

STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

May 9, 2018 - 2:58 p.m.  
Concord, New Hampshire

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RE: DE 18-051  
LIBERTY UTILITIES (GRANITE  
STATE ELECTRIC) CORP. d/b/a  
LIBERTY UTILITIES:  
Annual Retail Rates.

**PRESENT:** Chairman Martin P. Honigberg, Presiding  
Commissioner Kathryn M. Bailey  
Commissioner Michael S. Giaimo

Sandy Deno, Clerk

**APPEARANCES:** Reptg. Liberty Utilities (Granite  
State Electric) Corp. d/b/a  
Liberty Utilities:  
Michael J. Sheehan, Esq.

**Reptg. Residential Ratepayers:**  
Brian D. Buckley, Esq.  
James Brennan, Finance Director  
Office of Consumer Advocate

**Reptg. PUC Staff:**  
Paul B. Dexter, Esq.  
Jay Dudley, Electric Division

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

**CERTIFIED  
ORIGINAL TRANSCRIPT**

**I N D E X****PAGE NO.**

**WITNESS PANEL:**        **HEATHER M. TEBBETTS**  
                              **DAVID B. SIMEK**  
                              **JOHN D. WARSHAW**

Direct examination by Mr. Sheehan	5
Cross-examination by Mr. Buckley	15
Cross-examination by Mr. Dexter	22
Interrogatories by Cmsr. Bailey	46
Interrogatories by Chairman Honigberg	49, 57
Interrogatories by Cmsr. Giaimo	52

\*       \*       \*

**CLOSING STATEMENTS BY:**

Mr. Buckley	61
Mr. Dexter	64
Mr. Sheehan	66

**QUESTIONS BY:**

Chairman Honigberg	65
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**E X H I B I T S**

<b>EXHIBIT NO.</b>	<b>D E S C R I P T I O N</b>	<b>PAGE NO.</b>
1	Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities' Annual Retail Rates filing, including Direct Testimony of John D. Warshaw, with attachments; Direct Testimony of David B. Simek, with attachments; and Direct Testimony of Heather M. Tebbetts (03-30-18)	<i>premarked</i>
2	Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities Bill Calculation - Tax Reform & Retail Rate Adjustments	<i>premarked</i>
3	Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities Bill Calculation - Tax Reform	<i>premarked</i>
4	Pages from FERC Form No. 1, consisting of Page 232 and Page 278	41

**P R O C E E D I N G**

CHAIRMAN HONIGBERG: We are here this afternoon in Docket DE 18-051, which is Liberty Utilities/Granite State Electric's annual retail rate filing. We're here for a hearing on the merits. We have some exhibits that have been put on our desk, but we also have the file in front of us, and witnesses in place.

But before we do anything else, let's take appearances.

MR. SHEEHAN: Good afternoon, Commissioners. Mike Sheehan, for Liberty Utilities (Granite State Electric) Corp.

MR. BUCKLEY: Good afternoon, Mr. Chairman and Commissioners. My name is Brian D. Buckley. I am the staff attorney with the Office of the Consumer Advocate. To my left is Mr. Jim Brennan, he's the Director of Finance. And we're here representing the interests of residential ratepayers.

MR. DEXTER: Good afternoon. Paul Dexter, on behalf of the Commission Staff. And joining me today is Jay Dudley, from the Electric Division.

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 CHAIRMAN HONIGBERG: How are we  
2 proceeding, Mr. Sheehan?

3 MR. SHEEHAN: Thank you,  
4 Commissioner -- Chairman. We have marked as  
5 "Exhibit 1" the filing, which is Bates Pages  
6 001 through 068. "Exhibit 2" and "3" are  
7 documents similar to what you saw in the prior  
8 hearing, and Mr. Simek will explain those once  
9 we get going. And the witnesses are otherwise  
10 ready to proceed.

11 CHAIRMAN HONIGBERG: Mr. Patnaude.  
12 (Whereupon **Heather M. Tebbetts,**  
13 **David B. Simek,** and **John D.**  
14 **Warshaw** were duly sworn by the  
15 Court Reporter.)

16 CHAIRMAN HONIGBERG: Mr. Sheehan.

17 MR. SHEEHAN: Thank you.

18 **HEATHER M. TEBBETTS, SWORN**

19 **DAVID B. SIMEK, SWORN**

20 **JOHN D. WARSHAW, SWORN**

21 **DIRECT EXAMINATION**

22 BY MR. SHEEHAN:

23 Q Ms. Tebbetts, your name and position with the  
24 Company please?

{DE 18-051} {05-09-18}

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 A (Tebbetts) Yes. My name is Heather Tebbetts.  
2 And I'm a Senior Analyst in our Rates &  
3 Regulatory Department. And I'm employed by  
4 Liberty Utilities Service Corp. And in that  
5 role, I'm responsible for regulatory affairs  
6 for Granite State Electric.

7 Q Ms. Tebbetts, you filed testimony in this  
8 filing, which appears at Bates Pages 63 to 68,  
9 correct?

10 A (Tebbetts) Yes.

11 Q And do you have any changes to your testimony?

12 A (Tebbetts) I do not.

13 Q And if I were to ask you the same questions  
14 orally, would your answers be the same?

15 A (Tebbetts) Yes.

16 Q And do you now adopt that testimony?

17 A (Tebbetts) Yes.

18 Q And in a paragraph, can you tell us what your  
19 testimony addresses?

20 A (Tebbetts) My testimony gives a high-level  
21 background information about net metering,  
22 because we have requested to recover lost  
23 revenues associated with net metering in the  
24 Transmission Adjustment Mechanism.

{DE 18-051} {05-09-18}

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 Q Mr. Simek, your name and position with the  
2 Company please?

3 A (Simek) I'm David Simek. And I'm the Manager  
4 of Rates and Regulatory Affairs.

5 Q And did you prepare testimony in this matter  
6 that appears at Bates 025 through 062?

7 A (Simek) Yes, I did.

8 Q And if I asked you the questions orally today,  
9 would your answers be the same?

10 A (Simek) Yes.

11 Q And before that, do you have any corrections?

12 A (Simek) I do not.

13 Q Do you adopt that testimony here today?

14 A (Simek) Yes.

15 Q Mr. Warshaw, the same question. Your position  
16 with the Company please?

17 A (Warshaw) My name is John D. Warshaw. I'm  
18 Manager of Electric Supply for Liberty  
19 Utilities Service Corp.

20 Q Did you file testimony in this proceeding,  
21 which has been marked as Bates 001 through 024?

22 A (Warshaw) Yes.

23 Q And do you have corrections -- do you have  
24 corrections to your testimony?

{DE 18-051} {05-09-18}

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 A (Warshaw) Yes. I have one correction. And  
2 that is on Bates Page 005, Line 2. The figure  
3 "2,141,428" should be struck, and replaced with  
4 the figure "2,132,491".

5 Q Other than that correction, do you -- if I had  
6 asked you the written questions, would your  
7 answers be the same today?

8 A (Warshaw) Yes, they would.

9 Q And do you adopt your testimony here today?

10 A (Warshaw) Yes, I do.

11 Q Mr. Simek, we've presented to the Commission  
12 and I think they have in front of them two  
13 pieces of paper marked as "Exhibits 2" and "3".  
14 Could you -- well, let me back up for a second.  
15 Your testimony in this matter explains a flaw  
16 you found in the way we had calculated these  
17 rates in past proceedings. Do you recall that?

18 A (Simek) Yes.

19 Q And that flaw rose out of a process the Company  
20 has been going through in recent years to take  
21 what was a Grid process and slowly transform it  
22 into the way Liberty would prefer to present  
23 these schedules in this rate case. Is that  
24 correct?

{DE 18-051} {05-09-18}



[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 A (Simek) Yes, it is.

2 Q Either you or Ms. Tebbetts, could you give us a  
3 brief history of that process, how it started,  
4 and what the goal is as you slowly revise these  
5 filings?

6 A (Tebbetts) Yes. So, going back a few years to  
7 2012, when Liberty purchased the assets from  
8 National Grid, we inherited a few things. We  
9 inherited the schedules from National Grid for  
10 these two rate changes, the stranded cost and  
11 transmission, and we also inherited some  
12 balances. With that, we continued the way the  
13 schedules were calculating rates, which  
14 essentially was taking last year's ending  
15 balance and incorporating it into this year's  
16 filing, and just continuing that process.

