



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

Docket No. DE 16-383

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

REBUTTAL TESTIMONY

OF

MARK E. SMITH

AND

STEVEN E. MULLEN

February 3, 2017

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List of Attachments

Attachment MES/SEM-1	Company Response to Staff 2-3 in Docket No. DA 16-560
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Attachment MES/SEM-3	Iqbal Response to GSEC 1-10

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I. INTRODUCTION AND QUALIFICATIONS

Q. Please state your names and business addresses.

A. My name is Mark E. Smith. My business address is 15 Buttrick Road, Londonderry, NH 03053.

A. My name is Steven E. Mullen. My business address is 15 Buttrick Road, Londonderry, NH 03053.

Q. By whom are you employed and in what capacity?

A. (MES) I am employed by Liberty Utilities Service Corp. ("Liberty") as the Vice President of Human Resources. In this capacity, I am responsible for all human resource matters including providing input into compensation and benefit strategy.

A. (SEM) I am employed by Liberty Utilities Service Corp. ("Liberty") as Manager, Rates and Regulatory. I am responsible for rates and regulatory affairs for Liberty Utilities (Granite State Electric) Corp. ("Granite State" or the "Company") and for Liberty Utilities (EnergyNorth Natural Gas) Corp. ("EnergyNorth").

Q. On whose behalf are you testifying today?

A. We are testifying on behalf of Granite State.

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

2 A. (MES) No.

3 A. (SEM) Yes. I submitted prefiled testimony as part of the Company's April 29, 2016,
4 filing for an increase in distribution rates. My professional background and qualifications
5 are contained in the prior testimony.

6 **Q. Mr. Smith, please state your educational background and professional experience.**

7 A. I received Bachelor of Arts degree in History and Biology from Assumption College. I
8 also received a Master of Business Administration from Nichols College in
9 Massachusetts. Prior to my employment by Liberty, I was employed by National Grid
10 USA Service Company, Inc. ("National Grid") as the Vice President of Human
11 Resources, and prior to that as Vice President, Employee and Labor Relations for
12 National Grid.

13 **II. PURPOSE OF TESTIMONY**

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

15 A. The purpose of our testimony is to provide comments on and rebut the testimony of Al-
16 Azad Iqbal in regards to the Training Center. Further rebuttal to Mr. Iqbal's testimony is
17 provided in the testimony of Mr. Simpson of the International Brotherhood of Electrical
18 Workers, Local 326.

1 **Q. Please describe the particular knowledge you have about the Company's training**
2 **requirements, costs, and the details regarding the Training Center.**

3 A. (MES) In my role as Vice President of Human Resources, I have extensive knowledge of
4 the training that is required of electric and gas employees. Training requirements are a
5 topic that frequently arises during union discussions as both the gas and electric union
6 employees place a high priority on ensuring employees are fully competent to perform
7 their functions in a safe and efficient manner. Through my career with various
8 predecessor owners of EnergyNorth and Granite State, I possess knowledge of the
9 training performed during those periods of ownership. I was also involved in the
10 discussions regarding various training alternatives/sites and the decision to ultimately
11 construct the Training Center.

12 (SEM) I am familiar with the costs of and need for the Training Center as the topic was
13 first discussed in EnergyNorth's recent distribution rate case, DG 14-180. I was also
14 involved in the development of the lease agreement that is currently in place between
15 EnergyNorth and Granite State, which is the subject of another open proceeding at the
16 Commission, Docket No. DA 16-560.

17 **Q. What were Mr. Iqbal's recommendations with respect to the costs associated with**
18 **the Training Center?**

19 A. Mr. Iqbal recommended that the Commission not allow Granite State to recover any lease
20 costs associated with the Training Center and, since the Training Center is owned by
21 EnergyNorth, that the issue of cost recovery be revisited in EnergyNorth's next
22 distribution rate proceeding.

