

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

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Concord, New Hampshire

ORIGINAL

RE:

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**DE 13-063 Granite State Electric Company
d/b/a Liberty Utilities
Notice of Intent to File Rate Schedules-
Temporary Rate Hearing**

PRESENT:

Chairman Amy L. Ignatius, Presiding
Commissioner Michael D. Harrington
Commissioner Robert R. Scott

Sandy Deno - Clerk

APPEARANCES:

**Reptg. Granite State Electric Co.,
d/b/a Liberty Utilities:**
Sarah B. Knowlton, Esq.

Reptg. Dartmouth-Hitchcock:
Daniel M. Deschenes, Esq. (Hinckley-Allen)

Reptg. N.H. PUC Staff:
Suzanne Amidon, Esq.
Steven E. Mullen, Asst. Dir. Elec. Div.
David Shulock, Dir. Legal Div.

Reptg. Residential Ratepayers:
Rorie Hollenberg, Esq.
(Consumer Advocate)
Stephen Eckberg

COURT REPORTER: SUSAN J. ROBIDAS, N.H. LCR NO. 44

I N D E X

OPENING STATEMENTS:

PAGE

By Ms. Knowlton	5
By Mr. Deschenes	6
By Ms. Hollenberg	6
By Ms. Amidon	9

WITNESS PANEL:

**CHRISTIANE G. MASON
STEVEN E. MULLEN**

Direct Examination By Ms. Knowlton	17, 25
Direct Examination by Ms. Amidon	24

Interrogatories by Commissioners:

By Mr. Harrington	45
By Cmsr. Scott	53
By Chairman Ignatius	54
By Cmsr. Harrington	60
By Cmsr. Scott	61

Redirect Examination by Ms. Knowlton	62
--------------------------------------	----

CLOSING STATEMENTS:

By Mr. Deschenes	64
By Ms. Hollenberg	68
By Ms. Amidon	68
By Ms. Knowlton	70

EXHIBITS 1 THROUGH 5 MARKED FOR IDENTIFICATION

P R O C E E D I N G S

CHAIRMAN IGNATIUS: Good morning. Please be seated. I'd like to open the hearing in Docket DE 13-063, Liberty Utility's petition for permanent rates. And today we are dealing with the issue of temporary rates. We had an order of notice -- or sorry -- an order issued April 11th, 2013, that scheduled this hearing on temporary rates for this morning. And I believe that's the only matter to be taken up today. But if there are other things, I'm happy to be corrected.

So let's begin first with appearances.

MS. KNOWLTON: Good morning, Commissioners. My name is Sarah Knowlton. I'm here today on behalf of Granite State Electric Company, which does business as Liberty Utilities.

CHAIRMAN IGNATIUS: Good morning.

MR. DESCHENES: Good morning. Dan Deschenes, on behalf of Dartmouth-Hitchcock.

1 CHAIRMAN IGNATIUS: Good
2 morning.

3 MS. HOLLENBERG: Good morning.
4 Rorie Hollenberg and Stephen Eckberg here for
5 the Office of Consumer Advocate.

6 CHAIRMAN IGNATIUS: Good
7 morning.

8 MS. AMIDON: Suzanne Amidon for
9 Commission Staff. And with me today to my
10 immediate left is David Shulock, the Director
11 of the Legal Division. To his left is Grant
12 Siwinski, who is an analyst in the Electric
13 Division. And to Grant's left is Les Stachow,
14 who's an analyst working on the matter before
15 the Commission today.

16 CHAIRMAN IGNATIUS: Good
17 morning.

18 I understand a settlement was
19 submitted yesterday afternoon that the
20 Commissioners have read. And obviously, we
21 are willing to accept it, even though it was
22 filed earlier -- or later than -- with fewer
23 days than required under the rule. We're
24 happy to waive the rule and proceed today.

1 We've read through the settlement proposed.

2 Are there other matters that
3 we should be taking up beyond the settlement
4 proposal?

5 MS. KNOWLTON: There are a
6 number of motions that are pending. There is a
7 motion for waiver that was filed on March 29th
8 in association with the filing of the full
9 case. There are two motions for protective
10 treatment that are also pending. One relates
11 to certain of the filing requirements that were
12 submitted on March 29th. And then there was,
13 more recently, last Friday, a motion for
14 protective treatment that was submitted with
15 regard to a few temporary rate data responses
16 that contained confidential information. The
17 Company would be glad to take up those motions
18 today if the Commission is interested or
19 discuss them at another time.

20 CHAIRMAN IGNATIUS: I'm happy to
21 hear arguments if people have reviewed the
22 motions and have positions on any of the -- are
23 there three motions now: Two protective orders
24 and one on the waiver?

1 MS. KNOWLTON: That's correct.

2 CHAIRMAN IGNATIUS: Mr.

3 Deschenes, any position on the three motions?

4 MR. DESCHENES: We have no
5 objection.

6 CHAIRMAN IGNATIUS: Thank you.
7 Ms. Hollenberg.

8 MS. HOLLENBERG: Thank you. The
9 OCA has no position on the motion for a waiver.

10 With respect to the two
11 motions for confidential treatment, we did
12 have an opportunity to speak with Staff and
13 the Company this morning about those motions.
14 With respect to the -- recognizing that the
15 OCA did not file an objection to either of
16 those motions, especially the one that was
17 filed with the original case, I just think
18 that the Commission's decision in the PSNH
19 case, which was DE 09-035 -- and the order
20 that I'm referring to is Order 25,037, issued
21 on October 30th, 2009 -- there is some
22 discussion in that order about the Commission
23 making a decision about disclosure of officer
24 and director conversation, and there is a --

1 it appears as though there's a test set out
2 in that order. And I'll just read from that
3 quickly. It says, "In the past we have
4 balanced the competing interests regarding
5 officer compensation by ruling that, 1)
6 compensation to officers already made public
7 in other filings would continue to be
8 publicly available; 2) the total compensation
9 paid to other officers would be made public
10 in the aggregate; and 3) the specific
11 information -- the specific amount of
12 compensation paid to each of the other
13 officers would be made available under a
14 protective order to all the parties and
15 Staff."

16 So the Commission has
17 addressed in the past situations like this.
18 It does appear this might be a little
19 different, in actually the information about
20 the two, the officer and the president, or
21 the director and the president, are not yet
22 publicly available. However, it is my
23 understanding from speaking with counsel for
24 the Company that, when that information

1 does -- when and if that information does
2 become available in the future, that the
3 Company would file that information and make
4 it -- for instance, when the allocated
5 portion of the president's salary becomes
6 available when the FERC filing is made, then
7 the information about his allocated portion
8 of his salary would then be available.

9 So, no specific objection
10 other than to just ask the Commission to
11 treat this situation as it's done in the past
12 with that PSNH case with regard to protective
13 treatment. Thank you.

14 CHAIRMAN IGNATIUS: All right.
15 And is it your sense that the conditions that
16 were or the parameters set out in that prior
17 order weren't quite followed in this request?

18 MS. HOLLENBERG: No, that
19 wouldn't be what I'd say. I think the Company
20 did attempt to provide different ways of
21 presenting information and disclosing
22 information as much as and to the extent that
23 the information is already publicly available.
24 So it does seem as though they attempted to

1 address different ways of presenting the
2 information as the Commission has done in the
3 past. And we are -- you know, we're comforted
4 that, if the information is made public in the
5 future, that it will become public and that it
6 will be available to the parties in this case,
7 and OCA will have that available to assess the
8 case, as well at the Commission, under a
9 protective order.

10 CHAIRMAN IGNATIUS: Thank you
11 for that clarification.

12 Ms. Amidon, position on the
13 motion?

14 MS. AMIDON: Yes, thank you.

15 With respect to the waiver,
16 the Company requested waivers of certain
17 filing requirements under PUC 1600 as they
18 relate to the parent company, Algonquin, and
19 to the prior parent company, National Grid.
20 We've reviewed the request for the waiver,
21 and we believe that it's appropriate to grant
22 the waiver in this case and also understand
23 that we will have the opportunity to elicit
24 specific information that the Staff may deem

1 relevant in terms of discovery. So the
2 extensive information that would have
3 otherwise been filed with the principal
4 filing is not necessary. So, in other words,
5 we support the waiver.

6 We have no objection to the
7 motions for confidential treatment. Attorney
8 Hollenberg did raise the -- did describe what
9 information was being protected in the waiver
10 that was filed with the initial filing.

11 The Company also requested
12 protection of certain information provided in
13 response to data requests, including
14 information that is customarily protected by
15 R.S.A. 91-A, such as, you know, information
16 about general employees' salaries and
17 benefits.

18 And in addition, there was a
19 question regarding their request for RFPs,
20 and the vendors were identified. But the
21 range of the prices that they offered in
22 response to the bid were redacted, and we
23 find that to be appropriate, too. So we have
24 no objection to that motion for confidential

1 information.

2 CHAIRMAN IGNATIUS: All right.

3 Thank you.

4 And Ms. Knowlton, would you
5 agree that, even though the waiver may be
6 granted on some of the filing requirements,
7 discovery into specific questions about
8 Algonquin or other relationships in the chain
9 of Liberty would be acceptable?

