BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of

Liberty Utilities (St. Lawrence Gas) Corp.

Case 24-G-0668

April 1, 2025

Prepared Redacted Testimony of:

Staff Revenue Requirement Panel

John Castano
Auditor 3 (Public Utilities)

Anthony DiGiacomo
Auditor 2 (Public Utilities)

Dongning Sun
Auditor 2 (Public Utilities)

Jaylei George
Auditor Trainee 1

Peter Lavery
Utility Analyst 3

Office of Accounting, Audits,
and Finance

State of New York
Department of Public Service
Three Empire State Plaza
Albany, New York 12223-1350

1 Q. Members of the Staff Revenue Requirement Panel,
2 please identify yourselves, your employer, and
3 your business address.
4 A. We are John Castano, Anthony DiGiacomo, Dongning
5 Sun, Jaylei George, and Peter Lavery. We are
6 employed by the New York State Department of
7 Public Service, or the Department. Our business
8 address is Three Empire State Plaza, Albany, New
9 York 12223-1350.
10 Q. Mr. Castano, what is your position at the
11 Department?
12 A. I am employed as an Auditor 3 (Public Utilities)
13 in the Office of Accounting, Audits and Finance.
14 Q. Please describe your educational background and
15 professional experience.
16 A. I graduated from the State University of New
17 York Institute of Technology in 2013 with a
18 Bachelor of Science in Accounting, and I
19 graduated from the State University of New York
20 Polytechnic Institute in 2022 with a Master of
21 Science in Accountancy. I have been employed by
22 the Department since September of 2014.
23 Q. Please briefly describe your responsibilities
24 with the Department.

1 A. My responsibilities include routine examination
2 of accounts, records, policies, and procedures
3 of regulated utilities to ensure compliance with
4 the Public Service Law, and the Commission's
5 rules, regulations, and orders.
6 Q. Mr. Castano, have you previously submitted
7 testimony in proceedings before the Commission?
8 A. Yes, I submitted testimony in the following rate
9 proceedings: New York State Electric & Gas
10 Corporation, Cases 15-E-0283 and 15-G-0284;
11 Rochester Gas and Electric Corporation, Cases
12 15-E-0285 and 15-G-0286; KeySpan Gas East
13 Corporation d/b/a National Grid, Cases 16-G-
14 0058, 19-G-0310, and 23-G-0226; The Brooklyn
15 Union Gas Company d/b/a National Grid NY; Cases
16 16-G-0059, 19-G-0309, and 23-G-0225; National
17 Fuel Gas Distribution Corporation, Case 16-G-
18 0257; Niagara Mohawk Power Corporation d/b/a
19 National Grid, or Niagara Mohawk, Cases 17-E-
20 0238, 17-E-0239, 24-E-0322, and 24-G-0323; and
21 Liberty Utilities (St. Lawrence Gas) Corp.,
22 referred to as Liberty SLG or the Company, Cases
23 18-G-0133, and 18-G-0140, and 21-G-0577.
24 Q. Mr. DiGiacomo, what is your position at the

1 Department?

2 A. I am an Auditor 2 (Public Utilities) in the
3 Office of Accounting, Audits and Finance.

4 Q. Please describe your educational background and
5 professional experience.

6 A. I received a bachelor's degree in Business
7 Administration, with a concentration in
8 accounting from the State University at Albany
9 in 2012. In August 2016, I joined the
10 Department in the Office of Accounting, Audits
11 and Finance.

12 Q. Please briefly describe your responsibilities
13 with the Department.

14 A. My responsibilities include the examination of
15 accounts, records, documentation, policies, and
16 procedures of regulated utilities.

17 Q. Mr. DiGiacomo, have you previously submitted
18 testimony in proceedings before the Commission?

19 A. Yes. I have provided testimony in multiple
20 cases including: Cases 17-E-0238, 17-G-0329, 20-
21 E-0380, and 20-G-0381, Niagara Mohawk; Liberty
22 SLG, Cases 23-G-0225 and 23-G-0226; The Brooklyn
23 Union Gas Company d/b/a National Grid NY and
24 KeySpan Gas East Corporation d/b/a National

1 Grid; Case 23-G-0627, National Fuel Gas
2 Distribution Corporation; and Cases 24-G-0462
3 and 24-E-0461, Central Hudson Gas & Electric
4 Corporation.
5 Q. Ms. Sun, what is your position with the
6 Department?
7 A. I am employed as Auditor 2 (Public Utilities) in
8 the Office of Accounting, Audits and Finance.
9 Q. Please briefly describe your educational
10 background and professional experience.
11 A. I graduated from Beijing Union University in
12 Beijing, China with a Bachelor of Science degree
13 in Chemistry. I also received a Master of
14 Science degree in Accounting from the State
15 University of New York at Albany. I have
16 experience working as a chemical engineer with
17 the Research Institute of Petroleum Processing.
18 I also have been employed as an analyst with
19 Huron Consulting Group. I have been employed by
20 the Department since March 2012.
21 Q. Have you previously submitted testimony before
22 the Commission?
23 A. Yes. I submitted testimony in Case 12-M-0192,
24 Acquisition of CH Energy Group, Inc. by Fortis

1 Inc.; in Cases 13-W-0539, 13-W-0564 and 14-W-
2 0006, United Water New Rochelle, Inc. and United
3 Water Westchester, Inc. - Rates and Merger; in
4 Cases 14-E-0318, 14-G-0319, 24-E-0461, and 24-G-
5 0462, Central Hudson Gas & Electric Corporation
6 - Rates; in Case 16-W-0130, SUEZ Water New York,
7 Inc. - Rates; and in Cases 18-E-0067, 18-G-0068,
8 21-G-0073 and 21-E-0074 Orange and Rockland
9 Utilities, Inc., or O&R, - Rates; in Case 23-G-
10 0627, National Fuel Gas Distribution
11 Corporation.
12 Q. Please briefly describe your responsibilities
13 with the Department.
14 A. I have general responsibility for accounting and
15 ratemaking matters related to companies
16 regulated by the Commission. My direct
17 responsibilities include examining accounts,
18 records, documentation, policies and procedures
19 of utilities regulated by the Commission,
20 developing various analyses based on information
21 reviewed, and furnishing recommendations to the
22 Commission.
23 Q. Ms. George, what is your position with the
24 Department?

1 A. I am employed as Auditor Trainee 1 in the Office
2 of Accounting, Audits and Finance.
3 Q. Please briefly describe your educational
4 background and professional experience.
5 A. I have graduated Saint Leo University with a
6 Bachelor of Science in Accounting in May of
7 2024. My responsibilities include the
8 examination of accounts, records, documentation,
9 policies, and procedures of regulated utilities.
10 Q. Have you previously submitted testimony in
11 proceedings before the Commission?
12 A. Yes. I provided testimony in the rate
13 proceeding for Niagara Mohawk in Cases 24-E-0322
14 and 24-G-0323.
15 Q. Mr. Lavery, what is your position at the
16 Department?
17 A. I am employed as a Utility Analyst 3 in the
18 Management and Operations Audit unit of the
19 Office of Accounting, Audits and Finance.
20 Q. Please describe your educational background and
21 professional experience.
22 A. I hold a Bachelor of Science in business
23 administration from the State University of New
24 York at Albany. I have been employed by the

1 Department since July 2015.
2 Q. Please briefly describe your responsibilities at
3 the Department.
4 A. I am responsible for the oversight of management
5 and operations audits, as well as the
6 implementation of the resulting recommendations.
7 I am also responsible for analyzing incentive
8 compensation in rate case proceedings.
9 Q. Mr. Lavery, have you previously submitted
10 testimony in proceedings before the Commission?
11 A. Yes. I have provided testimony before the
12 Commission in the previous rate proceeding
13 regarding Liberty SLG in Case 21-G-0577. I also
14 testified in the rate proceedings concerning
15 Consolidated Edison Company of New York, Inc. in
16 Cases 16-E-0060 and 16-G-0061, 22-E-0064 and 22-
17 G-0065, and 22-S-0659; The Brooklyn Union Gas
18 Company d/b/a National Grid NY and KeySpan Gas
19 East Corporation d/b/a National Grid in Cases
20 23-G-0225 and 23-G-0226; National Fuel Gas
21 Distribution Corporation in Case 16-G-0257;
22 Veolia Water New York, Inc. in Case 23-W-0111;
23 Liberty Utilities (New York Water) Corp. in Case
24 23-W-0235; and Central Hudson Gas & Electric

1 Corporation in Cases 17-E-0459, 17-G-0460, 20-E-
2 0428, 20-G-0429, 23-E-0418, 23-G-0419, 24-E-
3 0461, and 24-G-0462. In addition, I testified
4 in the Matter of Eligibility Criteria for Energy
5 Service Companies' evidentiary proceeding in
6 Case 15-M-0127.

7 **Scope of Testimony**

8 Q. Panel, what is the scope of your testimony in
9 this proceeding?
10 A. We will set forth our recommended overall
11 revenue requirement for Liberty SLG. In
12 addition, we will address various issues,
13 specifically: incentive compensation; direct
14 labor expense; direct intercompany expense;
15 indirect allocated labor expense; billing and
16 collection expenses; uncollectibles expense;
17 office and supplies expense; operations – mains
18 and services expense; outside services expense;
19 indirect allocation intercompany expense;
20 injuries and damages expense; pensions; other
21 post-employment benefits, or OPEBs; regulatory
22 commission expense; other expense; productivity;
23 inflation; payroll tax expense; property tax
24 expense; amortization of various regulatory

1 deferrals, including rate case expense;
2 amortization of excess accumulated deferred
3 income tax, or EADIT; accumulated deferred
4 income taxes, or ADIT; unamortized deferrals;
5 and earnings base capitalization, or EBCAP.
6 Q. What is the Historic Test Year in this
7 proceeding?
8 A. The 12-month period ended June 30, 2024.
9 Q. What is the Rate Year in this proceeding?
10 A. The 12-month period ending October 31, 2026.
11 Q. Are you sponsoring any exhibits?
12 A. Yes, we are sponsoring four exhibits:
13 Exhibit__(SRRP-1); Exhibit__(SRRP-2);
14 Exhibit__(SRRP-3); and Exhibit__(SRRP-4).
15 Q. Please describe Exhibit__(SRRP-1).
16 A. Exhibit__(SRRP-1) is our Rate Year revenue
17 requirement. This consists of 10 schedules.
18 Schedule 1 summarizes our projection of gas
19 operating income, rate base and rate of return
20 for the Rate Year ending October 31, 2026, and
21 includes Staff’s proposed base rate increase.
22 Schedule 1 is supported by Schedules 2 through
23 10. Schedule 2 is a summary of operations and
24 maintenance, or O&M, expenses. Schedule 3 is

1 the calculation of taxes other than income tax.
2 Schedule 4 is the computation of state and
3 federal income tax. Schedule 5 is a summary of
4 the capital structure. Schedule 6 is a summary
5 of rate base. Schedule 7 is a summary of
6 depreciation and amortization expense, and
7 amortization of regulatory deferrals. Schedule
8 8 is the calculation of the interest deduction.
9 Schedule 9 is the calculation of cash working
10 capital. Schedule 10 is a listing of Staff's
11 adjustments.
12 Q. Please describe Exhibit__(SRRP-2).
13 A. Exhibit__(SRRP-2) is a compilation of workpapers
14 that we created in calculating the adjustments
15 referenced in our testimony.
16 Q. Please describe Exhibit__(SRRP-3).
17 A. Exhibit__(SRRP-3) includes the responses to
18 information requests, or IRs, that we rely upon
19 throughout our testimony. We will refer to
20 these IRs by the number assigned by Staff, e.g.,
21 DPS-50.
22 Q. Please describe Exhibit__(SRRP-4).
23 A. Exhibit__(SRRP-4) includes a response to an
24 information request, or IR, from the Company's

1 previous rate filing, Case 21-G-0577.

2 **Summary of Revenue Requirement**

3 Q. Please summarize Liberty SLG's requested gas
4 revenue requirement.
5 A. In its November 27, 2024, initial filing,
6 Liberty SLG requested a $2,174,020 base revenue
7 increase. In its February 28, 2025, Corrections
8 and Updates filing, referred to as CU filing,
9 Liberty SLG reduced its base delivery revenue
10 increase request to $1,818,951.
11 Q. Please summarize Staff's recommendation
12 regarding Liberty SLG's requested gas revenue
13 requirement increase.
14 A. We recommend a base delivery revenue requirement
15 decrease of $1,191,358, or approximately
16 $3,010,309 less than the $1,818,951 requested by
17 the Company. Exhibit__(SRRP-1), Schedule 10,
18 lists every adjustment by Staff witness, and the
19 Panel's recommendations resulting in Staff's
20 overall revenue requirement recommendation, with
21 the exception of Staff's recommended weighted
22 average cost of capital.
23 Q. Please briefly summarize the major reasons for
24 the $3,010,309 difference in Liberty SLG's gas

1 Rate Year revenue requirement.
2 A. We estimate the difference between the Company
3 and Staff on the weighted average cost of
4 capital reduces the revenue requirement by
5 approximately $366,000. Other major differences
6 include: (1) a reduction of approximately
7 $765,000 resulting from Staff's direct and
8 indirect labor adjustments; (2) a reduction of
9 approximately $292,000 resulting from Staff's
10 uncollectibles expense recommendation; (3) a
11 reduction of approximately $280,000 resulting
12 from Staff's other expense recommendation; (4) a
13 reduction of approximately $255,000 resulting
14 from Staff's outside services expense
15 recommendation; (5) a reduction of approximately
16 $200,000 resulting from Staff's pension and OPEB
17 recommendations; (6) a reduction of
18 approximately $136,000 resulting from Staff's
19 billing and collection expense recommendation;
20 (7) an increase of approximately $582,000
21 reflecting the costs of the low-income program
22 in base delivery rates; (8) a reduction of
23 approximately $274,000 resulting from Staff's
24 recommendation of amortization of regulatory

1 deferrals; (9) a reduction of approximately
2 $422,000 resulting from Staff’s depreciation
3 expense recommendations; (10) an increase of
4 approximately $525,000 resulting from Staff’s
5 property tax recommendation; and (11)a reduction
6 of approximately $1,1000,000 resulting from
7 Staff’s rate base adjustments.

8 **Operations and Maintenance Expenses**

9 Incentive Compensation

10 Q. Please summarize the Commission’s requirements
11 regarding cost recovery of utility incentive
12 compensation programs.
13 A. The Commission set forth its requirements for
14 cost recovery of incentive compensation in its
15 June 17, 2011, Order Establishing Rates for
16 Electric Service in Case 10-E-0362, Proceeding
17 on the Motion of the Commission as to the Rates,
18 Charges, Rules and Regulations of O&R for
19 Electric Service, which will be referred to as
20 the 2011 O&R Rate Order. In the 2011 O&R Rate
21 Order, the Commission explained that a utility
22 must demonstrate that its total level of
23 employee compensation, inclusive of incentive
24 pay, is reasonable relative to peer companies.

