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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

January 18, 2022 - 1:03 p.m.
21 South Fruit Street
Suite 10
Concord, NH

RE: DG 20-105
LIBERTY UTILITIES (ENERGYNORTH NATURAL
GAS) CORP. d/b/a LIBERTY UTILITIES:
Request for Change in Rates.
(Hearing regarding the first step
adjustment)

PRESENT: Chairman Daniel C. Goldner, Presiding
Commissioner Carleton B. Simpson

Eric H. Wind, Esq., PUC Legal Advisor

Doreen Borden, Clerk

APPEARANCES: Reptg. Liberty Utilities
(EnergyNorth Natural Gas) Corp.
d/b/a Liberty Utilities:
Michael J. Sheehan, Esq.
Daniel P. Venora, Esq. *(Keegan Werlin)*

Reptg. New Hampshire Dept. of Energy:
Paul B. Dexter, Esq.
(Regulatory Support Division)

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

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56	Supplemental Testimony of Heather M. Tebbetts, with attachments (08-31-2021)	<i>premarked</i>
57	Second Supplemental Testimony of Heather M. Tebbetts (01-13-2022)	<i>premarked</i>
58	RESERVED (Record Request for information on the FLIR systems, specifically the DHS directive, related to the Keene & Manchester projects)	66
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P R O C E E D I N G

CHAIRMAN GOLDNER: All right. Good afternoon, everyone. I'm Chairman Goldner. I'm joined today by Commissioner Simpson.

We're here this afternoon in Docket 20-105 for a hearing on the first step increase in this matter, which is a component of the Settlement Agreement on Permanent Rates, and was conditionally approved in Order 26,505, issued on July 30th, 2021. Consistent with the conditions in Order 26,505, Liberty has provided the Commission additional documentation relating to its capital expenditures placed in service in calendar year 2020.

RSA 378:28 requires that "the Commission shall not include in permanent rates any return on plant, equipment, or capital improvement which has not first been found by the Commission to be prudent, used and useful."

All right. So, let's take appearances. Liberty?

MR. SHEEHAN: Good afternoon. Mike Sheehan, for Liberty Utilities (EnergyNorth Natural Gas) Corp. Thank you.

1 CHAIRMAN GOLDNER: Okay. I'll call on
2 the Consumer Advocate, though, I don't think
3 they're here?

4 *[No indication given.]*

5 CHAIRMAN GOLDNER: No? Okay. And
6 Department of Energy?

7 MR. DEXTER: Good afternoon, Chairman
8 Goldner, Commissioner Simpson. Paul Dexter, from
9 the Department of Energy.

10 CHAIRMAN GOLDNER: All right. Thank
11 you.

12 So, for preliminary matters, if there
13 are any members of the public who wish to make a
14 comment, we'll provide the opportunity for public
15 comment now? Anybody from the public who wishes
16 to make a comment?

17 *[No indication given.]*

18 CHAIRMAN GOLDNER: No? Okay.
19 Exhibits 56 and 57 have been prefiled and
20 premarked for identification. I'll note that the
21 Company will also rely on previously filed and
22 admitted Exhibits 33, 48, and 49.

23 Is there anything else we need to cover
24 regarding exhibits?

[WITNESS: Tebbetts]

1 [No verbal response.]

2 CHAIRMAN GOLDNER: All right. Then,
3 any other preliminary matters before we have the
4 witness sworn in? And does anyone object to the
5 witness?

6 MR. DEXTER: No objection from the
7 Department of Energy.

8 MR. SHEEHAN: And the only preliminary
9 matter is a request, if I could put a ten- or
10 fifteen-minute presentation on by Ms. Tebbetts to
11 sort of ground us and set the stage for today's
12 hearing?

13 CHAIRMAN GOLDNER: Okay. Any
14 objections, Mr. Dexter?

15 MR. DEXTER: No objection.

16 CHAIRMAN GOLDNER: Thank you. Okay.
17 Let's proceed with the witness. Mr. Patnaude,
18 would you please swear in the witness.

19 (Whereupon **Heather M. Tebbetts** was duly
20 sworn by the Court Reporter.)