10 MS. KNOWLTON: Subject to any
11 objections that we might assert in response to
12 particular questions, as a general matter, yes.

13 CHAIRMAN IGNATIUS: Thank you.

14 All right. We'll grant the
15 three motions. I appreciate everyone working
16 through that this morning. And just make
17 sure that people remember that, by granting a
18 motion for confidentiality, the understanding
19 is that it's part of the record. The
20 unredacted information is available to the
21 parties, but the parties have an obligation
22 to keep that information protected, not
23 disclose it, and just be careful in your
24 development of testimony, data requests,

1 discussion in the open record, to try to
2 avoid inadvertently disclosing information.
3 Obviously, if you need to work it into
4 testimony or further discovery, there are
5 provisions for that, that then would require
6 that part of your testimony or the data
7 request in response to be confidential as
8 well. So it's available to work with. But
9 to the extent you can minimize the amount of
10 places where it's disclosed, it would make it
11 better. And just be very careful in
12 protecting your records and how you maintain
13 confidential materials.

14 Anything further?

15 MS. KNOWLTON: Two further
16 matters which, by agreement of the parties at a
17 technical session, the Company will be -- once
18 discovery has been completed on the permanent
19 rate phase of the proceeding, the Company will
20 submit one motion for protective treatment that
21 addresses all protective treatment issues on
22 the permanent rate phase of the discovery in
23 order to minimize the number of motions that
24 get filed. So there will be one at the end

1 that we'll put together and file with the
2 Commission.

3 CHAIRMAN IGNATIUS: All right.
4 So I take it, anything that comes up along the
5 way, you'll mark as something you intend to
6 seek protection over. And parties need to
7 understand that, even though an order hasn't
8 yet been issued, that it should be treated as
9 confidential until an order to the contrary.

10 MS. KNOWLTON: That's correct.

11 CHAIRMAN IGNATIUS: Thank you.

12 MS. KNOWLTON: The second issue,
13 if I may, is the Company has a number of
14 exhibits we'd like to mark for identification.
15 And I'm happy to go through each of those if
16 now is the right time.

17 CHAIRMAN IGNATIUS: All right.
18 Thank you.

19 MS. KNOWLTON: So, starting with
20 Exhibit 1, that would be the temporary rate
21 filing that the Company has submitted, which
22 consists of the joint direct testimony of
23 Christiane G. Mason and Dr. Michael R. Schmidt.
24 There are a number of schedules that go with

1 that. It's a document that's Bates numbered 1
2 through 35. And then the last page that I've
3 included with it is the report of proposed rate
4 changes that was filed on March 29th at the
5 time of the permanent rate filing.

6 CHAIRMAN IGNATIUS: All right.
7 So that's the beginning of the larger packet
8 with tabs for Ms. Mason and Mr. Schmidt --

9 MS. KNOWLTON: That's correct
10 issue.

11 CHAIRMAN IGNATIUS: -- and
12 schedules that go with it.

13 MS. KNOWLTON: And I've turned
14 this microphone off because the sound quality
15 is not great. But if you want me to turn it
16 back on, let me know if anyone can't hear me.
17 I usually don't have a problem with being loud,
18 so...

19 CHAIRMAN IGNATIUS: We'll mark
20 that for identification as Exhibit 1.

21 MS. KNOWLTON: Okay. Exhibit 2
22 is a one-page, double-sided document that's
23 marked Bates 23A on one side and 35A on the
24 other. This is a replacement page that Ms.

1 Mason will explain that relates to Exhibit 1.

2 CHAIRMAN IGNATIUS: And we
3 received this upstairs earlier this morning.

4 MS. KNOWLTON: I don't think so.
5 I think what --

6 CHAIRMAN IGNATIUS: All right.
7 Maybe we didn't. You put it on the Bench.

8 MS. KNOWLTON: That's right. We
9 did that prehearing this morning.

10 CHAIRMAN IGNATIUS: Thank you.

11 MS. KNOWLTON: Exhibit 3 would
12 be Mr. Mullen's testimony.

13 CHAIRMAN IGNATIUS: All right.

14 MS. KNOWLTON: Exhibit 4 is the
15 stipulation and Settlement Agreement regarding
16 temporary rates that was filed yesterday.

17 CMSR. HARRINGTON: Excuse me.
18 Exhibit 3, Mr. Mullen's testimony, that's the
19 May 24th?

20 MS. KNOWLTON: That's correct,
21 with all of the attachments and schedules, 20
22 pages in total.

23 Exhibit 4 is the stipulation
24 and Settlement Agreement. And that's a 31-

1 page document.

2 And Exhibit 5 is a report of
3 proposed rate changes, temporary rates,
4 proposed settlement. And I believe that was
5 given to you this morning. That's a
6 correction to Exhibit 4, which we'll explain
7 as well once the witnesses are sworn in.

8 CHAIRMAN IGNATIUS: All right.
9 I assume there's no objection to marking those
10 for identification? Mr. Deschenes.

11 MR. DESCHENES: Yeah, I would
12 just request that I receive a copy of whatever
13 was handed out this morning. I don't believe I
14 received that.

15 MS. KNOWLTON: I apologize for
16 that. I did circulate it by e-mail to everyone
17 yesterday, and I've got some extra copies here.

18 CHAIRMAN IGNATIUS: I have an
19 extra, since it's a duplicate of what's now
20 been marked.

21 MS. KNOWLTON: Okay.

22 CHAIRMAN IGNATIUS: All right.
23 We'll mark those for identification as Exhibits
24 1 through 5.

[WITNESS PANEL: MASON|MULLEN]

1 **(WHEREUPON Exhibits 1 through 5 were**
2 **marked for identification.)**

3 MS. KNOWLTON: And with that, I
4 believe we're ready to proceed.

5 CHAIRMAN IGNATIUS: Then would
6 you swear in the witnesses.

7 **(WHEREUPON, CHRISTIANE G. MASON AND**
8 **STEVEN E. MULLEN were duly sworn and**
9 **cautioned by the Court Reporter.)**

10 CHAIRMAN IGNATIUS: Please
11 proceed.

12 **DIRECT EXAMINATION**

13 **BY MS. KNOWLTON:**

14 Q. Good morning, Ms. Mason. I'll start with
15 you.

16 A. (Ms. Mason) Good morning.

17 Q. Please state your full name for the record.

18 A. (Ms. Mason) My name is Christiane Mason.

19 Q. And I'm going to ask you just from the outset
20 to speak into the microphone if you would.

21 A. (Ms. Mason) Into the microphone. I do
22 apologize. I've been known to have a very
23 soft voice.

24 Q. Closer, please.

[WITNESS PANEL: MASON|MULLEN]

1 A. (Ms. Mason) Closer. Okay.

2 Q. By whom are you employed, Ms. Mason?

3 A. (Ms. Mason) I'm employed by Liberty Energy
4 Utilities New Hampshire Corp.

5 Q. What is your position with the Company?

6 A. (Ms. Mason) I'm director and head of
7 regulatory governmental and community
8 affairs.

9 Q. What do your job responsibilities include in
10 that position?

11 A. (Ms. Mason) My primary responsibilities are
12 in the areas of compliance, financial and
13 regulatory.

14 Q. I'd like to show you the document that's been
15 marked for identification as Exhibit 1. It
16 is the joint direct testimony that you filed
17 along with Dr. Schmidt in this case on
18 March 29th. Do you have that before you?

19 A. (Ms. Mason) Yes, I do.

20 Q. And was that testimony prepared by you or
21 under your direction?

22 A. (Ms. Mason) It was.

23 Q. Do you have any clarifications or corrections
24 to that testimony?

{DE 13-063} [TEMPORARY RATE HEARING] {06-04-13}

[WITNESS PANEL: MASON|MULLEN]

1 A. (Ms. Mason) I do. I have three corrections
2 that I would like to present.

3 Q. And please speak up.

4 A. (Ms. Mason) Speak up.

5 I have three corrections. So if I could
6 please point everyone to Exhibit 1 with Bates
7 Page 23 of the filing.

8 CMSR. HARRINGTON: Page what?

9 WITNESS MASON: 23.

10 A. (Ms. Mason) Everyone's there. On that
11 schedule, you'll notice the centerpiece of
12 temporary rates in the middle section. Under
13 the column titled "Other Delivery" in Line
14 26, you'll see a series of pound signs. I
15 have replaced that this morning with
16 Page 23A.

17 The second correction in the same
18 exhibit is on Page 35.

19 CMSR. HARRINGTON: I'm sorry.
20 You replaced it with 23A? Is that another
21 exhibit?

22 WITNESS MASON: That was
23 provided this morning.

24 MS. KNOWLTON: That's Exhibit 2,

[WITNESS PANEL: MASON|MULLEN]

1 the first side of a one-sided double-page
2 document.

3 CMSR. HARRINGTON: So the whole
4 page has been replaced.

5 MS. KNOWLTON: The whole page
6 has been replaced.

7 BY MS. KNOWLTON:

8 Q. And Ms. Mason, when you say you replaced the
9 pound signs with the numbers, does that
10 affect the calculations that are on
11 Exhibit 2?

