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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

September 25, 2013 - 10:05 a.m.
Concord, New Hampshire

NHPUC OCT09'13 PM12:13

RE: DE 13-196
GRANITE STATE ELECTRIC COMPANY
d/b/a LIBERTY UTILITIES:
Storm Recovery Adjustment Factor.

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

Sandy Deno, Clerk

APPEARANCES: Reptg. Granite State Electric Company
d/b/a Liberty Utilities:
Harry N. Malone, Esq. (Devine, Millimet...)

Reptg. Residential Ratepayers:
Susan Chamberlin, Esq., Consumer Advocate
Office of Consumer Advocate

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Steven E. Mullen, Asst. Dir./Electric Div.
Grant W. Siwinski, Electric Division

Court Reporter: Steven E. Patnaude, LCR No. 52

ORIGINAL

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I N D E X

PAGE NO.

**WITNESS PANEL: STEPHEN R. HALL
 GRANT W. SIWINSKI**

Direct examination by Mr. Malone	7, 13
Direct examination by Ms. Amidon	10, 16
Cross-examination by Mr. Mullen	18
Cross-examination by Ms. Chamberlin	19
Interrogatories by Cmsr. Harrington	22
Interrogatories by Cmsr. Scott	24
Interrogatories by Chairman Ignatius	27

* * *

E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	Storm Recovery Adjustment Factor filing (09-25-13)	6
2	Stipulation and Settlement Agreement	6

* * *

CLOSING STATEMENTS BY: **PAGE NO.**

Ms. Chamberlin	30
Ms. Amidon	32
Mr. Malone	33

FURTHER QUESTIONS BY: Chairman Ignatius 31

P R O C E E D I N G

1
2 CHAIRMAN IGNATIUS: I'd like to open the
3 hearing in Docket DE 13-196. This is Granite State
4 Electric Company, also known as "Liberty Utilities",
5 request to increase its Storm Recovery Adjustment Factor.
6 This is occasioned by a filing on July 17th, 2013 by the
7 Company to increase the SRAF, due to significant costs
8 incurred in three storms: Tropical Storm Irene, in
9 August 2011, the October 2011 snowstorm, and Hurricane
10 Sandy, in October 2012. And, I understand that a
11 Settlement Agreement between the Company and Staff, but
12 not the OCA, was submitted late, not yesterday, the day
13 before, and which we have now filed and reviewed. And,
14 we'll take that up, issues regarding that, after we first
15 have appearances.

16 MR. MALONE: Good morning. I'm Harry
17 Malone, with the law firm of Devine, Millimet & Branch,
18 representing Granite State Electric Company. With me
19 today are, already ready to testify, Stephen Hall, the
20 Director of Regulatory and Government for Liberty Energy
21 Utilities New Hampshire; to my right is James Bonner, an
22 independent senior financial analyst working with Liberty;
23 to his right is James Riordan, an accountant for Liberty
24 Energy Utilities New Hampshire; and then to his right is

1 Kurt Demmer, Director of Electric Operations for Liberty
2 Energy Utilities New Hampshire.

3 CHAIRMAN IGNATIUS: Thank you.

4 MS. CHAMBERLIN: Good morning. Susan
5 Chamberlin, for the Office of the Consumer Advocate.

6 MS. AMIDON: Good morning,
7 Commissioners. Suzanne Amidon, for Commission Staff. To
8 my left is Steve Mullen, the Assistant Director of the
9 Electric Division, and already at the witness bench is
10 Grant Siwinski, an analyst in that Division.

11 CHAIRMAN IGNATIUS: Thank you. Welcome,
12 everyone. And, Mr. Hall, it's funny to see you there
13 identified as being there to testify for Liberty
14 Utilities.

15 MR. HALL: It's my pleasure to be here.

16 CHAIRMAN IGNATIUS: But we'll get used
17 to that.

18 So, the first is just a procedural
19 issue. We have an administrative rule that requires a
20 filing of settlement agreements no less than five days
21 prior to a hearing. That's subject to waiver by the
22 Commission, when appropriate. And, we have no trouble in
23 granting the waiver, and appreciate you filing it for our
24 consideration prior to the hearing itself.

[WITNESS PANEL: Hall~Siwinski]

1 So, I take it you intend to have a panel
2 to present the settlement terms?

3 MS. AMIDON: That that's correct.

4 CHAIRMAN IGNATIUS: And, then,
5 obviously, the Consumer Advocate, as not being a signatory
6 to it, can cross-examine. If you have over issues that
7 you also want to address, we'll take those up afterwards.

8 So, why don't you go ahead and swear the
9 witnesses, Mr. Patnaude.

10 (Whereupon **Stephen R. Hall** and
11 **Grant W. Siwinski** were duly sworn by the
12 Court Reporter.)

13 MS. AMIDON: And, just for your
14 information, madam Chairman, Attorney Malone is going to
15 qualify his witness, I will be qualifying Mr. Siwinski.
16 And, I'm assuming that Mr. Malone is ready to have
17 exhibits marked for identification.