1 **Q. Is revisiting Granite State's recovery of costs associated with its use of the Training**
2 **Center as part of the next EnergyNorth rate case logical?**

3 A. No. It is hard to understand this recommendation because the only way Granite State
4 would derive any benefit from the EnergyNorth rate case is if the Commission were to
5 approve a retroactive rate adjustment for Granite State in that proceeding – an outcome
6 that the Commission will not have authority to order in EnergyNorth's rate case and thus
7 certainly will not take place.

8 **Q. Do you believe Mr. Iqbal's testimony presents an accurate understanding of the**
9 **analysis and considerations that were the basis for the decision to build the Training**
10 **Center?**

11 A. No, we do not. In order to accurately evaluate the reasonableness of the decision to build
12 the training center one must look at many factors, many of which Mr. Iqbal ignored in his
13 testimony. Mr. Iqbal's testimony included conclusions that are based on inadequate and
14 unsupported analysis, and also suffers from the incorrect assumption that use of National
15 Grid's training facility remains an option for the Company. As a result, Mr. Iqbal's
16 recommendations should be disregarded.

17 **Q. How did Liberty employees receive training under the predecessor ownership?**

18 A. Prior to Liberty's acquisition of Granite State, the training of gas and electric employees
19 was performed in training centers owned and operated by their respective parent
20 companies. For Granite State Electric employees, training was held in Massachusetts at
21 the Millbury training center. EnergyNorth Gas employees were trained by KeySpan at
22 the Norwood, Massachusetts, facility, and later, under National Grid, in Millbury,

1 Massachusetts. Both of these large utilities took training seriously and believed that a
2 combination of classroom and hands-on training was critical to ensuring employees were
3 fully qualified to perform their responsibilities in a safe and productive manner. The
4 work that utility employees perform is very technical and has serious safety implications
5 to the employee, to co-workers, and to the public.

6 **Q. Mr. Iqbal's testimony focuses on the comparison between the cost of training**
7 **performed by National Grid in the first couple of years after the sale of the**
8 **Company to Liberty to the cost of training by Granite State with the Training**
9 **Center. How relevant is this analysis with respect to the decision to build the**
10 **Training Center?**

11 A. Analysis of the costs incurred by Granite State for training performed by National Grid
12 has little relevance to the decision to build the Training Center for the simple reason that
13 training with National Grid is no longer available (although, at Staff's request, Liberty
14 provided the cost of the training performed by National Grid for travel time and
15 instructors). Even if National Grid had performed the training at no cost and employees
16 had traveled to Millbury on their own time, the Company still had to build a training
17 center because, as previously stated in responses to data requests and in testimony, the
18 arrangement with National Grid was temporary. Granite State and EnergyNorth each had
19 a Transition Services Agreement ("TSA") with National Grid to provide technical
20 training for employees that terminated on November 1, 2012. Following the termination
21 of those TSAs, Liberty had only a verbal commitment from National Grid to provide
22 training services for a reasonable period of time while Liberty took steps to continue to

1 develop its training programs. Therefore, if the Training Center had not been
2 constructed, Liberty would have been without any viable option for training employees.

3 In addition, scheduling training in Millbury was difficult because National Grid had few
4 openings in its schedule, priority went to their own employees, and openings frequently
5 conflicted with Liberty's operational needs. In addition, National Grid's training was not
6 specific to, and in some cases conflicted with, New Hampshire practices and procedures.¹
7 This was clearly not the best way to train employees on critical procedures (assuming that
8 National Grid's training facility would even be available). Since training provided by
9 National Grid was temporary, an analysis that compares costs that may have been
10 incurred with further National Grid training is pointless. Mr. Iqbal thus reached an
11 erroneous conclusion because he did not understand or did not take into account all of the
12 factors that drove the decision.

13 **Q. Prior to building the Training Center, did Liberty examine the possibility of**
14 **utilizing existing Company space or purchasing an existing building within its**
15 **service territory?**

16 **A.** Yes. The Company examined all its existing facilities and determined there was no
17 suitable space available that could be utilized for training purposes. Many years ago, a
18 building in the Manchester yard was used to train gas employees, but due to

¹ As an example, with respect to gas operations, New Hampshire, Massachusetts and Rhode Island have different Operations and Maintenance manuals with different classifications of items such as:

- % of gas in air in a manhole, and
- Grade 2 leaks (NH) vs. Grade 2 and 2A (MA and RI)

Differences such as those created obstacles with the deliverance of the New Hampshire specific training requirements.