12 A. (Ms. Mason) No, it does not. It doesn't
13 impact the Settlement Agreement in any way
14 presented today. I just wanted to clarify
15 for the record that both Page 23 and 35 have
16 pound signs on it, and we provided the
17 revised schedule so you would have the
18 factors in the case.

19 Q. So if you could take us through the changes
20 that you made on Page 35.

21 A. (Ms. Mason) So again, on Page 35 of
22 Exhibit 1, under the section called
23 "Temporary Rates," under the two columns
24 called "Other Distribution Charges" and

[WITNESS PANEL: MASON|MULLEN]

1 "Commodity," on Line 26, again, you'll see a
2 series of pound signs in both those columns.
3 So, Exhibit 2, the second page I believe is
4 35A, and that reflects the actual factors
5 that should have been there. Okay?

6 Q. And similar to the changes that were made on
7 Page 23, does the inclusion of those numbers,
8 I mean, does it change the calculations that
9 are set forth on that document?

10 A. (Ms. Mason) No, they do not.

11 Q. Do you have any other corrections?

12 A. (Ms. Mason) I do.

13 Subsequent to the filing of this
14 exhibit, we discovered an error in grossing
15 up the interest expense for taxes. That
16 amount has been removed, thereby reducing the
17 temporary rate efficiency in Exhibit 1 to
18 \$8,669,928. I would note, too, that we
19 shared this as soon as we found out with all
20 the parties via e-mail on April 29th. And
21 that is attached to Mr. Mullen's testimony as
22 Attachment 1 in the exhibit before you today.

23 CMSR. HARRINGTON: Where does
24 that show up in Exhibit 1? What page?

[WITNESS PANEL: MASON|MULLEN]

1 WITNESS MASON: You can actually
2 see it on Exhibit 3, the direct testimony of
3 Steve Mullen. If you go to Bates Page 3 -- I
4 mean Bates -- there is no Bates page. I'm
5 sorry. Go to SEM Attachment 1, Page 1 of 12 of
6 his testimony, which is the first schedule
7 after his written testimony.

8 CHAIRMAN IGNATIUS: So that's
9 Page 10 of Exhibit 3; correct?

10 A. (Ms. Mason) It would be. Correct.

11 CMSR. HARRINGTON: This is the
12 8,669,928 at the bottom?

13 WITNESS MASON: That is correct.
14 That's the revenue deficiency that the Company
15 is putting forth today.

16 CMSR. HARRINGTON: And I just
17 want to find out, is that listed incorrectly in
18 your direct testimony someplace that needs to
19 be changed?

20 WITNESS MASON: Yes.

21 CMSR. HARRINGTON: Can you
22 direct us to where that is?

23 MS. KNOWLTON: And I might -- I
24 mean, before we go through that, I'm going to

[WITNESS PANEL: MASON|MULLEN]

1 require a number of changes to the prefiled
2 testimony in support of temporary rates, if I
3 might explain for the record. But what
4 happened is the Company discovered this tax
5 error, and it changes the amount of temporary
6 rate relief that the Company is seeking based
7 on its initial filing of approximately \$9.2.
8 It changes it to 8.6. So we can go through Ms.
9 Mason's and Mr. Schmidt's testimony and
10 identify each place it would change, but it's
11 really a wholesale change in the request.

12 A. (Ms. Mason) Right. So, essentially, the
13 first place it appears is in Exhibit 1, Bates
14 Page 3, Line 9.

15 CMSR. HARRINGTON: So that would
16 replace the 866 [sic] number. And that's
17 sufficient for me. Sorry.

18 A. (Ms. Mason) Thank you. That is all the
19 corrections I have at this time.

20 MS. AMIDON: If I may, I'm going
21 to qualify Mr. Mullen.

22 CHAIRMAN IGNATIUS: Yes, please.

23 MS. AMIDON: Thank you.

24

DIRECT EXAMINATION

BY MS. AMIDON:

Q. Mr. Mullen, would you please state your name for the record.

A. (Mr. Mullen) My name is Steven Mullen.

Q. For whom are you employed, and what is your position?

A. (Mr. Mullen) I'm employed by the New Hampshire Public Utilities Commission. I'm the assistant director of the Electric Division.

Q. Have you previously testified before this Commission?

A. (Mr. Mullen) Yes, I have.

Q. And are you -- you have seen and have in front of you Exhibit 3 which has been marked as for identification?

A. (Mr. Mullen) Yes. My direct testimony?

Q. Correct. And was this prepared by you?

A. (Mr. Mullen) Yes, it was.

Q. Do you have any corrections to your testimony today?

A. (Mr. Mullen) No, I do not.

Q. And if you were asked these questions today,

[WITNESS PANEL: MASON|MULLEN]

1 would you provide the same answers?

2 A. (Mr. Mullen) Yes.

3 MS. AMIDON: Thank you.

4 MS. KNOWLTON: I'll return to
5 Ms. Mason.

6 **DIRECT EXAMINATION (cont'd)**

7 **BY MS. KNOWLTON:**

8 Q. And Ms. Mason, I'll ask you the same question
9 that Mr. Mullen was just asked.

10 Subject to the corrections that you've
11 made this morning, if I were to ask the
12 questions contained in your testimony today,
13 would the answers be the same, again, subject
14 to the corrections?

15 A. (Ms. Mason) Yes, they would be.

16 Q. Ms. Mason, if you would please give us a
17 general summary of the testimony that you
18 filed that's been marked as Exhibit 1.

19 A. (Ms. Mason) Certainly. At the highest level,
20 basically, Granite State Electric Company
21 would point out it has not had a general
22 distribution rate increase since 1996. The
23 Company states it needs immediate rate relief
24 to generate cash flow to operations and the

[WITNESS PANEL: MASON|MULLEN]

1 construction program.

2 If I could please have you point to
3 Exhibit 1 again, Bates Page 4 of the filing.
4 What you see there is a chart of our overall
5 rate of return for a period of years,
6 basically since the last rate case. And it
7 readily tells the story that since 2006,
8 there's a steady decline that has occurred
9 time over time to our test year in 2012, to
10 the effect that we are in a negative earning
11 position of negative .75 percent. Well below
12 the authorized allowed rate of return of
13 8.61 percent. The Company believes, affirms
14 that no company can survive with negative
15 earnings. In fact, I expect we will probably
16 go deeper into the hole in 2013 if we do not
17 get a temporary rate increase.

18 If you look to Page 5 of -- Bates Page
19 5, we've outlined there a few of the costs to
20 these temporary rates decreases -- I mean to
21 the detriment of the earnings to the Company.

22 We have made extensive capital
23 improvements since the Company's last case.
24 Our net plan of service has grown to

[WITNESS PANEL: MASON|MULLEN]

1 approximately \$33.7 million since 1997. Our
2 property taxes have gone up by 91 percent.
3 Wages and benefits and pensions and
4 healthcare costs have all gone up. At the
5 same time, our number of customers have
6 remained almost flat for the last five years.
7 Our growth in volume, kilowatt hours
8 delivered, have been minimal. All these
9 contributed to the fact that we need
10 temporary rates. That, in essence, is the
11 testimony.

12 Q. And the schedules that are attached to the
13 narrative of your testimony walk through the
14 calculation of the temporary rate increase as
15 it was filed on March 29th?

16 A. (Ms. Mason) As it was filed on March 29th.
17 That's correct.

18 Q. Did you participate in discovery in this
19 docket, in consideration of the Company's
20 temporary rate request?

21 A. (Ms. Mason) Yes. There have been several
22 rounds of discovery we have participated in,
23 and I have provided responses accordingly.

24 Q. Did the Company participate in technical

[WITNESS PANEL: MASON|MULLEN]

1 sessions with the parties?

2 A. (Ms. Mason) Yes, we did. On May 17th, there
3 was a settlement -- or a technical session on
4 May 17th and --

5 Q. And have there been any settlement
6 conferences in the case as well?

7 A. (Ms. Mason) Yes, there were two settlement
8 conference dates: May 24th and May 29th.

9 Q. As a result of those settlement conferences,
10 did the Company reach an agreement with the
11 Staff and the Office of Consumer Advocate
12 with regard to temporary rates?

13 A. (Ms. Mason) Yes. We've entered into a
14 stipulation of settlement, which is presented
15 here as Exhibit 4.

16 Q. Do you have Exhibit 4 before you?

17 A. (Ms. Mason) I do.

18 Q. I'd like to have you discuss what the
19 material terms of that settlement are. Would
20 you identify those, please, for the
21 Commission.

22 A. (Ms. Mason) Certainly. The Settlement
23 Agreement is actually made up of two
24 elements, two basic elements: One being an

{DE 13-063} [TEMPORARY RATE HEARING] {06-04-13}

[WITNESS PANEL: MASON|MULLEN]

1 increase to our distribution revenues of \$6.5
2 million, effective July 1st, 2013. In
3 addition, for purposes of the settlement, as
4 you can see, we agree to a capital structure
5 of 55 percent equity, 45 percent debt, as we
6 discussed last year when we were here in DG
7 11-040. We used a return on equity of 9.67
8 as a result of our last case in DR 95-169
9 [sic], a weighted cost of debt of
10 6.02 percent, as authorized. And all this
11 resulted in an overall return of
12 8.03 percent.