21 CHAIRMAN GOLDNER: All right. We'll
22 move to direct examination of the witness. I'll
23 recognize Mr. Sheehan.

24 MR. SHEEHAN: Thank you.

[WITNESS: Tebbetts]

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HEATHER M. TEBBETTS, SWORN

DIRECT EXAMINATION

BY MR. SHEEHAN:

Q Ms. Tebbetts, please introduce yourself and your position with the Company.

A My name is Heather Tebbetts. And I am the Manager of Rates and Regulatory Affairs for Liberty Utilities Service Corporation.

Q And today's hearing has to do with the first step increase that was part of last summer's Settlement Agreement. And, as the Chair just noticed or stated, there are three exhibits already in evidence, 33, 48, and 49. You don't need to readopt your testimony, but you had adopted your testimonies, your direct testimony and your rebuttal testimony, at last summer's hearing, is that correct?

A Yes.

Q And the Settlement Agreement, of course, was Exhibit 49. And you partook in the conversations that resulted in that Settlement Agreement as well, is that correct?

A Yes.

Q And is it fair to say that you were heavily

[WITNESS: Tebbetts]

1 involved in the work of preparing all the
2 documents that are related to this first step
3 increase?

4 A Yes.

5 Q Today, we have two new exhibits, 56 and 57.
6 Fifty-six (56) is your testimony from August of
7 2021, in response to the Commission's order. Do
8 you have any changes to that testimony you want
9 to bring to the Commission's attention today?

10 A I do not.

11 Q And do you adopt that testimony as your sworn
12 testimony today?

13 A Yes.

14 Q Can you give me a one-sentence, high-level
15 description of what the intent of that testimony
16 is?

17 A Yes. The purpose of that testimony was to
18 address the order that we received in the rate
19 case, requesting further information, so that the
20 Commission may find the projects we requested for
21 cost recovery were found to be prudent.

22 Q And the other exhibit for today is 57, which was
23 what we titled "Second Supplemental Testimony"
24 filed last week. Do you have any changes to that

[WITNESS: Tebbetts]

1 testimony you need to make this afternoon?

2 A No.

3 Q And do you adopt that testimony as your sworn
4 testimony today?

5 A Yes.

6 Q And, again, a quick description of the purpose of
7 that Second Supplemental Testimony?

8 A A further clarification of the request for today,
9 which is to request that we receive -- rates go
10 into effect for February 1st, 2022, and to
11 recover that \$4 million in the original
12 Settlement Agreement over the period of the
13 February 1st, 2022, through July 31, 2022.

14 Q The order from last summer that prompted this
15 hearing essentially said that the Commission had
16 not had an opportunity to review the supporting
17 documents of these step projects. Is that
18 correct?

19 A Yes.

20 Q And just to restate, those projects, the 2020
21 projects that are part of the 2021 step, were
22 part of testimony and discovery before the
23 Settlement Agreement, is that correct?

24 A Yes.

[WITNESS: Tebbetts]

1 Q And could you tell us what was out there, if you
2 will, as far as that? Did the Company prepare a
3 list of -- a particular list of projects?

4 A Yes. So, the Company prepared a list of
5 projects. We also went through an audit with, at
6 the time, Public Utilities Commission Audit Staff
7 for review. And we also provided documentation
8 for the Public Utilities Commission Staff, who
9 they were at the time, for review of those
10 projects and the costs associated with them.

11 Q And, so, in the testimonies themselves is the
12 list of the projects and a description of them,
13 but the supporting documents, which we'll talk
14 about in a minute, were not part of testimony, is
15 that fair?

16 A That's correct.

17 Q And, as you say, the parties could review that,
18 and the parties reached their conclusions based
19 on that, is that fair?

20 A Yes.

21 Q And the conclusions were, as stated in the
22 Settlement Agreement, that former Staff and the
23 OCA both agreed that those projects were
24 prudently incurred, the costs for them?

[WITNESS: Tebbetts]

1 A Yes.

2 Q Okay. So, understanding the Commission didn't
3 have those documents, which is why we're here,
4 can you tell us the -- and those are the
5 documents provided in your August testimony,
6 Exhibit 56. Can you tell me the categories of
7 documents that comprise that very large package?

8 A Sure. So, there's quite a bit of information in
9 this. And what we have provided is initial
10 business cases for the projects that are part of
11 the step request. We've also included any change
12 orders associated with those projects, whereby
13 spending may have increased or the scope of the
14 project may have changed due to -- could be
15 issues in the field, or sometimes, you know,
16 we'll hit ledge when we're digging, and so that
17 may require a change order.