18 CHAIRMAN IGNATIUS: All right.

19 MR. MALONE: Yes. If we could, we'd
20 like to ask that the Company's initial filing be marked as
21 "Exhibit 1". That consists of a cover letter, a proposed
22 tariff, and then three pieces of testimony and their
23 accompanying exhibits. And, then, the second --

24 CHAIRMAN IGNATIUS: And, that's the July

{DE 13-196} {09-25-13}

[WITNESS PANEL: Hall~Siwinski]

1 -- it was dated "July 16th" and received the 17th?

2 MR. MALONE: That's correct.

3 CHAIRMAN IGNATIUS: All right. So
4 marked.

5 (The document, as described, was
6 herewith marked as **Exhibit 1** for
7 identification.)

8 MR. MALONE: And, the second document
9 we'd like to have marked as "Exhibit Number 2" would be
10 the Stipulation and Settlement Agreement that was referred
11 to earlier regarding the Storm Recovery Adjustment Factor.
12 And, that was the one that was filed on Monday afternoon
13 of this week.

14 CHAIRMAN IGNATIUS: Thank you. So
15 marked.

16 (The document, as described, was
17 herewith marked as **Exhibit 2** for
18 identification.)

19 CHAIRMAN IGNATIUS: And, am I right, I
20 see no sign of any other intervenors? The OCA is a
21 participant, but, other than that, that's our group in
22 here today?

23 MS. AMIDON: That's correct.

24 CHAIRMAN IGNATIUS: Thank you.

{DE 13-196} {09-25-13}

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STEPHEN R. HALL, SWORN

GRANT SIWINSKI, SWORN

DIRECT EXAMINATION

BY MR. MALONE:

Q. All right. Mr. Hall, can you please state your full name and business address.

A. (Hall) My name is Stephen R. Hall. And, my business address is 11 Northeastern Boulevard, Salem, New Hampshire.

Q. And, by whom are you employed and in what capacity?

A. (Hall) I am the Director of Regulatory and Government Affairs for Liberty Energy Utilities New Hampshire Corp.

Q. And, how long have you been in that position?

A. (Hall) Three and a half weeks.

Q. And, with whom were you employed prior to joining Liberty?

A. (Hall) I was previously employed by Public Service of New Hampshire for 34 years.

Q. Okay. Have you testified previously before this Commission?

A. (Hall) Yes. I've testified before this Commission on behalf of PSNH on numerous occasions.

Q. I would like to refer to a document that is now part of

[WITNESS PANEL: Hall~Siwinski]

1 Exhibit 1 called the "Direct Testimony of ChristiAne G.
2 Mason on behalf of Granite State Electric Company d/b/a
3 Liberty Utilities". And, it consists of a total of 29
4 pages, including text and attachments. And, I ask if
5 you are familiar with them?

6 A. (Hall) Yes, I am.

7 Q. And, do you adopt the statements made in that testimony
8 as your testimony in this proceeding as though they
9 were read into the record?

10 A. (Hall) Yes, I do.

11 Q. Okay. And, if I were to ask you the same questions
12 today, would your answers be the same?

13 A. (Hall) They would.

14 Q. Do you have any corrections in that testimony?

15 A. (Hall) No, I have none.

16 Q. Is your testimony true and correct to the best of your
17 knowledge and belief?

18 A. (Hall) Yes, it is.

19 Q. And, to the best of your knowledge and belief, is the
20 rest of the Company's filing true and accurate as well?

21 A. (Hall) Yes, it is. There are two corrections that need
22 to be made to the remainder of the filing; one is
23 really an update, the other is a minor correction. I'd
24 first like to turn you to the testimony of Jim Riordan,

{DE 13-196} {09-25-13}

1 on --

2 MS. AMIDON: Provide us a Bates stamp?

3 **BY THE WITNESS:**

4 A. (Hall) Bates stamp Page 7 of that testimony. Line 19.

5 And, that Q&A is asking about the costs incurred as a

6 result of Hurricane Sandy. And, there's a sentence

7 there that says "These costs are preliminary and have

8 not been audited by the NHPUC." That should be

9 stricken. The Commission Staff has since audited those

10 costs. And, that's the only update to that testimony.

11 And, the other --

12 MS. CHAMBERLIN: Excuse me. I still

13 haven't found it. Could you identify the page and line

14 again?

15 WITNESS HALL: Certainly. It's

16 Mr. Riordan's testimony. It's Bates Page 7. It's Page 5

17 of 7 of his testimony. Line 19.

18 MS. CHAMBERLIN: Thank you.

19 CMSR. SCOTT: Is that the same case for

20 Line 7 also?

21 WITNESS HALL: No. Line 7 refers to the

22 October 2011 snowstorm. There are three snowstorms at

23 issue -- I'm sorry, three storms at issue; October 2011,

24 Hurricane Irene, and Hurricane Sandy. Hurricane Irene and

[WITNESS PANEL: Hall~Siwinski]

1 the October snowstorm are awaiting audit. The audit on
2 Hurricane Sandy has now been completed.