1 environmental issues, it was ruled out as a viable option for training. Liberty also
2 engaged a commercial real estate broker to examine buildings that were available in its
3 service area that could potentially be used for a training center. Nothing suitable was
4 identified.² Ultimately, the decision was made to build a facility on Broken Bridge Road
5 in Concord, New Hampshire, as the Company already owned the land and because it was
6 centrally located to the gas and electric operations centers. Mr. Iqbal did not dispute the
7 Company's conclusion that no other suitable buildings were available.

8 **Q. Prior to building the Training Center, did the Company look at options to secure**
9 **training for its employees?**

10 A. Yes, the Company looked at other options for training. For gas employee training, there
11 were simply no other suitable facilities in New Hampshire. For electric employee
12 training, discussions were held with Eversource, which resulted in a few training sessions
13 in 2014, totaling nine days, at their training center in Pittsfield, New Hampshire. This
14 agreement was also temporary and quite costly. The cost for the eight days of training
15 was \$12,000, and Eversource closed its Pittsfield facility shortly thereafter. No other
16 potential sources of training were identified.

17 The Company also considered on-the-job training, without any classroom or controlled
18 environment, but ruled it out for several reasons, mostly because exclusive reliance of on-
19 the-job training is insufficient to ensure employees are able to fully learn and safely
20 perform their functions. Hands-on, in the field, training is also a potential distraction to

² Attachment MES/SEM-1, Company Response to Staff 2-3 in Docket No. DA 16-560.

1 employees who are trying to perform work. It shifts their focus away from the task on
2 hand, which can obviously be problematic. Moreover, Liberty employs only one gas and
3 one electric trainer. The logistics of only two people providing on-the-job training at
4 multiple work locations creates significant scheduling and planning issues. Assigning
5 training responsibilities to multiple field supervisors would result in an ineffective
6 program as the training would vary from supervisor to supervisor. Supervisors also have
7 too many other responsibilities and distractions to ensure training is given necessary
8 priority. Thus, it is more efficient to employ dedicated trainers who have training as their
9 top priority.

10 **Q. Did Mr. Iqbal suggest another alternative?**

11 A. Yes, in a way, and this is another area where his testimony suffers from the lack of
12 supporting information or analysis. On Bates 000009 of his testimony, Mr. Iqbal first
13 took issue with a discovery response provided in the DG 14-180 EnergyNorth rate case
14 wherein the EnergyNorth witness discussed the limited availability of and conflicts with
15 operational requirements associated with third party training facilities and instructors. He
16 then used as a comparison Unitil Energy Systems, Inc. (“UES”), the other combined gas
17 and electric utility in New Hampshire. According to Mr. Iqbal,

18 UES relies on contracted instructors and local technical institutions for its
19 training needs, including hands-on training. *Staff is not aware of any*
20 *instance where UES could not meet its training requirements because of*
21 *unavailability of such services in New Hampshire or elsewhere.*³

³ Iqbal testimony at Bates 000009, lines 7-10.

(Emphasis added.) When asked to provide supporting information about the training of UES employees, such as the costs incurred by UES, the number of employees trained, number of training hours, topics, etc., Staff admitted that it did not ask a single question about training in UES's currently open electric distribution rate case, Docket No. DE 16-384 and that it possessed none of the requested information.⁴ Mr. Iqbal has no evidence to support the statement highlighted above. Thus, his use of UES's method of training as a comparison is of no value here because there is no way to examine and test his statements.

Q. On Bates 000012 of his testimony, Mr. Iqbal listed types of information that Staff deems essential in evaluating training cost alternatives, including training requirements, training calendars, RFPs for training services, etc. Does Staff have any information from other New Hampshire gas and electric utilities supporting an evaluation of training cost alternatives?