1 The Commission explained that a utility can
2 demonstrate the reasonableness of its total
3 level of employee compensation by providing a
4 compensation study of similarly situated
5 companies. However, the Commission also stated
6 that an incentive pay plan is not reasonable if
7 it includes performance targets that adversely
8 affect ratepayer interests or are inconsistent
9 with Commission policies.
10 Q. Do the Commission's requirements require a
11 review of the Company's incentive pay plan
12 performance targets?
13 A. Yes. In the 2011 O&R Rate Order, the Commission
14 explained that a utility should confirm that the
15 incentives will support the provision of safe
16 and adequate service and will have no potential
17 to adversely affect ratepayer interests or to
18 promote results that are inconsistent with
19 Commission policies. Incentive targets should
20 focus on improvements to customer service,
21 reliability, safety, and the environment and not
22 be primarily inclusive of financial targets.
23 Q. Please summarize Liberty SLG's request regarding
24 compensation for its management employees in

1 this rate filing.
2 A. Liberty SLG is requesting recovery of base pay
3 and incentive compensation for its management
4 employees. The total incentive compensation
5 included in the Rate Year is comprised of short-
6 term incentive pay, shared bonus pool, and long-
7 term equity grants. According to the Company's
8 response to DPS-249, the amount of non-union
9 management incentive pay included in the
10 Company's rate request totals $530,578.
11 Q. Please describe the benchmarking study the
12 Company used to support its proposal in this
13 rate filing.
14 A. Liberty SLG provided a study and supporting
15 documents in Company Exhibits__(RR-3) and (RR-
16 4). The Company hired the consulting firm
17 Mercer Limited, or Mercer, to provide
18 information concerning the overall
19 competitiveness of its management compensation
20 and benefits package. The study examined the
21 total compensation package for 28 Company
22 management employees, inclusive of incentive pay
23 and the value of the benefits provided to those
24 employees. Liberty SLG management employees

1 were then compared to a benchmarked position
2 derived from a peer group of companies.
3 Q. Did the Panel review the Company's benchmarking
4 study and methodology?
5 A. Yes. Mercer gathered market data from national
6 surveys and adjusted it to reflect the labor
7 market in Liberty SLG's service territory. The
8 peer group used for comparison was sized to
9 reflect companies with similar annual revenues
10 to Liberty SLG. Mercer considered geographic
11 differentials for labor costs and compared
12 Liberty SLG management positions to similar jobs
13 in the market.
14 Q. What standard determines whether a utility's
15 benefits and compensation package is market
16 competitive?
17 A. The WorldatWork Handbook of Compensation,
18 Benefits & Total Rewards: A Comprehensive Guide
19 for HR Professionals is a widely accepted
20 authority. According to the WorldatWork
21 Handbook, the value of compensation and benefits
22 paid to a company's employees should fall within
23 plus or minus 10 percent of the market median.
24 Staff has consistently used this standard to

1 evaluate compensation benchmarking results in
2 rate proceedings before the Commission since the
3 2011 O&R Rate Order. This includes the recent,
4 fully litigated rate cases for Central Hudson
5 Gas & Electric Corporation in Cases 23-E-0418
6 and 23-G-0419, as well as the recent rate case
7 for National Fuel Gas Distribution Corporation
8 in Case 23-G-0627.
9 Q. What did Mercer conclude as a result of its
10 compensation assessment of Liberty SLG's
11 management compensation?
12 A. Mercer determined that Liberty SLG's target
13 total remuneration is within 10 percent of the
14 market median.
15 Q. Does the Company assert that its benchmarking
16 study satisfies this standard?
17 A. Yes. On page 17 of its direct testimony, the
18 Company's Revenue Requirements Panel states the
19 "Compensation Study ... demonstrates [the]
20 reasonableness of total compensation (including
21 base pay, incentive pay, equity grants, and
22 benefits) and supports the incentive
23 compensation included in Liberty's SLG's Rate
24 Year."

1 Q. How was the benchmarking conducted?
2 A. Mercer utilized market data sourced from general
3 industry and energy sector specific surveys.
4 The market data was refined to reflect companies
5 with similar annual revenues to Liberty SLG.
6 Q. Does this methodology provide a reasonable
7 comparison for purposes of this study?
8 A. Yes. Due to the Company's small size,
9 developing a sufficiently robust peer group
10 would be challenging. Therefore, the use of
11 existing market data coupled with a regression
12 analysis is reasonable for a company of Liberty
13 SLG's size.
14 Q. Please describe the incentive compensation
15 program available to Liberty SLG employees.
16 A. Liberty SLG participates in the incentive
17 compensation program of its parent corporation,
18 Algonquin Power & Utilities Corporation,
19 referred to as Algonquin. Algonquin's incentive
20 compensation program is deployed across its
21 entire international portfolio of generation,
22 transmission, and distribution utilities
23 operating in various commodities, including
24 electricity, natural gas, water, and wastewater

1 collection. Algonquin’s program includes two
2 incentive compensation plans – the discretionary
3 shared bonus pool, referred to as SBP, and the
4 short-term incentive program, or STIP. If
5 Algonquin meets or exceeds its corporate
6 objectives, employees in lower salary grades are
7 eligible for incentive payouts under the SBP,
8 and employees in higher salary grades are
9 eligible for incentive payouts under the STIP.
10 Both plans utilize a Parent Scorecard, various
11 Division Scorecards, and Personal Objectives to
12 determine incentive payouts.
13 Q. Please describe the targets comprising the
14 various scorecards.
15 A. Liberty SLG provided these scorecards in
16 response to DPS-528. Financial metrics comprise
17 **BEGIN CONFIDENTIAL INFORMATION <█> END**
18 **CONFIDENTIAL INFORMATION** percent of the Parent
19 Scorecard and **BEGIN CONFIDENTIAL INFORMATION <█**
20 **█> END CONFIDENTIAL INFORMATION** percent of
21 the Division Scorecards, depending on the
22 regional division. For all scorecards provided,
23 some non-financial metrics have no apparent
24 relation to Liberty SLG’s operations or benefit

1 to its customers, such as the **BEGIN CONFIDENTIAL**
2 **INFORMATION**
3 > **END CONFIDENTIAL**
4 **INFORMATION** reliability targets. These metrics
5 are included on the Parent Scorecard, as well as
6 on both the Regulated Utilities - East and
7 Combined Divisional Scorecards, which are used
8 to determine incentive payouts for Liberty SLG’s
9 direct employees. When the metrics that are
10 unrelated to Liberty SLG’s operations are
11 factored alongside the financial metrics, the
12 focus of Algonquin’s incentive program shifts
13 even further from Liberty SLG’s ratepayers. For
14 2023, which was the most recent information
15 provided by the Company, after accounting for
16 the relevant weightings of the various
17 scorecards comprising both the SBP and STIP
18 across all pay grades, financial metrics
19 combined with metrics unrelated to Liberty SLG
20 operations represent approximately **BEGIN**
21 **CONFIDENTIAL INFORMATION <> END CONFIDENTIAL**
22 **INFORMATION** percent of Algonquin’s incentive
23 compensation program.
24 Q. Why are the performance metrics unrelated to

1 Liberty SLG operations a concern?
2 A. The concern is that the inclusion of metrics
3 unrelated to Liberty SLG operations dilutes
4 Liberty SLG's performance in determining
5 incentive payouts for its employees. As a
6 result of their inclusion, Liberty SLG's
7 performance is not the primary factor in
8 determining incentive compensation payouts.
9 Algonquin's incentive program design is an
10 ineffective means to drive performance that
11 benefits Liberty SLG ratepayers. If Liberty SLG
12 ratepayers are compensating the Company's
13 employees, those ratepayers should receive the
14 direct benefits of that compensation.
15 Q. Does Liberty SLG's incentive program meet the
16 Commission's cost recovery requirements?
17 A. No. The majority of the Company's incentive
18 compensation program is based on financial
19 performance or performance unrelated to Liberty
20 SLG operations. The Commission stated in the
21 2011 O&R Rate Order that an incentive
22 compensation program cannot be focused primarily
23 on financial performance. Implicit in those
24 requirements is that the non-financial metrics

1 benefit the customers of the utility seeking
2 cost recovery, not the customers of affiliates
3 in other jurisdictions and lines of business.
4 Because financial metrics and non-financial
5 metrics unrelated to Liberty SLG operations
6 represent the majority of Algonquin's incentive
7 compensation program, the program does not
8 achieve the balance sought by the Commission as
9 stated in the 2011 O&R Rate Order.
10 Q. Does the Panel's determination include the
11 Company's long-term equity grants?
12 A. Yes. The Company's long-term equity grants are
13 tied to the financial performance of Algonquin.
14 Accrued equity grants from prior years will gain
15 value as the financial performance of Algonquin
16 improves. Therefore, the equity grants provide
17 an incentive focused solely on financial
18 performance and could result in the improvement
19 of financial performance at the parent level at
20 the expense of service in other areas that would
21 be beneficial to Liberty SLG ratepayers.
22 Q. Has the Commission previously addressed cost
23 recovery of long-term equity grants?
24 A. Yes, in its April 24, 2009, Order Setting

1 Electric Rates in Case 08-E-0539, Proceeding on
2 Motion of the Commission as to the Rates,
3 Charges, Rules and Regulations of Consolidated
4 Edison Company of New York, Inc. for Electric
5 Service. In that Order, the Commission
6 indicated that compensation in the form of stock
7 provides greater benefit to the employees if the
8 company performs well financially, to the
9 benefit of shareholders independent of any
10 benefit to ratepayers. The Commission
11 determined that customers should not bear the
12 expense of such compensation.
13 Q. What is the Panel’s recommendation regarding the
14 Company’s request to recover incentive
15 compensation expense?
16 A. We recommend removing the non-union management
17 incentive compensation from the revenue
18 requirement, including SBP, STIP, and long-term
19 equity grants. This adjustment specifically
20 impacts direct labor expense, direct
21 intercompany expense, indirect allocated labor
22 expense, and indirect allocation intercompany,
23 as discussed and quantified later in our
24 testimony.

1 Direct Labor Expense
2 Q. What does the cost element direct labor expense
3 represent?
4 A. As explained on page 15 of the initial testimony
5 of the Company's Revenue Requirement Panel,
6 direct labor expense includes labor expense
7 associated with employees directly employed by
8 Liberty SLG.
9 Q. What is the Company's Rate Year forecast of
10 direct labor expense?
11 A. As Shown in Company Exhibit__(RR-CU-1), Schedule
12 4-1, the Company forecasts Rate Year direct
13 labor expense of $4,320,669.
14 Q. How did the Company develop its Rate Year
15 forecast of direct labor expense?
16 A. As demonstrated in Company Exhibit__(RR-CU-1),
17 Schedule 6-2-1, the Company began with the
18 Historic Test Year amount, then made two
19 adjustments to arrive at its Rate Year forecast.
20 The first adjustment increases the Company's
21 direct labor forecast from the end of the
22 Historic Test Year through the Rate Year for
23 anticipated wage increases for both union and
24 non-union employees. The second adjustment

1 increases the Company's direct labor expense
2 forecast for the addition of two new full-time
3 equivalents, or FTEs, that are scheduled to be
4 hired before the start of the Rate Year.
5 Q. Does the Panel have any adjustments to the
6 Company's Rate Year direct labor expense
7 forecast?
8 A. Yes, we are recommending three adjustments. The
9 first adjustment relates to removing one of the
10 two incremental FTEs reflected in the Company's
11 Rate Year direct labor expense forecast. The
12 second adjustment relates to adjusting the
13 salary for one of the incremental FTEs reflected
14 in the Company's direct labor expense forecast.
15 The third adjustment relates to the overall
16 incentive compensation included in the Company's
17 direct labor expense forecast.
18 Q. Please explain the Panel's first adjustment
19 relating to the incremental FTEs scheduled to be
20 hired prior to start of the Rate Year.
21 A. We recommend removing one of the two incremental
22 FTEs, the Analyst III – Financial Planning
23 position, from the Company's Rate Year forecast.
24 Q. When does the Company anticipates hiring these

1 two incremental FTEs?
2 A. As explained in the Company's response to DPS-
3 276, the Company anticipates hiring two FTEs, an
4 Analyst III and an Analyst I, prior to the start
5 of the Rate Year. The Analyst III position was
6 initially posted in September of 2024, and the
7 Analyst I position is anticipated to be posted
8 in the fourth quarter of 2025, with a start date
9 of November 1, 2025.
10 Q. Did Liberty SLG hire the Analyst III position in
11 September of 2024?
12 A. No. In fact, in the Company's response to DPS-
13 276, it explains that subsequent to the job
14 posting, it was determined that the duties of
15 this role would be absorbed by a Senior Manager.
16 A. Is the Company still requesting rate recovery
17 for the Analyst III position?
18 A. Yes. Even with the Senior Manager taking the
19 responsibility for this role, the Company is
20 still seeking rate recovery for the Analyst III
21 position in its CU direct labor forecast. In
22 its response to DPS-276, the Company asserts
23 that this position will improve both operational
24 effectiveness and overall financial performance.

1   However, the Company did not provide or explain
2   the future hiring status for this position.
3   Q.   Does the Panel agree with including the Analyst
4   III position in the Company's direct labor Rate
5   Year forecast?
6   Q.   No. We disagree with including the Analyst III
7   position in the direct labor forecast. The job
8   duties of the incremental Analyst III position
9   are being absorbed by an existing employee,
10   demonstrating that this incremental position is
11   not essential to effectively operate.
12   Q.   Please quantify the Panel's first adjustment for
13   the removal of the Analyst III position from the
14   Company's direct labor forecast.
15   A.   As shown in Exhibit__(SRRP-2), the cost of the
16   Analyst III position in the Rate Year is
17   estimated to be $70,811, which reflects a 91,478
18   salary, plus an eight percent bonus, plus an
19   average wage increase of 3.33 percent, less a 32
20   percent capitalization rate, for net wages
21   reflected in direct labor expense of $70,811.
22   As such, our adjustment to remove this FTE
23   results in a reduction of $70,811 to the Rate
24   Year direct labor expense forecast.

1 Q. Please explain the Panel's second adjustment
2 that relates to the salary for one of the
3 incremental FTEs the Company anticipates hiring
4 during the Rate Year.
5 A. We recommend reducing the salary for the Analyst
6 I – Operations position. As previously
7 discussed, the Company anticipates posting the
8 Analyst I position prior to the start of the
9 Rate Year. This position is assigned pay grade
10 04, with a commensurate salary range beginning
11 at $52,571 and maxing out at $78,857 per year.
12 As demonstrated in Exhibit__(SRRP-2), the cost
13 of the Analyst I position in the Rate Year is
14 estimated to be $54,618, which reflects a
15 $70,558 salary, plus an eight percent bonus,
16 plus an average wage increase of 3.33 percent,
17 less a 32 percent capitalization rate, for net
18 wages reflected in direct labor expense of
19 $54,618.
20 Q. How does this salary compare to the Company's
21 current workforce at pay grade 04?
22 A. As shown in the Company's response to DPS-466,
23 for the Company's current workforce, the current
24 average salary for pay grade 04 is $64,775.

1 Thus, the Company is forecasting a higher-than-
2 average salary for this position within this pay
3 grade for the Rate Year.
4 Q. What is the Panel's recommendation?
5 A. We recommend a conservative adjustment, that the
6 salary for the Analyst I position be adjusted to
7 reflect the average salary of the Company's
8 current workforce for pay grade 04. We do not
9 agree with forecasting the salary for this
10 position to be greater than the average salary
11 of the Company's existing workforce at this pay
12 grade. Given that the Analyst I position is a
13 new entry level position with no experience
14 required, it is reasonable to assume that the
15 salary for this position would not be hired at
16 the upper end of the salary range.
17 Q. Please quantify the Panel's second adjustment.
18 A. Our adjustment reducing the Analyst I position
19 salary results in a reduction of $8,191 to the
20 Rate Year direct labor expense forecast. The
21 calculation supporting this adjustment is shown
22 in Exhibit__(SRRP-2).
23 Q. Please explain the Panel's third adjustment
24 relating to the incentive compensation included

1 in the direct labor forecast.
2 A. As previously discussed, we are recommending an
3 adjustment to remove all non-union management
4 incentive compensation from the Company's
5 revenue requirement. Accordingly, this
6 adjustment reduces the Company's direct labor
7 expense forecast by $530,578 for the Rate Year.
8 Q. Please summarize the total of the Panel's
9 adjustments to the Company's Rate Year forecast
10 of direct labor expense.
11 A. The three adjustments detailed above result in a
12 total reduction of $609,580 to direct labor
13 expense, resulting in a Rate Year forecast of
14 $3,711,089.
15 Direct Intercompany Expense
16 Q. What does the cost element direct intercompany
17 expense represent?
18 A. As explained on page 15 of the initial testimony
19 of the Company's Revenue Requirement Panel,
20 direct intercompany expense includes labor
21 expenses associated with all affiliate
22 companies' employees that directly charge a
23 portion of their time to Liberty SLG.
24 Q. What is the Company's Rate Year forecast of

1 direct intercompany expense?
2 A. As shown in Company Exhibit__(RR-CU-1), Schedule
3 4-1, the Company forecasts Rate Year direct
4 intercompany expense of $492,468.
5 Q. How did the Company develop its Rate Year
6 forecast of direct intercompany expense?
7 A. As demonstrated in Company Exhibit__(RR-CU-1),
8 Schedule 6-2-1, the Company began with the
9 Historic Test Year amount, then made an
10 adjustment to increase its forecast from the end
11 of the Historic Test Year through the Rate Year
12 based on a weighted average of the scheduled
13 wage increases for the Company's direct labor
14 employees to arrive at its Rate Year forecast.
15 Q. Does the Panel have any adjustments to the
16 Company's Rate Year direct intercompany expense
17 forecast?
18 A. Yes, we are recommending two adjustments to the
19 Company's direct intercompany expense forecast.
20 The first adjustment relates to the wage
21 increases. The second adjustment relates to the
22 incentive compensation included in the Company's
23 direct intercompany expense forecast.
24 Q. Please explain the Panel's first adjustment that

1 relates to the wage increases.
2 A. We do not agree with inflating direct
3 intercompany expense for wage increases based on
4 the wage increases forecasted for the Company's
5 direct labor employees. In theory, there would
6 be a correlation or consistent change in direct
7 intercompany expense, similar to that of direct
8 labor. However, that correlation does not
9 exist. As shown in Exhibit__(SRRP-2), for the
10 12-months ending June 30, 2022, June 30, 2023,
11 and June 30, 2024, the Company's direct labor
12 expense experienced percentage changes of -30.0
13 percent, 36.0 percent, and 16.8 percent
14 respectively. During the same period, the
15 Company experienced direct intercompany expense
16 percentage changes of -12.2 percent, -20.3
17 percent, and -57.4 percent respectively. This
18 demonstrates that there is no direct correlation
19 between direct labor expense and direct
20 intercompany expense. As such, the Company's
21 forecasted wage increases for direct labor
22 expense are not indicative of what the Company
23 will experience for direct intercompany expense
24 in the Rate Year.