13 Further, we agree that these rates, the
14 temporary rates, would be collected by
15 applying a uniform increase of 26.35 percent
16 to each of our current rates schedules.

17 Q. Does the Settlement Agreement contain a
18 calculation of how the Company gets to the --
19 and the Staff and the OCA get to the \$6.5
20 million?

21 A. (Ms. Mason) No, it does not.

22 Q. And why not?

23 A. (Ms. Mason) Well, again, it's for purposes of
24 the Settlement Agreement. The Staff was

[WITNESS PANEL: MASON|MULLEN]

1 coming up with a certain set of number. The
2 Company was coming up with another certain
3 set of numbers. Essentially what we came to
4 was an agreement on a number that was
5 reasonable, that we both felt was reasonable,
6 just and fair.

7 Q. And when you say "both," does that include
8 the Office of Consumer Advocate as well?

9 A. (Ms. Mason) I'm sorry. I certainly did not
10 mean to exclude them. Absolutely.

11 Q. And is there another material term of the
12 settlement?

13 A. (Ms. Mason) Yes, there is.

14 The second component of the settlement
15 is the Storm Fund docket. Essentially, the
16 parties have agreed to a process which will
17 allow the Company to file a petition to
18 increase our Storm Recovery Adjustment Factor
19 effective November 1st. This was a very
20 important element to the Company. The
21 Company is seriously under-earning. The
22 first part of the settlement really mitigates
23 a little bit, to a degree, our
24 under-earnings. This position with the Storm

[WITNESS PANEL: MASON|MULLEN]

1 Fund allows us to mitigate in November,
2 hopefully, further the erosion of our
3 earnings.

4 At this time -- and just a little bit of
5 background. At this time, the current
6 deficit is about six and a half million
7 dollars. This deficit is being financed by
8 the Company with, of course, customers
9 contributing as well. At the current SRA
10 factor, the deficit will likely not be paid
11 until 2019. This is a very long-term
12 problem. I think it's something that's been
13 recognized by the Commission, and certainly
14 by the parties in the room, that it is a
15 long-term problem, and it's being caused by
16 unexpected frequencies and severities of
17 storms.

18 For example: This past week, another
19 example of our deficit this past week, we
20 filed with you our annual Storm Fund report.
21 When you have an opportunity to review that,
22 what you will see is that we are carrying in
23 2012 a deficit of \$7 million. The total cost
24 for storms in 2012 alone was in excess of \$2

1 million.

2 So, again, what the Settlement Agreement
3 allows us is a process in order to get some
4 relief from carrying this deficit. At the
5 same time, it offers up an opportunity for
6 gradual increase in our rates, with the first
7 one being in July and second one being in
8 November, as we move towards the permanent
9 rate phase of the case.

10 Q. Ms. Mason, I have a few questions about this
11 provision which appears on Bates Page 3 of
12 the stipulation and Settlement Agreement on
13 temporary rates.

14 This provision is not an agreement on an
15 amount of relief that the Company can seek
16 through an adjustment to its Storm Recovery
17 Adjustment Factor; correct?

18 A. (Ms. Mason) Correct. It's only an agreement
19 to the process and an agreement in principle
20 that we will seek on the November 1st
21 effective date.

22 Q. So the Company will be putting together a
23 filing in which it will identify an amount of
24 storm recovery that it seeks through a change

[WITNESS PANEL: MASON|MULLEN]

1 in the SRA factor?

2 A. (Ms. Mason) That's correct. Currently, the
3 Company is undergoing an analysis to
4 determine where we should land with it. We
5 anticipate filing something with the
6 Commission within 30 days.

7 Q. The permanent rate phase of the Company's
8 filing does include a proposed increase in
9 the SRA; correct?

10 A. (Ms. Mason) That is correct.

11 Q. How does this relate to -- and maybe if you
12 can look at Page 3 of the settlement,
13 Paragraph B, there's some language in there.
14 The last sentence of that provision talks
15 about how this relates to what the Company is
16 seeking in the permanent rate phase of the
17 proceeding with regard to the SRA.

18 A. (Ms. Mason) Right. So the point is that
19 there is no way that this docket -- this
20 docket will not preclude consideration of
21 additional changes to the SRA. As Ms.
22 Knowlton pointed out, in our permanent rate
23 case filing, we do make some recommendations.
24 And basically, if there's any residual

[WITNESS PANEL: MASON|MULLEN]

1 arising out of the new SRA docket that we
2 will be filing, we will take that into
3 consideration as we move forward with the
4 permanent rate case.

5 Q. And in the permanent rate case, the Company
6 also is requesting a change in the amount of
7 dollars that are included in base
8 distribution rates for major storms; is that
9 right?

10 A. (Ms. Mason) That is correct.

11 Q. And that is not something that would be
12 considered as part of this new SRA docket
13 that is referenced in this Settlement
14 Agreement.

15 A. (Ms. Mason) That is correct. This is
16 strictly to look at the SRA factor. The SRA
17 docket will be to just look at the SRA factor
18 in place. We will not be looking at the base
19 rates.

20 Q. Okay. I'd like to turn back to the temporary
21 rate relief portion of the settlement. I
22 don't know whether you or Mr. Mullen wants to
23 walk through the number of schedules that are
24 included with the settlement, identifying

[WITNESS PANEL: MASON|MULLEN]

1 what those schedules are, and what the \$6.5
2 million will mean to the Company's customers.

3 A. (Ms. Mason) I'm happy to take a first stab at
4 it.

5 Essentially, at the highest level, the
6 increase is about 8.1 percent, on average,
7 over the current bills. Before I get into
8 the schedules, I thought I'd give you the
9 high-level view first.

10 Again, the increase is about
11 8.1 percent, on average, over current bills
12 on a total basis. For an average annual
13 residential customer taking service for
14 Rate D, using 674 kilowatt hours per month --
15 that's our forecast for 2013 -- the increase
16 is \$7.42 per month, which would be equal to a
17 total bill increase of about 7.8 percent.

18 Q. And are you looking at a page in the
19 Settlement Agreement that reflects that?

20 A. (Ms. Mason) No, I'm not.

21 A. (Mr. Mullen) I think if you look at Page 15,
22 Line 13, you will see the 7.8 percent for the
23 674 kilowatt hours.

24 Q. Ms. Mason, can you explain why the 674

[WITNESS PANEL: MASON|MULLEN]

1 kilowatt hours were used in the calculation?

2 A. (Ms. Mason) It's based on our current
3 forecast for 2013 for kilowatt hours that
4 will be delivered.

5 Q. Is that representative of the average usage
6 of a residential customer taking service
7 under Rate D?

8 A. (Ms. Mason) Yes, it is.

9 So, to get back to the schedules if you
10 want, I would first point you to the "Bingle
11 Sheet." So if you go back to Exhibit 5 that
12 was presented this morning, what you have
13 before you is the report of proposed rate
14 changes. This is essentially called the
15 "Bingle Sheet." At a high-level summary of
16 the effective proposed changes for the
17 various classes, the average number of
18 customers, the amount of revenues that we are
19 currently receiving, the revenues under the
20 proposed temporary rates will yield
21 \$31,165,000.

22 From this schedule, looking at Line 10,
23 under the column entitled "Revenue Under
24 Proposed Temporary Rates," that amount of

[WITNESS PANEL: MASON|MULLEN]

1 that \$31 million, that is carried over to
2 Bates Page 11. And again, I probably should
3 point out --

4 Q. I'm not sure I'm following you. Maybe go
5 back to Exhibit 5. You're pointing us to
6 Line 10, which is Overall. And that's the
7 total amount of revenue that's going to be
8 generated by the temporary rate increase?

9 A. (Ms. Mason) That's correct. If you look at
10 Line 1, the Domestic Residential feature of
11 it, the increase is 26.4 percent.

12 Q. And that's an across-the-board increase for
13 all customer classes; correct?

14 A. (Ms. Mason) It is across the board.

15 Q. And have there been any changes to the rate
16 design as part of this temporary rate
17 settlement?

18 A. (Ms. Mason) There has not.

19 Q. So, looking at Line 1 for the Domestic rate
20 class -- which are the Company's residential
21 customers; correct?

22 A. (Ms. Mason) That is correct.

23 Q. How many customers are taking service under
24 Rate D from the Company?

[WITNESS PANEL: MASON|MULLEN]

1 A. (Ms. Mason) 34,707.

2 Q. Okay. So can you just walk us through that
3 line and explain what portion of the \$6.5
4 million -- you know, walk us through the
5 amount of revenue that's going to be
6 generated from those customers as a result of
7 this rate increase.

8 A. (Ms. Mason) Sure. If you look under Column
9 E, the proposed temporary change in revenues
10 will yield an additional \$3,152,971.

11 Q. And similarly, if you went down the rest of
12 the lines for that Proposed Temporary Change
13 In Revenue column, that would show you the
14 amount that's being received by each -- I'm
15 sorry -- that each customer class will pay,
16 assuming that the temporary rate proposal is
17 approved by the Commission?