17 In the meantime, we had some changes to  
18 the process of the rate changes. Whereas, in  
19 2014, we had made a filing for a January 1 rate  
20 change for 2015. And at the time, our Energy  
21 Service rate was extremely high, it was over 15  
22 cents a kilowatt-hour. And so, the Commission  
23 ordered to delay the implementation of the rate  
24 change to May 1st, which ended up having a

{DE 18-051} {05-09-18}

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 16-month recovery period.

2 Through that, we have worked to adjust the  
3 schedules, to change certainly the periods by  
4 which we're calculating rates to -- from the  
5 calendar year to the May through April. But  
6 we've also incorporated the fact that National  
7 Grid did not provide rate -- a reconciliation  
8 period by which the rates were charged, which  
9 would have been the January through December  
10 period, they only provided the months by which  
11 they had actual information. So, and there was  
12 a significant lag, and also a mismatch with  
13 regards to the period by which the rates were  
14 charged.

15 So, in fixing that, what we've provided  
16 and we started doing in -- I believe it was in  
17 the 2016 filing, is an estimate for the last  
18 two months of the period by which we're  
19 charging rates. So, in this case, that would  
20 be March and April, 2016 and 2017. When doing  
21 that, in the first instance, there was no --  
22 there was no estimate from '15, it was an  
23 actual number. So, we did not have to true up  
24 the two months of March and April.

{DE 18-051} {05-09-18}

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 But, in last year's filing, we needed to  
2 true up the months of March and April. And in  
3 the process of doing that, the information that  
4 was used was off.

5 So, this year's filing adjusted for that  
6 and fixes that issue, and also accounts for the  
7 fact that we are estimating for these other two  
8 months that I mentioned, the March and April  
9 months moving forward.

10 Q And that's a topic that takes up some portion  
11 of Mr. Simek's testimony is the discovery of  
12 that error and how you cured it in this filing,  
13 is that correct?

14 A (Simek) Correct.

15 Q And as I understand it, and we had an informal  
16 conference with Staff this morning, there are  
17 also issues or questions about the true  
18 starting balance of whatever the accumulated  
19 over/under was when we acquired these rates  
20 from National Grid, is that correct?

21 A (Simek) Yes.

22 Q And can you just give us a brief history of  
23 what we think that number is and why it is or  
24 is not fixed now?

{DE 18-051} {05-09-18}

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 A (Simek) Yes. We believe, after talking with  
2 our Granite State accountant, and giving a  
3 high-level analysis, they believe that the  
4 carryover balance from when the Company become  
5 part of Liberty, the carryover balance for the  
6 deferral account related to transmission was  
7 approximately \$3.5 million underrecovered.  
8 Currently, we are not including that amount in  
9 these filings for recovery. And we are  
10 planning on working with the Commission Audit  
11 Staff to truly come up with what that correct  
12 beginning balance number should be.

13 Q So, that's a beginning balance that, as of the  
14 birth of Liberty, that has just been sitting  
15 there. You have not used that in calculating  
16 any rates since 2012, is that correct?

17 A (Simek) That is correct.

18 Q Did a similar situation exist in the gas side?

19 A (Simek) Yes. We had the exact same situation  
20 on the cost of gas accounts for EnergyNorth.  
21 And a couple years back we worked with Audit  
22 Staff and came together and determined what the  
23 beginning balances were for those six accounts.  
24 And we've since then been getting those

{DE 18-051} {05-09-18}

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 accounts audited every year, and, of course,  
2 have been using those audited results in our  
3 filings for the cost of gas.

4 Q And is that the intent of what you would like  
5 to do for the Granite State accounts, including  
6 this one?

7 A (Simek) Yes, it is.

8 Q And as of now, these reconciliations are not  
9 audited, is that correct?

10 A (Simek) That is correct.

11 Q And does the Company have any problem with them  
12 being audited going forward?

13 A (Simek) Absolutely not.

14 Q Now, turning to the two pages you have in front  
15 of you, Exhibits 2 and 3, if you could walk  
16 through what they are communicating?

17 A (Simek) Sure. Exhibit 3 is similar to -- or,  
18 I'm sorry, exactly the same as one of the  
19 exhibits that were given during the last  
20 hearing, which, at the bottom, shows the tax  
21 reform, the four hearings that we plan on, that  
22 we proposed in DE 18-050, to have the results  
23 of those hearings be offset by the tax reform  
24 reduction. And if you could again please, for

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 the second and third at the bottom there, where  
2 it says "DE 16-034 O&M" and "DE 16-034 Capital  
3 Additions", please change those to "DE 18-034".

4 Q And again, for this transcript, what this  
5 document shows is the Company's proposed rate  
6 increases in various dockets, and the  
7 representation that all of those rate increases  
8 will be offset by the effects of tax reform?

9 A (Simek) Including an additional \$1.52 per month  
10 for an average residential customer reduction  
11 above and beyond what it would have had with  
12 those four.

13 Q So, the tax change more than offsets for these  
14 four rate changes?

15 A (Simek) Correct.

16 Q And the other document in front of us, Exhibit  
17 2?

18 A (Simek) Exhibit 2 shows the bill impact with  
19 everything included in Exhibit 3, but it also  
20 includes the outcome of what we're proposing in  
21 this hearing. So, it has the new Transmission  
22 Charge and the new Stranded Cost Charge, where  
23 it's showing that the monthly increase would be  
24 \$6.96.

{DE 18-051} {05-09-18}

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 Q And again, as before, this is the impact of tax  
2 reform just on this docket?

3 A (Simek) Correct.

4 Q And is it also true that the Company is not  
5 asking the Commission to approve what's on  
6 Exhibit 2, it is shown for illustrative  
7 purposes?

8 A (Simek) Correct.

9 MR. SHEEHAN: Thank you. With that,  
10 I have no further questions.

11 CHAIRMAN HONIGBERG: Mr. Buckley.

12 MR. BUCKLEY: Thank you, Mr.  
13 Chairman.

14 **CROSS-EXAMINATION**

15 BY MR. BUCKLEY:

16 Q If I could just follow up on that discussion a  
17 bit, and ask the panel to turn to Bates Page  
18 062, which is Attachment DBS-7, I think. So,  
19 it's my understanding that the top half or so  
20 of this page just sort of lays out the numbers  
21 for what's been discussed prior that there was  
22 a mistake, and currently we're remedying that  
23 this next reconciliation of the matter. Is  
24 that a correct understanding?

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 A (Simek) Yes, it is.

2 Q And Staff may want to drill down a little bit  
3 deeper here, but, at a very high level, for  
4 both the Transmission factor and the Stranded  
5 Cost, would it be accurate to say that the  
6 error resulted in customers being charged  
7 slightly more than they would have been or  
8 should have been, and then in this  
9 reconciliation you're paying them back with  
10 interest? That's a vast oversimplification,  
11 but is that about accurate?

12 A (Simek) No. The customers were given back too  
13 much money in the past, and now we're charging  
14 them to get that money back.

15 Q And that's including interest?

16 A (Simek) Correct.

17 Q Or carrying costs?

18 A (Simek) Yes.

19 Q So, I'm aware of a few orders from this  
20 Commission from -- that I suppose judicial  
21 notice might be taken of, from I think the  
22 2003-2004 period relative to cost of gas, where  
23 something similar happened, where there was an  
24 underrecovery, and the Commission disallowed

{DE 18-051} {05-09-18}



[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 recovery of the carrying costs. Can you tell  
2 me why this instance might be different?

3 A (Simek) This was an overrecovery that was given  
4 back to customers in '17, which drove the  
5 Company's underrecovery to grow even higher, if  
6 that makes sense. Because we had two and a  
7 half million dollars that we were including in  
8 rates to give back to customers, and since it  
9 was going the wrong way, it was growing the  
10 business's -- the Company's underrecovered  
11 balance.

12 Q Okay. So, I think maybe I was refusing -- or,  
13 confusing the overrecovery piece with the  
14 underrecovery piece it sounds like?

15 A (Simek) Maybe, yes.

16 Q Okay. Moving along, if I could ask you to turn  
17 to Bates 061, which presents some of the bill  
18 impacts. I think I would characterize these  
19 bill impacts as not insignificant, as far as  
20 the impact relative to the Transmission Charge.  
21 And that -- the source of that here is -- is it  
22 correct to say that that is largely related to  
23 costs relative to RNS and LNS? And that I  
24 think is brought forth in Mr. Warshaw's

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 testimony, at Bates Page 019?