1 Q. What does the Panel recommend?
2 A. We recommend eliminating the wage increase made
3 to the Historic Test Year direct intercompany
4 expense amount. Our recommendation is
5 conservative in nature given that there is
6 evidence to support a negative growth rate based
7 on the recent downward trend of this expense
8 based on historical data. However, we
9 understand direct intercompany expense can vary
10 from year to year depending on the types of
11 affiliate or corporate services needed.
12 Therefore, absent a reliable forecast, the
13 adjusted Historic Test Year amount without the
14 addition of wage increases serves as a
15 reasonable basis to forecast the Rate Year.
16 Q. Please quantify the Panel's adjustment.
17 A. Our adjustment to keep direct intercompany
18 expense at its Historic Test Year level reduces
19 the direct intercompany expense Rate Year
20 forecast by $34,273.
21 Q. Please explain the Panel's second adjustment
22 that relates to the overall incentive
23 compensation included in the Company's direct
24 intercompany forecast.

1 A. As explained earlier on in our testimony, we are
2 removing all incentive compensation from the
3 revenue requirement. As such, we recommend
4 removing the negative $11,270 of incentive
5 compensation included in direct intercompany
6 expense as shown in Company Exhibit__(RR-CU-1).
7 Q. Please summarize the Panel's adjustments to the
8 Company's Rate Year forecast of direct
9 intercompany expense.
10 A. The two adjustments detailed above result in a
11 total reduction of $23,003 to direct
12 intercompany expense, resulting in a Rate Year
13 forecast of $469,465.
14 Indirect Allocated Labor Expense
15 Q. What does the cost element indirect allocated
16 labor expense represent?
17 A. As explained in the Company's response to DPS-
18 365, indirect allocated labor expense generally
19 represents indirect labor, overtime, and bonuses
20 allocated to Liberty SLG in accordance with
21 Algonquin Cost Allocation Manual, or CAM, for
22 services provided by Algonquin and its
23 affiliates to other entities within the
24 Algonquin family of businesses.

1 Q. What is the Company's Rate Year forecast of
2 indirect allocated labor expense?
3 A. As shown in Company Exhibit__(RR-CU-1), Schedule
4 4-1, the Company forecasts Rate Year indirect
5 allocated labor expense of $900,927.
6 Q. How did the Company develop its Rate Year
7 forecast of indirect allocated labor expense?
8 A. As demonstrated in Company Exhibit__(RR-CU-1),
9 Schedule 6—2-1, the Company began with the
10 Historic Test Year amount, then made two
11 adjustments. First, the Company reclassified
12 expenses related to cybersecurity to indirect
13 allocated labor expense from indirect allocation
14 intercompany expense. Second, the Company
15 increased its forecast from the end of the
16 Historic Test Year through the Rate Year based
17 on a weighted average of the scheduled wage
18 increases for the Company's direct labor
19 employees.
20 Q. Does the Panel have any adjustments to the
21 Company's Rate Year indirect allocated labor
22 expense forecast?
23 A. Yes, we are recommending three adjustments. The
24 first adjustment relates to the Company's

1 proposed cybersecurity program. The second
2 adjustment relates to wage increases. The third
3 adjustment relates to the incentive compensation
4 included in the Company's indirect allocated
5 labor expense forecast.
6 Q. Please explain the Panel's first adjustment that
7 relates to the Company's proposed cybersecurity
8 program.
9 A. As discussed in more detail in the Staff Utility
10 Security Panel, Staff is recommending reducing
11 the Company's proposed cybersecurity capital
12 budget allocated to Liberty SLG by 22 percent to
13 account for historic underspend.
14 Q. What does the Panel recommend?
15 A. Since Staff is recommending reducing the
16 incremental cybersecurity capital spending by
17 approximately 22 percent, we should reduce the
18 associated incremental indirect allocated labor
19 by that same percentage. This approach captures
20 the historical underspend experienced and serves
21 as a reasonable proxy to calculate this
22 adjustment. Therefore, we reduced the
23 incremental indirect allocated labor by the 22
24 percent.

1 Q. Please quantify the Panel’s first adjustment.
2 A. Our adjustment reduces the Company’s forecasted
3 Rate Year indirect allocated labor expense by
4 $23,246.
5 Q. Please explain the Panel’s second adjustment
6 that relates to wage increases.
7 A. We do not agree with inflating indirect
8 allocated labor expense for wage increases based
9 on the wage increases forecasted for the
10 Company’s direct labor employees. In theory,
11 there could be a correlation or consistent
12 change in indirect allocated labor expense,
13 similar to that of direct labor. However, that
14 correlation does not exist. As previously
15 discussed, and as shown in Exhibit__(SRRP-2),
16 for the 12-months ending June 30, 2022, June 30,
17 2023, and June 30, 2024, the Company’s direct
18 labor expense experienced percentage changes of
19 -30.0 percent, 36.0 percent, and 16.8 percent
20 respectively. Absent the change that occurred
21 for the 12 months ending June 30, 2022, since
22 indirect allocated labor did not exist, the
23 Company experienced indirect allocated labor
24 expense percentage changes of 1,711.4 percent,

1 and -4.4 percent respectively. This
2 demonstrates that there is no direct correlation
3 between direct labor expense and indirect
4 allocated labor expense. As such, the Company's
5 forecasted wage increases for direct labor
6 expense, do not service as a reasonable basis,
7 nor are indicative of what the Company will
8 experience for indirect allocated labor expense
9 in the Rate Year.
10 Q. What does the Panel recommend?
11 A. We recommend eliminating the wage increase made
12 to the Historic Test Year indirect allocated
13 labor expense amount. We understand indirect
14 allocated labor expense can vary year to year
15 depending on the types of affiliate or corporate
16 services needed; however, absent a reliable
17 forecast, similar to our previous recommendation
18 regarding direct intercompany expense, the
19 adjusted Historic Test Year amount without the
20 addition of wage increases serves as a
21 reasonable basis to forecast the Rate Year.
22 Q. Please quantify the Panel's adjustment.

1 A. Our adjustment to keep indirect allocated labor
2 expense at its Historic Test Year level reduces
3 the forecast by $55,345.
4 Q. Please explain the Panel's third adjustment that
5 relates to incentive compensation.
6 A. As explained earlier on in our testimony, we are
7 removing all incentive compensation from the
8 revenue requirement. As such, we recommend
9 removing the incentive compensation associated
10 with indirect allocated labor expense, which
11 totals to $53,302 as shown in Company
12 Exhibit__(RR-CU-1).
13 Q. Please summarize the Panel's adjustments to the
14 Company's Rate Year forecast of indirect
15 allocated labor expense.
16 A. The three adjustments detailed above result in a
17 total reduction of $131,893 to indirect
18 allocated labor expense, resulting in a Rate
19 Year forecast of $769,034.
20 <u>Billing and Collection Expenses</u>
21 Q. What does the cost element billing and
22 collection expenses represent?
23 A. According to the response to DPS-378, billing
24 and collection expenses represents charges for

1 services such as customer service, collections,
2 and payment services.
3 Q. What is the Company's Rate Year forecast of
4 billing and collections expense?
5 A. As shown in Company Exhibit__(RR-CU-1), Schedule
6 4-1, the Company forecasts Rate Year billing and
7 collections expenses of $173,068.
8 Q. How did the Company develop its Rate Year
9 forecast of billing and collections expenses?
10 A. As demonstrated in the Company Exhibit__(RR-CU-
11 1), the Company began with the Historic Test
12 Year amount, then applied inflation at a rate of
13 4.85 percent to arrive at its Rate Year
14 forecast.
15 Q. Does the Panel have any adjustments to billing
16 and collections expense?
17 A. Yes. We recommend an adjustment to remove costs
18 that are not expected to reoccur in the
19 forecasted Rate Year.
20 Q. How do the expenses incurred in the Historic
21 Test Year compare to previous years?
22 A. The charges incurred in previous years were
23 considerably lower than the amounts incurred in
24 the Historic Test Year. According to the

1 Company's response to DPS-378, for the 12-month
2 periods ending June 30, 2022, and June 30, 2023,
3 the Company incurred costs of $33,322 and
4 $96,671, respectively, compared to the
5 unadjusted $206,273 that was incurred in the
6 Historic Test Year.
7 Q. Did the Company provide an explanation for the
8 significant increase in costs in the Historic
9 Test Year?
10 A. In response to DPS-496, the Company explains
11 that one of the driving factors of the increase
12 was $128,082 of expenses from the Company's
13 third-party vendor, ContactPoint360, or CP360.
14 CP360 was hired by the Company to assist with
15 the Company's collections and call center
16 efforts.
17 Q. Does the Company indicate whether these charges
18 will reoccur in the Rate Year?
19 A. In the response to DPS-496, the Company states
20 that it "does not anticipate this expense to be
21 reoccurring." However, the Company asserts that
22 it may wish to implement tools for collection
23 campaigns, including reminder texts, email
24 blasts, dialer calls, etc. to assist with

1 efforts to contact customers or it may need to
2 rely on third party vendors.
3 Q. Please explain the Panel's adjustment.
4 A. During the Historic Test Year, the Company
5 incurred $128,082 from vendor CP360. However,
6 since these costs are not expected recur during
7 the Rate Year, it is inappropriate to include
8 the costs as part of the Rate Year forecast as
9 it unjustly inflates the billing and collection
10 expense forecast. While the Company stated that
11 it "may" rely on third party vendors in the
12 future, it did not provide any indication of
13 planned projects or campaigns involving third
14 party vendor. Accordingly, we recommend
15 removing the costs associated with vendor CP360.
16 Q. Please quantify the Panel's adjustment.
17 A. Our adjustment reduces the Company's Rate Year
18 forecast of billing and collection expenses
19 expense by $134,296. We calculated our
20 adjustment by applying the Company's general
21 inflation rate of 4.85 percent to the Company's
22 Historic Test Year amount of $128,082. In
23 addition, there is a tracking adjustment of $379
24 based on the inflation rate change as discussed

1 later in our testimony. In total, these
2 adjustments result in a Rate Year forecast of
3 $39,152.
4 Uncollectibles Expense
5 Q. What is the Company's forecast of Rate Year
6 uncollectible expense?
7 A. As shown in Company Exhibit__(RR-CU-1), Schedule
8 6-6, the Company forecasted Rate Year
9 uncollectible expense of $459,513.
10 Q. How did the Company develop its Rate Year
11 forecast for uncollectible expense?
12 A. As demonstrated in Company Exhibit__(RR-CU-1),
13 Schedule 6-6, and Schedule 6-6-1, the Company
14 developed its Rate Year forecast of
15 uncollectible expense by taking a monthly
16 average of actual net write-offs, annualizing
17 that monthly average, and then dividing that
18 annual amount by the adjusted Historic Test Year
19 operating revenue, which resulted in an
20 uncollectibles rate of 1.306 percent. The
21 Company then applied that percentage to the Rate
22 Year operating revenue forecast at current rates
23 to arrive at its Rate Year uncollectible expense
24 forecast of $459,513.

1 Q. How did the Company calculate its monthly
2 average of actual net write-offs?
3 A. The Company used the actual net write-offs from
4 January of 2022 through the end of the Historic
5 Test Year or June 2024. As shown in Company
6 Exhibit__(RR-CU-1), Schedule 6-6-1, the Company
7 calculated a monthly average net write-off
8 amount of $37,955 for this time period. The
9 Company annualized this monthly average,
10 resulting in an annual net-write-off amount of
11 $455,464.
12 Q. Why did the Company use the period of January
13 2022 through June 2024?
14 A. The Company explains that it expanded the date
15 range beyond the Historic Test Year to account
16 for a pause in the Company's typical write-off
17 activity from April 2022 to January 2024 while
18 it implemented Systems, Applications and
19 Products, or SAP.
20 Q. What were the Company's net write-offs during
21 the SAP implementation period, or from April of
22 2022 through January of 2024?
23 A. As shown on Company Exhibit__(RR-CU-1), Schedule
24 6-6-1, from April 2022 to January 2024, or over

1 a 22-month period, the Company’s net write-offs
2 totaled $12,820, an average of $582 per month.
3 Q. What were the Company’s net write-offs
4 immediately after the SAP implementation period?
5 A. The Company had significant net write-offs
6 immediately after the implementation period,
7 specifically, $373,868 in February of 2024 and
8 $706,942 in March of 2024, or $1,080,810 for
9 those two months.
10 Q. Did the Company explain why the net write-offs
11 in February and March of 2024 were so high?
12 A. Yes. In response to DPS-478, the Company stated
13 that these net write-offs pertained to earlier
14 time periods and that these amounts were not
15 written-off previously due to necessary system
16 configuration changes that impacted the inactive
17 account write-off process. The Company also
18 explained that a portion of these net write-offs
19 were for balances that accrued during the COVID-
20 19 pandemic.
21 Q. Does the Panel agree with the Company’s forecast
22 of Rate Year uncollectible expense?
23 A. No. We disagree with the Company’s
24 uncollectible forecast for two reasons. First,

1 we disagree with time period used to forecast
2 uncollectibles expense. The Company including
3 the net write-offs in February and March of 2024
4 as part of the Rate Year uncollectible expense
5 forecast amounts unjustly overstates the
6 Company's Rate Year forecast.
7 Q. Why should these amounts be excluded from the
8 Company's net write-off calculation?
9 A. The amount of net write-offs in the March and
10 February of 2024 are the result of excessive
11 arrears due to the COVID-19 Pandemic and due to
12 the implementation of SAP. Using these amounts
13 to calculate the Rate Year forecast of net
14 write-offs is unreasonable as these amounts are
15 not representative of what the Company would
16 normally experience or what is expected to occur
17 in the Rate Year.
18 Q. How do these net write-offs compare to the
19 Company's current rate allowance?
20 A. The $1,080,810 of write-offs in February and
21 March of 2024 is 423 percent greater than the
22 $206,626 rate year three rate allowance
23 authorized under the Company's current rate
24 plan, which the Commission authorized in its

1 June 22, 2023 Order Adopting the Terms of Joint
2 Proposal and Establishing Gas Rate Plan, or the
3 2023 Order, in Case 21-G-0577. This amount was
4 determined by applying a net write-off factor of
5 0.5 percent to the Company's forecasted Rate
6 Year three operating revenues.
7 Q. Has the Company continued to experience high
8 levels of net write-offs following March of
9 2024?
10 A. No. As shown in the March update to response to
11 DPS-304, from April of 2024 through January of
12 2025, or the 10 months immediately following the
13 Historic Test Year, the Company had net write-
14 offs of only $131,049. This further illustrates
15 that the level of net write-offs in February and
16 March of 2024 is anomalous and should not be
17 used as a basis to forecast the Rate Year.
18 Q. Please explain the second reason the Panel
19 disagrees with the Company's Rate Year forecast
20 of uncollectible expense.
21 A. It is generally Commission accepted practice to
22 forecast uncollectible expense by examining net
23 write-offs as a percentage of revenues incurred
24 during the same period, rather than examining

1 net write-offs from years prior as proposed by
2 the Company. More closely aligning the net
3 write-off and revenue periods provides an
4 uncollectible rate that more accurately
5 forecasts what the Company would experience in
6 the Rate Year.
7 Q. What is the Panel’s recommendation?
8 A. We recommend using the Company’s actual monthly
9 net write-offs from April of 2024 through
10 January 1, 2025. These amounts reflect the most
11 recent information available, as provided in the
12 March update to DPS-304, and appropriately
13 excludes any effects from the Covid-19 Pandemic
14 and the Company’s implementation of SAP. As
15 such, this data is more representative of what
16 the Company will experience during the Rate
17 Year. We divided the total net write-offs from
18 April 2024 through January 2025 of $131,049 by
19 total revenues during that period of $26,707,923
20 for a net write-off factor 0.49 percent. Our
21 recommended net write-off factor of 0.49 percent
22 is immaterially different from the net write-off
23 factor authorized in the 2023 Order. We then
24 applied that rate to the Rate Year revenue

1 forecast of $35,029,909 for a Rate Year
2 uncollectible expense amount of $171,647.
3 Q. Please quantify the Panel's adjustment.
4 A. Our adjustment reduces the Company's
5 uncollectibles expense forecast by $287,866, for
6 a Rate Year forecast of $171,647.
7 Office Supplies and Expense
8 Q. What is the Company's Rate Year forecast of
9 office supplies and expense?
10 A. As Shown in Company Exhibit__(RR-CU-1), Schedule
11 4-1, the Company forecasts Rate Year office
12 supplies and expense of $946,816.
13 Q. How did the Company develop its Rate Year
14 forecast of office supplies and expense?
15 A. The Company began with the Historic Test Year
16 amount and made adjustments to remove pre-
17 Historic Test Year costs incurred from Brown and
18 Weinraub, PLLC and the lobbying portion of its
19 membership dues from the Historic Test Year.
20 The Company then applied inflation at a rate of
21 4.85 percent to arrive at its Rate Year
22 forecast.
23 Q. Does the Panel have any adjustments to the
24 Company's Rate Year office supplies and expense?