3 CMSR. HARRINGTON: And, is the figure of
4 approximately \$1.5 million, was that confirmed by the
5 audit? Is that still accurate?

6 WITNESS HALL: Yes, it is.

7 CMSR. HARRINGTON: Okay.

8 **BY THE WITNESS:**

9 A. (Hall) The other change is in Kurt Demmer's testimony.
10 And, if you turn to Mr. Demmer's testimony, on Bates
11 stamp Page 5. It's Page 3 of 9 of his testimony, Bates
12 Page 5, on Line 6. The date at the end of the line
13 says "May 31, 2012", that should read "May 31, 2013".
14 That was the date that the annual report, Storm Fund
15 Report for 2012 was filed. It was filed on May 2013.

16 And, with that, there are no other
17 corrections to the testimony.

18 MR. MALONE: Thank you, Mr. Hall. I'll
19 turn the questioning over to Attorney Amidon.

20 MS. AMIDON: Yes. Thank you. Good
21 morning, Mr. Siwinski.

22 WITNESS SIWINSKI: Good morning.

23 BY MS. AMIDON:

24 Q. Would you please state your name and business address

{DE 13-196} {09-25-13}

1 for the record.

2 A. (Siwinski) My name is Grant W. Siwinski. I reside at
3 21 South Fruit Street, in Concord, New Hampshire.

4 Q. Could you tell me for whom you are employed and what
5 your position is?

6 A. (Siwinski) I'm employed with the New Hampshire PUC.
7 And, I'm a Utility Analyst in the Electric Division.

8 Q. Could you tell me how long you've worked here?

9 A. (Siwinski) Three years.

10 Q. Thank you. Have you previously testified before the
11 Commission?

12 A. (Siwinski) No.

13 Q. Could you please then summarize your professional
14 background, including your work with any other utility
15 regulatory agencies.

16 A. (Siwinski) I worked for the Maine Public Utilities
17 Commission as a Senior Utility -- or, Senior Financial
18 Analyst in the Finance Division. And, in that
19 capacity, I testified as a revenue requirement witness
20 in electric, gas, and water cases. I was employed by
21 the Nevada PUC as a Policy Advisor, and I assisted the
22 Commissioners at deliberative sessions on draft orders
23 and answering technical questions. I was also a
24 Manager at that Commission before I left. And, I've

1 been here for three years.

2 Q. Thank you. Now, in connection with your work here at
3 the Commission, did you participate in the review of
4 the Petition that's the subject of this docket?

5 A. (Siwinski) I did.

6 Q. And, did you participate in the settlement discussions
7 that led to the development of the Settlement Agreement
8 that's been marked for identification as "Exhibit 2"?

9 A. (Siwinski) Yes.

10 Q. Thank you. Well, I'm going to proceed with some
11 additional questions for you, Mr. Siwinski. And, this
12 concerns your work here at the Commission. Have you
13 worked on any other proceedings with the Electric
14 Division concerning Storm Recovery Adjustment Factor
15 issues?

16 A. (Siwinski) I have. Yes.

17 Q. And, in those proceedings, has the company generally
18 required an audit before a company could begin recovery
19 of storm-related costs?

20 A. (Siwinski) No.

21 Q. And, could you explain why?

22 A. (Siwinski) Well, I guess it's because the costs have
23 been expended, and it's -- they're entitled to recover
24 those costs. In my experience with the storm funds,

[WITNESS PANEL: Hall~Siwinski]

1 very little of the costs have been disallowed when they
2 have been audited. They have been minor. And, so, the
3 Commission has allowed the recovery of those costs
4 before the audits.

5 Q. And, is it fair to say that any storm recovery money is
6 adjusted and reconciled to any Staff recommendations
7 coming out of those audits?

8 A. (Siwinski) Yes. That's the way it works.

9 MS. AMIDON: Thank you. He's available
10 for examination by Mr. Malone and cross-examination by
11 Ms. Chamberlin.

12 MR. MALONE: I have no more questions
13 for Mr. Siwinski. I do have some questions for Mr. Hall,
14 if you don't mind. And, then, we can turn it over to
15 Ms. Chamberlin.

16 BY MR. MALONE:

17 Q. I'll ask you the same types of questions, Mr. Hall.
18 Did the Company participate in technical sessions with
19 the Parties?

20 A. (Hall) Yes.

21 Q. And, there had been settlement discussions as well?

22 A. (Hall) Yes.

23 Q. And, as a result of these settlement conferences, did
24 the Company reach an agreement with the Staff in regard

1 to the Storm Adjustment Factor?

2 A. (Hall) Yes, we did.

3 Q. All right. I'd like to have you discuss what the
4 material terms of those settlements were, and could you
5 identify those please for the Commission?