2 CHAIRMAN HONIGBERG: Mr. Buckley, you  
3 want to break that question up? There was  
4 multiple questions. I think the way you were  
5 starting, it sounded like you wanted Mr. Simek  
6 to talk about something. But I think the way  
7 you finished, maybe that you were looking for  
8 Mr. Warshaw to provide something.

9 MR. BUCKLEY: Yes. Perhaps I started  
10 with an observation, rather than a question,  
11 and it could have been a question.

12 BY MR. BUCKLEY:

13 Q Mr. Simek, can you tell me what the bill  
14 impacts are for a typical residential customer  
15 for monthly bill impacts?

16 A (Simek) Yes. Well, we're proposing for a total  
17 bill impact, as you found on Bates Page 061,  
18 would be an \$8.48 increase with this being a  
19 standalone docket, without taking tax reform  
20 into account.

21 Q And would it be fair to say that the majority  
22 of that is flowing from the Transmission  
23 Charge, that increase?

24 A (Simek) If you don't mind, if we go to Bates

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 Page 043. I think, if I understand your  
2 question correctly, if we look at Column (d),  
3 we can see that the majority of the rates are  
4 at the 2-cent range, with the Transmission  
5 Service Cost Adjustment at the 0.00557. So,  
6 that would be the basis, I believe, for your  
7 question of saying that the Transmission Charge  
8 is driving the majority of the transmission  
9 rate. Is that correct?

10 Q Yes.

11 A (Simek) Then, yes, I would agree.

12 Q And I might be misunderstanding here, but a  
13 schedule that relates to that is at Bates Page  
14 019 of Mr. Warshaw's attachment, and that I  
15 think pulls up a few different pieces of what  
16 goes into the transmission expenses. Is that  
17 correct?

18 A (No verbal response).

19 Q And so, I see here that -- is it correct that a  
20 majority of the increase on Bates Page 019, it  
21 flows from increases in the Regional Network  
22 Service charges, at Line 3, as well as the  
23 Local Network Service charges, at Line 1?

24 A (Simek) That's how it appears. Right, John?

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 A (Warshaw) Yes.

2 Q And I'm wondering, is the Company taking any  
3 actions to try and avoid these increases in the  
4 future, such as maybe by reducing their share  
5 of RNS or LNS?

6 A (Tebbetts) Yes, actually. So, the Company has  
7 proposed a Battery Storage Pilot back in  
8 November, and we're going through the process  
9 of getting that approved today. Purposes of  
10 that, one of the major drivers in this request  
11 for 1,000 batteries in customer homes is to  
12 reduce LNS and RNS charges at the peak. So, if  
13 we can reduce peak reduction -- if we can  
14 provide peak reduction, then, yes. We have --  
15 there is absolute evidence that we can reduce  
16 the charges by which customers are paying for  
17 RNS and LNS.

18 Q And that would lead to possibly reduced bill  
19 impacts in this area, since the transmission  
20 charge can be a significant portion of billing  
21 impacts in these retail rate filings, is that  
22 true?

23 A (Tebbetts) That is true. And it also can  
24 mitigate increases associated with increased

{DE 18-051} {05-09-18}

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 charges from ISO-New England on the  
2 transmission side as well, yes.

3 Q So, I think I just have one further question  
4 for the panel here, and it relates to the Lost  
5 Revenue Adjustment Mechanism. So,  
6 Ms. Tebbetts, you go over some of the  
7 calculations relative to the Lost Revenue  
8 Adjustment Mechanism. And I guess I'll pose  
9 the question to anybody on the panel who can  
10 answer, if there is someone who can answer.

11 And that's, in the Energy Efficiency  
12 Resource Standard docket, the utilities have  
13 been mandated to come in with some sort of a  
14 decoupling proposal in the next rate case after  
15 2021 starts. A decoupling proposal generally  
16 ends lost revenues that are collected and  
17 attributed to the energy efficiency program.

18 Is it the Company's perspective that a  
19 decoupling proposal on the electric side would  
20 also end lost revenues attributable to the net  
21 metering docket?

22 A (Tebbetts) Yes. Yes, it would.

23 MR. BUCKLEY: Okay. Thank you. No  
24 further questions.

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 CHAIRMAN HONIGBERG: Mr. Dexter.

2 MR. DEXTER: Thank you.

3 BY MR. DEXTER:

4 Q So, if I could direct the panel's attention to  
5 Bates Page 043. And I'm looking at the  
6 left-hand three columns. These deal with  
7 stranded costs, correct?

8 A (Simek) Correct.

9 Q And could you direct me as to the two  
10 components of these stranded costs? What makes  
11 up the figures behind these rates?

12 A (Simek) Column (a) is a figure that is given to  
13 us by NEP, which is a reconciliation from their  
14 books, and that's what they pass onto the  
15 utilities.

16 Column (b) is the reconciliation that we  
17 do on our side.

18 Q And both of these figures are negative charges,  
19 is that correct?

20 A (Simek) Correct.

21 Q Could you explain why Column (a) is a negative  
22 charge?

23 A (Simek) When NEP did their reconciliation, they  
24 had an overcollection.

{DE 18-051} {05-09-18}

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 Q And this happens to be the same rate that was  
2 in effect last year, but with just a different  
3 sign, is that correct?

4 A (Simek) Yes.

5 Q So, it went from a charge of \$0.0040 positive  
6 to that same number negative, correct?

7 A (Simek) That's correct.

8 Q And how about Column (b)? That charge is also  
9 indicated as a negative number. Could you  
10 explain why that is?

11 A (Simek) It's the same reason. When we did our  
12 reconciliation, we had an overcollection.

13 Q And that's detailed on Bates Page 044, is that  
14 right?

15 A (Simek) Correct.

16 Q So, is it a fair assessment that the sum total  
17 of the stranded cost portion of this filing is  
18 to try to give back to Liberty's customers  
19 overcollections in the area of rounded  
20 \$900,000?

21 A (Simek) No. The reconciliation is for the  
22 473,154. And that's the value that -- for the  
23 stranded cost overcollection that we're giving  
24 back.

{DE 18-051} {05-09-18}

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 Q But the sum total of Columns (a) and (b), on  
2 Bates 043, is an attempt to give back \$900,000  
3 roughly, isn't that correct?

4 A (Simek) I don't have the calculation in front  
5 of me, but I'll take your word for it.

6 Q Well, the 458,000, plus the 473,000, that's  
7 what's being passed back, correct?

8 A (Simek) I'm sorry. Where do you have the 458?

9 Q Oh. The 458 comes from the NEP filing that you  
10 referenced.

11 A (Simek) Yes. I don't have the NEP filing in  
12 front of me. So, I -- it's not our filing.  
13 But I agree with you, we get passed on that  
14 rate.

15 Q Well, that filing is at issue in DE 18-010, and  
16 I guess we could go to that filing, if  
17 necessary, to nail down that number.

18 Now, the next two columns on Bates 043  
19 deal with transmission charges, correct?

20 A (Simek) Correct.

21 Q And could you tell me the total amount of  
22 dollars that's being charged to customers as a  
23 result of these two charges?

24 A (Simek) Yes. Just give me a moment please.

{DE 18-051} {05-09-18}



1 Q And actually, I'd like to revise that question,  
2 if I could. Rather than lump them together,  
3 could we take it column by column? So, could  
4 you tell me the total amount of dollars being  
5 passed back through Column (d), and then (e)  
6 separately?

7 A (Simek) Yes. For Column (d), it's \$23,441,852.  
8 And that's found on Line 4 of Bates Page 048.

9 And then, for Column (e), on Bates Page  
10 043, the total that's being charged to  
11 customers there is \$5,050,235, which can be  
12 found on Bates Page 052.

13 Q And then, moving along to the next two columns,  
14 Column (f), what's the amount of money being  
15 refunded to customers here?

16 A (Simek) \$817,474, and that can be found on  
17 Bates Page 056.

18 Q And lastly, the figure for net metering -- lost  
19 revenue due to net metering please?

20 A (Simek) \$71,022, and that can be found on Bates  
21 Page 057.

22 Q So, dealing with the largest number on the  
23 page, which is the Transmission Charge, you  
24 indicated that it was \$23 million being

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 recovered through Column (d). Would you  
2 indicate how that compares to what was  
3 collected last year?