1 A. Yes. We recommend four adjustments. Our first
2 adjustment relates to association dues. Our
3 second adjustment relates to costs incurred for
4 beverages. Our third adjustment relates to
5 costs incurred for bank fees. Our fourth
6 adjustment relates to costs incurred for
7 postage.
8 Q. Please explain the Panel's first adjustment to
9 office supplies and expense.
10 A. We recommend removing the costs of all
11 membership dues included in the revenue
12 requirement for any organization, association,
13 institution, or corporation that participates in
14 lobbying. The Company made an adjustment to its
15 Historic Test Year to remove the lobbying
16 portion of its association dues, but the non-
17 lobbying portion is still included in the
18 Company's revenue requirement.
19 Q. Please explain why you recommend removing all
20 charges for membership dues for any
21 organization, association, institution, or
22 corporation that participates in legislative
23 lobbying.

1 A. An amended version of Section 114-a of the
2 Public Service Law went into effect in August
3 2021. The amended Section 114-a prohibits
4 utility companies from recovering the cost of
5 membership dues in rates, when such membership
6 dues are for membership in an organization,
7 association, institution, or corporation that
8 engages in legislative lobbying.
9 Q. What associations does Liberty SLG belong to
10 that participates in lobbying?
11 A. The Company's responses to DPS-041 and DPS-297
12 lists the associations the Company belongs and
13 pays annual membership dues to. Of these,
14 American Gas Association, Business Council of
15 NY, and Brown and Weinraub participate in
16 lobbying activities.
17 Q. What amount did the Company remove from the
18 Historic Test Year for these entities?
19 A. As demonstrated in its response to DPS-297, the
20 Company removed the lobbying portion of the
21 membership dues from the Historic Test Year, and
22 thus, the Rate Year, for the American Gas
23 Association and Brown and Weinraub PLLC totaling
24 $27,769.

1 Q. Did the Company include the non-lobbying portion
2 of these association dues in its Rate Year
3 forecast?
4 A. Yes. As shown in response to DPS-297, the
5 Company included $11,084 in office supplies and
6 expense for the non-lobbying portion of these
7 association dues.
8 Q. What is the Panel's recommendation regarding the
9 remaining association dues reflected in the
10 Company's Rate Year forecast of office supplies
11 and expense?
12 A. As previously discussed, the amended Section
13 114-a prohibits utility companies from
14 recovering the entire cost of membership dues in
15 rates for the entities the Company pays
16 membership dues to and who participate in
17 lobbying activities. As such, we recommend
18 removing these costs from the Company's Rate
19 Year forecast of office supplies and expense.
20 Our adjustment reduces office and supplies
21 expense by $11,622. We calculated this
22 adjustment by applying the Company's general
23 inflation rate of 4.85 percent to the Company's
24 Historic Test Year amount of $11,084.

1 Q. Please explain the Panel's second adjustment
2 that relates to the "beverages" cost component
3 of outside services.
4 A. We recommend disallowing recovery of the
5 beverages cost component of office and supplies
6 expenses.
7 Q. What does the beverages cost category of office
8 and supplies expense represent?
9 A. As explained in response to DPS-500, the
10 beverages cost component of office and supplies
11 expense represents soda and water for the
12 office.
13 Q. Why does the Panel recommend disallowing
14 recovery of the beverages cost component of
15 office and supplies expense?
16 A. We recommend disallowing recovery of the
17 beverages cost component of office supplies and
18 expense for two reasons. First, the amount of
19 water and soda for the office is
20 disproportionate and excessive. As shown in
21 response to DPS-315, the Company incurred
22 $20,673, respectively, for beverages. For
23 context, as shown in response to DPS-467, there
24 are approximately 50 employees that work at the

1 Massena office. This equates to approximately
2 400 dollars per employee, per year, for water
3 and soda. As such, this expense should be
4 removed, as it unreasonable to be funded by
5 ratepayers.
6 Q. What is the Panel’s second reason?
7 A. Soda and water for the office is not an
8 indispensable service in order for the staff
9 members of Liberty SLG to perform their job
10 duties adequately and to provide safe and
11 reliable gas service. To the extent that the
12 Company finds this a necessary perk for its
13 employees, these costs should be funded by
14 shareholders, and not ratepayers.
15 Q. Please quantify the Panel’s adjustment to remove
16 the beverages cost component of offices and
17 supplies expense.
18 A. We recommend removing the beverages cost
19 component of office and supplies expense in its
20 entirety. Our adjustment reduces the Company’s
21 Rate Year forecast of office and supplies
22 expense by $21,676. We calculated this
23 adjustment by applying the Company’s general
24 inflation rate of 4.85 percent to the Company’s

1 Historic Test Year amount of $20,673.
2 Q. Please explain the Panel's third adjustment that
3 relates to the "bank fees" cost component of
4 outside services.
5 A. We recommend normalizing the bank fees cost
6 component of office and supplies expense.
7 Q. What does the bank fees cost category of office
8 and supplies expense represent?
9 A. As explained in response to DPS-500, the bank
10 fees cost component of outsides services
11 represents charges assessed by financial
12 institutions for various services and
13 transactions.
14 Q. Why does the Panel recommend normalizing the
15 bank fees cost component of office and supplies
16 expense?
17 A. According to the response to DPS-500, the amount
18 of bank fees incurred during the Historic Test
19 Year, specifically December of 2023, reflect an
20 allocation entry that represents expenses for
21 all of calendar year 2023. However, beginning
22 in January of 2024, these bank fees are being
23 processed monthly, and are reflected as a
24 traditional monthly expense. As such, the

1 Historic Test Year includes 18 months of bank
2 fees. This should be adjusted to reflect what
3 the Company would regularly incur over a 12-
4 month period.
5 Q. What is the Panel's adjustment?
6 A. We recommend removing six months, or half, of
7 the $28,744 in bank fees that were charged in
8 December of 2023. Our adjustment reduces the
9 Company's Rate Year forecast of office and
10 supplies expense by $15,069. We calculated this
11 adjustment by applying the Company's general
12 inflation rate of 4.85 percent to the half of
13 the bank fees incurred in December of 2023, or
14 $14,372.
15 Q. Please explain the Panel's fourth adjustment to
16 office supplies and expense?
17 A. We recommend removing a portion of the costs
18 associated with the category "postage". Per its
19 response to DPS-500, the Company stated that a
20 $9,500 charge for training expense for an
21 outside speaker was incorrectly included in
22 postage. As such, this should be removed from
23 the Company's forecast.

1 Q. Please quantify the Panel’s fourth adjustment to
2 office supplies and expense.
3 A. We recommend reducing the Company’s office
4 supplies and expense by $9,961. We calculated
5 this adjustment by applying the Company’s
6 general inflation rate of 4.85 percent to the
7 incorrect charge of $9,500.
8 Q. Please summarize the Panel’s adjustments to the
9 Company’s Rate Year office supplies and expense
10 forecast?
11 A. The four adjustments as detailed above reduce
12 office supplies and expense by $58,328. In
13 addition, there is a tracking adjustment of
14 $8,690 based on the inflation rate change as
15 discussed later in our testimony. In total,
16 these adjustments result in a Rate Year forecast
17 of $897,178 for office supplies and expense.
18 Operation – Mains and Services Expense
19 Q. What does the cost element operation – mains and
20 services expense represent?
21 A. As explained in response to DPS-265, operation –
22 mains and services expense generally represents
23 the expenses for parts for maintenance, overhead

1 material, facility costs, fleet repair, and
2 utility services.
3 Q. What is the Company's Rate Year forecast of
4 operation – mains and services expense?
5 A. As shown in Company Exhibit__(RR-CU-1), the
6 Company's Rate Year forecast is $507,830.
7 Q. How did the Company develop its Rate Year
8 forecast of operation – mains and services
9 expense?
10 A. As demonstrated in the Company Exhibit__(RR-CU-
11 1), the Company started with the Historic Test
12 Year amount then made certain restatement and
13 reclassification adjustments. The Company then
14 applied inflation to the adjusted Historic Test
15 Year at a rate of 4.85 percent to arrive at its
16 Rate Year forecast.
17 Q. Does the Panel have any adjustments to the
18 Company's Rate Year operation – mains and
19 services expense forecast?
20 A. Yes. Similar to our first adjustment to office
21 and supplies expense, we recommend removing the
22 costs of all membership dues included in the
23 revenue requirement for any organization,

1 association, institution, or corporation that
2 participates in lobbying.
3 Q. What associations does Liberty SLG belong to
4 that participate in lobbying?
5 A. According to its responses to DPS-041 and DPS-
6 297, the Company belongs to Northeast Gas
7 Association, which participates in lobbying
8 activities. The dues for Northeast Gas
9 Association are included in operation – mains
10 and services expense.
11 Q. What is the Panel's recommendation regarding
12 these dues?
13 A. As previously discussed, the amended Section
14 114-a prohibits utility companies from
15 recovering the entire cost of membership dues in
16 rates for the entities the Company pays
17 membership dues to and who participate in
18 lobbying activities. As such, we recommend
19 removing these costs from the Company's Historic
20 Test Year operation – mains and services
21 expense, and thus the Rate Year. Our adjustment
22 reduces the Company's Rate Year forecast of
23 operations – mains and services expenses expense
24 by $3,565. We calculated this adjustment by

1 applying the Company’s general inflation rate of
2 4.85 percent to the Company’s Historic Test Year
3 amount of $3,400.
4 Q. Please summarize the Panel’s adjustments to the
5 Company’s Rate Year operation – mains and
6 services expense forecast?
7 A. Our adjustment reduces operation – mains and
8 services expense by $3,565. Additionally, there
9 is a tracking adjustment of $4,932 based on the
10 inflation rate change as discussed later in our
11 testimony. These adjustments result in a total
12 Rate Year forecast of $509,197 for operation –
13 mains and services expense.
14 <u>Outside Services</u>
15 Q. What does the cost element outside services
16 expense represent?
17 A. According to the response to DPS-378, outside
18 services expense generally represents charges
19 for various services including, but not limited
20 to, advertising, insurance, billing services,
21 consulting, data transfer, driver
22 qualifications, drug screening, dues, heating,
23 ventilation and air conditioning services, land
24 surveyor, landscaping, legal, paving, pre-

1 employment exams, prepaid consulting, prepaid
2 maintenance, prepaid software, prepaid
3 subscription, printing, professional tax fee,
4 rate case recovery invoice reclasses, repairs,
5 safety materials, security, and outside
6 staffing.
7 Q. What is the Company's Rate Year forecast of
8 outside services expense?
9 A. As shown in Exhibit__(RR-CU-1), Schedule 4-1,
10 the Company forecasts Rate Year outside services
11 expense of $459,234.
12 Q. How did the Company develop its Rate Year
13 forecast of outside services expenses?
14 A. As demonstrated in Company Exhibit__(RR-CU-1),
15 Schedule 4-1, the Company began with the
16 Historic Test Year amount and removed the
17 lobbying portion of its association dues. The
18 Company then reclassed trash and landscaping
19 costs to the operations – mains and services
20 cost element. Lastly, the Company applied
21 inflation to its adjusted Historic Test Year
22 amount at a rate of 4.85 percent to arrive at
23 its Rate Year forecast.

1 Q. Does the Panel have any adjustments to the
2 Company's Rate Year forecast of outside services
3 expense?
4 A. Yes. We are recommending three adjustments to
5 the Company's outside services expense forecast.
6 The first adjustment relates to the rate case
7 expense component of outside services. The
8 second adjustment relates to paving costs. The
9 third adjustment relates to consulting costs.
10 Q. Please explain the Panel's first adjustment that
11 relates to the rate case expense cost component
12 of outside services.
13 A. We recommend disallowing recovery of the rate
14 case expense cost component of outside services.
15 Q. What does the rate case expense cost component
16 of outside services expense represent?
17 A. As explained in response to DPS-498, the rate
18 case expense costs included in outsides services
19 represent the Company's rate case expense from
20 the prior rate proceeding in Case 21-G-0577 in
21 excess of the amount the Commission allowed
22 recovery of in that proceeding. The Company's
23 revenue requirement in Case 21-G-0577, as
24 authorized in the Commission's 2023 Order,

1 included cost recovery for rate case expenses of
2 approximately $1.2 million. As such, any amount
3 incurred in excess of $1.2 million was not
4 subject to future recovery.
5 Q. Why does the Panel recommend disallowing
6 recovery of these costs?
7 A. We recommend disallowing recovery for two
8 reasons. First, the Company does not have
9 Commission approval to defer these costs.
10 Without Commission approval to defer these
11 costs, recovery should not be allowed.
12 Q. Did the Company request deferral authority for
13 these costs?
14 A. No.
15 Q. What is the second reason?
16 A. Including disallowed, or unrecovered costs from
17 a prior rate proceeding, or prior period is not
18 appropriate. Since these costs have already
19 been incurred, were not approved for deferral
20 treatment and are tied to the Company's previous
21 rate plan, and were incurred prior to the
22 Historic Test Year, these costs are considered
23 out-of-period. Allowing recovery of these costs
24 in the rates set in this proceeding would

1 constitute retroactive ratemaking, and therefore
2 should be disallowed.
3 Q. Please quantify the Panel's adjustment to remove
4 the rate case expense cost component of outsides
5 services expense.
6 A. Our adjustment reduces the Company's Rate Year
7 forecast of outside services expense by
8 $134,296. We calculated this amount by applying
9 the Company's general inflation rate of 4.85
10 percent to the Company's Historic Test Year
11 amount of $128,082.
12 Q. Please explain the Panel's second adjustment
13 that relates to paving costs.
14 A. We recommend removing the paving cost component
15 of outside services expense.
16 Q. What does the paving cost component of outsides
17 services expense represent?
18 A. According to the Company's response to DPS-498,
19 the paving cost component represents costs
20 incurred during the Historic Test Year to expand
21 a parking lot.
22 Q. Does the Company consider these paving costs a
23 normal part of business and continuous operating
24 expense?