18 A. (Ms. Mason) That is correct.

19 Q. Now, maybe if you want to tie it back to --
20 not sure where you're going with Page 11, but
21 if you want to tie us back to another
22 schedule and do that.

23 A. (Ms. Mason) Sure. So, again, coming from
24 Line 10 on the Bingle Sheet, that rate amount

[WITNESS PANEL: MASON|MULLEN]

1 of \$31,165,000, that's carried over to this
2 schedule on Bates Page 11. And what is
3 demonstrated here is in current rates
4 revenues that we talked about briefly, the
5 proposed temporary revenues --

6 (Court Reporter interjects.)

7 A. (Ms. Mason) The proposed temporary revenues
8 will be increased by 26.35 percent.
9 Following that is the beginning of how it's
10 broken out between the three various
11 components. So, to the right of that is the
12 customer charge component. And I'm not sure
13 that the Commission really wants me to go
14 through all these. I'll defer to you.

15 But basically, there are three
16 components that the increase is distributed
17 to: The minimum charge, the customer charge,
18 and then on Page 12, the demand charge, as
19 well with as the distribution and energy
20 charge. This is just to point out that
21 across the board, 26.35 percent is allocated
22 in the rate design that is currently on file
23 with the Commission.

24 Q. What are the remaining schedules that are

[WITNESS PANEL: MASON|MULLEN]

1 attached to the Agreement?

2 A. (Ms. Mason) On Bates Page 14, that is really
3 a neat summary of everything that I just
4 tried to walk you through. It basically has
5 it all there: The increase in revenues by
6 the various components, what our current
7 rates are and what the temporary rates will
8 be. All the other schedules that are
9 included in this are really the detailed
10 calculations for each of the classes
11 presented above.

12 Q. Ms. Mason, do you consider the Settlement
13 Agreement to be in the public interest?

14 A. (Ms. Mason) I do. In coming into this, I
15 think there are three things that the Company
16 wanted to ensure: First of all, improving
17 our cash flow; second, recognizing that we
18 haven't been in for a rate case in a long
19 time, therefore considering rate shock to our
20 customers; and third was the view of our
21 company in the investment community. I think
22 the Settlement Agreement has addressed all of
23 those issues. The public interest includes
24 both customers and investors. I think our

[WITNESS PANEL: MASON|MULLEN]

1 customers will be assured of improved
2 reliability and the convenience of new
3 services. Additional line crews will improve
4 response times, and our investors will be
5 ensured that they are treated fairly here in
6 New Hampshire. For those reasons, I believe
7 that the Settlement Agreement is just and
8 reasonable and fair.

9 Q. Mr. Mullen, do you have any further
10 explanation that you'd like to offer with
11 regard to the settlement?

12 A. (Mr. Mullen) Yes. I'd just ask, could I just
13 speak with my counsel for a second?

14 CHAIRMAN IGNATIUS: That's fine.

15 (Off-the-record discussion between Mr.
16 Mullen and Staff counsel.)

17 A. (Mr. Mullen) In answer to your question, Ms.
18 Knowlton, if I could turn everybody to Page 3
19 of Exhibit 4, which is the Settlement
20 Agreement, I want to clarify a reference
21 that's in the first paragraph of this page.
22 We discussed this in the drafting of the
23 document, and somehow it didn't make it to
24 this, to the copy that got filed.

[WITNESS PANEL: MASON|MULLEN]

1 If you look on the fourth line, just
2 before that it says, "return of equity of
3 9.67," where it says "allowed in DR 95-169,"
4 well, that was the Company's last
5 distribution rate case. However, the
6 9.67 percent comes from a different docket.

7 So what I would suggest -- and I would
8 say that we could most likely file a
9 replacement page -- is after the
10 9.67 percent, delete the words "allowed"
11 right through the comma that's after "rate
12 case" and substitute "included in an improved
13 Settlement Agreement in Docket DG 06-107, the
14 last proceeding involving a general
15 adjustment to the Company's distribution
16 rates." I just want to make it clear as to
17 that's where the 9.67 percent comes from.

18 CMSR. HARRINGTON: Can you give
19 us the number again? DG what?

20 WITNESS MULLEN: 06-107.

21 CHAIRMAN IGNATIUS: And is that
22 language that's been discussed and agreed to by
23 the other signatories to the Agreement?

24 MS. KNOWLTON: Yes, it has. It

[WITNESS PANEL: MASON|MULLEN]

1 just got dropped off in the flurry of exchanges
2 of drafts, which certainly the Company
3 acknowledges was at the eleventh hour. And,
4 you know, we certainly take responsibility, you
5 know, for the late-breaking settlement in this
6 case. So...

7 CHAIRMAN IGNATIUS: That's no
8 problem. That's helpful, because it did seem
9 inconsistent with some of the language in the
10 temporary rates testimony. So, thank you.

11 MS. KNOWLTON: There's probably
12 one other addition that Mr. Mullen is going to
13 point out that I see in the next section.

14 A. (Mr. Mullen) Yeah. I don't have the most
15 current language there, so I wasn't able to
16 confirm that or not. But I think you could
17 probably point that out.

18 MS. KNOWLTON: Yeah. I think in
19 Paragraph B, where it talks about the SRA
20 Factor, it may be implicit, but the sentence
21 that refers to "the settling parties agree to
22 support a November 1st, effective date of any
23 revised SRA Factor," that's November 1st, 2013.

24 CHAIRMAN IGNATIUS: All right.

[WITNESS PANEL: MASON|MULLEN]

1 I guess it says it in the line above --

2 MS. KNOWLTON: Right.

3 CHAIRMAN IGNATIUS: -- and then
4 goes on in another sentence about supporting
5 that effective date. But they should both be
6 2013. That's fine.

7 A. (Mr. Mullen) Other than that, I have no other
8 comments on the Settlement Agreement, except
9 to say that Staff supports it.

10 CHAIRMAN IGNATIUS: And Ms.
11 Amidon, did you have any questions for Mr.
12 Mullen beyond that?

13 MS. AMIDON: No, I did not. I
14 did not feel it was necessary to ask him to
15 summarize his testimony. But certainly, Mr.
16 Mullen would be prepared to answer any
17 questions regarding his testimony if anybody
18 has such questions.

19 CHAIRMAN IGNATIUS: All right.
20 Thank you.

21 I think because the OCA is
22 also a signatory, why don't we go next to OCA
23 for friendly cross-examination, if you have
24 questions.

[WITNESS PANEL: MASON|MULLEN]

1 MS. HOLLENBERG: Thank you. No
2 questions this morning.

3 CHAIRMAN IGNATIUS: All right.
4 Mr. Deschenes, your client's not a signatory to
5 the Settlement Agreement. Do you have
6 questions for the panel?

7 MR. DESCHENES: I have no
8 questions. I have a statement I'd like to make
9 very briefly about our position, but no direct
10 questions.

11 CHAIRMAN IGNATIUS: All right.
12 Why don't we wait until the end then for
13 statements.

14 Questions from the
15 Commissioners? Commissioner Harrington,
16 questions?

17 CMSR. HARRINGTON: Yeah, just a
18 few.

19 **INTERROGATORIES BY MR. HARRINGTON:**

20 Q. And just whoever is most appropriate can
21 answer these, I guess.

22 But getting back to Exhibit 1, just that
23 chart that shows up on Bates Page 4, which is
24 overall rate of return, it appears that

[WITNESS PANEL: MASON|MULLEN]

1 through the late '90s and early 2000s the
2 rate of return kind of went up and down.
3 Sometimes it was a little below the target
4 and sometimes a little above. And then it
5 went way up in 2006, and then it's plummeted
6 ever since. Some of the reasons you've given
7 is the increase in property taxes since 2006.
8 But I assume there must have been an increase
9 in property taxes in the previous 10 years as
10 well, as well as increases in unionized
11 employees' salaries.

12 Was there something significant that
13 happened in 2006, or did it just happen to
14 work out this way?

15 A. (Mr. Mullen) I can address that. If you
16 look, you see that the returns were, you
17 know, in the low teens just before that --
18 and I just referred you to DG 06-107. That
19 proceeding was a proceeding where Granite
20 State's former parent, National Grid, was
21 acquiring KeySpan gas. As part of that
22 proceeding, at the time the electric division
23 was looking at Granite State's earnings and
24 said, Well, you're over-earning, so we should

[WITNESS PANEL: MASON|MULLEN]

1 probably figure out some way to deal with
2 that in that ongoing proceeding. So, at that
3 time we entered into a settlement in DG
4 06-107 that included, among other things, a
5 decrease to Granite State's distribution
6 revenues. And that's where some of the
7 things, including the 9.67 percent ROE, came
8 out. So that was all part of that Settlement
9 Agreement. That Settlement Agreement had a
10 five-year term where, except for limited
11 circumstances, Granite State could not
12 propose any changes to its distribution
13 rates. That term ended at the end of 2012.
14 That's one of the major things that happened
15 at that time and why you see such a drastic
16 change.

17 Q. Okay. So I think that would answer my next
18 question as to why they haven't filed in such
19 a long time. At least since 2006 until now,
20 it was precluded by a Settlement Agreement.