4 *(Witness Warshaw and Witness*  
5 *Simek conferring.)*

6 **BY THE WITNESS:**

7 A (Warshaw) Excuse me. Could you please repeat  
8 the question?

9 BY MR. DEXTER:

10 Q Yes. I would like to compare the 23 million  
11 that's proposed for recovery this year for  
12 transmission charges, to what was built into  
13 the rates for recovery last year?

14 A (Warshaw) If you go to Bates Page 019, you  
15 would see that, in the retail filing last year,  
16 we had estimated the expense of \$21,309,361,  
17 and that's on Line 10, on Bates Page 019.

18 Q And could you provide the actual number for  
19 last year? Do you have that?

20 A (Warshaw) The actual number should -- is found  
21 on Bates Page 050, the total in Column (c).  
22 And that is "22,496,295".

23 Q So, in all instances, the proposed number is  
24 higher than both last year's estimate and last

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 year actual. Can you explain the reason for  
2 the increase please?

3 A (Warshaw) Yes. The increase is mostly due to  
4 the increase in the RNS rate that ISO uses in  
5 its OATT, Open Access Transmission Tariff, plus  
6 there's been an increase in the cost of NEP's  
7 Local Network Service rates, or charges, I  
8 should say.

9 Q And that's the figures that are shown on Bates  
10 019, correct?

11 A (Warshaw) Correct.

12 Q The figures that Mr. Buckley was asking you  
13 about earlier, Lines 1 and Lines 3? Is that  
14 right?

15 A (Simek) Yes.

16 Q So, that's where the numbers come from. Behind  
17 the numbers, can you explain why these numbers  
18 might be increasing? Why these charges are  
19 increasing?

20 A (Warshaw) The RNS rate is increasing due to the  
21 transmission owners in New England investing in  
22 transmission upgrades and repairs, to ensure  
23 the reliable delivery of electric service to  
24 New England customers.

{DE 18-051} {05-09-18}

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 Q And in your testimony, you had mentioned a FERC  
2 case where these -- the formulas underlying  
3 these rates are being investigated. Do you  
4 recall that?

5 A (Warshaw) Yes, I do.

6 Q Can you provide any additional detail about  
7 that FERC case? I know I've asked you about  
8 this a couple of times in the past, in the past  
9 years.

10 A (Warshaw) There is a draft settlement, where  
11 the actual FERC -- the calculation of the rates  
12 will be done -- will be documented in a more  
13 readable and understandable method than is  
14 currently used in the development of the rates.  
15 And that is the major change in this docket  
16 that you referenced to, the FERC docket.

17 Q And do you have any estimate of when that  
18 docket might wrap up?

19 A (Warshaw) Well, right now, they're in the  
20 middle of working through a draft settlement.  
21 And the proposal is that, if the draft  
22 settlement gets -- everyone agrees to the  
23 settlement, and it gets filed with the FERC and  
24 gets approved by the FERC, they're hoping that,

{DE 18-051} {05-09-18}

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 beginning June 1st of 2020, the new rate  
2 formulas will be in effect. And that's the  
3 current draft plan.

4 Q Okay. Thank you. So, you had mentioned that  
5 LNS is one of the reasons for the increase.  
6 And I'd like to turn to JDW-4, which details  
7 the LNS. And I'd like to direct your attention  
8 to the Demand Charges, which are set forth on  
9 Column (1). These are significantly increased  
10 from last year's, from the demand charges that  
11 were included in last year's retail rate  
12 filing. Could you explain why that is? I  
13 calculate it as a 16 percent increase, but you  
14 can correct me if that's not right. But could  
15 you indicate why these have increased?

16 A (Warshaw) The way the NEP LNS rates are done is  
17 we basically utilize what was charged in 2017  
18 to be as what will be charged in 2018. So that  
19 the previous -- so that was charged in 2016 is  
20 what was used to develop the LNS portion of the  
21 Transmission rate for the 2017 tariff.

22 Q And the January number is significantly lower  
23 than all the other numbers, correct?

24 A (Warshaw) Yes, because that's the actual number

1       that came through.

2       Q     Do you know why that would be so much lower  
3             than the 2017 actuals that are represented  
4             below?

5       A     (Warshaw) It's very difficult to forecast the  
6             current method that NEP does its charges. The  
7             problem -- the issue is that NEP reconciles its  
8             revenue requirement each month, and there are  
9             months where the revenue requirement is short  
10            from the OATT tariff. And they charge -- then  
11            that shortage is included in this charge, and  
12            there are times when the revenue received from  
13            the OATT is significantly higher than the  
14            revenue requirement, and then we end up with a  
15            credit. So, when you -- whenever you plot  
16            this, it's constantly going up and down.  
17            Sometimes a negative value, we get a refund  
18            from NEP; sometimes we get a charge. As a  
19            result, what I do is take the total charge for  
20            the year and utilize that as the charge for the  
21            coming year.

22       Q     So, if I understand your answer, and I think  
23             this is what's in one of the footnotes, is that  
24             the monthly figure that you forecasted of

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 322,000 is actually an average of 12 different  
2 figures?

3 A (Warshaw) Correct.

4 Q So, this charge is not constant every month?

5 A (Warshaw) No, it's not.

6 Q Okay. And you wouldn't recommend using the  
7 147,177 from January as the basis for  
8 forecasting the rest of this year, is that  
9 true?

10 A (Warshaw) I would not recommend that. And I'm  
11 going to take a step. But, if you take a look  
12 at Bates Page 024, and if you look at the "NEP  
13 Monthly Demand Charge", you will see what I'm  
14 speaking about. Where there's months when we  
15 get a credit and there's months when we get a  
16 charge.

17 Q So, which column would be I looking at on --

18 A (Warshaw) You would be looking under the --  
19 there's the "NEP Monthly Demand Charge - PTF",  
20 and then there's the "NEP Monthly Demand Charge  
21 - NON-PTF". And that ends up as the sum of  
22 what we charge -- we calculate as the demand  
23 charge. So, you can see that there are times  
24 when the PTF value is a credit to us and

{DE 18-051} {05-09-18}

1 sometimes it's a charge to the customers.

2 Q Okay. Thank you. So, on Bates Page 048, the  
3 \$23 million in transmission costs are allocated  
4 to the various classes to develop rates for the  
5 various classes. Do I understand that  
6 correctly?

7 A (Simek) Yes.

8 Q And could you explain the basis for the  
9 allocation to the various classes?

10 A (Simek) It's calculated off of the coincident  
11 peak. The history of how that came about, I'm  
12 not exactly sure.

13 Q Is this the same method that's been used in  
14 past years?

15 A (Simek) Yes.

16 Q So, I'd like to spend a few minutes talking  
17 about the corrected methodology that  
18 Mr. Sheehan asked you about earlier. And to do  
19 that, I want to look at DBS-3, Pages 3 and 4,  
20 which are Bates 050 and 051. Do you have  
21 those?

22 A (Simek) I do.

23 Q Can you explain exactly where the correction  
24 was made? Where the correction was made versus



[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 last year's filing? I know you didn't file an  
2 update this year.

3 A (Simek) Yes. The filings -- I'm sorry. The  
4 corrections are made based on the months that  
5 were estimated last year, February, March, and  
6 April, and they were estimated, and then the  
7 actuals came in the following year. So, they  
8 were estimated in '16, and then we have the  
9 actuals in '17.

10 Q And you're on Bates 050 right now, is that  
11 right?

12 A (Simek) Correct.

13 Q And so, it's the columns with the footnote  
14 "(1)" next to them -- the rows, I'm sorry, with  
15 the denotation of footnote "(1)" next to them,  
16 is that right?

17 A (Simek) Correct.

18 Q And could you explain again, I know you went  
19 through this with Mr. Sheehan, but would you  
20 explain again --

21 A (Simek) Sure.

22 Q -- how these lines differ from what was  
23 presented last year?

24 A (Simek) Sure. What had happened was, in '16,

{DE 18-051} {05-09-18}

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 just like we are this year, for February,  
2 March, and April, we submitted an estimate that  
3 represented the full month's amount of revenue  
4 and expense, and then the difference. And  
5 those estimates for those three months were  
6 built into the rate in '16.

7 Then, in '17, where the mistake occurred,  
8 was that we also took those same months and  
9 plugged in the actual numbers for the full  
10 amount. So, there was, in essence, a  
11 double-count, where we included the full amount  
12 in '16, and we also included the full amount in  
13 '17.

14 And in doing so, what should have been  
15 done was it should have just been a true-up  
16 that was done in '17 to actually make the  
17 estimate whole to an actual.