1 A. No. As explained in response to DPS-498, the
2 Company does not consider these paving costs to
3 be a normal operating expense, nor will it
4 regularly be incurred on an annual basis. Thus,
5 these costs incurred in the Historic Test Year
6 are one-time in nature and are considered non-
7 reoccurring.
8 Q. What is the Panel's recommendation?
9 A. Since the Company just performed this work
10 during the Historic Test Year, it is not
11 reasonable to assume this work will be performed
12 again during the Rate Year. As such, the costs
13 cannot be expected to reoccur during the Rate
14 Year and should be excluded from the Rate Year
15 forecast of outside services expense.
16 Q. Please quantify the Panel's second adjustment to
17 outside services expense.
18 A. We recommend removing the paving cost component
19 of outsides services expense in its entirety.
20 Our adjustment reduces the Company's Rate Year
21 forecast of outside services expense by
22 $77,422. We calculated this amount by applying
23 the Company's general inflation rate of 4.85

1 percent to the Company's Historic Test Year
2 amount of $73,840.
3 Q. Please explain the Panel's third adjustment that
4 relates to the consulting cost component of
5 outside services expense.
6 A. We recommend normalizing the Company's Historic
7 Test Year consulting cost component of outside
8 services expense.
9 Q. What does the consulting cost component of
10 outside services expense represent?
11 A. According to the Company's response to DPS-498,
12 consulting costs generally represents consulting
13 costs for analysis services, retiree benefit
14 services, and outside staffing services.
15 Q. What amount of costs did the Company incur for
16 the consulting in the Historic Test Year?
17 A. As shown in response to DPS-498, the Company
18 incurred $62,430 of consulting costs. However,
19 $40,000 or approximately 64 percent of the
20 charges incurred during the Historic Test Year
21 were from one vendor, PricewaterhouseCoopers, or
22 PwC.
23 Q. What do these charges from PwC represent?
24 A. As explained in response to DPS-498, these

1 charges were related to preparing and finalizing
2 a Liberty Utilities Code of Conduct Compliance
3 Report.
4 Q. What is the Panel's recommendation?
5 A. We recommend removing these $40,000 of charges
6 from the Historic Test Year. Since codes of
7 conduct are not generally drafted every single
8 year, it is reasonable to assume that the
9 Company will not incur similar costs in the Rate
10 Year.
11 Q. Please quantify the Panel's third adjustment to
12 outside services expense.
13 A. Our adjustment reduces the Company's Rate Year
14 forecast of outside services expense by
15 $41,941. We calculated this amount by applying
16 the Company's general inflation rate of 4.85
17 percent to the Company's Historic Test Year
18 amount of $40,000.
19 Q. Please summarize the Panel's adjustments to the
20 Company's Rate Year forecast of outside services
21 expense.
22 A. The three adjustments as detailed above result
23 in a reduction of $253,659 to outside services
24 expense. Additionally, there is a tracking

1 adjustment of $2,011 based on the inflation rate
2 change as discussed later in our testimony.
3 These adjustments result in a total Rate Year
4 forecast of $207,585 for outside services
5 expense.
6 Indirect Allocation Intercompany
7 Q. What does the cost element indirect allocation
8 intercompany represent?
9 A. As explained in response to DPS-441, indirect
10 allocation intercompany represents non-labor
11 costs incurred at the corporate level that are
12 allocated to Liberty SLG based on its CAM. The
13 types of costs charged to this cost element
14 include travel expenses, legal fees,
15 maintenance, capitalized overheads,
16 communications expenses, professional and
17 outside services, and materials.
18 Q. What is the Company's Rate Year forecast of
19 indirect allocation intercompany expense?
20 A. As shown in Company Exhibit__(RR-CU-1), schedule
21 4-1, the Company forecasts Rate Year indirect
22 allocation intercompany expense of $1,339,588.
23 Q. How did the Company develop its Rate Year
24 forecast of indirect allocation intercompany

1 expense?

2 A. As demonstrated in Company Exhibit__(RR-CU-1),
3 Schedule 6-1, the Company began with the
4 Historic Test Year amount, then applied
5 inflation at a rate of 4.85 percent. The
6 Company then made a Rate Year adjustment
7 increasing its forecast by $92,403 to reflect
8 the incremental O&M associated with the
9 Company's cybersecurity program to arrive at its
10 Rate Year forecast.

11 Q. Does the Panel have any adjustments to indirect
12 allocation intercompany expense?

13 A. Yes, we have two adjustments. Our first
14 adjustment relates to the O&M associated with
15 the Company's cybersecurity program. Our second
16 adjustment relates to "bonuses" cost component
17 of indirect allocation intercompany included in
18 the Company's forecast.

19 Q. Please explain the Panel's first adjustment that
20 relates to the O&M associated with the Company's
21 cybersecurity program.

22 A. As discussed in more detail in the Staff Utility
23 Security Panel, Staff is recommending reducing
24 the Company's cybersecurity capital budget

1 allocated to Liberty SLG by 22 percent to
2 account for historical underspend. As such, we
3 should reduce the associated incremental O&M by
4 that same percentage. This approach captures
5 the historical underspend experienced and serves
6 as a reasonable basis to forecast the
7 incremental cybersecurity O&M for the Rate Year.
8 Therefore, we reduced the Rate Year
9 cybersecurity O&M budget by 22 percent.
10 Q. Please quantify the Panel's first adjustment
11 regarding the O&M related to cybersecurity.
12 A. Our adjustment reduces the Company's forecasted
13 Rate Year indirect allocation intercompany
14 expense by $20,329.
15 Q. Please explain the Panel's second adjustment
16 that relates to the "bonuses" cost component of
17 indirect allocation intercompany.
18 A. We recommend removing a portion of the bonuses
19 cost component of indirect allocation
20 intercompany from the Company's Rate Year
21 forecast.
22 Q. What does the bonuses cost component of indirect
23 allocation intercompany expense represent?
24 A. As explained in response to DPS-504, these

1 bonuses represent amounts allocated to Liberty
2 SLG from the corporate level, and include: 1)
3 annual bonuses related to incentive
4 compensation, paid in April of each year; 2)
5 sign-on bonuses and amounts paid as part of an
6 employee referral program; 3) Liberty foundation
7 bonuses for the new graduate program associates
8 after completing a segment of their assignment;
9 and 4) retention bonuses typically for employees
10 working on projects over longer periods of time.
11 Q. What is the Panel's recommendation regarding the
12 bonuses cost component of indirect allocation
13 intercompany expense?
14 A. We recommend removing the annual bonuses, or
15 incentive compensation, paid in April of each
16 year, as identified in the Company's response to
17 DPS-504. As previously discussed, the Company's
18 incentive compensation does not meet the
19 Commission requirement for cost recovery.
20 Accordingly, we recommend removing all incentive
21 compensation from the Company's Rate Year
22 forecast.
23 Q. Please quantify the Panel's adjustment related
24 to the bonuses cost component of indirect

1 allocation intercompany expense.
2 A. Our adjustment removes the annual bonuses, or
3 incentive compensation, paid in April of each
4 year, as identified in response to DPS-504. As
5 such, our adjustment reduces the Company's Rate
6 Year forecast of indirect allocation
7 intercompany expense by $69,056. We calculated
8 this amount by applying the Company's general
9 inflation rate of 4.85 percent to the bonuses
10 paid in April of each year of $65,861.
11 Q. Please summarize the Panel's adjustments to the
12 Company's Rate Year forecast of indirect
13 allocation intercompany expense.
14 A. The two adjustments as detailed above result in
15 a total reduction of $89,385 to indirect
16 allocation intercompany expense. Additionally,
17 there is a tracking adjustment of $11,523 based
18 on the inflation rate change as discussed in
19 more detail later in our testimony. These
20 adjustments result in a total Rate Year forecast
21 of $1,261,726.
22 Injuries and Damages
23 Q. What is included in injuries and damages
24 expense?

1 A. According to the response to DPS-344 and DPS-
2 533, injuries and damages expense is comprised
3 of insurance premiums paid to third-party
4 insurers for insurance coverage; damage
5 invoices, or amounts paid to third parties to
6 resolve claims for property and bodily injuries;
7 direct and indirect overheads; and allocations
8 to affiliates.
9 Q. What is the Company's Rate Year forecast of
10 injuries and damages expense?
11 A. Company Exhibit__(RR-CU-1) shows a Rate Year
12 forecast of $312,800.
13 Q. How did the Company develop its Rate Year
14 forecast of injuries and damages expense?
15 A. The Company began with the Historic Test Year
16 amount and then applied inflation at a rate of
17 4.85 percent to arrive at its Rate Year forecast
18 for injuries and damages.
19 Q. Does the Panel have any adjustments to injuries
20 and damages expense?
21 A. Yes. We recommend normalizing the Company's
22 Historic Test Year amount for the damage
23 invoices component of injuries and damages
24 expense.

1 Q. How do the damage invoices incurred in the
2 Historic Test Year compare to previous years?
3 A. As shown in the Company's response to DPS-344,
4 for the 12-month period ending June 30, 2022,
5 and 2023, the Company incurred zero costs for
6 damage invoices. However, during the Historic
7 Test Year the Company incurred $10,884.
8 Q What does the Panel recommend?
9 A. We recommend using a three-year average to
10 forecast the damage invoices component of
11 injuries and damages expense. The average will
12 include data from the 12-month periods ending
13 June 30, 2022, 2023 and 2024.
14 Q. Why is using a multi-year average to forecast
15 these expenses reasonable?
16 A. The use of a multi-year average normalizes
17 variations in costs from year to year, producing
18 a more reasonable Rate Year forecast. Given the
19 nature of the expense, damage invoices are
20 subject to variability year over year. As
21 previously discussed, the Company did not have
22 any damage invoices for two years. However,
23 while the Company did incur expenses in the
24 Historic Test Year, it is not necessarily

1 indicative of what the Company is going to
2 experience in the Rate Year. As such, this
3 approach more reasonably considers that the
4 Company may incur some level of damage invoices,
5 but also takes into the consideration the
6 Company may not incur any costs at all for
7 damage invoices.
8 Q. Please quantify the Panel's adjustment to
9 injuries and damages expense.
10 A. As shown in Exhibit__(SRRP-2), we calculated a
11 three-year average of damage invoice costs for
12 the 12-month periods ending June 30, 2022, 2023,
13 and 2024, of $3,628, or $7,256 less than the
14 Company's Historic Test Year amount of $10,884.
15 We then applied the Company's general inflation
16 rate of 4.85 to arrive at a reduction to the
17 Company's Rate Year forecast of $7,608. In
18 addition, there is a tracking adjustment of
19 $2,985 based on the inflation rate change as
20 detailed later in Staff's testimony. These
21 adjustments result in a Rate Year forecast of
22 $308,177 for injuries and damages expense.
23
24

1 Pension and Other Post-Employment Benefits
2 Q. What is the Company's Rate Year forecast of
3 pension expense?
4 A. As shown in the supplemental response to DPS-
5 299, the Company projected negative $263,351 of
6 pension expense for the Rate Year. In addition,
7 the Company is amortizing its pension regulatory
8 liability over a five-year period, further
9 reducing pension expense by $827,250. In total,
10 the pension expense for the Rate Year is
11 negative $1,090,601.
12 Q. What is the Company's Rate Year forecast of OPEB
13 expense?
14 A. As shown in the supplemental response to DPS-
15 299, the Company projected negative $9523,133 of
16 OPEB expense for the Rate Year. In addition,
17 the Company is amortizing the OPEB regulatory
18 liability over a five-year period, further
19 reducing pension expense by $364,432. In total,
20 the OPEB expense for the Rate Year is negative
21 $1,316,565.
22 Q. Did the Company update its pension and OPEB
23 expense forecasts for the Rate Year in its CU
24 filing?

1 A. Yes. Liberty SLG updated its pension and OPEB
2 costs based on the most recent actuarial
3 reports, and deferral calculation as of December
4 31, 2024. These updated calculations result in
5 a reduction to the Company's initially
6 forecasted pension expense of $226,174 and a
7 reduction to OPEB expense of $454,277, for a
8 Rate Year amount of negative $1,090,601 and
9 negative $1,316,565 for pension and OPEB
10 expenses, respectively.
11 Q. Does the Panel agree with the Company's updated
12 calculation of pension and OPEB expense?
13 A. No. The Company's updated amounts are incorrect
14 as the Company did not apply the labor
15 capitalization rate to the service cost
16 component of its pension and OPEB expense.
17 Q. What are the various components of the Company's
18 pension and OPEB expense?
19 A. Under Accounting Standards Codification, or ASC,
20 715, the Company's pension and OPEB expenses,
21 are the sum of five components: 1) service cost;
22 2) interest costs; 3) expected return on assets;
23 4) prior service cost amortizations; and
24 recognized net actuarial gains and losses.

1 Q. How much of the Company's pension and OPEB
2 expenses relate to the service cost component?
3 A. As shown in the supplemental response to DPS-
4 299, the service cost component of the Company's
5 pension and OPEB forecast is a positive $323,609
6 and $84,675, respectively.
7 Q. Why is only the service cost component subject
8 to a capitalization rate?
9 A. The Financial Accounting Standard Board, or
10 FASB, issued an Accounting Standard Update for
11 Compensation – Retirement Benefits in March of
12 2017. This update changes the accounting and
13 reporting required for companies, including
14 those regulated by the Commission, for pension
15 and OPEB costs under Generally Accepted
16 Accounting Principles, or GAAP. Prior to this
17 update, companies were allowed to capitalize a
18 portion of all components of pension and OPEB
19 costs, when applicable, based on labor
20 capitalization rates. However, this update
21 specifies that capitalization can only be
22 applied to the service cost component of the net
23 periodic pension and OPEB costs.

1 Q. Does the Company agree that the service cost
2 component is subject to a capitalization rate?
3 A. Yes. According to the Company's response to
4 DPS-574 and the supplemental revised attachment
5 to DPS-299, the Company explains that it
6 inadvertently did not apply the capitalization
7 rate to the service cost component of CU filing
8 Rate Year forecast of net periodic pension and
9 OPEB costs.
10 Q, Did the Company update its pension and OPEB
11 forecast to apply a capitalization rate to the
12 service cost component of its net periodic
13 pension and OPEB cots?
14 A. Yes. As shown in the revised supplemental
15 response to DPS-299, the Company applied a
16 capitalization rate of 17.58 percent and 34.57
17 percent to its pension and OPEB service cost
18 components, respectively. This adjustment
19 reduces the Company's pension and OPEB expense
20 by $56,877 and $29,270, for a revised total
21 pension and OPEB expense of negative $1,147,478
22 and negative $1,345,835.
23 Q. Does the Panel agree with the capitalization
24 rates of 17.58 percent and 34.57 percent the

1 Company applied to its pension and OPEB service
2 cost components?
3 A. No. The capitalization rates of 17.58 percent
4 and 34.57 percent the Company applied to its
5 pension and OPEB service cost components are
6 unsupported. As demonstrated in the revised
7 supplemental response to DPS-299, the Company
8 calculated these rates using the amount charged
9 to capital in its deferral calculation for the
10 12-months ending December 31, 2024. Generally,
11 the capitalization rate for employee benefits
12 tracks the capitalization percentage applied to
13 direct labor. As such, we recommend applying
14 the Company's labor capitalization rate of 48
15 percent identified in the Company response to
16 DPS-468.
17 Q. What is the Panel's recommendation?
18 A. We recommend reducing the Company's service cost
19 component by 48 percent, or the capitalization
20 rate identified in response to DPS-468. This
21 adjustment accounts for the portion of the
22 service cost that should be charged to capital
23 and is necessary for the Company to be

1 consistent and in compliance with the accounting
2 as required under ASC 715.
3 Q. Please quantify the Panel's adjustment.
4 A. Applying the 48 percent capitalization rate to
5 the service cost component reduces the Company's
6 revised forecast of pension and OPEB expense by
7 $98,455 and $11,374, resulting in a Rate Year
8 forecasts of negative $1,245,933 and negative
9 $1,357,209, respectively.
10 Q. Does the Panel have any other comments on
11 pension and OPEB expense?
12 A. Yes. Staff reserves the right to review and
13 audit the pension and OPEB deferral balances
14 prior to and following amortization of these
15 balances and the internal reserve balances.
16 Regulatory Commission Expense
17 Q. What does regulatory commission expense
18 represent?
19 A. Regulatory commission expense is broken into two
20 components: the General Assessment and the New
21 York Energy Research and Development Authority,
22 or NYSERDA, Assessment. The General Assessment
23 is codified under Section 18-a of New York
24 State's Public Service Law which states that