18 We've also provided the Project Close
19 Out Forms, which are part of our capital
20 expenditure process. And all of those forms were
21 provided in Exhibit 56 back in August, for the
22 projects associated with the step increase for
23 2020 projects.

24 Q And does the attachments to Exhibit 56 also

[WITNESS: Tebbetts]

1 include the policy itself?

2 A Yes.

3 Q And the title of that policy is what?

4 A The "Liberty Way Policy and Procedures: Capital
5 Expenditures Planning & Management".

6 Q Could you tell me what's in a business case?

7 What's the purpose of a business case? What
8 information? Who's the person that initially
9 drafts it?

10 A Yes. So, the purpose of a business case is to
11 provide detailed information about a few things
12 about a project. Basically, the how and the why,
13 and how much. So, what we will have is a project
14 sponsor, and we'll have a project manager. And
15 the manager is required to fill out a business
16 case, which will provide information, as I
17 mentioned, of a start date, projected end date.
18 It will provide detailed information about why we
19 need to have the project. It will also provide a
20 cost associated with the project. And any other
21 documentation that's required. Usually, it's
22 just the business case. But there have been
23 times where we may have hired a consultant for
24 engineering purposes where we may include

{DG 20-105} [RE: Step Adjustment] {01-18-22}

[WITNESS: Tebbetts]

1 something along those lines with a business case.

2 And, then, we walk through the budget
3 process, to ensure that the project gets approved
4 in the budget, and this is in parallel. And,
5 once those projects are approved in a budget,
6 that business case will then go to get the
7 appropriate signatures based on the cost of the
8 project.

9 And, then, once the business case has
10 been signed, we've gotten the approval to move
11 forward with the engineering, construction,
12 *etcetera*, of that project.

13 Q So, the initial audience of the business case is
14 who? What kind of levels are, if you're drafting
15 a business case, who are you trying to convince
16 that this is what we should do?

17 A Yes. So, there's a few levels. I'll start with
18 the initial looking at the system and planning,
19 and determining what specific projects we need
20 for the coming year. So, as I mentioned, the
21 project manager will put that together. That is
22 going to be, of course, in conversation and in
23 conjunction with discussions throughout
24 leadership, to ensure that these projects are

[WITNESS: Tebbetts]

1 necessary.

2 And, then, once, you know, the business
3 case is -- the business case has been ident --
4 the project has been identified, and the business
5 case has been started, we go through that budget
6 process. The budget process is local, and then
7 it also rolls up to corporate. And the folks
8 involved in that are going to be the local
9 engineering and operations folks that are on the
10 ground writing the business cases, but also we
11 include all leadership, including our managers,
12 directors, and senior leadership, such as our
13 vice presidents and our president in New
14 Hampshire. Depending on the level of spending,
15 we may need to include the regional president for
16 sign-off as well.

17 But, before those business cases are
18 signed, these projects are reviewed as part of
19 the budget process. And, as part of that budget
20 process, the determination is made that "yes,
21 these projects should go forward next year."

22 And, so, the local leadership team will sign off
23 on the budget. And, then, it will roll up to our
24 corporate offices, in Oakville, Canada. And they

[WITNESS: Tebbetts]

1 will sign off on the budget as well.

2 And, once that's happened, we know, in
3 parallel, as I mentioned, we do fill out the
4 business cases. Certainly, we don't want a lag
5 between the budget approval and the starting of
6 construction. So, once that budget is approved,
7 by all areas of management, we then get the
8 signatures as necessary for those business cases,
9 so we can make the start of the projects.

10 Q And, so, now you've received budget approval.
11 You've obtained the signatures of the folks on
12 the business case that you need. What's next for
13 the particular project?

14 A So, the next step would be we would start
15 engineering. So, our local engineers in New
16 Hampshire would look at the specific projects,
17 they would start design. So, if it was mains
18 being designed to be replaced in the ground, our
19 engineering folks would work on those designs.

20 In the meantime, we would prepare all,
21 you know, information necessary, because we do
22 have to go out to bid for contractors to do the
23 work. So, once the final design is done, we
24 would then include the final design in the bid

[WITNESS: Tebbetts]

1 packet. We would send that out to bid. We would
2 get contractor bids and go through the process.