18 Q And so, what was the net impact of making  
19 the -- making the correction?

20 A (Simek) It was a two and a half million  
21 dollar -- two and a half million dollar  
22 underrecovery.

23 Q Two and a half million underrecovery versus if  
24 you had not made the correction? I guess

{DE 18-051} {05-09-18}

1 I'm --

2 A (Simek) I'm sorry. Could we please go to -- I  
3 think I can best explain it here, it's on  
4 Schedule 7. Just give me a moment and I'll  
5 give you the Bates page.

6 If we go to Bates Page 062. So, these  
7 corrections that I just discussed, and the two  
8 and a half million I believe I said an  
9 "underrecovery", but in error, it was an  
10 overrecovery, is actually the difference, if  
11 you look at the line below Line 9, in columns  
12 (a) and (b), on Bates Page 062, where, in  
13 Column (a), we're showing what was filed, which  
14 was an overrecovery of "3,939,821". And so  
15 that means that's what was filed in DE 17-049,  
16 and rates were based on that amount, that we  
17 are giving back that money to customers.

18 When we take this correction into account  
19 and redo the filing from DE 17-049, the actual  
20 amount that it should have been is in Column  
21 (b), which was an overcollection of  
22 "1,439,576". So, the difference is the two and  
23 a half million dollars.

24 Q And so, if I understand what you're saying, as

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 a result of this error that occurred last year,  
2 you gave back too much money?

3 A (Simek) Correct.

4 Q So, if we go to this year's filing, back to  
5 DBS-3, Page 3, that's Bates 050, which numbers  
6 are different on this page because of the  
7 correction?

8 A (Simek) It's actually the beginning balance in  
9 May '17. The "234,133" is the correct balance.

10 Q So, that's where the correction finds its way  
11 into this year's filing?

12 A (Simek) Correct.

13 Q And then all of the numbers flow from that?

14 A (Simek) Correct.

15 Q And then, flipping to Page -- the next page,  
16 which is Bates 051, DBS-3, Page 4, --

17 A (Simek) Yes.

18 Q -- was this sheet also impacted by the  
19 correction?

20 A (Simek) Not by that correction. There was a  
21 other relatively minor correction that was  
22 built into rates last year, where there was one  
23 value that was included in the original filing  
24 of an overcollection of "10,397,321", and we

{DE 18-051} {05-09-18}

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 had updated that filing with a revised number  
2 of "10,517,396". But the number that was  
3 included in the original filing was mistakenly  
4 the one included in rates.

5 Q Okay. I'm not seeing any \$10 million figures  
6 on Bates 051. So, you're going to have to help  
7 me out further with that one.

8 A (Simek) Sure. If we go back to Bates Page 062.

9 Q 062. Yes.

10 A (Simek) And look at Line 5.

11 Q Yes.

12 A (Simek) You can see that's where that was the  
13 carryover number and as filed in DE 17-049 in  
14 Column (a), and what it should have been in  
15 Column (b).

16 Q I happen to have the benefit of having last  
17 year's filing in front of me. I don't know if  
18 anybody else does. So, I'll try this question.

19 My recollection from looking at these in  
20 past years is that the remaining refund that's  
21 shown on Page 4 becomes the opening balance on  
22 Page 4 of the next year, is that correct?

23 A (Simek) The opening balance on Page 4, which is  
24 Bates Page 51, there's six different items that

{DE 18-051} {05-09-18}

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 make up that value. I know I included that in  
2 an email to you the other day. I can point  
3 them out here on Bates Page 062, if you'd like?

4 Q Well, that's probably not going to help clear  
5 things up. So, I'll drop that question.

6 But am I correct that the -- that the  
7 opening balance on Bates 051, the May '17  
8 balance, would normally be the ending balance  
9 from the equivalent schedule, Page 3, of the  
10 prior year. Is that correct? Do I have that  
11 right?

12 A (Simek) I believe so, yes.

13 Q Okay. So, you would take the closing balance  
14 on Page 3 of the prior year, which I have as  
15 "3,354,364" from the prior year. And normally,  
16 that number would drop into May 2017 the next  
17 year. But, in this case, it didn't, and the  
18 difference is about \$2 million.

19 A (Simek) Right. And that 3,354,364 again is  
20 found on Bates Page 062, Column (a), on the  
21 total line between Lines 4 and 5.

22 Q And just stepping back from the numbers a  
23 little bit, what is the purpose of these two  
24 schedules? In this case, it's Bates 050 and

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1       051. And maybe you can take them one by one.  
2       What is it we're trying to do on Bates Page  
3       050?

4   A   (Simek) Bates Page 050 really is just to take  
5       the current year's transmission revenue and  
6       expense over and underrecovery.

7   Q   And then, when we get that figure, what do you  
8       do with it?

9   A   (Simek) We would take that figure and plug it  
10      into Bates Page 052, Line 1, to be included in  
11      rates, whether it's an over or underrecovery.

12   Q   So, if I understand you then, the net impact of  
13      Bates Page 050 in this case is that, as a  
14      result of the transactions through the months  
15      listed here, January '17 through April '18,  
16      you're projecting an underrecovery of  
17      2,750,000?

18   A   (Simek) Correct.

19   Q   And that's going to get built into the rate  
20      that's proposed?

21   A   (Simek) Right. And you can see that that's  
22      basically driven by the May '17 through April  
23      '18 actual activity between transmission  
24      revenue and expense.

{DE 18-051} {05-09-18}

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 Q Okay. So, then what takes place on Bates Page  
2 051?

3 A (Simek) As you pointed out, this is typically  
4 the carryover balance from the prior year,  
5 which is what we have in May '17, adjusted with  
6 some corrections, carried through with what the  
7 actual refund was by month.

8 Q And this says "refund", but it could just as  
9 easily be a charge, if you were undercollected,  
10 correct?

11 A (Simek) Correct.

12 Q And then, this figure at the bottom of this  
13 page, "Amount for Recovery", 2,286,000, that  
14 also gets built into the proposed rate, is that  
15 correct?

16 A (Simek) Correct. And that's on Bates Page 052,  
17 and that's included in Line 1 as well.

18 Q So, in both instances, these are two different  
19 sheets that are trying to get at collecting the  
20 actual over-/underrecovery, plus interest, is  
21 that right?

22 A (Simek) Correct.

23 Q Okay.

24 MR. DEXTER: Now, I was trying to

{DE 18-051} {05-09-18}



[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1       reconcile the filing here with the Company's  
2       FERC Form 1 that was filed for the calendar  
3       year 2017. And I took a couple of pages out of  
4       it. I'd like to pass those out and make those  
5       an exhibit please.

6                   CHAIRMAN HONIGBERG: That will be  
7       "Exhibit 4".

8                               (The document, as described, was  
9                               herewith marked as **Exhibit 4** for  
10                              identification.)

11                             *[Atty. Dexter distributing*  
12                             *documents.]*

13 BY MR. DEXTER:

14 Q       Are you familiar with these pages at all,  
15       anyone on the panel?

16 A       (Simek) Yes. I'm familiar with them.

17 Q       Okay. So, I'm looking at the first page, which  
18       is a breakdown of Account 182.3. That's  
19       indicated up at the top of the page. Do you  
20       see that?

21 A       (Simek) Yes.

22 Q       And Line 12 on this page is labeled  
23       "Transmission Over/Under Collection-Current".  
24       Do you see that?

{DE 18-051} {05-09-18}

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 A (Simek) Yes.

2 Q And the ending balance, as I see in Column (f),  
3 is 8,830,000. Do you agree with that?

4 A (Simek) Yes.

5 Q And the second page, which is labeled "Other  
6 Regulatory Liabilities (Account 254)", Line 5  
7 is labeled "Transmission Over/Under  
8 Collection". Would you agree?

9 A (Simek) Yes.

10 Q And the ending balance on this page is blank.  
11 So, I'm assuming that's a zero, is that right?

12 A (Simek) That's the assumption we have to make,  
13 yes.

14 Q Okay. So, back on Page 1 then, we've got an  
15 \$8,800,000 balance in the Regulatory Asset  
16 account. Would this represent in your mind an  
17 undercollection or an overcollection of  
18 transmission costs?