1 regulated public utility companies will be
2 assessed the total costs of the Public Service
3 Department and Commission. The NYSERDA
4 Assessment is codified in accordance with the
5 2024-2025 Budget Article VII – Part AAA, which
6 states that regulated public utility companies
7 will be assessed for costs associated with
8 NYSERDA.
9 Q. How do utilities receive the General and NYSERDA
10 assessments?
11 A. Each utility company is sent an assessment
12 letter for its General Assessment in February
13 based on the intrastate revenues of the previous
14 year. Then, in August, each utility is sent an
15 updated assessment letter that contains both the
16 updated General Assessment and the NYSERDA
17 Assessment. Finally, each utility will be sent
18 a final assessment in October of the following
19 year to reconcile estimated utility assessments
20 to actual expenditures and request additional
21 payment or refund any overpayment.
22 Q. What is the Company's Rate Year forecast of
23 regulatory commission expense?
24 A. Company Exhibit__(RR-CU-1), Schedule 4-1, shows

1 a Rate Year forecast of $207,090 for regulatory
2 commission expense.
3 Q. How did the Company develop its Rate Year
4 forecast?
5 A. As explained in the Company's response to DPS-
6 373, it started with the Historic Test Year
7 amount, then made adjustments to correct
8 accounting errors and remove amounts from
9 previous time periods. The restated Historic
10 Test Year amount was then adjusted to reflect
11 the estimated annual NYSERDA Assessment and
12 Standard General Assessment for the April 1,
13 2024 through March 31, 2025 time period. The
14 Company then applied inflation at a rate of 4.85
15 percent to arrive at its Rate Year forecast.
16 Q. Does the Panel have any adjustments to
17 regulatory commission expense?
18 A. Yes, we recommend two adjustments. Our first
19 adjustment is to update regulatory commission
20 expense. Our second adjustment relates to
21 refunds from overpayments.
22 Q. Please explain the Panel's first adjustment.
23 A. We recommend that the regulatory commission
24 expense be updated to reflect the latest general

1 assessment amount billed to Liberty SLG in the
2 February 1, 2025, billing. This latest billing
3 is for the fiscal year period April 1, 2025,
4 through March 31, 2026, and shows a general
5 assessment for Liberty SLG of $167,148. Our
6 adjustment increases the Rate Year forecast by
7 $12,450. The calculation supporting this
8 adjustment is shown in Exhibit__(SRRP-2).
9 Q. Is the Panel updating the NYSERDA component of
10 regulatory Commission expense?
11 A. No. The most recent NYSERDA component of
12 regulatory commission expense is already
13 reflected in the August billings. As such, we
14 are using the Company's forecast for the NYSERDA
15 assessment, which was based on the August 2024
16 billing.
17 Q. Please explain the Panel's second adjustment.
18 A. The Company's forecast of regulatory commission
19 expense does not consider the impact of the
20 final assessment letters issued in October,
21 which has consistently resulted in a refund to
22 the Company for overpayment. As shown in
23 Company responses to DPS-373 and DPS-516 and
24 summarized in Exhibit__(SRRP-2), the final

1 assessment letters issued in October 2022, 2023,
2 and 2024 resulted in refund amounts of $274,
3 $40,163 and $24,220, respectively.
4 Q. What is the Panel's recommendation for
5 forecasting regulatory commission expense for
6 the Rate Year?
7 A. As previously discussed, we recommend updating
8 regulatory commission expense to reflect the
9 latest general assessment amount included and
10 billed to Liberty SLG in the February 1, 2025,
11 billing. However, since this amount is the
12 initial estimate for the April 1, 2025, through
13 March 31, 2026, period, we recommend this amount
14 be adjusted for an estimated refund as Liberty
15 SLG has consistency received a refund in its
16 final assessment. Accordingly, we recommend
17 accounting for that refund in Rate Year
18 forecast.
19 Q. How did the Panel quantify this refund
20 adjustment?
21 A. We measured the final assessment and the
22 associated refund, issued in October 2022, 2023,
23 and 2024, as a percentage of the revised
24 assessment, issued in August 2022, 2023, and

1 2024. Specifically, the refund identified in
2 the final October assessment, as a percentage of
3 the revised August assessment for 2022, 2023,
4 and 2024 is -0.2 percent, -21.4 percent, and -
5 12.4 percent. Utilizing a three-year average
6 for this refund measurement results in a refund
7 factor of -12 percent. The use of a three-year
8 average for this measurement is reasonable, as
9 it accounts for fluctuations in the refund
10 amounts, and serves as a reasonable basis to
11 forecast the Rate Year.
12 Q. Please quantify the Panel's adjustment.
13 A. Applying the -12.0 refund factor to the latest
14 known assessment letter reduces regulatory
15 commission expense by $26,449. The calculation
16 supporting this adjustment is shown in
17 Exhibit__(SRRP-2).
18 Q. Please summarize the Panel's adjustments to the
19 Company's Rate Year regulatory commission
20 expense forecast.
21 A. Our adjustments reduce regulatory commission
22 expense by $13,998. Additionally, there is a
23 tracking adjustment of $1,889 based on the
24 inflation rate change as detailed later in

1 Staff’s testimony. These adjustments result in
2 a total Rate Year forecast of $194,981 for
3 regulatory commission expense.
4 Other Expense
5 Q. What is the Company’s Rate Year forecast of
6 other expense?
7 A. As shown in Company Exhibit__(RR-CU-1), the
8 Company forecasts Rate Year other expense of
9 $58,190.
10 Q. How did the Company develop its Rate Year
11 forecast of other expense?
12 A. The Company began with the Historic Test Year
13 amount and made several Rate Year adjustments.
14 More specifically, according to Company
15 Exhibit__(RR-CU—1), Schedule 6-9, the Company
16 forecasted $320,000 related to its proposed
17 greenhouse gas, or GHG, program in the Rate Year
18 and also made a $56,812 adjustment to reflect
19 the salary of a gas safety employee, anticipated
20 to be hired at Liberty SLG’s parent company with
21 time allocated to Liberty SLG. In total, the
22 Company forecasted an additional $376,812 for
23 other expense in the Rate Year.
24 Q. Does the Panel have any adjustments to the

1 Company’s proposed GHG program?
2 A. As explained in more detail in the testimony of
3 the Staff Policy Panel, Staff recommends
4 removing the GHG program and the associated
5 costs from the Company’s Rate Year forecast. As
6 such, this adjustment reduces the Company’s
7 forecast of other expenses by $320,000.
8 Q. Does the Panel have any adjustments to the
9 incremental gas safety quality management
10 employee?
11 A. As explained in more detail in the testimony of
12 the Staff Gas Pipeline Safety Panel, Staff
13 recommends removing this employee and the
14 associated costs from the Company’s Rate Year
15 forecast. As such, this adjustment reduces the
16 Company’s forecast of other expenses by $56,812.
17 Q. Does the Panel have any other adjustments to
18 other expenses?
19 A. Yes. As discussed in more detail in the Staff
20 Pipeline Safety Panel, we recommend amortizing
21 the gas safety performance measures deferral
22 over one year to match the cost of the Staff
23 recommended Residential Methane Detection, or
24 RMD, program. Accordingly, we are making an

1 adjustment to other expenses by $105,201 to
2 reflect the costs of Staff's recommended RMD
3 program. However, this increase to other
4 expense if offset by a reduction to amortization
5 of regulatory deferrals that reflects
6 amortization of the gas safety performance
7 Negative Revenue Adjustments, or NRAs.
8 Q. Please summarize the Panel's adjustments to the
9 Company's Rate Year other expense forecast?
10 A. The three adjustments as detailed above reduce
11 other expense by $271,611. In addition, there
12 is a tracking adjustment of negative $3,116
13 based on the inflation rate change as discussed
14 later in our testimony. In total, these
15 adjustments result in a Rate Year forecast of
16 negative $216,537 for other expense.
17 Productivity
18 Q. Did the Company reflect a productivity
19 adjustment in its revenue requirement?
20 A. No. In its response to DPS-322, the Company
21 stated it did not reflect a productivity
22 adjustment. The Company asserts that it
23 operates on a lean budget with a small workforce
24 to provide the same level of safe and reliable

1 service that larger local distribution companies
2 provide
3 Q. Does the Panel agree with the Company's
4 assertion?
5 A. No. We recommend imputing the standard one
6 percent productivity adjustment based on the
7 Commission's general policy on productivity.
8 Q. What is the Commission's general policy on
9 productivity?
10 A. The Commission has a long-standing policy of
11 imputing productivity, which is intended to
12 capture unquantifiable and unidentified
13 efficiencies and cost savings that could be
14 realized in the Rate Year. By its nature, the
15 traditional one percent productivity adjustment
16 is to reflect gains from unidentified sources
17 and is necessary to recognize the impossibility
18 of specifying all Rate Year productivity
19 improvements in advance. The standard
20 productivity adjustment is not intended to
21 capture savings associated with a particular
22 program.
23 Q. Please quantify the Panel's recommended
24 productivity adjustment.

1 A. To calculate the adjustment, we multiplied our
2 forecasted Rate Year direct labor, direct
3 intercompany, indirect allocated labor, pension,
4 admin credit, health insurance, employee
5 benefits, OPEB's, other employee benefits, and
6 payroll tax expenses by one percent. This
7 results in a downward adjustment of $26,225.
8 Inflation
9 Q. What inflation rate did the Company use to
10 forecast many of the Historic Test Year expenses
11 in the Rate Year?
12 A. The Company used an inflation rate of 4.85
13 percent for the period June 30, 2024, through
14 October 31, 2026.
15 Q. Does the Panel agree with the Company's rate of
16 inflation?
17 A. No. While we agree with the Company's
18 methodology of using the GDP price deflator to
19 forecast inflation, we are proposing an updated
20 inflation rate based on the latest issue of the
21 Blue-Chip Economic Indicators. The Gross
22 Domestic Product Price Index inflation rate
23 forecast is 5.877 percent for the period from
24 June 30, 2024, through October 31, 2026, which

1 is discussed in more detail in the Direct
2 Testimony of Daniel S. Gadomski.
3 Q. How did the Panel calculate the inflation
4 adjustment?
5 A. As shown in Exhibit__(SRRP-2), for any O&M
6 expense components where the Company used
7 inflation to calculate the Rate Year forecast,
8 we applied the difference between the Company's
9 inflation factor and our inflation factor to the
10 adjusted Historic Test Year amounts. Comparing
11 our forecast to the Company's forecast of these
12 expenses, we recommend a total inflation
13 adjustment of $34,975.

14 **Taxes Other Than Income Taxes**

15 Payroll Tax Expense

16 Q. What is the Company's Rate Year forecast of
17 payroll tax expense?
18 A. As Shown in Company Exhibit__(RR—CU-1), Schedule
19 4-4, the Company shows a Rate Year forecast of
20 $428,969 for payroll tax expense.
21 Q. How did the Company develop its Rate Year
22 forecast of payroll tax expense?
23 A. According to Company Exhibit__(RR-CU-1),
24 Schedule 6-2 the Company began with the Historic

1 Test Year amount, then made an adjustment for
2 intercompany allocations. Next, the Company
3 made an adjustment to increase its forecast from
4 the end of the Historic Test Year through the
5 Rate Year by 8.679 percent, based on the
6 forecasted increase of total labor during that
7 same period, to arrive at its Rate Year
8 forecast.
9 Q. Does the Panel agree with the Company's
10 methodology to forecast payroll taxes?
11 A. No. The Company's methodology to forecast
12 payroll tax expense using the Historic Test Year
13 is not representative of the direct labor
14 expense forecast for the Rate Year. Typically,
15 there is a direct correlation between direct
16 labor expense, and payroll taxes. More
17 specifically, if direct labor increases or
18 decreases, payroll tax will increase or
19 decrease. However, as we demonstrate in
20 Exhibit__(SRRP-2), for the 12 months ending June
21 30, 2023, June 30, 2023, and June 30, 2024, the
22 Company incurred payroll tax expense of
23 $322,049, $268,317, and $384,484 respectively.
24 Conversely, during the same period, the Company

1 experienced total direct labor expenses of
2 $3,884,988, $5,240,099, and $5,160,530. Since
3 the Company’s payroll tax has not historically
4 tracked direct labor expense, it is inaccurate
5 to use the Historic Test Year as a basis to
6 forecast the Rate Year. As such, to more
7 accurately forecast the Rate Year, we recommend
8 applying the 2025 payroll tax rates to the Rate
9 Year direct labor expense.
10 Q. Please quantify the Panel’s adjustment.
11 A. We recommend increasing the Company’s Rate Year
12 payroll tax expense by $18,220.
13 Q. Does the Panel have any other adjustments to the
14 forecasted Rate Year payroll tax expense?
15 A. Yes. We recommend an adjustment to payroll tax
16 expense tracking our adjustments to direct labor
17 expense.
18 Q. Please quantify the Panel’s second adjustment to
19 payroll tax expense.
20 A. Our tracking adjustment reduces the Company’s
21 Rate Year payroll tax expense by $63,092.
22 Q. Please summarize the Panel’s adjustments to the
23 Company’s Rate Year forecast of payroll tax
24 expense.

1 A. The two adjustments detailed above are
2 calculated in Exhibit__(SRRP-2) and result in a
3 reduction of $44,871 to payroll tax expense,
4 resulting in a Rate Year forecast of $384,097.
5 Property Taxes
6 Q. What is the Company's Rate Year forecast of
7 property taxes?
8 A. As shown in Company Exhibit__(RR-CU-1), Schedule
9 4-4, the Company shows a Rate Year forecast of
10 $2,545,840 for property taxes.
11 Q. How did the Company derive its Rate Year
12 forecast of property tax expense?
13 A. As explained in the Company's response to DPS-
14 312, the Company calculated a four-year average
15 growth rate for each of the four property tax
16 types: town and county, village, school, and
17 city. The Company then applied these growth
18 rates to the latest known property tax bills, to
19 forecast the Rate Year property tax expense of
20 $2,545,840.
21 Q. How did the Company calculate its four-year
22 average growth rates?
23 A. The Company first calculated the annual
24 percentage increase, by year, for calendar year

1 2021 through calendar year 2024, for each
2 property tax type. The Company then averaged
3 the annual percentage increases, by property tax
4 type, to determine the growth rates.
5 Q. Does the Panel have any adjustments to the
6 Company's Rate Year property tax expense?
7 A. Yes. Our adjustment is to correct the property
8 tax amount reflected in Company's revenue
9 requirement. As demonstrated in the Company's
10 response to DPS-312, the Company inadvertently
11 reflected 10 months of its property tax forecast
12 instead of 12 months. As such, we recommend an
13 adjustment to property reflect the Company's
14 property tax forecast in the revenue
15 requirement.
16 Q. Please quantify the Panel's adjustment to
17 property taxes.
18 A. Our adjustment increases the Rate Year forecast
19 of property tax expense by $517,272 to reflect
20 Rate Year property tax expense forecast of
21 $3,063,111.
22 **Amortization of Regulatory Deferrals**
23 Q. How does the Company propose to amortize
24 regulatory deferrals in the Rate Year?

1 A. The Company is proposing to amortize the
2 following regulatory deferrals over three years:
3 rate case expense, low-income, and property tax.
4 The Company proposes to amortize the following
5 regulatory deferrals over one-year: energy
6 affordability program, or EAP, and NRAs.
7 Q. Does the Panel recommend any adjustments to the
8 Company's amortization of regulatory deferrals?
9 A. Yes, we recommend an adjustment to the low-
10 income program deferral and the rate case
11 expense deferral. Moreover, Staff reserves the
12 right to review and audit the Company's deferral
13 balances prior to and following amortization of
14 such balances.
15 Q. Is the Panel recommending any amortizations for
16 new deferrals?
17 A. Yes. We recommend amortizing three additional
18 deferrals the Company did not include in its
19 proposal: positive revenue adjustments, or PRAs,
20 and NRAs related to gas safety performance
21 measures, untimely filings NRAs, and acquisition
22 savings. These are new deferrals that we
23 recommend the Company book and amortize, as we
24 will discuss further individually.