6 A. (Hall) Certainly. The substantive portion of the
7 Settlement really is on Page 2, going over to Page 3.
8 The Parties agreed that Granite State would be allowed
9 to increase its Storm Recovery Adjustment Factor to a
10 level of 0.329 cents per kilowatt-hour effective
11 November 1, 2013. The current level of the Storm
12 Recovery Adjustment Factor is 0.223 cents per
13 kilowatt-hour. The Parties further agreed that the
14 0.329 cents per kilowatt-hour Storm Recovery Adjustment
15 Factor would remain in effect for one year, and it
16 would then decrease to 0.221 cents per kilowatt-hour,
17 slightly below where it is today, on November 1, 2014.
18 And, it would then remain at that level for one year,
19 until October 31st, 2015.

20 The level of the Storm Recovery
21 Adjustment Factor, first at 0.329 and then at 0.221, is
22 anticipated to recover the unamortized balance that
23 remains in the Storm Fund. The Parties also agreed
24 that, prior to October 31st, 2015, that we would get

[WITNESS PANEL: Hall~Siwinski]

1 together and discuss the appropriate disposition of any
2 balance anticipated to remain in the Storm Fund as of
3 October 31st, 2015, whether that balance is positive or
4 negative. If it's a negative balance, the Parties will
5 have to determine what's the appropriate way to recover
6 any remaining balance from customers. If it's a
7 positive balance, the Parties will have to determine
8 what's the best way to give that money back to
9 customers.

10 The Settlement really is a balancing of
11 two competing objectives. One of which is prompt cost
12 recovery. As Mr. Siwinski indicated a few minutes ago,
13 these costs have already been incurred. And,
14 therefore, the Company was seeking relatively prompt
15 recovery of its costs that it already incurred. The
16 other objective was minimizing the impact on customers'
17 bill amounts. And, as a result, the Parties came up
18 with a situation which we believe balances those two
19 competing objectives. It allows for cost recovery, yet
20 it also produces a relatively modest impact on
21 customers' bill amounts. That completes my summary.

22 Q. Thank you. And, as a final question, do you consider
23 the Settlement Agreement to be in the public interest?

24 A. (Hall) Yes, I do.

[WITNESS PANEL: Hall~Siwinski]

1 MR. MALONE: Thank you. I have no
2 further questions.

3 MS. AMIDON: May I conduct some direct
4 of Mr. Hall?

5 CHAIRMAN IGNATIUS: Yes, please.

6 MS. AMIDON: Thank you. Good morning,
7 Mr. Hall.

8 WITNESS HALL: Good morning.

9 BY MS. AMIDON:

10 Q. In the Settlement Agreement, and in the testimony, it
11 states that -- in the "revised testimony", I should
12 say, states that the audit, with respect to Superstorm
13 Sandy has been completed, but the audits for Tropical
14 Storm Irene and the October 2011 snowstorm have not
15 been completed. Do you know any -- aware of any
16 reasons why Staff has not been able to conclude an
17 audit on those two storms?

18 A. (Hall) I believe the Company has not yet filed
19 documentation on Hurricane Irene and the October
20 snowstorm. That information is being assembled. And,
21 we anticipate that filing will be made within a matter
22 of a month or two, if not a matter of weeks.

23 Q. Okay. So, you're -- the Company is sure that it will
24 be able to get all the necessary information from

{DE 13-196} {09-25-13}

[WITNESS PANEL: Hall~Siwinski]

1 National Grid to compile that information?

2 A. (Hall) That is what we are doing right now. We're
3 working with National Grid to put all of the
4 information together. Hurricane Sandy, of course,
5 occurred following the sale. And, therefore, Liberty
6 had all of the information on its own, and we were able
7 to file that information, provide that information to
8 the Staff. And, that's why Hurricane Sandy was able to
9 be audited relatively quickly.

10 Q. Understood.

11 A. (Hall) But we are working with National Grid on the
12 other two storms.

13 Q. Thank you. You mentioned the rate impact in connection
14 with your support of the Settlement Agreement. For the
15 record, would you tell the Commission what the rate
16 impact would be for this Storm Adjustment Factor
17 increase?

18 A. (Hall) Certainly. For an average residential customer,
19 the rate impact, on November 1, 2014, will be a monthly
20 bill increase of about 72 cents. That translates into
21 about six/tenths of 1 percent for a total bill amount.
22 One year later, on November 1, 2015, rates will
23 decrease. And, the average residential customer will
24 see a monthly bill reduction of about 73 cents per

{DE 13-196} {09-25-13}

[WITNESS PANEL: Hall~Siwinski]

1 kilowatt-hour. And, again, that translates into
2 roughly six/tenths of 1 percent on total bill amounts.

