrued Liability – Pole Attachment Rental

Credit: 8830-2-0000-40-4210-4540 Rental Income

Please see Attachment OCA 2-23.c. for the contracts. The contracts for wired facilities do not have escalation factors. The contracts for wireless facilities provide for a yearly increase.

- d. The formula used to calculate is provided in the link below. In light of the final adoption of the Puc 1300 rules on September 1, 2018, requiring pole owners to adopt the FCC calculation among other things, the Company reviewed its pole attachment fees in 2018 using the calculation found in Attachment OCA 2-23.d to ensure the fees charged to pole attachers was calculated in a way that provided for fees that were consistent with the FCC formula, as those calculations had not been completed in the past. While it was found that there could be an increase to the Standard Rate from \$20.03 to \$24.33, the Company has not undertaken requesting changes to the contracts as there are 21 different attachers and each contract would need to be reopened. The Puc 1300 rules also provide for negotiation between parties and while they provide that the FCC formula be used, there are many other considerations in Puc 1304.06 that complicate whether or not the proposed FCC calculated rate of \$24.33 would be just and reasonable for each attaching entity.

The current fee structure is provided below:

Standard Rate	Solely Owned Pole	\$20.03
	Jointly Owned Pole	\$10.02
Cable Rate	Solely Owned Pole	13.84
	Jointly Owned Pole	\$6.92

<https://www.gpo.gov/fdsys/pkg/CFR-2002-title47-vol1/pdf/CFR-2002-title47-vol1-sec1-1409.pdf>