21 A. (Mr. Mullen) Yes. There were certain limited
22 adjustments for things like reliability
23 enhancement program, vegetation management,
24 storm recovery and that sort of thing. But

[WITNESS PANEL: MASON|MULLEN]

1 for a general distribution rate increase,
2 they were precluded.

3 Q. And on that same page it talks about the cost
4 of providing pensions. What type of pension
5 plan does the Company offer employees?

6 A. (Ms. Mason) That is something -- currently?
7 Today?

8 Q. Yes.

9 A. (Ms. Mason) I'm actually not the right
10 witness to be discussing that. We have a
11 witness in the permanent rate filing, Mr.
12 Schmidt, who is the VP of HR, who can address
13 the pension piece of it better. You know,
14 it's comparable -- my understanding is it's
15 comparable to what National Grid had in the
16 past.

17 Q. Okay. So it's the same type of plan that's
18 been offered historically by utilities for
19 the last 30 or 40 years type of plan? A lot
20 of companies are switching to --

21 A. (Ms. Mason) Again, subject to check, I really
22 am not intimately knowledgeable of the
23 pension plan.

24 Q. All right. Couple questions --

{DE 13-063} [TEMPORARY RATE HEARING] {06-04-13}

[WITNESS PANEL: MASON|MULLEN]

1 MS. KNOWLTON: Commissioner
2 Harrington, I don't know if this is helpful,
3 but just for purposes of clarification, there
4 are existing pension plans that -- you know,
5 the Company employs a number of employees that
6 came over from National Grid. All of the work
7 force, you know, distribution workers, many of
8 which, you know, are unionized, those pension
9 plans essentially were transferred over. There
10 was a new form of a pension plan that was
11 created for new employees of Liberty
12 employees -- for example, like myself, who was
13 not a former National Grid employee. And that
14 is not a defined benefit, you know, pension
15 plan in the traditional sense. So, you know,
16 Mr. Schmidt can address those questions in the
17 permanent rate part of the proceeding. But
18 there's pension that came over, and then
19 there's a new form of pension which is more
20 consistent with what you see in the marketplace
21 today.

22 CMSR. HARRINGTON: Thank you.

23 That's very helpful. Thank you.

24 BY CMSR. HARRINGTON:

{DE 13-063} [TEMPORARY RATE HEARING] {06-04-13}

[WITNESS PANEL: MASON|MULLEN]

1 Q. Mr. Mullen, couple questions on your
2 testimony.

3 On Page 3, there's a Staff
4 recommendation of 24.9 percent increase,
5 which is pretty close to what was in the
6 Settlement Agreement, but not exactly the
7 same. Was that just a compromise? Everybody
8 went up a little bit to get to the Settlement
9 Agreement? Any specific reasons for the
10 difference?

11 A. (Mr. Mullen) It was basically a compromise.

12 Q. And I think I know the answer to this, but I
13 want to be clear on it.

14 On Page 5 of your testimony, on the
15 bottom, Line 19, it talks about adjustments
16 for IT spending incurred by Liberty preparing
17 for the acquisition of Granite State. And it
18 goes on to say, "Those costs in particular to
19 the acquisition proceeding are not
20 appropriate for inclusion in the temporary
21 rate calculations." There's a footnote which
22 says the Company shall not seek rate
23 recovery, any transition costs and so forth
24 and so on.

[WITNESS PANEL: MASON|MULLEN]

1 My question is: Would those also not be
2 appropriate for inclusion in permanent rate
3 calculations as well?

4 A. (Mr. Mullen) Yes.

5 Q. So you just limited it to temporary there.
6 All right.

7 Just a little bit more on this Storm
8 Recovery Adjustment Factor that appears on
9 Page 3.

10 If I follow this -- and maybe I'm just
11 not quite following it -- but it sounds like
12 what you're saying is that part of the
13 permanent rate request is going to be a Storm
14 Recovery Adjustment Factor increase, I would
15 guess. But then, the Company may also file a
16 second petition to increase the Storm
17 Recovery Adjustment Factor even more outside
18 of the permanent rate request; is that
19 correct? Am I following that correctly?
20 Nodding doesn't work for the stenographer.
21 You have to say something.

22 A. (Mr. Mullen) Yes, that's correct.

23 Q. Can someone explain why we need two different
24 dockets to address the same issue? Why not

[WITNESS PANEL: MASON|MULLEN]

1 just take it all on in the permanent rate
2 case? The request has already been made. If
3 it needs to be adjusted, adjust it.

4 A. (Mr. Mullen) Well, I think one issue is as to
5 timeliness of recovery. And Ms. Mason
6 mentioned that the Company just filed its
7 storm report. I think it was filed on May
8 31st. If you get a chance to review that,
9 that shows the storm collection is at a
10 negative position of roughly \$7 million. So
11 when you look at that, if you wait until the
12 end of the permanent proceeding to deal with
13 it all then, the longer it takes for recovery
14 of some of these costs, of course the costs
15 go up because there's return associated with
16 them and that sort of thing.

17 Also, it helps from a cash flow
18 perspective for the Company. You know, these
19 storm filings we get from the various
20 electric utilities, basically there's no
21 restriction as to how often they can come in.
22 And it really depends on the storms that have
23 come in compared to the level of recovery
24 that's currently in rates. So what this

[WITNESS PANEL: MASON|MULLEN]

1 really does is it says, okay, let's try to
2 address some of that deficit now rather than
3 wait until the end of the proceeding, and
4 when we get closer to the end of the
5 proceeding, we'll see where things stand and
6 take another look at it.

7 Q. So the idea then, with this November 1st,
8 2013 date, is that it would be effective
9 then; whereas, the permanent rates might not
10 be in effect at that time.

11 A. (Mr. Mullen) The permanent rates would not be
12 in effect at that time.

13 Q. All right. That clarifies. Thank you.
14 That's all I have.

15 CHAIRMAN IGNATIUS: Commissioner
16 Scott.

17 CMSR. SCOTT: Thank you.

18 **INTERROGATORIES BY CMSR. SCOTT:**

19 Q. On Exhibit 4, Page 15, you have the Bill
20 Impacts for Temporary Rates. My question
21 really has little to do with the Settlement
22 Agreement or the rates. But is there a value
23 to the utility to continue to list what a
24 typical bill is of 500 kilowatt hours per

1 month?

2 A. (Ms. Mason) I don't believe so. I believe
3 that that is actually something that was
4 discussed in a recent default service
5 hearing. And I think there are ongoing
6 discussions as to the value of that with
7 either the Company or the Staff or the
8 Commission.

9 Q. And we may well put it in our order, too.
10 But I just want -- my feeling is there is no
11 value added, and I'd hate to have the
12 utilities take the time and effort to
13 identify that.

14 A. (Ms. Mason) I deeply appreciate that.

15 Q. All right. That's all I have. Thank you.

16 **INTERROGATORIES BY CHAIRMAN IGNATIUS:**

17 Q. I have a couple of questions, just trying to
18 work through the percentage increases.

19 The Settlement Agreement identifies the
20 increase in revenues, distribution revenues
21 at 26.35 percent; correct?

22 A. (Ms. Mason) That's correct.

23 Q. And on the sheet we were just looking at,
24 Page 15 of the Settlement Agreement, it shows

[WITNESS PANEL: MASON|MULLEN]

1 an overall bill impact using a
2 674-kilowatt-hour bill, and it shows an
3 impact of 7.8 percent on the bill. I assume
4 that's on a combined bill that is more than
5 just the distribution revenues?

6 A. (Ms. Mason) Right. That's the average annual
7 residential customer bill.

8 Q. So that would be including the energy charges
9 as well as the distribution charges?

10 A. (Ms. Mason) That's correct.

11 Q. The percentage just to the left of that,
12 total delivery percentage, the 16.8 percent,
13 what is that reference? That's not the -- if
14 it's not the same as the distribution
15 increase -- and I think of distribution and
16 delivery as the same thing -- then what am I
17 looking at there?

18 A. (Ms. Mason) Give me a moment?

19 A. (Mr. Mullen) Well, I didn't prepare these
20 myself, but just in looking at that, if you
21 look in the Current Rates column, the seventh
22 column in the Temporary Rates set of
23 columns --

24 Q. Yes.

[WITNESS PANEL: MASON|MULLEN]

1 A. (Mr. Mullen) -- if you have distribution and
2 other delivery -- I understand "Other
3 Delivery" to be things like transmission that
4 gets charged to everybody, maybe string of
5 costs -- so if you then combine that with the
6 Distribution column and then figure the
7 percentage, the overall percentage will be
8 less than the 26.35 percent that would be on
9 distribution only, because those are not
10 changing.

11 Q. All right. So, working through those,
12 Distribution you see moves up from 26.69 to
13 34.11. But Other Delivery is unchanged.
14 Commodity's unchanged. So the total bill is
15 only the increase in the Distribution column?