3 MS. AMIDON: Mr. Mullen has a comment.

4 MR. MULLEN: Good morning, Mr. Hall.

5 WITNESS HALL: Good morning.

6 BY MR. MULLEN:

7 Q. I'd just like to clarify. When you said the "72
8 cents", I believe you said that was going to be
9 "November of 2014". And, then, I believe your second
10 rate impact you said for "November of 2015".

11 A. (Hall) I stand corrected, sir. The 72 cent increase is
12 November 1, 2013. The 73 cent decrease is November 1,
13 2014.

14 MR. MULLEN: Thank you.

15 WITNESS HALL: Thank you for that
16 correction.

17 BY MS. AMIDON:

18 Q. And, then, it's fair to say, Mr. Hall, that the Company
19 is asking for the rate impact to begin on November 1,
20 is that correct?

21 A. (Hall) Yes, it is.

22 Q. You said "72 cents". Was that based on any typical
23 bill? Is it a residential bill?

24 A. (Hall) It was based on an average residential bill,

{DE 13-196} {09-25-13}

[WITNESS PANEL: Hall~Siwinski]

1 which is about 676 kilowatt-hours per month.

2 Q. And, that represents the average use over the past 12
3 months ending August or something like that?

4 A. (Hall) I think that one might be 12 months ending
5 April. But, if it's updated, it's not an amount that
6 changes a whole lot. If we updated it to a more recent
7 time frame, it might change by a few kilowatt-hours a
8 month. But it's relatively representative.

9 Q. Okay. I understand that. My one final question is,
10 what is the most recent known balance in the Storm
11 Reserve?

12 A. (Hall) The actual balance, as of August 31st, 2013, was
13 about 5.4 million. In the Settlement, I believe we
14 indicated that the -- we anticipate the balance, as of
15 October 31st, when this rate change would occur, to be
16 about 5.07 million.

17 MS. AMIDON: Okay. Thank you. I have
18 no further questions.

19 CHAIRMAN IGNATIUS: Ms. Chamberlin.

20 MS. CHAMBERLIN: I have a few questions
21 on cross.

22 **CROSS-EXAMINATION**

23 BY MS. CHAMBERLIN:

24 Q. The testimony is that the Hurricane Sandy costs have

{DE 13-196} {09-25-13}

[WITNESS PANEL: Hall~Siwinski]

1 been audited. When was the audited completed?

2 A. (Hall) I don't know, but I could find out and respond.

3 A. (Siwinski) I do know. It was about two weeks ago.

4 Q. Is that a public document?

5 A. (Siwinski) I believe it is.

6 Q. And, I am not aware if it has been given to the OCA,
7 and would request that it be distributed to us as soon
8 as possible.

9 A. (Witness Siwinski nodding in the affirmative).

10 Q. All right. And, the other -- the other two storms have
11 not been audited. And, basically, Attorney Amidon went
12 over the reasons why. So, those costs are simply --
13 you're requesting that they be included based on your
14 representations that they were prudent?

15 A. (Hall) Well, it's really a couple of things. There is
16 no question that the Company has incurred costs for
17 these storms. And, following any storm, Staff then
18 conducts an audit, to determine whether the costs that
19 were incurred were properly incurred. And, as Mr.
20 Siwinski indicated earlier, and in my experience over
21 the years at PSNH, the results of storm audits
22 generally find either that all of the costs were
23 prudently incurred or, to the extent that there are
24 costs that were either mischaracterized as "expense",

{DE 13-196} {09-25-13}

[WITNESS PANEL: Hall~Siwinski]

1 instead of "capital", or that should not have been
2 incurred, those costs tend to be very, very minor.
3 And, therefore, it really doesn't make a whole lot of
4 sense to withhold cost recovery and not have any costs
5 recovered pending the outcome of an audit, which audits
6 can take several months. Because, as these costs are
7 outstanding, not only does it harm the Company's cash
8 flow, but also carrying charges accrue on the
9 outstanding balance. And, by recovering the costs in a
10 more timely manner, it improves the Company's cash
11 flow, and it also reduces the carrying costs on the
12 outstanding balance.

13 The other thing that I point out is
14 that, following the results of any audit, if the
15 Commission Staff finds that a few thousand dollars
16 should not have been incurred, the costs can always be
17 reconciled. And, we will do that, assuming, of course,
18 that we agree with the results of the audit, if we find
19 -- if we agreed with the results of an audit finding
20 that some dollars should be not recovered, we can go
21 back and adjust the balance, and therefore ensure that
22 we never bill it to customers. So, there are
23 mechanisms, protection mechanisms in place for
24 customers.

{DE 13-196} {09-25-13}

[WITNESS PANEL: Hall~Siwinski]

1 MS. CHAMBERLIN: I have no other
2 questions.

3 CHAIRMAN IGNATIUS: Thank you.
4 Commissioner Harrington.

5 CMSR. HARRINGTON: Yes. Good morning.
6 Just a few questions.

7 BY CMSR. HARRINGTON:

8 Q. Just on Exhibit 1, on Ms. Mason's testimony, on Page 6,
9 I just want to make sure I'm not missing something. I
10 assume this is a typo on Line 7, but maybe it's not.
11 It says "additional changes to the Storm Form", should
12 that be "Storm Fund"?