3 And, once we've done that, we will
4 start construction as soon as the ground has
5 thawed for us to be able to start digging.

6 Q The timeframe for this identifying a project,
7 budget, business case, RFP, is that roughly fall
8 through spring, depending on many factors, I'm
9 sure?

10 A Yes. I mean, so, we do try to identify projects,
11 you know, one to three years out, based on our
12 least cost planning and our capital planning.
13 But, to look at what we're going to do, for
14 example, I'll give you 2022 as an example. We're
15 in January. So, business cases are done, signed
16 off, the budgets have been completed, that all
17 started last summer or so. The budget process
18 goes through the fall, we get final approval in
19 late fall, so the business cases can start, you
20 know, being written. And, then, we get sign-off,
21 so we can start next. So, it is a -- it could be
22 anywhere from six to eight months to go through
23 the full process, just to ensure we have all
24 documentation necessary to proceed with a

[WITNESS: Tebbetts]

1 project.

2 Q So, now, you have selected a contractor, the
3 ground is thawed and they're off and working.
4 The next category of documents you say is in the
5 submission is a Change Order. And I think you
6 already referenced one or a couple of situations
7 where a Change Order may come about. How does
8 the paperwork actually get generated when
9 something requires a Change Order?

10 A Sure. So, we have momentarily budget meetings.
11 And, as part of those budget meetings, which I am
12 involved in, we are required to provide any
13 updates to the projects. So, an example I
14 mentioned earlier is, let's say we're digging,
15 and we've hit ledge. And, so, now we have --
16 required to have more work for getting rid of the
17 ledge. And, so, of course, a budget of a million
18 dollars for a project, I'll say, may now be, you
19 know, increased to \$1.1 million, because now we
20 have to remove this ledge in order to deal with
21 where we're putting the pipe.

22 So, that \$100,000 increase, which we
23 are expecting to incur, we would then -- the
24 project manager would fill out a Change Order,

[WITNESS: Tebbetts]

1 and that Change Order would be presented in the
2 monthly budget meeting. It would be discussed
3 with the project sponsor and project manager
4 prior to that budget meeting. But it is
5 presented at the budget meeting, and here is the
6 information, here is why this has happened. And,
7 then, we get the sign-off. Again, we go through
8 the process of getting the appropriate signatures
9 based on the level of the Change Order. And,
10 then, we would proceed with dealing with the
11 ledge issue and continuing construction.

12 Q And, so, now the ledge has been dealt with, the
13 pipe has been put in the ground. It's in
14 service. Then, we come to a Close Out Form, is
15 that right?

16 A Yes. So, projects that are annual projects, that
17 are not going to be going more than, you know,
18 one year, we would then present a Project Close
19 Out Form. And the Project Close Out Form
20 provides a lot of information, such as the final
21 budget, the timeline. It may have work order
22 numbers in it. It also asks us a few questions,
23 such as, I have one here, you know, asks us a few
24 questions. You know, "has it been placed in

[WITNESS: Tebbetts]

1 service?" We do a ranking system here, based on
2 the level of satisfaction with regard to the
3 project outcomes. And we also provide a little
4 bit of information about where the documentation
5 is located.

6 And, then, once again, we provide the
7 final total project costs, and any reasons for
8 variances.

9 Q And that's for, as you said, an annual project,
10 say, a one-mile stretch of pipe replacement, it's
11 done. What are the other kinds of projects that
12 would not be a "annual project"?

13 A Sure. So, there are times when we have long-term
14 projects. And I'm trying to think off the top of
15 my head of a specific one. But it may span more
16 than one year. So, the purpose of a Project
17 Close Out Form is not to necessarily fill it out
18 annually. It is to say that a project that --
19 let's say we need to install three miles of pipe
20 for, you know, we're doing a construction
21 project, and it's going to take more than one
22 year. So, we would fill out that Project Close
23 Out Form when the project has been completed and
24 put in service, and not just fill it out at the

[WITNESS: Tebbetts]

1 end of the year. So, that project was --
2 essentially, we know it's ongoing until it's
3 fully in service.

4 Q And another type of project that's involved here
5 today are -- the word just went out of my head --
6 the projects that are every year, a whole bucket
7 of meters, for example. What do you call those
8 again?