16 A. (Ms. Mason) That's correct.

17 Q. And I guess that helps to explain my next
18 concern, which is I think of the distribution
19 in electricity being roughly half and half.
20 So I was having trouble understanding how a
21 26 percent increase on the distribution side
22 could translate into only 7.8 percent
23 increase in a total bill. But it's because
24 the transmission and commodity -- the

[WITNESS PANEL: MASON|MULLEN]

1 transmission amount is not included?

2 A. (Mr. Mullen) Well, I think that's part of it.
3 But I think that since the Company hasn't
4 been in for quite a while for a distribution
5 rate increase, the distribution rates are
6 relatively low when you compare them to other
7 electric utilities. So they're really less
8 than half the bill.

9 Q. All right. That's helpful. Thank you.

10 Just a little more clarification on the
11 storm recovery adjustment mechanism that's
12 described on Page 3 of the Settlement
13 Agreement.

14 Under the current provisions before this
15 settlement term, the Company was entitled to
16 seek adjustments to that storm factor and has
17 sought and received adjustments to it.

18 So what is this Agreement doing that's
19 different than what is already authorized
20 even without this Agreement?

21 A. (Ms. Mason) I think the key component of it
22 is that we have agreement by the parties to
23 support that the effective date of an
24 increase in rates potentially will be

[WITNESS PANEL: MASON|MULLEN]

1 November 1st, 2012.

2 Q. 2012 or 2013?

3 A. (Ms. Mason) Oh, 2013. Excuse me.

4 A. (Mr. Mullen) The Agreement really would --
5 what it does, it says, okay, we understand
6 that you plan to pull -- you had an inclusion
7 in the permanent rate filing of an adjustment
8 to the factor. And by this Agreement, we've
9 said, okay, we understand you want to try to
10 recover some of that, deal with some of the
11 recovery issues a little sooner. So that's
12 essentially what it does.

13 Q. So, to make clear that no one would say wait
14 a minute, you just included an adjustment in
15 the permanent rate, you shouldn't be raising
16 this again at this time -- there shouldn't be
17 any further adjustments for some time?

18 A. (Ms. Mason) Well, the new SRA docket that
19 we're talking about is only one component of
20 the entire SRA parameters, if you will. The
21 permanent rate case, as we discussed earlier,
22 has two components: There's the base amount,
23 and currently that's set at \$120,000, with
24 \$10,000 a month coming in from base rates;

{DE 13-063} [TEMPORARY RATE HEARING] {06-04-13}

[WITNESS PANEL: MASON|MULLEN]

1 then there's an additional amount that's
2 coming in through a SRA factor that is
3 relatively low. If we leave that factor as
4 it is today, our recovery will be in 2019.
5 So what we're seeking is, again, to improve
6 cash flow to the Company. So, basically, in
7 terms of the settlement, we said, okay, we'll
8 take a lesser number on the temporary rates
9 if in fact we can adjust our revenues in this
10 other manner through a process adjusting the
11 SRA factor, so that it would be a gradual
12 increase to our customers. It would increase
13 cash flow to the Company. And it seemed to
14 be an appropriate win-win. There are certain
15 components of the SRA that frankly needs the
16 full investigation and review that won't be
17 offered in the short-term docket or
18 fast-track docket, if you will. So that's
19 really going to be designed to recover a
20 small portion, leaving the bigger issues to
21 full investigation and discovery through the
22 permanent rate case.

23 A. (Mr. Mullen) There's another way you can look
24 at it. If they had not included a Storm

{DE 13-063} [TEMPORARY RATE HEARING] {06-04-13}

[WITNESS PANEL: MASON|MULLEN]

1 Recovery Adjustment Factor provision in the
2 permanent filing, nothing would have
3 precluded a separate filing outside of the
4 rate case. So I look at it and say it's
5 nothing besides anything that could have
6 happened on its own, anyhow.

7 Q. Thank you. I have no other questions.

8 CMSR. HARRINGTON: Just one
9 quick follow-up.

10 CHAIRMAN IGNATIUS: Commissioner
11 Harrington.

12 **INTERROGATORIES BY CMSR. HARRINGTON:**

13 Q. May be more of a comment than anything else.
14 But you went 16 years almost without a rate
15 case for distribution, and now it looks like
16 we're looking at some real serious rate shock
17 here. So I would certainly hope that the
18 Company would consider not doing that again
19 and coming back a little more often.

20 A. (Ms. Mason) We look to the Commission to
21 issue its orders. As Mr. Mullen spelled out,
22 in the last order that came out of the
23 Commission for the case, we were precluded
24 from coming in for a rate increase for five

1 years.

2 CHAIRMAN IGNATIUS: Commissioner
3 Scott.

4 **INTERROGATORIES BY CMSR. SCOTT:**

5 Q. Actually, my follow-up question was going to
6 be pretty much in the same line.

7 So I'm wondering -- you know, I can see
8 the advantage for a lot of reasons for not --
9 for locking out another rate case for five
10 years after a settlement and that type of
11 thing, all things being equal. But I'm
12 wondering if there's some -- looking -- given
13 the crystal ball apparently was a little bit
14 hazy for everybody, I'm just wondering out
15 loud if there's parameters we can maybe put
16 in the future, such that, you know, maybe not
17 have rate shock that is so large.

18 A. (Mr. Mullen) Well, being involved in the
19 settlement that took place in 06-107, I can
20 say that if you take a look at that
21 settlement, you'll see that there are many,
22 many components to that. So, you know, one
23 component was the exclusion, except for
24 certain events, of coming in for distribution

[WITNESS PANEL: MASON|MULLEN]

1 rates. But there were lots of other things
2 involved there. So, I mean, that all goes
3 to, you know, how we worked through this
4 case. And, you know, there's lots of
5 different components here to take into
6 consideration at the same time.

7 So, I mean, I think we all understand
8 the concerns. You know, there's lots of
9 moving parts in these cases.

10 Q. Understood. Thank you.

11 CHAIRMAN IGNATIUS: All right.
12 Any redirect, Ms. Knowlton?

13 MS. KNOWLTON: I have some
14 limited redirect for Ms. Mason.

15 **REDIRECT EXAMINATION**

16 **BY MS. KNOWLTON:**

17 Q. Ms. Mason, you were just testifying about the
18 new SRA docket, and you said something to the
19 effect that there will be consideration of
20 the SRA part in the permanent rate
21 proceedings, so that there would be an
22 opportunity for full investigation of the
23 SRA.

24 Isn't it the Company's expectation,

[WITNESS PANEL: MASON|MULLEN]

1 though, that in this new SRA docket, that
2 there's going to be full consideration of
3 whatever the Company's requests that's made?

4 A. (Ms. Mason) On the factor, absolutely --

5 Q. On the factor. And the factor is different
6 than the base distribution rates; correct?

7 A. (Ms. Mason) That's absolutely correct.

8 Q. So there will be an investigation in the
9 permanent rate proceeding of what's in the
10 base rate in the Company's request relative
11 to that; correct?

12 A. (Ms. Mason) That's correct.

13 Q. And then, to the extent that, based on the
14 terms of this Settlement Agreement, that
15 there's anything further left to do with the
16 SRA after this new SRA docket, that remaining
17 residual piece will be considered in the
18 permanent rate proceeding.

19 A. (Ms. Mason) That's my understanding, yes.

20 Q. But there will be a full consideration of
21 what the Company proposes in the next 30 days
22 on this new SRA docket. We expect there will
23 be discovery; correct?

24 A. (Ms. Mason) Absolutely.

{DE 13-063} [TEMPORARY RATE HEARING] {06-04-13}

[WITNESS PANEL: MASON|MULLEN]

1 Q. And technical sessions if the parties want
2 that?

3 A. (Ms. Mason) Right.

4 Q. Thank you.

5 CHAIRMAN IGNATIUS: Any
6 redirect, Ms. Amidon?

7 MS. AMIDON: No, thank you.

8 CHAIRMAN IGNATIUS: Then the
9 witnesses are excused. Thank you.

10 Is there any objection to
11 striking the identification and making the
12 five exhibits full exhibits?

13 (No verbal response)

14 CHAIRMAN IGNATIUS: Seeing none,
15 we will do that.

16 And I think, unless there's
17 anything further, we now have an opportunity
18 for closing statements and positions. Why
19 don't we first turn to Mr. Deschenes.

20 MR. DESCHENES: Thank you. As
21 you pointed out, Dartmouth Hitchcock is not a
22 signatory to the Settlement Agreement. We did
23 participate in discovery, and we also
24 participated in the two settlement conferences

1 referenced earlier. The reason we are not a
2 signatory is we didn't -- due to when the
3 Agreement circulated, we did not have an
4 opportunity to participate in the drafting of
5 the Settlement Agreement, and because of that,
6 we are not a signatory. So I just have some
7 limited comments. And because we were not a
8 signatory, I do not -- excuse me. Because we
9 were not part of the drafting, I don't intend
10 to try to become a signatory now. My overall
11 position is we do not object to the settlement.
12 We agree that it's generally consistent with
13 what the parties had discussed. That said, in
14 the future we'd like more of an opportunity to
15 actually participate in the drafting.