13 A. (Hall) You're a better proofreader than I am,
14 Mr. Commissioner.

15 Q. Just wanted to make sure I wasn't missing some form
16 there. On the next page on that, on Page 7, it says
17 "The Company is proposing to increase...the amount
18 designated to eliminate the anticipated Storm
19 Fund...approximately 17 months absent any additions to
20 the Storm Fund." And, this is sort of a multipart
21 question. So, you originally proposed 17 months. And,
22 in the Settlement Agreement -- I mean, the original
23 proposal was also at a higher rate of \$0.00388 per
24 kilowatt-hour. And, that was agreed to in the

{DE 13-196} {09-25-13}

[WITNESS PANEL: Hall~Siwinski]

1 Settlement Agreement to be slightly lower, at 0.00329.
2 And, it looks as though the terms to collect the money,
3 rather than 17 months, are going to be two years; one
4 at the higher rate, and then it goes back to the --
5 almost to the present rate. Can you just give us a
6 little bit of the justification, the reasoning, why it
7 was changed from the Company's original proposal to
8 what was agreed on in the Settlement Agreement?

9 A. (Hall) It was primarily the result of our discussions
10 with Staff. Staff was concerned about the bill impact,
11 of changing the amount to 0.388 cents per
12 kilowatt-hour. Staff was also concerned with the
13 original proposal where we asked for recovery over a
14 17-month period, which Staff viewed as accelerated.
15 So, as a result of that, we entered into negotiations
16 with Staff, and we tried to solve those two competing
17 objectives that I talked about earlier. And, as a
18 result of negotiation, and some pretty creative
19 suggestions by Staff, quite frankly, we were able to
20 reach agreement.

21 CMSR. HARRINGTON: Thank you. That's
22 all the questions I have.

23 CHAIRMAN IGNATIUS: Thank you.
24 Commissioner Scott.

{DE 13-196} {09-25-13}

[WITNESS PANEL: Hall~Siwinski]

1 CMSR. SCOTT: Good morning.

2 BY CMSR. SCOTT:

3 Q. Probably for Mr. Hall. I was just wanting to fill in
4 some "what ifs", I suppose. So, hopefully not, but
5 let's say, end of November, there's another 100 year
6 storm, and --

7 A. (Hall) God, I hope not.

8 Q. What happens then? I mean, --

9 A. (Hall) What would happen then is, if it was classified
10 as a "major storm", or an exclusionary storm, the
11 Company would incur costs and defer them, put them in a
12 deferred bucket somewhere. Cost recovery would not
13 commence at that time. We would have to make a
14 proposal. And, then, ultimately, I would think,
15 negotiate with Staff and OCA to determine what the best
16 way would be to recover those dollars, over what time
17 frame, what mechanism, and so on. So, in the event
18 that another major storm occurs and significant costs
19 are incurred, those costs get set aside until we enter
20 into some other type of arrangement.

21 Q. And, I do realize, in some ways, I'm asking the
22 unfathomable, you know, "what ifs" and all that, but --

23 A. (Hall) Understood.

24 Q. Obviously, you're carrying a certain balance on the

{DE 13-196} {09-25-13}

[WITNESS PANEL: Hall~Siwinski]

1 Storm Fund at the moment. Is it the Company's opinion
2 that's sufficient?

3 A. (Hall) That the balance that we're carrying is
4 sufficient?

5 Q. Yes. To anticipate being able to respond as is?

6 A. (Hall) I'm not quite sure I'm following you.

7 Q. I mean, my compilation might --

8 A. (Hall) We're in a negative balance right now.

9 Q. Yes.

10 A. (Hall) There is -- I'm sorry.

11 Q. So, let me ask that a different way. Is that balance
12 situation negatively impacting your ability to respond?
13 How that for -- is that more clear?

14 A. (Hall) If this Settlement is approved, it will not
15 negatively impact the Company's ability to respond to a
16 storm. If this Settlement is not approved, and there's
17 no change to the Storm Fund recovery, then it could
18 impact the Company's ability. I'm not going to sit
19 here and say that, you know, "absent approval, the
20 lights are never going to go back on."

21 Q. Thank you for that.

22 A. (Hall) But it definitely has a financial impact, in
23 terms of cash flow. This isn't an earnings issue,
24 rather, it's a cash flow issue, of funds available to,

{DE 13-196} {09-25-13}

[WITNESS PANEL: Hall~Siwinski]

1 basically, having working capital available to conduct
2 the Company's business and having capital available to
3 respond to emergencies. So, that's the primary reason
4 why the Company was seeking prompt recovery of the
5 balance.