19 A (Simek) It's an undercollection.

20 Q Undercollection. And that's as of the end of  
21 2017, correct?

22 A (Simek) Correct.

23 Q So now, if I go back into the filing that you  
24 made, is there any place in this filing, and

{DE 18-051} {05-09-18}

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 I'm guessing it would be somewhere on Bates  
2 Pages 050 and 051, where we could make some  
3 reasonable tie-out of that \$8.8 million  
4 undercollection to what's presented in the  
5 filing here?

6 A (Simek) Well, we can actually just look at the  
7 total that's on Bates Page 052, the 5,037,000.  
8 That's currently our undercollection balances  
9 that we're going after in this proceeding. As  
10 we said in our opening, we haven't gone after  
11 the beginning balance that transferred over  
12 from National Grid, because we have not gone  
13 through a thorough audit to verify exactly what  
14 that amount is. And we welcome the opportunity  
15 to work with Commission Audit Staff to  
16 calculate that.

17 But we have spoke with our internal  
18 Granite State accountant, and that account  
19 shows approximately about a three and a half  
20 million dollar balance. So, if you take the  
21 5 million that we're going after here, and the  
22 additional three and a half that they believe  
23 was the beginning balance, it puts us pretty  
24 darn close to what the balance is on Line 12.

{DE 18-051} {05-09-18}

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 Q And if you had not made the correction that you  
2 proposed in this case, in your estimation,  
3 would you be further away from the number  
4 that's in the FERC report?

5 A (Simek) Absolutely.

6 Q Okay. So, I wanted to move from this topic to  
7 the lost revenues from net metering. Could you  
8 describe in general terms what it is that's  
9 being recovered here?

10 A (Tebbetts) Yes. So, in Docket DE 16-576, the  
11 settlement allowed for the utilities to request  
12 recovery for lost revenues associated with  
13 customer-generators that have PV behind the  
14 meter. And, so, we have made an allowance in  
15 this filing for recovering those lost revenues.

16 As part of the settlement in that docket,  
17 actually, part of the order, I'm sorry, the  
18 Commission ordered that we utilize the Unitil  
19 method that was used in Docket DE 15-137, I do  
20 believe that's the docket number. So, that's  
21 what we've done here. We've used the same  
22 method. And as part of the schedules, you  
23 should see how we calculated the 70 plus  
24 thousand dollar request for recovery.

{DE 18-051} {05-09-18}

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 Q Is it correct that the net -- that the net  
2 revenue figures were done on a customer per  
3 customer basis?

4 A (Tebbetts) Yes.

5 Q And is it also correct, if I go to Bates Page  
6 043, that this charge will be the same charge  
7 for all of your customer classes?

8 A (Simek) That's correct.

9 Q And if I go back to the schedules that support  
10 the proposed charge, specifically Bates Page  
11 058, is it correct that not all of your classes  
12 have customers that are net metering?

13 A (Simek) That is correct.

14 Q So, was there any consideration given to  
15 developing a rate that would apply only to the  
16 classes where net metering is taking place?

17 A (Simek) We -- sure.

18 A (Tebbetts) So, as part of the net metering  
19 docket, where they authorized us to collect net  
20 lost revenues associated with the "Unitil  
21 method" that I'm calling it here, the Unitil  
22 method actually used their External Delivery  
23 Charge, which is like our Transmission Charge  
24 that we're utilizing here. And as part of

{DE 18-051} {05-09-18}

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1       their External Delivery Charge, it's a charge  
2       that is applied to all customer classes based  
3       on their tariff. And so, we followed the same  
4       method, and requested recovery through our  
5       Transmission Charge, which is also applied to  
6       all customers in all customer classes.

7               MR. DEXTER: That's all the questions  
8       Staff has.

9               CHAIRMAN HONIGBERG: Commissioner  
10       Bailey.

11              CMSR. BAILEY: Thank you. Mr. Dexter  
12       asked -- well, asked the numbers questions a  
13       lot better than I would. So, I'm not going to  
14       attempt to go there.

15   BY CMSR. BAILEY:

16   Q       But, as far as steps that you have taken to  
17       reduce your RNS and LNS obligations, have you  
18       done anything other than plan for the  
19       battery -- the plan of the battery storage?  
20       Have you thought about trying to get your  
21       customers to reduce demand during periods  
22       around what you expect the peak to be or  
23       anything like that?

24   A       (Tebbetts) I am not familiar with targeted

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 energy efficiency at all, as far as it goes  
2 with peak reduction. I know that we've worked  
3 with customers based on the fact that they have  
4 gone through energy efficiency programs. But,  
5 again, it hasn't been targeted for peak  
6 reduction.

7 Q Would it make sense to do that?

8 A (Tebbetts) I will tell you that, as part of the  
9 Office of Consumer Advocate's testimony in the  
10 Battery Storage Pilot, they have actually  
11 suggested to do targeted energy efficiency.  
12 And it is most certainly something the Company  
13 is looking at doing as part of the Battery  
14 Pilot.

15 But, for now, with the way that the Energy  
16 Efficiency Resource Standard planning is for  
17 the three-year plan that ends December 31st,  
18 2020, that is not included as part of the plan.

19 Q So, are you saying that you will do it if the  
20 Commission approves battery storage, but you  
21 won't if the Commission won't, if the  
22 Commission doesn't approve battery -- I mean,  
23 let's put battery storage aside.

24 A (Tebbetts) So, I will tell that I would like to

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 see, as a Liberty employee, I would like to see  
2 something like that as part of our energy  
3 efficiency programming, absolutely. But with  
4 that in mind, as part of the energy efficiency  
5 filing, and the requirements of the settlement  
6 in the EERS docket, peak reduction is not  
7 required.

8 And so, for the Company to put forth a  
9 proposal outside of energy efficiency -- or, I  
10 shouldn't say "outside of the energy  
11 efficiency". As part of energy efficiency, but  
12 outside of the plan, I don't see that  
13 happening, to be honest with you. Only because  
14 the utilities participate as a group on the  
15 electric side with regards to how our programs  
16 are designed. So, I'm not so sure that the  
17 Company would go outside of what's happening in  
18 the energy efficiency docket to do a targeted  
19 energy efficiency program.

20 Q I assume then that you're not aware that we've  
21 asked the other electric utilities to look at  
22 this as part of reducing transmission charges?

23 A (Tebbetts) I'm not.

24 Q Okay.



[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 CMSR. BAILEY: Yes. Go ahead.

2 BY CHAIRMAN HONIGBERG:

3 Q I mean, it goes beyond energy efficiency. I  
4 mean, it's whether there are any outreach  
5 efforts to the -- most commercial/industrial  
6 users to reduce use in and around when the peak  
7 is expected.

8 A (Tebbetts) Yes. So, I can actually give you an  
9 example. Yes, that is true. So, we had one  
10 customer up north, in our Lebanon area, who  
11 actually had really horrible load shapes. And  
12 so, we worked with them back in 2016 and '17,  
13 and they have actually installed capacitors.  
14 So, now their load factor is much better, which  
15 has also benefited us on our -- I believe it's  
16 the 11L1 or 11L2 feeder. So that what we're  
17 seeing, the criteria violation that was there  
18 is no longer there now.

19 So, yes. We have worked with customers  
20 specifically on certain issues, such as that  
21 large industrial customer. But I would say  
22 that is -- it was more specific to the fact  
23 that we could see what that customer was doing  
24 through their interval metering and then issues

{DE 18-051} {05-09-18}

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 with regards to their load factors, and then us  
2 determining that there's criteria violations on  
3 feeders. So, by doing that, yes. We're able  
4 to target some change for the customer and for  
5 the Company's distribution system.

6 I hope that's what you're getting at.

7 Q Part of it.

8 A (Tebbetts) Okay.

9 Q But again, the transmission costs are allocated  
10 to the states based on usage at the peak. And  
11 that's very broadly what I just said. I mean,  
12 Massachusetts has an aggressive program. Its  
13 utilities work with large customers to reduce  
14 demand when they expect the peak to hit. And  
15 we have talked to the other electric utilities  
16 here about doing something like that, because  
17 it will benefit everyone at little or no cost,  
18 except for the cost of the outreach. And so,  
19 we are trying to explore that with you, whether  
20 that's something that's come up in conversation  
21 or whether it's something you would consider  
22 working on with Staff going forward?