A. No. In his response to GSEC 1-10, Mr. Iqbal stated the following:

Staff currently does not possess the information for all the other New Hampshire gas and electric utilities. If any of the utilities propose significant changes in training methods or to recover significant, new investment in training related infrastructure, Staff would seek to examine the "essential" information and analysis related to available alternatives.⁵

Staff apparently does not typically examine training costs incurred by a utility, but will only do so if there is a significant change. Thus, Staff is currently unaware of the

⁴ Attachment MES/SEM-2, Iqbal response to GSEC 1-7.

⁵ Attachment MES/SEM-3, Iqbal Response to GSEC 1-10.

1 adequacy and cost of training at other utilities and thus has no basis for effective
2 comparisons to Granite State's training regime.

3 **Q. Mr. Iqbal noted that the cost of building the Training Center increased substantially**
4 **from original construction cost estimates. Please explain the reason that the actual**
5 **cost exceeded the original estimate.**

6 A. First, it is necessary to point out that Mr. Iqbal cited the increase in capital cost as the
7 primary reason that he views the Company's analysis as inadequate.⁶ However, Staff did
8 not ask one question about the factors that caused the increase in capital cost, in either
9 this proceeding or the currently open Training Center lease docket, DA 16-560. Despite
10 that lack of inquiry, Mr. Iqbal nonetheless proceeded to draw an unsupported conclusion
11 that "[t]his suggests that Liberty did not adequately research the cost to build, equip and
12 furnish the Training Center prior to making the decision to build it."⁷

13 Had Staff asked, it would have learned that a substantial portion of the cost increase came
14 from additional requirements imposed on the project by the City of Concord subsequent
15 to the commencement of construction. The City required installation of a new municipal
16 waterline, hydrants for the entire length of Broken Bridge Road, widening the road,
17 repaving, and various fees. Other factors that resulted in unanticipated increases to the
18 total capital costs included demolition of a previously unknown underground bunker on
19 the property, additional telephone and electrical work, and other costs.

⁶ Id. at Bates 000005, lines 9-10.

⁷ Id. at Bates 000010, lines 8-10.

1 **Q. Once the building was constructed, how cost efficient was Liberty in outfitting the**
2 **facility to become suited for training?**

3 A. When construction on the building was completed, all work to make the Training Center
4 functional was completed in-house by Company employees under the direction of the gas
5 and electric training instructors. Used gas appliances were secured and made functional
6 for training, a gas leak field was built behind the building, poles were erected, and
7 transformers, meters, and other equipment were made functional for training. This work
8 was performed as a learning and training experience by Company employees and could
9 not have been completed in a more cost-effective manner.

10 **Q. Why is a training center necessary to train employees?**

11 A. Aside from being the only option available to Liberty, as described above, the Training
12 Center provides benefits that could not be achieved through an alternative means, if it
13 existed. At the Training Center, employees are subject to both classroom and hands-on
14 learning. Training that is based on real-life scenarios can be simulated in a safe and
15 controlled environment, which is the best way to link theory and practice. For electric
16 employees a few examples of this are pole top rescues, climbing certification, and
17 manhole and enclosed space rescue training. The electric trainer has also installed
18 equipment that will allow employees to train on the installation and troubleshooting of
19 energized transformers, switch gears, and meters in a controlled environment. In addition
20 to many other topics, gas employees are trained to locate and classify gas leaks in a
21 simulated environment at the Training Center. These types of critical safety training are
22 key to ensuring employees are fully capable of performing their roles when faced with

1 them outside the classroom. When an employee has difficulty grasping a subject or
2 completing a task, additional learning or corrections can be made without putting
3 someone at risk. Additionally, since the Company controls the Training Center, it can
4 schedule training in the most efficient manner. Schedules can be set and adjusted around
5 workload and weather. Finally, for gas employees, Operator Qualification training can
6 be more closely monitored and controlled than would be the case if training were
7 performed elsewhere and by other parties.