6 Q. Thank you. And, being able to start cost recovery
7 under this Settlement, will that have any impact on the
8 frequency of the Company coming in for rate cases?

9 A. (Hall) No. No, it won't. The only issue that this
10 Settlement addresses is that outstanding unrecovered
11 balance. It really doesn't have anything to do with
12 frequency of rate cases.

13 Q. But, in theory, it would impact potentially the amount
14 of a requested rate increase?

15 A. (Hall) It could impact the amount of a requested rate
16 change in the sense that dollars are needed to be
17 recovered from customers to pay for this deferred
18 balance. Again, the existence of a storm mechanism
19 significantly helps utilities, because, when you
20 encounter a major storm, absent a storm mechanism,
21 these costs go right to the bottom line and have a
22 really detrimental impact on a utility's earnings. So,
23 the existence of a storm mechanism allows the Company
24 to defer these dollars, to not have them flow through

{DE 13-196} {09-25-13}

[WITNESS PANEL: Hall~Siwinski]

1 to the bottom line. Rather, we hang them up on the
2 balance sheet, and it now becomes a cash flow issue.
3 So, the existence of the mechanism is what's really
4 helpful. The issue we're talking about today is the
5 promptness or time frame over which those costs that
6 have been hung on the balance sheet will get recovered.
7 Again, balancing that objective with the impact on
8 customers' bill amounts.

9 CMSR. SCOTT: Thank you.

10 WITNESS HALL: My pleasure.

11 CHAIRMAN IGNATIUS: A couple more
12 questions.

13 BY CHAIRMAN IGNATIUS:

14 Q. Can you go through, either one of you, the status of
15 the Fund right now? I think I got a little bit off and
16 may have misunderstood what you said.

17 A. (Hall) Okay.

18 Q. The current, the current situation, the amount of
19 deficit that you see, and what you anticipate as of
20 November 1st.

21 A. (Hall) Sure. As of the end of August, the balance in
22 the Fund was an unrecovered balance or a negative
23 balance of \$5.4 million. We're currently billing a
24 Storm Recovery Adjustment Factor to customers. And,

{DE 13-196} {09-25-13}

[WITNESS PANEL: Hall~Siwinski]

1 therefore, that balance goes down a little bit each
2 month. So, by the end of October, we anticipate that
3 balance will be down to just under \$5.1 million, about
4 5.07 million. So, going from 5.4 million at the end of
5 August, to about 5.07 million by the end of October.

6 Q. And, then, the proposed increase would recover over the
7 next year, the 12 months starting November 1st, would
8 recover that 5.07 million?

9 A. (Hall) It would recover part of it. We anticipate
10 that, by the end of October 2014, the balance would
11 then decrease to roughly \$2 million, 1.96 million.
12 And, then, over the subsequent 12 months, it would be
13 completely eliminated.

14 Q. At the lower level, it would recover the remaining
15 \$2 million?

16 A. (Hall) Yes.

17 Q. Mr. Hall, does Liberty have a Least Cost Integrated
18 Resource Plan on file with the Commission?

19 A. (Hall) Yes. It is pending review. In fact, I believe
20 there's a technical session scheduled for this Friday.

21 Q. And, to your knowledge, is this proposal consistent
22 with the last plan that was found adequate by the
23 Commission?

24 A. (Hall) To my knowledge it is, yes.

{DE 13-196} {09-25-13}

[WITNESS PANEL: Hall~Siwinski]

1 CHAIRMAN IGNATIUS: I have no other
2 questions. Is there any redirect?

3 MS. CHAMBERLIN: I would like to make
4 some closing comments.

5 CHAIRMAN IGNATIUS: All right. We'll do
6 that in a moment. Thank you.

7 MR. MALONE: I have nothing, madam
8 Chairman.

9 MS. AMIDON: No. Thank you.

10 CHAIRMAN IGNATIUS: Okay. Then, you're
11 done, excused, but why don't you stay where you are, if
12 that's all right, as we finish up.

13 The other prefiled testimony, from
14 Mr. Riordan and Mr. Demmer, is there any questioning,
15 Ms. Chamberlin, that you had intended to put to them?

16 MS. CHAMBERLIN: No.

17 CHAIRMAN IGNATIUS: All right. Anything
18 Commissioners wanted to ask of them?

19 CMSR. HARRINGTON: No.

20 CHAIRMAN IGNATIUS: All right. We've
21 covered it all.

22 CMSR. HARRINGTON: It's straightforward.

23 CHAIRMAN IGNATIUS: Then, is there any
24 objection to striking the identification on the two

{DE 13-196} {09-25-13}

1 exhibits and making them full exhibits?

2 (No verbal response)

3 CHAIRMAN IGNATIUS: Seeing none, we'll
4 do that. So, I think the only thing left then would be
5 some closing statements. And, why don't we begin first
6 with you, Ms. Chamberlin, and then go to Staff, and,
7 finally, the Company.