16 CHAIRMAN IGNATIUS: Can I ask
17 you why it didn't happen this time? Was it
18 just timing got short, or was there -- were you
19 left off of any sort of distribution list or --

20 MR. DESCHENES: Oh, no. I'm
21 certainly not suggesting that I was left off a
22 distribution list. And perhaps the actual
23 timing with respect to the circulation might be
24 better directed to those who circulated it. In

1 other words, we were not drafters of the
2 Settlement Agreement, and we received it on
3 Monday. And what I'm suggesting is, with an
4 entity like Dartmouth-Hitchcock, that didn't
5 provide us with enough time to give the careful
6 review and commentary that we would have liked.

7 CHAIRMAN IGNATIUS: All right.
8 Thank you. Please continue.

9 MR. DESCHENES: There's been a
10 fair bit of commentary on the Storm Recovery
11 Adjustment Factor, and I'd just like to give my
12 own commentary about what we believe.

13 I believe Mr. Mullen's -- you
14 asked Mr. Mullen the question: Does this
15 give Liberty anything more than they would
16 already have? And I can tell you, at least
17 from Dartmouth-Hitchcock's perspective, our
18 belief is that it does not. Certainly we
19 understand that they have the ability to file
20 a petition. And I understand within the next
21 30 days, my understanding is that, if they
22 were to file that petition within the next 30
23 days, that would give the Commission ample
24 time to allow some discovery and have

1 technical sessions and be able to rule on
2 that prior to the November date that's in the
3 Settlement Agreement. But again, the
4 language in here presupposes that they're
5 going to be filing a petition relatively
6 soon.

7 There was a little bit of
8 testimony regarding the need for the SRA
9 factor. And all I can say about that is,
10 just to be perfectly clear, that adjustment
11 factor was not part of the temporary rate
12 case. That's nothing that there's been
13 discovery on or analysis of. And I think
14 that's clear from what you've heard already.
15 But I just wanted to make it clear that
16 nobody, including Dartmouth-Hitchcock, is
17 taking a particular position on the nature of
18 that adjustment. Again, Dartmouth's position
19 is that they're fully entitled to go ahead
20 and file their petition, and they should do
21 so if they feel it's appropriate.

22 Other than that, like I said,
23 obviously we're not a signatory, but we were
24 participating in what we believe were

1 confidential settlement negotiations, and
2 obviously we will honor that confidentiality.

3 CHAIRMAN IGNATIUS: Thank you.
4 Ms. Hollenberg.

5 MS. HOLLENBERG: Thank you. The
6 office of Consumer Advocate supports the
7 Settlement Agreement and asks that the
8 Commission approve it without any change.

9 CHAIRMAN IGNATIUS: Thank you.
10 Ms. Amidon.

11 MS. AMIDON: Thank you. Staff
12 participated in the discovery and technical
13 sessions that led to the settlement discussions
14 and participated in the Settlement Agreement
15 and signed the Settlement Agreement because
16 Staff believes it's a just and reasonable
17 resolution of the issues in the temporary case
18 and is in the public interest and consistent
19 with the Commission -- the requirements in PUC
20 203.20V. We ask that the Commission approve
21 the settlement.

22 And insofar as Mr. Deschenes'
23 comment, everyone was hard-pressed yesterday
24 to make any contributions to the Settlement

1 Agreement language. Unfortunately, as
2 Attorney Knowlton said, the contributions
3 that the Staff made were ultimately not
4 included in the document. Therefore, we
5 would ask that the Commission approve the
6 Settlement Agreement with those changes in it
7 and expect that the Company will be filing
8 the substitute page as soon as possible. But
9 recognizing, you know, Mr. Deschenes' need to
10 deal with his client, I can appreciate his
11 observations. However, we all did receive
12 the Settlement Agreement at the same time,
13 and I just wanted to make that clear to the
14 Commission. Thank you.

15 CHAIRMAN IGNATIUS: Thank you.

16 Commissioner Scott.

17 CMSR. SCOTT: And to the OCA,
18 can I clarify? You said you support it with no
19 changes?

20 MS. HOLLENBERG: Sure. Thank
21 you for that opportunity to clarify. We would
22 support the changes that Staff and the Company
23 noted in the testimony provided by the panel
24 today.

1 CMSR. SCOTT: Thank you.

2 CHAIRMAN IGNATIUS: And we ought
3 to -- just to be sure it's understood, is there
4 a corrected page or pages? I'm not sure if
5 it's more than one needing to come in. Who's
6 going to be doing that, and when would that be
7 received?

8 MS. KNOWLTON: I'll do that.
9 I'll draft that. And we can possibly get it up
10 here today or tomorrow.

11 CHAIRMAN IGNATIUS: I think as
12 long as it's done by the end of the week, that
13 would be good.

14 All right. Then, Ms.
15 Knowlton.

16 MS. KNOWLTON: Thank you. Just
17 to take a minute to address the issue of
18 timing.

19 You know, the Company will
20 bear the responsibility on that one. And
21 without breaching the veil of confidentiality
22 of settlement discussions, the Company did
23 offer to draft the Settlement Agreement, and
24 we did draft it. And we didn't have

1 authority to release the Settlement Agreement
2 until very late in the process, and for that
3 we're apologetic. You know, we would like to
4 be able to proceed at a time in the future,
5 you know, where we have more time for
6 everybody to be able to consider the draft
7 and talk to their clients and, you know, give
8 the process more time. So it was very
9 important to us to be able to keep this
10 hearing today, on June 4th, and we very much
11 appreciate everyone working with us to do
12 that -- the parties, Commission itself, the
13 Commissioners. So, thank you to everyone for
14 that.

15 With regard to the substance
16 of the Settlement Agreement, the Company
17 believes that it is a just and reasonable
18 result and that it is in the public interest.

19 The Company has a very
20 significant under-earning right now, which,
21 as Ms. Mason testified, is not a survivable
22 condition for the Company. The Settlement
23 Agreement will increase the revenue to the
24 Company on an effective July 1st

1 service-rendered basis, assuming the
2 Commission approves the proposed settlement,
3 and that will give the Company opportunity to
4 begin to earn a reasonable return on the
5 assets that it has in use to serve its
6 customers. At the same time, we're also very
7 mindful of the rate shock that the
8 Commissioners have raised and the concern for
9 the Company's customers. And we think this
10 is the right way to go about addressing that,
11 to begin a gradual increase for customers as
12 we proceed through the permanent rate phase
13 of the proceeding.

14 The second component of the
15 settlement, the SRA factor, is a very
16 important piece to the Company. And I think
17 it's a very good question about, well, what
18 are you really getting here. I think what
19 we're getting here is an agreement by the
20 parties to consider an accelerated docket for
21 this change, the proposed change that we'll
22 be filing on the SRA factor. We can't compel
23 anybody to agree to an accelerated procedural
24 schedule, and the parties in this case in the

1 settlement were willing to do that. I think
2 that is what we get, is the opportunity to
3 come in and have everybody agree to
4 participate in a process. Obviously, it's
5 ultimately the Commission's decision on what
6 it does with that filing. But we're hopeful
7 that you'll look favorably on it and that the
8 SRA will be increased effective November 1st.

9 It is an integrated settlement
10 from the Company's perspective. So we also
11 ask that you approve the settlement in its
12 entirety, you know, with the changes that Mr.
13 Mullen identified on the stand, subject to
14 that substitute page coming in. Both
15 components are very important and necessary
16 in order for the Company to be a party to the
17 settlement. So it is an integrated document,
18 and we ask that you approve it in its
19 entirety. So, thank you.

20 CHAIRMAN IGNATIUS: One
21 clarification. You had said a moment ago that
22 you're seeking this to be -- or the Settlement
23 Agreement seeks this to be effective
24 immediately, on a service-rendered basis. And

1 the terms actually say July 1st --

2 MS. KNOWLTON: Right. I'm
3 sorry. July 1st. Right.

4 CHAIRMAN IGNATIUS: -- which is
5 pretty close to immediate.

6 MS. KNOWLTON: Right. To us
7 that's immediate. We've been waiting for a
8 long time. So July 1st is right around the
9 corner. But yes, it is July 1st.

10 CHAIRMAN IGNATIUS: Thank you.

11 Anything further? If not,
12 then we'll take all this under advisement.
13 And we appreciate the work that went into
14 this and recognize that it was probably a bit
15 of a flurry at the end. But especially in
16 things like a temporary rate proceeding,
17 seems like there's a lot of value in
18 settlement and to move on to further
19 discovery on the permanent rates.

20 So, thank you. We're
21 adjourned.

22 **(Whereupon the hearing was adjourned at**
23 **11:23 a.m.)**

24

C E R T I F I C A T E

I, Susan J. Robidas, a Licensed
Shorthand Court Reporter and Notary Public
of the State of New Hampshire, do hereby
certify that the foregoing is a true and
accurate transcript of my stenographic
notes of these proceedings taken at the
place and on the date hereinbefore set
forth, to the best of my skill and
ability under the conditions present at
the time.

I further certify that I am neither
attorney or counsel for, nor related to or
employed by any of the parties to the
action; and further, that I am not a
relative or employee of any attorney or
counsel employed in this case, nor am I
financially interested in this action.

Susan J. Robidas, LCR/RPR
Licensed Shorthand Court Reporter
Registered Professional Reporter
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