1 Low Income Deferral

2 Q. What amount is the Company proposing to amortize
3 in the Rate Year for its low-income deferral?
4 A. As shown in Company Exhibit__(RR-CU-1), Schedule
5 3-4, the Company is amortizing a forecasted
6 deferral balance as of November 1, 2025, of
7 negative $206,665 over three years, or negative
8 $68,885 in the Rate Year.
9 Q. Does the Panel agree with the Company's Rate
10 Year amortization for its low-income deferral?
11 A. No. The Company's forecasted deferral balance
12 for its low-income deferral of $206,655 is
13 unexplained and unsupported. To forecast the
14 deferral balance as of November 1, 2025, the
15 Company simply multiplied the low-income
16 deferral balance of negative $103,327 as of June
17 30, 2024, by two. The Company's forecast for
18 its low-income deferral is unsupported and
19 should not be used as a basis to forecast the
20 Rate Year.
21 Q. What is the Panel's recommendation?
22 A. We recommend amortizing the Company's actual
23 deferral balance of as the end the Historic Test
24 Year which, as shown in Company Exhibit__(RR-CU-

1 1), Schedule 3-4, is negative $103,327.
2 Q. Please quantify the Panel's adjustment.
3 A. Our adjustment increases the Company's Rate Year
4 amortization of the low-income deferral by
5 $34,443, resulting in a Rate Year amortization
6 of negative $34,442. As discussed, and
7 summarized later in our testimony, this
8 adjustment also increases the Company's Rate
9 Year unamortized deferral balance and is
10 calculated in Exhibit___(SRRP-2).
11 Rate Case Expense
12 Q. What is the Company's Rate Year forecast of rate
13 case amortization expense?
14 A. According to Company Exhibit__(RR-CU-1), the
15 Company forecasts Rate Year rate case
16 amortization expense of $422,678.
17 Q. How did the Company develop its Rate Year
18 forecast?
19 A. As demonstrated in the Company Exhibit__(RR-CU-
20 1), the Company amortized its total rate case
21 cost projection of $1,268,035 over three years
22 to arrive at its Rate Year forecast.
23 Q. Does the Panel agree with the Company's
24 methodology?

1 A. We agree with the methodology of amortizing the
2 total rate case costs over three years, however,
3 we disagree with the Company's projection of
4 total rate case costs and are recommending seven
5 adjustments to the Company's forecast. The
6 first adjustment relates to the total
7 compensation study. The second adjustment
8 relates to the depreciation study. The third
9 adjustment relates to the allocated cost of
10 service study. The fourth adjustment relates to
11 the rate design study. The fifth adjustment
12 relates to the cost of capital study. The sixth
13 adjustment relates to data collection expense.
14 The seventh adjustment relates to outside
15 counsel expense.
16 Q. Please explain the Panel's first adjustment that
17 relates to the total compensation study.
18 A. In preparation of this rate case, the Company
19 hired Mercer to perform a total compensation
20 study. Per the Company's response to DPS-563,
21 the compensation study was completed prior to
22 December 2024. Additionally, when examining the
23 contract between the Company and Mercer there is
24 a table that breaks down a rough timeline of

1 project steps and the associated dollars behind
2 each step. The project was estimated to take
3 approximately 14 weeks and end with Mercer
4 preparing a report of findings and presenting it
5 to key stakeholders. The Company incurred
6 $31,141 in October 2024, to complete the study.
7 Then, it incurred roughly $17,000 in December
8 and January, to report findings and present to
9 stakeholders. Since all steps of the project
10 have been completed, we do not see the need for
11 the Company to recover any additional costs for
12 this study that have not been incurred already.
13 Q. How much has the Company spent on the total
14 compensation study to date?
15 A. Per the Company's response to DPS-563, it has
16 incurred $48,696 for the study as of March 10,
17 2025.
18 Q. What was the Company's forecast for the total
19 compensation study?
20 A. Per the Company's response to DPS-563, it
21 forecasted $75,000 for the study.
22 Q. What does the Panel recommend?
23 A. We recommend reducing the forecast of these
24 costs to reflect what the Company has incurred

1   to date as the study has been completed so only
2   de minimis costs, if any, could remain.
3   Q.   Please quantify the Panel's first adjustment.
4   A.   The adjustment to reduce the costs associated
5   with the total compensation study reduces the
6   total rate case cost forecast by $26,304, or
7         $8,768 each period of the three-year
8   amortization.
9   Q.   Please explain the Panel's second through fifth
10   adjustments.
11   A.   In preparation of this rate case, the Company
12   hired Gannett Fleming Valuation and Rate
13   Consultants, or Gannett Fleming, Concentric
14   Energy Advisors Inc., or Concentric, and FTI
15   Consulting Inc., or FTI, to complete the
16   depreciation study, allocated cost of service
17   and rate design study, and cost of capital
18   study, respectively. Per the Company's response
19   to DPS-563, all studies were completed prior to
20   December 2024. Additionally, each contract
21   contains the scope of work, including specific
22   deliverables, for various steps throughout the
23   rate proceeding. All work and deliverables have
24   been completed except for the consultants

1 participating in any potential future litigation
2 and additional costs associated with rate
3 design. As such, with the exception of rate
4 design, we do not see the need for the Company
5 to recover any additional costs for these
6 studies beyond what it has already incurred. In
7 the event of consultant participation in future
8 litigation, we recommend that the rate case
9 expenses for these vendors be updated for actual
10 costs, limited to the contracted amounts,
11 through the brief on exception phase of this
12 proceeding.
13 Q. Explain the additional costs associated with
14 rate design.
15 A. The cost of the rate design study's task of
16 preparing compliance exhibits was estimated at
17 **$**8,440 and we acknowledge that there could still
18 be costs associated with completing this part of
19 the contract moving forward.
20 Q. What has the Company spent on each study to
21 date?
22 A. Per the Company's response to DPS-563, it
23 incurred $76,400 for the depreciation study,
24 $86,881 for the allocated cost of service study,

1 $43,200 for the rate design study, and $81,045
2 for the cost of capital study as of March 10,
3 2025.
4 Q. What was the Company's cost forecast for each
5 study?
6 A. Per the Company's response to DPS-563, it
7 forecasted $115,250 for the depreciation study,
8 $136,964 for allocated cost of service study,
9 $132,100 for the rate design study, and $185,220
10 for the cost of capital study.
11 Q. What does the Panel recommend?
12 A. We recommend reducing the forecast of costs to
13 what has been incurred to date, plus an
14 additional $8,440 for the rate design study to
15 complete the exhibits, as the studies are
16 complete so only de minimis costs, if any, could
17 remain.
18 Q. Please quantify the Panel's second, third,
19 fourth and fifth adjustments.
20 A. The adjustment to reduce the costs associated
21 with the depreciation study reduces the total
22 rate case cost forecast by $38,850, or $12,950
23 each period of the three-year amortization. The
24 adjustment to reduce the costs associated with

1 the allocated cost of service study reduces the
2 total rate case expense forecast by $50,083, or
3 $16,694 each period of the three-year
4 amortization. The adjustment to reduce the
5 costs associated with the rate design study
6 reduces the total rate case expense forecast by
7 $80,460, or $26,820 each period of the three-
8 year amortization. The adjustment to reduce the
9 costs associated with the cost of capital study
10 reduces the total rate case expense forecast by
11 $104,175, or $34,725 each period of the three-
12 year amortization.
13 Q. Please explain the Panel's sixth adjustment that
14 relates to data collection expense.
15 A. Per the Company's response to DPS-563, it has
16 only experienced $401 for data collection
17 expense as of March 10, 2025. This $401 charge
18 occurred in June 2024 and no other expenses have
19 been recorded since. Additionally, per the
20 response to DPS-510, the Company was unable to
21 forecast these costs on a month-to-month basis.
22 Since there is no information on when additional
23 expenses are expected to occur and the last
24 charge occurred nearly nine months ago, the

1 Company does not need any additional expense for
2 this cost category.
3 Q. What does the Panel recommend?
4 A. We recommend reducing the forecast to what the
5 Company has experienced so far as the Company
6 has not shown the need for any additional
7 expense.
8 Q. Please quantify the Panel's sixth adjustment.
9 A. The adjustment to reduce the costs associated
10 with data collection expense reduces the total
11 rate case expense forecast by $17,500 or $5,833
12 each period of the three-year amortization.
13 Q. Please explain the Panel's seventh adjustment
14 that relates to outside counsel expense.
15 A. In preparation of this rate case, the Company
16 hired Harris Beach PLLC, or Harris Beach, as
17 outside counsel and forecasts $600,000 of
18 associated rate case costs. We recommend
19 reducing the Company's outside counsel cost
20 forecast for three reasons. First, the Company
21 has not demonstrated that its choice to hire
22 outside counsel generally, or Harris Beach
23 specifically, was cost effective and reasonable.
24 Second, the Company has not provided adequate

1 support for the forecast. Third, the Company
2 has incurred far lower costs to date than what
3 the Company included in the forecast.
4 Q. Please explain the Panel's first reason, that
5 the Company has not demonstrated that its choice
6 to hire outside counsel was cost-effective and
7 reasonable.
8 A. The Company's response to DPS-376 states that
9 the Company did not competitively bid or procure
10 other cost estimates from other law firms to
11 ensure it would receive services at a
12 competitive cost when selecting an outside
13 counsel in this proceeding. While the Company
14 claimed it determined Harris Beach's rates are
15 fair and competitive, it provided no support for
16 this assertion. Additionally, in response to
17 DPS-376, the Company states it did not conduct a
18 cost benefit analysis to determine whether it
19 had the ability to internally perform any of
20 legal work for which it hired outside counsel,
21 nor did it send any correspondence to Algonquin
22 inquiring on whether parent company employees
23 had the expertise. Given the Company did not
24 perform any of these basic cost control measures

1 and, it is unknown whether any of these measures
2 could have produced a more favorable option for
3 ratepayers, we cannot assert whether the
4 Company’s forecast of outside counsel costs for
5 the rate case is reasonable.
6 Q. Please explain the Panel’s second reason, that
7 the Company has not provided adequate support
8 for the forecast.
9 A. In response to DPS-510, the Company stated that
10 it was unable to forecast these costs on a
11 month-to-month basis. Additionally, as shown in
12 the Company’s response to DPS-563, the letter of
13 engagement between Liberty SLG and Harris Beach
14 Murtha, referred to as Harris Beach, did not
15 contain basic information on the costs expected
16 to be incurred. It did not include any schedule
17 of when costs can be expected to materialize
18 during the scope of the engagement, which was
19 completed for every other consultant contract
20 included in rate case expense referenced above.
21 It is also noteworthy that Harris Beach provided
22 a fee estimate of **BEGIN CONFIDENTIAL INFORMATION**
23 **< > END CONFIDENTIAL INFORMATION** in the
24 letter of engagement, which is less than the

1 Company’s forecast of $600,000. Without any
2 schedule of when costs are expected to
3 materialize from both the Company and its
4 consultant, we do not have any confidence that
5 the Company’s forecast of outside counsel costs
6 is reasonable.
7 Q. Please explain the Panel’s third reason, that
8 the Company has incurred far lower costs to date
9 than what it included in the forecast.
10 A. The response to DPS-563 shows that the Company
11 has only spent a small fraction of its
12 forecasted level. As of March 10, 2025, the
13 Company spent $56,506 on outside counsel, all of
14 which occurred in December 2024. Despite not
15 having any schedule of when costs are expected
16 to materialize, the data and actuals provided
17 thus far indicate it is unlikely the Company
18 will actually incur its forecasted expense
19 level.
20 Q. Explain the Panel’s recommendation.
21 A. As stated above, since there isn’t a schedule
22 for these costs and the Company is vastly
23 underspending per the actuals received to date,
24 we recommend estimating the amount the Company

1 will spend on outside counsel for the rate case
2 using data from the Company's previous rate
3 filing as a proxy. Specifically, we developed a
4 ratio of actual costs incurred in the last rate
5 filing at the three-month mark to the total
6 costs incurred. We then applied that ratio to
7 the actual costs incurred at the three-month
8 mark in this rate proceeding to arrive at the
9 forecast of total estimated costs. The
10 calculation of the ratio can be found in
11 Exhibit__(SRRP-2).
12 Q. Explain why the Panel's methodology produces a
13 better forecast than the Company's.
14 A. Regarding the Company's forecast, as explained
15 above, neither the contract between Liberty SLG
16 and Harris Beach, nor the Company, either in its
17 direct initial or CU filing testimony or
18 responses to our IR requests, produced a data
19 driven supportable forecast for this expense.
20 Absent a reliable forecast, the Company's
21 experience in its previous rate filing is the
22 best supportable data on hand.
23 Q. Please summarize the Panel's seventh adjustment
24 relating to outside counsel expense.

1 A. Per the Company's response to DPS-550 in Case
2 21-G-0577, as shown in Exhibit__(SRRP-4), it
3 incurred $141,899 of outside counsel costs by
4 the end of January 2022, or three months after
5 the initial filing in November. Per its
6 response to DPS-45, the Company incurred total
7 outside counsel costs of $793,019 related to
8 that rate proceeding. Based on this analysis,
9 the Company spent roughly 18 percent of its
10 total outside counsel cost at the three-month
11 mark of its previous rate filing. Using 18
12 percent as a proxy for costs already incurred in
13 this rate filing of $56,506, results in a total
14 forecast of rate case outside counsel costs of
15 $315,790.
16 Q. Please quantify the Panel's seventh adjustment.
17 A. Our adjustment reduces the total rate case
18 expense forecast by $284,210 or $94,737 each
19 period of the three-year amortization.
20 Q. Please summarize the Panel's adjustments to the
21 Company's total forecast of rate case costs.
22 A. All seven adjustments detailed above result in a
23 total reduction of $601,581 to total rate case
24 cost, resulting in a total rate case cost

1 forecast of $666,454. These adjustments reduce
2 the Rate Year forecast of rate case amortization
3 expense by $200,527 for a total expense of
4 $222,151. As discussed, and summarized later in
5 our testimony, this adjustment also decreases
6 the Company's Rate Year unamortized deferral
7 balance and is calculated in Exhibit__(SRRP-2).
8 Gas Safety PRA Deferral
9 Q. Please explain the Panel's recommendation
10 regarding the PRAs for gas safety performance
11 measures.
12 A. As explained in more detail in the testimony of
13 the Staff Gas Safety Panel, Staff recommends
14 reflecting the PRA in the Company's revenue
15 requirement and amortizing over one-year. As
16 such, this adjustment increases amortization of
17 regulatory deferrals by $30,445. As discussed,
18 and summarized later in our testimony, this
19 adjustment also increases the Company's Rate
20 Year unamortized deferral balance and is
21 calculated in Exhibit__(SRRP-2).
22 Gas Safety NRA Deferral
23 Q. Please explain the Panel's recommendation
24 regarding the NRAs for gas safety performance

1 measures.
2 A. As explained in more detail in the testimony of
3 the Staff Gas Safety Panel, and as previously
4 discussed, Staff recommends using the gas safety
5 NRAs to offset Staff's RMD program. As such, we
6 recommend amortizing the gas safety performance
7 measures deferral over one year to match the
8 cost of the Staff recommended RMD program. This
9 adjustment reduces the amortization of
10 regulatory deferrals by $105,201. As discussed,
11 and summarized later in our testimony, this
12 adjustment also increases the Company's Rate
13 Year unamortized deferral balance and is
14 calculated in Exhibit__(SRRP-2). However, this
15 reduction to the amortization of regulatory
16 deferrals if offset by an increase to other
17 expenses to reflect the costs of the Staff
18 proposed RMD program.
19 Untimely Filings NRAs
20 Q. Does the Panel recommend any other adjustments
21 to the Company's regulatory deferrals?
22 A. Yes. As previously discussed, we recommend the
23 inclusion of a new deferral for NRAs associated
24 with the Company's untimely filings.