8 MS. CHAMBERLIN: Thank you. My concern
9 with the Settlement Agreement is the lack of transparency
10 in the process. The OCA has not had access to the audit
11 results of Hurricane Sandy. And, whether they're
12 confidential or public, we are entitled to those results.
13 And, I can't sign a settlement agreement without having
14 looked at them. And, the same is true for the two other
15 storms. I appreciate that Liberty is, you know, is
16 negotiating with National Grid for these numbers, but it's
17 not the residential ratepayers' responsibility to bear the
18 risk. And, I can't support having unaudited numbers
19 recovered, even with a true-up mechanism.

20 If National Grid is not providing the
21 data, they shouldn't be getting their escrow money
22 returned to them. There should be a mechanism to force
23 them to come up with these numbers. Hurricane Sandy was
24 later than these other two storms, they should have been

1 audited by now. That's simply a procedural requirement
2 before they can be entered for recovery.

3 I appreciate that there are not often
4 huge amounts of disallowance, and that the amounts are
5 reconciled. However, without having the costs transparent
6 and the data reviewed, it's impossible to really tell, you
7 know, what practices were effective, what practices, you
8 know, might have been prudent at the time, but could be
9 improved in the future. We can't really learn anything if
10 they're just automatically rolled into rates without an
11 opportunity to be examined.

12 And, so, for those reasons, I did not
13 support the Settlement Agreement.

14 CHAIRMAN IGNATIUS: All right. Can I
15 ask you just a couple of questions, following up the
16 statements you made? I don't know why the Audit Report
17 wasn't made available to you, if, in fact, it was not.
18 Did you ask to see it when this issue became clear in the
19 course of the proceeding?

20 MS. CHAMBERLIN: Today is the first day
21 that I knew that the audit was completed. I've been
22 participating in these discussions with the belief that
23 all three storms' costs were unaudited.

24 CHAIRMAN IGNATIUS: And, you said

1 something about "if the Company can't submit the data
2 that's needed, they shouldn't be allowed recovery." Are
3 you aware of a delay on the Company's side in getting the
4 materials forward and that would account for why they
5 haven't yet -- the numbers haven't yet been audited?

6 MS. CHAMBERLIN: From the testimony
7 today was the first that I learned that the numbers
8 weren't -- that the Company, Liberty, has not yet
9 responded to data requests from the Staff, and that's why
10 the audit is not completed. But I have no other
11 information than what the testimony has been today.

12 CHAIRMAN IGNATIUS: Thank you. Then,
13 Ms. Amidon, closing comments?

14 MS. AMIDON: Thank you. Yes. In
15 response to Ms. Chamberlin's comments about the audit for
16 Superstorm Sandy, it's our understanding that that was --
17 a copy of that audit was provided to the OCA. But we'll
18 be happy to check on that when we get back to the office.
19 And, insofar, I don't have a lot of contact with Staff
20 Audit, but I don't believe that they have issued any data
21 requests on the audit, the proposed audit of Irene and the
22 Halloween snowstorm, because I don't believe all those
23 documents have been filed to initiate the audit. But I
24 can check on that as well.

1 However, with respect to the Settlement
2 Agreement, the Staff participated in the development of
3 the Settlement Agreement. And, we believe it balances the
4 interests between having a less severe increase for -- in
5 customer rates and allows the Company to begin recovery of
6 these monies for storm recovery and storm restoration that
7 they've already spent. And, therefore, we believe that it
8 is in the public interest, and we recommend that the
9 Commission approve it.

10 However, we would request that the order
11 specifically state that any amounts to be recovered by the
12 Company reflect the final audits of Staff and any
13 reconciling amounts or adjustments that may appear in
14 those audits.

15 CHAIRMAN IGNATIUS: Thank you.

16 Mr. Malone.

17 MR. MALONE: Thank you. I agree with
18 Attorney Amidon. The substance of the Agreement we
19 believe is just and reasonable. It strikes a good balance
20 between the ability of the Company to recover a serious
21 deficit, at the same time it's mindful of its customers,
22 and it strikes a good balance between the revenue
23 requirements and the impact on customers.

24 I would also like to emphasize that the

1 Agreement contemplates a reconciliation mechanism. And,
2 that both witnesses, who have extensive experience with
3 these types of things, have indicated that these
4 reconciliations tend to be minor.

5 And, I would just like to close by
6 saying we appreciate the work of the Staff in helping us
7 come to this Agreement. And, we request that the
8 Commission accept the Agreement and approve it. Thank
9 you.

10 CHAIRMAN IGNATIUS: Thank you. Then, we
11 will take all this under advisement. We understand you're
12 proposing it for a November 1 effective date, and an order
13 on the settlement proposal would be issued prior to that
14 date. And, so, I guess let's just hope for a good winter,
15 that it's minor, not major, in terms of the storm
16 activity. Thank you. We're adjourned.

17 **(Whereupon the hearing was adjourned at**
18 **10:46 a.m.)**