23 A (Tebbetts) I mean, so, I guess, in my opinion,  
24 yes, the battery storage was something that we

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 proposed, because we think that that's got  
2 potential to move forward. We're doing it at  
3 the customer level. I will say that there has  
4 been some, you know, there's been testimony  
5 filed that maybe you've seen or not that  
6 doesn't agree with what we're doing. And I'm  
7 more than happy to sit here and say I fully  
8 agree with that participating in this kind of  
9 pilot can absolutely benefit our customers,  
10 residential customers and C&I customers, and  
11 also other customers in New Hampshire, if the  
12 other utilities decide to do this kind of pilot  
13 in the future.

14 And as of right now, you know, we're  
15 focusing on the batteries, because we think  
16 it's a good way to start to get us into that  
17 direction. I know Liberty doesn't own any  
18 transmission. So, we don't have the option to  
19 go out there and, you know, maybe not build  
20 more reliability, for example, if we were a  
21 transmission owner.

22 So, the batteries is really where we're  
23 starting at. And I think that, considering  
24 we're the first to pilot that in New Hampshire,

{DE 18-051} {05-09-18}

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 I would say that we are trying to do something  
2 about LNS and RNS charges now, versus waiting  
3 for something like grid modernization to tell  
4 us to do it.

5 CMSR. BAILEY: Okay. Thank you.  
6 That's all I have.

7 CHAIRMAN HONIGBERG: Commissioner  
8 Giaimo.

9 CMSR. GIAIMO: Good afternoon.

10 WITNESS SIMEK: Good afternoon.

11 WITNESS WARSHAW: Good afternoon.

12 BY CMSR. GIAIMO:

13 Q So, back of the envelope, Granite State or  
14 Liberty represents about 1 percent of the total  
15 load in the region. Does that sound right?

16 Well, I'll back you out of it with doing  
17 rough math.

18 A (Warshaw) Yes.

19 Q Pretty close?

20 A (Warshaw) It's lower than that.

21 Q It's slightly lower, I mean, at 0.9.

22 A (Warshaw) It's pretty small.

23 Q Yes. One percent. So, one percent, you know,  
24 New Hampshire represents 10 percent of the

{DE 18-051} {05-09-18}

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 total load, you're 10 percent of New Hampshire,  
2 ergo one percent more or less sounds right.  
3 So, back of the envelope, one percent of the  
4 total regional transmission costs, one percent  
5 of NESCOE, one percent of the ISO, one percent  
6 of Black Start, all flow through you and your  
7 ratepayers. Is that accurate?

8 A (Warshaw) Approximately.

9 Q Okay. Do you -- maybe you can enlighten me as  
10 to when the RNS and LNS are set?

11 A (Warshaw) Currently, RNS is set to go into  
12 effect on June 1st of the power year. And that  
13 is a process that the ISO goes through. They  
14 start by forecasting what they expect the  
15 increase in RNS costs would be. They will  
16 start that this summer, and that will be based  
17 on the investments that the transmission-owning  
18 utilities plan to make over the year.

19 Q Right. It's the participating transmission  
20 owners that set the rate. They work together  
21 collaboratively and then dictate the rate?

22 A (Warshaw) They don't dictate the rate. I mean,  
23 it's a cost of service rate that is based on  
24 investment. And the investment is -- they

{DE 18-051} {05-09-18}

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 don't just make investments for their own sake.  
2 They actually make investments that have to  
3 pass through the reliability standards of  
4 ISO-New England.

5 Q Okay. Okay. But, at the end of the day, it's  
6 actually the transmission owners' tariff?

7 A (Warshaw) Correct.

8 Q Okay. Is there a disconnect here then with the  
9 fact that it's set in June, and we're here in  
10 May?

11 A (Warshaw) No. The calculation that we propose  
12 reflects the change in the tariff for June 1st.

13 Q Okay. Thank you. And so, Mr. Warshaw, I'm on  
14 your testimony, on Page 11, at Bates 011. And  
15 basically, we're seeing the equivalent of  
16 almost a 10 percent increase in transmission  
17 costs, correct?

18 A (Warshaw) Correct.

19 Q Okay. And on Page 13, you talk a little bit  
20 about RMRs, Reliability Must Run contracts.  
21 And it's actually a very timely and topical  
22 discussion right now, and in regional  
23 discussions and the stakeholders are working on  
24 that as we speak. So, on Line 16, you say "no

{DE 18-051} {05-09-18}

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 RMR contracts for New Hampshire", "there have  
2 been no RMR contracts for New Hampshire...over  
3 the past [years]".

4 Can you speculate on why that is? Why is  
5 it that the state has not seen RMRs?

6 A (Warshaw) The state has not -- the New  
7 Hampshire region has not required RMR to allow  
8 generation to generate above the hourly LMP.

9 Q Okay. If there was a need for an RMR, would  
10 that be an indication that the region, that  
11 specifically New Hampshire, would need  
12 additional transmission?

13 A (Warshaw) Yes.

14 Q Okay. With respect to that 10 -- with respect  
15 to that 10 percent increase that we've seen, do  
16 you know -- do we have any idea specifically  
17 what projects represent that increase, why  
18 we're seeing it? What projects went into  
19 service?

20 A (Warshaw) I don't have that off the top of my  
21 head, no.

22 Q So, if I'm looking at Bates 019, and we have an  
23 estimate for 2018 of 23 million for Granite  
24 State, and we just went over the whole

{DE 18-051} {05-09-18}

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1       one percent rationale. Does that mean that the  
2       regional will see about a \$2 billion price tag  
3       in the 2018 RNS?

4   A     (Warshaw) Well, it would be a combination of  
5       our peak, our network peak, and I just don't  
6       know what the total, I'd have to -- the total  
7       increase is for 2017 to 2018, as far as  
8       investment.

9   Q     Okay. In 2017, we see a retail filing of 21  
10       million, and I think we also saw somewhere else  
11       in the filing a \$22 million number. And again,  
12       at that one percent or slightly less than one  
13       percent of total regional network load, the  
14       region as a whole is spending over \$2 billion a  
15       year on transmission.

16   A     (Warshaw) I would -- I would have to agree with  
17       that.

18   Q     Okay.

19   A     (Warshaw) But I don't have those figures in  
20       front of me. So, --

21               CMSR. GIAIMO: And I think this  
22       \$2 billion number underscores the questions  
23       that Commissioner Bailey was asking earlier.  
24       And I don't think it would surprise the panel

{DE 18-051} {05-09-18}



[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 to know that in 2008 the region spent about  
2 \$870 million as a whole. So, we've seen a  
3 four-fold increase in the past decade. So,  
4 again, underscoring Commissioner Bailey's  
5 questions.

6 So, actually, that's all the  
7 questions I got. Thank you.

8 BY CHAIRMAN HONIGBERG:

9 Q Mr. Simek, I think this is for you. Can you  
10 help me understand how, on Exhibit 2, which has  
11 the same number that I'm going to ask about on  
12 Bates 061, so it doesn't matter which you look  
13 at, the Transmission Charge number goes from a  
14 little over two cents in current rates to  
15 almost three and a half cents under the  
16 proposed rates. Am I reading that correctly?

17 A (Simek) Yes.

18 Q I heard Mr. Warshaw's testimony, and I  
19 understood some of it, but not all of it. And  
20 I heard a number of components that go into why  
21 transmission -- why the amount of money that  
22 needs to be collected through the Transmission  
23 rate is greater. But I don't think I got that  
24 level of increase. That's a very large

{DE 18-051} {05-09-18}

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1       increase, from two cents to almost three and a  
2       half cents. I heard a much smaller percentage  
3       change. So, can you help me get there?

4   A     (Simek) Hopefully. If we can look at Bates  
5       Page 43, and we look at Columns (d) through  
6       (g), those columns added together equal (h),  
7       which is where that 3460 came from.

8               So, as far as comparing it to the costs  
9       from last year, I don't have the background  
10      here to give you where the current rate of the  
11      0.02011 came from. But I can give you all the  
12      detail behind this 0.03460.

13              Now, I believe, if you recall that the  
14      Transmission Service Cost Adjustment, Column  
15      (e), that was a credit last year. And that had  
16      to do with the error that was made, that we are  
17      giving back too much money to customers. So,  
18      with that being a credit last year, and now  
19      we're recovering that money this year,  
20      obviously, that's a flip-flop, and that could  
21      be a major -- I just don't know off the top of  
22      head if that's the major driver in that of a  
23      big increase.

24   Q     Do you remember the order of magnitude of the

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 negative from last year?