8 **Q. Is this last point of interest to the Commission?**

9 A. Yes, especially in view of the Safety Division's recent recommendation that the
10 Commission open a generic investigation to be conducted by the Safety Division
11 regarding the Operator Qualification program.

12 **Q. Other than training of gas and electric employees, how has and how will the**
13 **Training Center be used?**

14 A. In addition to almost daily usage for training of gas and electric employees, the Training
15 Center has been and will continue to be used to train other Liberty employees on the
16 basics of gas and electricity. To date many customer contact center and office employees
17 have gone through this beneficial training to provide them a better understanding of the
18 electric and gas utility industries. This is training that would not otherwise have occurred
19 if the use of an outside training facility was required due to limited availability. During
20 2016, Liberty gas and electric employees received 116 sessions of training totaling 4,095
21 hours at the Training Center. Recently, Unitil employees joined Liberty employees for
22 vendor supplied training on cable fault locating at the center. Plans are underway for a

1 joint effort between Liberty, Unitil, Eversource, and the New Hampshire Electric Co-
2 operative to train new first responders from New Hampshire municipalities on both gas
3 and electric emergencies. Training materials are currently under development. First
4 responder training sessions will be held at the Training Center when the program is
5 implemented in mid-2017. The Training Center is also used for safety and environmental
6 training of Liberty employees. The Energy Council of the Northeast will be utilizing the
7 Training Center in May 2017 to present a three-day course on Electric Distribution
8 System Protection, which will include participation by all New Hampshire and many
9 New England utilities.

10 **Q. Did Mr. Iqbal have any comments with respect to the method for allocating the**
11 **costs of the Training Center between EnergyNorth and Granite State?**

12 A. Yes. Mr. Iqbal stated that if the Commission does allow costs associated with the
13 Training Center to be included in Granite State's revenue requirement that the costs be
14 allocated between the gas and electric utilities based on actual training hours rather than
15 number of employees.⁸

16 **Q. Do you have any comments regarding that recommendation?**

17 A. Yes. As stated in discovery responses, Granite State's 25% Proportionate Share of the
18 costs of ownership, operation, and maintenance of the Training Center for the initial year
19 of the lease was based on the number of union employees and the projected training

⁸ Although this recommendation appears on Bates 000003, lines 4-8 of Mr. Iqbal's testimony, it is contradicted by the testimony that appears on Bates 000010, lines 2-3 where he apparently uses employee counts, not training hours, in his recommendation.

1 hours for the electric and gas personnel. The resulting percentages were roughly
2 equivalent, and based on those percentages and other considerations, 25% was deemed a
3 reasonable allocation to Granite State for the initial year of the lease. The lease provides
4 for an annual recalculation of Granite State's Proportionate Share and the Company is
5 certainly amenable to amending the lease as necessary to take into account whichever
6 factors provide the most equitable allocation of the Training Center costs between
7 EnergyNorth and Granite State.

8 **III. CONCLUSION**

9 **Q. Do you have any final comments regarding Staff's analysis of the Training Center**
10 **costs?**

11 A. Yes. In addition to the shortcomings in the analysis identified above, Staff's analysis
12 appears to also have been hindered by the fact that, other than some initial questions that
13 were asked in June 2016 following the opening of DA 16-560, almost all of its questions
14 on the Training Center were asked during the mid-November technical sessions that took
15 place in this proceeding following the end of the discovery period. The short time frame
16 between receipt of responses to those questions and the deadline for filing testimony
17 appears to be a factor that impacted Staff's analysis and influenced its recommendation to
18 revisit this issue in the EnergyNorth distribution rate case. The Company should not be
19 held victim to Staff's analytical delays.

20 **Q. What is your recommendation to the Commission?**

21 A. The Commission should reject Mr. Iqbal's recommendations and allow Granite State to
22 recover the cost of the Training Center lease through its distribution rates.

1 **Q.** **Does this conclude your testimony?**

2 **A.** Yes.

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