1 Q. Please explain why the Panel recommends creating
2 a new deferral for untimely filings.
3 A. Pursuant to the Commission's 2023 Order, page 25
4 of the Joint Proposal states that the Company
5 shall incur NRAs of three basis points for each
6 instance in which the Company fails to make a
7 filing by the relevant deadline specified by
8 applicable statute, regulation, or Commission
9 order, or fails to request an extension or
10 waiver of such deadline, where an extension or
11 waiver is possible, in a timely fashion. In
12 addition, pursuant to the 2023 Order, the
13 Company must continue to track its untimely
14 filings and book the necessary deferral through
15 the duration of its current rate plan.
16 Q. Did the Company identify all instances where the
17 Company failed to meet the timely filing
18 requirements, pursuant to the Commission's 2023
19 Order?
20 A. Yes. As shown in the Company's response to DPS-
21 381, the Company identified 11 instances where
22 it failed to request an extension or waiver by
23 the relevant deadline. Based on this
24 information, we calculated a deferred liability

1 of $87,915 which should be recorded and
2 amortized over a three-year period.
3 Q. Does the Company agree that this deferral needs
4 to be booked?
5 A. Yes. However, according to the Company's
6 response to DPS-381, the Company has not yet
7 booked a deferral for these untimely filings.
8 Q. What is the Panel's adjustment?
9 A. Our adjustment reduces the Company's
10 amortization of regulatory deferrals by $29,305.
11 As discussed, and summarized later in our
12 testimony, this adjustment also decreases the
13 Company's Rate Year unamortized deferral balance
14 and is calculated in Exhibit__(SRRP-2).
15 Q. Does the Panel have any other recommendations
16 regarding untimely filings?
17 A. Yes. We recommend continuing the NRAs for
18 untimely filings. The Company has demonstrated
19 its inability to request an extension or waiver
20 of relevant deadlines, where an extension or
21 waiver is possible. As such, continuing this
22 mechanism reasonably incentivizes the Company to
23 submit timely filings.
24 **Amortization of Excess Accumulated Deferred Income**

1 **Tax**

2 Q. What is the origin of the EADIT, amortization
3 included in federal income tax expense?
4 A. On December 22, 2017, the Tax Cuts and Jobs Act
5 was enacted, which, among other changes, lowered
6 the Company's federal income tax rate from 34
7 percent to 21 percent. On December 29, 2017,
8 the Commission issued an order instituting a
9 proceeding to determine the effects of the tax
10 act on utility rates and to preserve the net
11 benefits for customers. In December 2017, the
12 Company reduced the ADIT account to reflect the
13 lower income tax rate of 21 percent, with an
14 offset to an income tax regulatory liability
15 account. This reduction resulted in EADIT,
16 which will benefit customers. The Company's
17 Rate Year forecast includes amortization of this
18 EADIT.
19 Q. What EADIT balances does the Company propose to
20 amortize in the Rate Year?
21 A. As shown in Company Exhibit__(RR-CU-1), Schedule
22 2-4, the Company has EADIT regulatory
23 liabilities of $963,111 for the Legacy Area and
24 $627,047 for the Expansion Area. The Company

1 proposes to amortize these amounts over 15 and
2 38 years, respectively, for Rate Year
3 amortization of $47,427 for the Legacy Area and
4 $12,189 for the Expansion Area or $59,615 in
5 total.
6 Q. What does the Panel mean by Legacy Area?
7 A. The Legacy Area refers to the service territory
8 in which SLG operated prior to its franchise
9 expansion and to customers in that service
10 territory.
11 Q. What does the Panel mean by Expansion Area?
12 A. The Expansion Area refers to SLG's expansion
13 into St. Lawrence and Franklin Counties, an area
14 served by a 48-mile transmission line beginning
15 in the town of Norfolk in St. Lawrence County
16 and ending in the village of Chateaugay in
17 Franklin County.
18 Q. Are the EADIT balances and amortization of EADIT
19 consistent with what was authorized in the 2023
20 Order?
21 A. Partially. The EADIT regulatory balances and
22 amortization periods are consistent, however the
23 2023 Order authorized an annual amortization of
24 $64,207 for the Legacy Area and $16,501 for the

1 Expansion Area or $81,183 in total.
2 Q. Why is the Company amortizing a different amount
3 of EADIT in the Rate Year?
4 A. In response to DPS-438, the Company asserts that
5 the EADIT liability balances cited in the 2023
6 Order are grossed up for tax purposes.
7 Accordingly, the Company reduced the EADIT
8 amortization amount of $81,183 by the tax
9 effect, or the inverse of the federal and state
10 income taxes rates of 21 percent and 6.5
11 percent, to arrive at its Rate Year EADIT
12 amortization of $59,615.
13 Q. Please explain what "grossed up for tax
14 purposes" means.
15 A. In this context, grossed up for tax purposes
16 represents the tax-on-tax effect, or the revenue
17 requirement impact of amortizing the EADIT. As
18 such, by the Company amortizing $59,615, the
19 revenue requirement impact of this amortization
20 is approximately $81,000.
21 Q. Does the Company disagree with the amortization
22 amount that was authorized in the 2023 Order?
23 A. Yes. In response to DPS-438, the Company that's
24 that "[t]here some discrepancy as to the correct

1 amount of EADIT that is being shown on the
2 Revenue Requirement."
3 Q. Did the Company provide support showing that the
4 EADIT balances were grossed up for tax purposes?
5 A. No. In response to DPS-438, the Company
6 provided calculations, or its interpretation of
7 how the EADIT amortization should be reflected.
8 However, the Company did not provide the journal
9 entries demonstrating or supporting that the
10 EADIT balances were explicitly grossed up for
11 tax purposes.
12 Q. Did the Company provide any support or
13 confirmation of the EADIT balances authorized in
14 the 2023 Order?
15 A. Yes. As shown in response to DPS-438, the
16 Company provides correspondence confirming both
17 the EADIT amortization of approximately $81,000,
18 and as well as the agreed upon EADIT balances.
19 Q. Does the Panel agree with the Company's proposal
20 regarding the amortization of EADIT?
21 A. No. The Company's argument is invalid and
22 unsupported. The Company's proposal to alter
23 the amortization of the already agreed upon
24 amortization of EADIT unjustly harms customers,

1 by not passing back the full amount they are
2 owed. The Commission addressed the benefits of
3 the Tax Cuts and Jobs Act in its Order
4 Determining Rate Treatment of Tax Change, in
5 Case 17-M-0815, issued August 9, 2018. The
6 Commission concluded that purpose of that
7 proceeding was to address these changes to
8 ensure that ratepayers receive the benefits of
9 the tax savings in a timely fashion, consistent
10 with applicable accounting principles.
11 Furthermore, the Commission also reiterates that
12 ratepayers will benefit from the mandated sur-
13 credits, and deferrals. Regarding Liberty SLG
14 specifically, the Commission asserted that a
15 more comprehensive review of its EADIT balances,
16 for both the protected and unprotected balances,
17 must be performed before a determination can be
18 made as to the appropriate amortization periods
19 to be implemented, and that the disposition of
20 such benefits to be addressed in the Company's
21 next rate filing.
22 Q. Was the Company's EADIT addressed in the
23 Company's current rate plan?
24 A. Yes. As previously discussed, and pursuant to

1 the Commission's 2023 Order, the Commission
2 authorized an EADIT amortization of $81,183 in
3 Case 21-G-0577. Thus, the Company arbitrarily
4 adjusted its EADIT amortization. The Company's
5 EADIT proposal is inconsistent with the with the
6 treatment of the EADIT as authorized by the
7 Commission's 2023 Order. Our recommendation
8 allows customers to receive the full benefit of
9 the EADIT as intended. Accordingly, our
10 adjustment reduces the Company's EADIT
11 amortization by $21,568.

12 **Rate Base**

13 Accumulated Deferred Income Taxes

14 Q. Do you have any adjustments to the Company's
15 Rate Year forecast of ADIT?
16 A. Yes. As discussed in the testimony of the Staff
17 Net Plant and Gas Infrastructure and Operations
18 Panel, we are recommending changes to the
19 Company's Rate Year forecasted plant additions
20 and depreciation expense. In addition, we are
21 also recommending adjustments to the
22 amortization of regulatory deferrals, and thus,
23 the unamortized balances included in rate base.
24 Therefore, we recommend adjusting the Company's

1 Rate Year forecast of ADIT to reflect the impact
2 of these changes. Our adjustment is calculated
3 in Exhibit___(SRRP-2), and reasonably estimates
4 and serves as a proxy to capture the associated
5 impacts to ADIT, and results in an increase to
6 the Company's forecasted ADIT by $86,077
7 respectively. However, for any final plant-in-
8 service, and depreciation amounts for the Rate
9 Year, we recommend the Company formally
10 calculate the ADIT impacts.

11 Unamortized Deferrals

12 Q. What is the Company's Rate Year forecast of
13 unamortized regulatory deferrals included in
14 rate base?
15 A. As Shown in Company Exhibit__(RR-CU-1), Schedule
16 3-1, the Company shows a debit balance, net of
17 ADIT, of $493,914, for unamortized regulatory
18 deferrals included in rate base.
19 Q. Does the Panel have any adjustments to the
20 unamortized regulatory deferrals?
21 A. Yes. Our adjustment tracks our adjustments made
22 to the amortization of regulatory deferrals and
23 corrects the Company's unamortized balances to
24 reflect an average, as opposed to the ending

1 balance. As such, and calculated in
2 Exhibit__(SRRP-2), we recommend decreasing the
3 Company's unamortized regulatory deferrals by
4 $368,079 to a debit balance, net of ADIT, of
5 $$125,863
6 Earnings Base Capitalization
7 Q. What is the intent of the EBCAP, adjustment
8 reflected in rate base?
9 A. The EBCAP adjustment is generally a historical
10 adjustment that is intended to align the
11 utility's rate base with its capitalization
12 devoted to utility service. Utilities are
13 allowed a return only on the capital devoted to
14 utility service so that customers pay no more,
15 and utilities recover no less, than the
16 indicated return on the capital supporting
17 utility operations.
18 Q. What is the capitalization used in the EBCAP?
19 A. Capitalization for the EBCAP represents funds
20 provided by investors and customers to support
21 utility operations, on which utilities pay a
22 return. Some examples of capitalization, as
23 used here, include common stock, retained
24 earnings, advances from associated companies,

1 and short-term debt. Accordingly, these items
2 create a cost that must be recovered through
3 utility rates. In addition, as capitalization
4 supports all assets, it must be reduced for
5 assets that are excluded from earning a return
6 on. Non-rate base assets or assets that are not
7 part of utility operations, and for which
8 capitalization must be reduced, include assets
9 such as temporary cash investments, non-utility
10 property, internal reserves, and goodwill. In
11 other words, for purposes of the EBCAP
12 adjustment, capitalization could include more
13 items than the term would usually imply when
14 used generally to describe the utility's capital
15 structure.
16 Q. Generally, why does a utility's rate base not
17 equal its capitalization?
18 A. The causes of the EBCAP differential vary at
19 each utility but are generally variations in
20 cash flow items not in rate base, such as non-
21 interest-bearing liabilities, or cost-free
22 sources of funds, that support a utility's
23 assets. Non-interest-bearing liabilities may
24 result from the timing of when revenues are

1 received, and payment are made. These non-
2 interest-bearing liabilities generally include
3 accounts payable, and other taxes payable.
4 Another cause of the EBCAP differential may be
5 imperfections in the estimation of cash working
6 capital funding requirements.
7 Q. Is a utility's rate base supported entirely by
8 cost-bearing capital, such as common capital
9 stock, preferred stock, retained earnings, long-
10 term debt, and short-term debt?
11 A. No. Utilities have access to cost-free sources
12 of funds, due to the timing of when bills are
13 received versus when actual payments are made.
14 Specifically, this results with accounts such as
15 taxes payable and accounts payable. However,
16 utilities do not pay a return, and have no
17 capital cost associated with, accounts payable
18 or taxes payable. Conversely, utilities provide
19 cost free capital or use of funds to customers.
20 For example, utilities do not receive a return
21 on current customer accounts receivable for
22 utility service. The net amount of these short-
23 term cost-free capital requirements is usually
24 referred to as working capital, which is

1 included as a separate component in the
2 utility's rate base.
3 Q. What is Liberty SLG's Rate Year forecast of the
4 EBCAP adjustment?
5 A. As shown on Company Exhibit__(RR-CU-1), Schedule
6 3-8, the Company computed a Historic Test Year
7 EBCAP adjustment that decreases rate base by
8 $9,071,414.
9 Q. Does the Panel agree with the Company's Historic
10 Test Year EBCAP adjustment?
11 A. No, the Company has errors in its Historic Test
12 Year EBCAP adjustment calculation. The Company
13 correctly calculates the balances of some
14 components of the EBCAP adjustment using the
15 traditional 13-point average. However, for the
16 "equity," "adjustments to capitalization," and
17 "non-utility assets" components of the Company's
18 capitalization measurement, the Company
19 erroneously used the actual balance as of June
20 30, 2024, as opposed to calculating the average
21 balance using the traditional 13-point average.
22 Therefore, the Historic Test Year EBCAP
23 adjustment needs to be corrected for this error.
24 Q. What is the Panel's adjustment to the Historic

1 Test Year EBCAP adjustment?
2 A. Our adjustment increases the Company's Historic
3 Test Year EBCAP adjustment by $622,521,
4 resulting in a Historic Test Year EBCAP
5 adjustment of $8,448,893.
6 Q. Did Liberty SLG make any adjustments to its
7 Historic Test Year EBCAP adjustment?
8 A. Yes. Liberty SLG made a Rate Year adjustment
9 which increased the EBCAP adjustment by
10 $10,006,068 resulting in a Rate Year EBCAP
11 adjustment that increases rate base by $934,654.
12 Q. Why did the Company make a Rate Year adjustment
13 to EBCAP?
14 A. In response to DPS-327, the Company asserts that
15 certain financing activities occurred after the
16 Historic Test Year, or will occur prior to the
17 Rate Year, which required an adjustment to the
18 EBCAP. Specifically, the Company is expecting
19 an equity infusion from its parent company and
20 has a pending financing application with the
21 Commission in Case 24-G-0687. The Company
22 states that both the equity infusion and the
23 debt issuance are necessary to achieve the
24 equity ratios requested for the Rate Year.

1 Q. Does the Panel agree with the Company’s EBCAP
2 adjustment?
3 A. No. We disagree with the Company’s Rate Year
4 adjustment to the EBCAP calculation. Imputing a
5 Rate Year adjustment to EBCAP completely ignores
6 the Commission's standard practice of measuring
7 EBCAP on a historical basis.
8 Q. Does the Company agree that the EBCAP adjustment
9 is generally a historical adjustment?
10 A. Yes. In response to DPS-439, the Company states
11 that it agrees and that “the EBCAP adjustment
12 represents the alignment of a Historic Earnings
13 base and the Historic Capitalization.”
14 Q. Why is the EBCAP adjustment traditionally
15 measured on a historical basis?
16 A. It is very difficult, if not impossible, to
17 predict every change capitalization and earnings
18 base will experience in a future period given
19 the intricate nature of the various accounts.
20 As such, the Commission has a standard practice
21 of calculating the EBCAP adjustment calculation
22 based on known historical information. Inherent
23 in this standard practice is the assumption that
24 beyond the Historic Test Year, every dollar of

1 earnings base addition or reduction is matched
2 by a dollar change in capitalization.
3 Q. Please summarize why the Company's Rate Year
4 EBCAP adjustment is inappropriate.
5 A. Not only does the Company's Rate Year adjustment
6 artificially increase the Company's equity and
7 debt levels, and thus its capitalization, based
8 on the Company's hypothetical capital structure
9 for the Rate Year, it completely ignores any
10 assets that additional debt and equity would
11 support. To put it another way, the Company's
12 EBCAP calculation projects an increase in
13 capitalization by $10 million but does not
14 project any increase in assets that the $10
15 million would, presumably, support. It is
16 simply not appropriate for ratepayers to provide
17 a return on capitalization without
18 identification of utility assets it included in
19 the EBCAP calculation that it will benefit from.
20 Q. Was the Company able to identify what assets the
21 new debt and equity infusion would support?
22 A. No. In response to DPS-327, the Company states
23 that the "[t]he equity infusion and planned
24 long-term debt issuance are not tied to specific

1 utility assets."
2 Q. What is the Panel's recommendation?
3 A. We recommend removing the Company's Rate Year
4 adjustment to EBCAP to solely reflect the
5 Company's Historic Test Year EBCAP adjustment.
6 Our adjustment decreases rate base by $9,383,547
7 to reflect the Company's corrected Historic Test
8 Year EBCAP adjustment of $8,448,893.
9 Q. Does this conclude the Panel's testimony at this
10 time?
11 A. Yes.
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