2 MR. DEXTER: Mr. Chairman, I have the  
3 schedule in front of me, if I --

4 CHAIRMAN HONIGBERG: Sure.

5 MR. DEXTER: I'd be happy to provide  
6 that to the witness.

7 CHAIRMAN HONIGBERG: If it would  
8 help. I suspect it would. So, could you  
9 describe what it is you're showing him, Mr.  
10 Dexter.

11 MR. DEXTER: Yes. I believe it was  
12 Exhibit 1 from DE 17-049. It was filed March  
13 23rd, 2017. And it was the Company's Annual  
14 Retail Rate filing. And I'm looking at Bates  
15 Page 041. It was Schedule HMT-1, which is the  
16 equivalent schedule from Bates 043 from this  
17 year.

18 CHAIRMAN HONIGBERG: Thank you, Mr.  
19 Dexter.

20 *[Atty. Dexter handing document*  
21 *to Witness Simek.]*

22 WITNESS SIMEK: Thank you.

23 **BY THE WITNESS:**

24 A (Simek) So, the Transmission Adjustment Factor

{DE 18-051} {05-09-18}

[WITNESS PANEL: Tebbetts|Simek|Warshaw]

1 from last year was a credit of "0.00414".

2 BY CHAIRMAN HONIGBERG:

3 Q That's got to be 4. About 4 million then?

4 A (Simek) So, actually, I can give you some more  
5 details, since I have the whole filing here, if  
6 you just give me a moment.

7 So, it was exactly almost 4 million on the  
8 nose. It was -- well, it was a credit of  
9 4,007,679, plus 77,144, and then another credit  
10 of 9,286. So, those three together are about,  
11 I don't know, 3,930,000 or so of a credit.

12 Q I think you've gotten there. I think you've  
13 just explained the big change then.

14 A (Simek) Okay. Good.

15 CHAIRMAN HONIGBERG: Thank you.

16 WITNESS SIMEK: You're welcome.

17 CHAIRMAN HONIGBERG: That's all I  
18 had. Everything else I even could have thought  
19 about asking was asked.

20 Mr. Sheehan, do you have any further  
21 questions for the panel?

22 MR. SHEEHAN: I do not. Thank you.

23 CHAIRMAN HONIGBERG: All right. Is  
24 there anything else we need to do before the

{DE 18-051} {05-09-18}

1 closing ceremonies?

2 *[No verbal response.]*

3 CHAIRMAN HONIGBERG: All right.

4 Without objection, we'll strike ID on Exhibits  
5 1 through 4?

6 *[No indication given.]*

7 CHAIRMAN HONIGBERG: Mr. Buckley, why  
8 don't you sum up first.

9 MR. BUCKLEY: Thank you, Mr.  
10 Chairman.

11 The Office of the Consumer Advocate,  
12 after going through the various schedules and  
13 testimony in this proceeding, views the rates  
14 as proposed as just and reasonable, and  
15 suggests their approval by the Commission.

16 And I just would also like to note  
17 that it was encouraging to hear the continued  
18 line of questioning from this Commission and  
19 the answers from the panel regarding peak -- a  
20 focus on peak demand reduction. We see that as  
21 a source of, I wouldn't say "untapped", but a  
22 source of savings that could continue to be  
23 even better tapped here in New Hampshire.

24 And, you know, we've had discussions

1       here today of Liberty's efforts on battery  
2       storage. But I think there are even larger  
3       opportunities here, specifically, I think as  
4       was mentioned, curtailment, curtailment  
5       agreements with large customers, as well as  
6       continued investments in energy efficiency that  
7       targets peak demand reduction.

8               And I just want to applaud the  
9       Commission's direction in the most recent EERS  
10      order to begin to examine possibilities for  
11      moving some of the performance incentive  
12      associated with the EERS programs into peak  
13      demand reduction sources, representing it in  
14      the incentive in some way, shape or form. And  
15      the Office of the Consumer Advocate very much  
16      looks forward to working with Staff to find a  
17      way for that to happen.

18              I will note that, currently, the  
19      Performance Incentive mechanism associated with  
20      the energy efficiency programs is largely based  
21      on lifetime kilowatt-hour savings. So, to move  
22      that to something that has some degree of focus  
23      on peak coincident kilowatts I think could  
24      be -- could provide a real benefit to New

1 Hampshire ratepayers.

2 And furthermore, there was a little  
3 bit more discussion from one of the panelists  
4 here today about geotargeting efforts, targeted  
5 energy efficiency efforts on the distribution  
6 system. Now, the Commission might be aware  
7 that, within that Liberty -- recent Liberty  
8 battery filing -- storage filing, there is  
9 discussion of that. And that is yet another  
10 piece of, I wouldn't say "untapped", because  
11 there are past investments in energy efficiency  
12 that reduce investments in the distribution  
13 system, but I think that there are great  
14 opportunities available for this Commission to  
15 direct the utilities to begin targeting more  
16 energy efficiency towards planned circuits that  
17 may need capital investments. And not just  
18 energy efficiency, but also things like  
19 curtailment agreements and that sort.

20 So, with that said, I just would like  
21 to reiterate that I appreciate the Commission's  
22 sentiment today within that regard. Thank you.

23 CHAIRMAN HONIGBERG: Thank you  
24 Mr. Buckley. Mr. Dexter.

1 MR. DEXTER: Thank you.

2 So, Staff has gone through the  
3 filing, and we do recommend the approval of the  
4 rates as filed.

5 We would support the Company's  
6 statement that an audit of the  
7 over-/underrecover balance. We talked about  
8 transmission costs today, but it also applies  
9 to stranded costs. That we believe an audit is  
10 in order, and probably long overdue.

11 I spoke with the Audit Staff at the  
12 Commission, and they agreed and would be ready,  
13 willing, and able to do that before the next  
14 filing. And the basic purpose of the audit, as  
15 we understand it, would be to establish an  
16 appropriate beginning point of the  
17 over-/underrecovery back from when this company  
18 was purchased from National Grid. And once  
19 you've got that point, starting point, the  
20 calculation going forward should yield a  
21 reliable, accurate over-/underrecovery to  
22 account for things like the adjustments that  
23 were discussed today.

24 So, I would recommend that the



1 Commission include in its order a directive to  
2 the Staff and the Company to have this audit  
3 done in time for inclusion in next year's  
4 filing.

5 CHAIRMAN HONIGBERG: Thank you, Mr.  
6 Dexter. I guess I would ask you if you would  
7 also recommend that, since it sounds like Mr.  
8 Simek and on his end is interested in this as  
9 well, that it would be productive for Audit  
10 Division Staff and the relevant folks at the  
11 Company to have scoping meeting, so that  
12 they're all on the same page as to what is  
13 being audited and what questions are being  
14 answered.

15 Do you agree with that?

16 MR. DEXTER: I do agree. I also  
17 know, as Mr. Simek said, that this parallel  
18 audit was done for the gas side. So, I know  
19 that the -- when I spoke to the Commission's  
20 Audit Department, that they knew what they were  
21 getting into.

22 CHAIRMAN HONIGBERG: Oh, good.  
23 That's helpful. Thank you.

24 Mr. Sheehan.

1 MR. SHEEHAN: Thank you.

2 I also ask that the Commission  
3 approve the rate adjustments as filed. And as  
4 I mentioned before, although we illustrated the  
5 impact of tax reform, that it not be included,  
6 even though some of the schedules here have  
7 those references.

8 As far as the peak reduction, I heard  
9 you, the Chair, asking more along the lines of  
10 "could we educate customers of the importance  
11 of peak reduction", not in so many words. And  
12 that is certainly something we'd be willing to  
13 work with Staff on, even if it's bill stuffers  
14 and that kind of thing, to get that word out.

15 And, of course, Ms. Tebbetts' life  
16 lately has been battery storage, so she  
17 defaults to that for good reason. Another part  
18 of the battery storage that plays into that is  
19 time-of-use rates. They're going to be part of  
20 the plan, or we hope to be, and that's the  
21 beginning of going down that road as well,  
22 which will have an impact.

23 We also agree with the audit.

24 Mr. Simek is ready to go. So, I think whether

1 we formally order it or not, I think it will  
2 happen, and it will benefit us, as much as the  
3 Commission and Staff does.

4 Thank you.

5 CHAIRMAN HONIGBERG: All right.  
6 Thank you, Mr. Sheehan. Thank you all and  
7 thank the panel.

8 So, we will take this matter under  
9 advisement and issue an order as quickly as we  
10 can.

11 ***(Whereupon the hearing was***  
12 ***adjourned at 4:23 p.m.)***