9 A Blanket projects.

10 Q "Blanket". Thank you. Tell me how a blanket
11 project, first, what one is, and how it fits into
12 the process you just mentioned?

13 A Sure. So, blanket projects are going to be ones
14 that we incur annually. So, the kinds of
15 projects that we have are -- meters is definitely
16 one of them. So, meters is a good example,
17 right? We know that we are going to be replacing
18 meters every year. We're also going to be
19 purchasing meters for growth projects, so,
20 because we have new business, meters is a good
21 example of a project that is what we call a
22 "blanket project". And it's just a project that
23 occurs every single year.

24 Q I have up on my screen the Settlement Agreement,

[WITNESS: Tebbetts]

1 you don't need to get it. But Attachment 1 --
2 it's actually "Appendix 1" to the Settlement
3 Agreement, and it is titled "Non-Growth Projects
4 Placed in Service During 2020". And it has a
5 list of 25 or so projects. Are those the
6 projects that are the subject of this hearing?

7 A Yes.

8 Q And those projects are in service, were in
9 service in 2020?

10 A Yes.

11 Q And the dollar amounts in the Settlement
12 Agreement attachment, 36 million 200 and some odd
13 thousand (\$36,206,417), are the dollars that are
14 the subject of this step request, is that
15 correct?

16 A Yes.

17 Q And the revenue requirement for that \$36 million
18 investment is greater than \$4 million, is it not?

19 A It is.

20 Q Do you have that number on hand or an estimate of
21 it? It doesn't matter.

22 A I do not.

23 Q It's more than 4 million, right?

24 A It is more than the 4 million, yes.

[WITNESS: Tebbetts]

1 Q And, as part of the Settlement Agreement, we
2 agreed to -- excuse me -- cap the recovery now to
3 a \$4 million level, is that right?

4 A Yes.

5 Q And what would happen, let's just assume that the
6 revenue requirement is four and a half million
7 dollars, what would happen to the other half
8 million dollars of revenue requirement?

9 A So, we would request to recover that in our next
10 rate case.

11 Q Okay. The Settlement Agreement anticipated that
12 that \$4 million annual amount would go into
13 effect August 1, which, obviously, has not
14 happened. What is the Company's proposal to
15 collect that money here today?

16 A So, the Company's proposal is to continue to
17 collect that money, the \$4 million total, but to
18 start that collection on February 1st, 2022.

19 Q And did you provide a calculation of how that
20 could get done?

21 A Yes.

22 Q And that's in your second supplemental, is that
23 correct?

24 A Yes.

[WITNESS: Tebbetts]

1 Q And how did you approach that calculation?

2 A So, the way we approached it was we took --
3 excuse me -- we took the \$4 million, and we
4 spread that out over the therms of expected sales
5 from February through July. So, the actual
6 calculation was to take \$4 million, divide that
7 78,107,650 therms --

8 *[Court reporter interruption.]*

9 **CONTINUED BY THE WITNESS:**

10 A -- 78,107,650 therms. The \$4 million will be
11 spread over those therms, which is the billing
12 determinants that we had in our October 19, 2021
13 RDAF filing. And these are the billing
14 determinants for the 2019-2020 decoupling year,
15 for the months of February through July. And
16 when you made that division, you came out with an
17 increase factor of 5.12 cents per therm.

18 BY MR. SHEEHAN:

19 Q So, the idea is to collect the 4 million between
20 now and August 1st of this year, based on the
21 projected sales, as you said, that you pulled
22 from last fall's cost of gas filing?

23 A Yes.

24 Q And, of course, that's a projection. Is there

[WITNESS: Tebbetts]

1 anticipated to be any reconciliation of that
2 number? Or, is that just the factor that goes
3 into effect now, through the end of the step
4 adjustment year, if you will?

5 A Yes. This is a factor that would just go into
6 effect through the step adjustment year.

7 Q So, come August 1 of 2022, the Company will have
8 filed a request for approval of the second step
9 adjustment within the Settlement Agreement, and,
10 presumably, we'll have a hearing sometime in July
11 to address that. How would that second step
12 adjustment dovetail with this factor that you've
13 proposed for the first step adjustment?

14 A Sure. So, the \$4 million will have already been
15 included in rates for six months. So, what we
16 would then do is, the step adjustment request for
17 the 2021 in-service projects is \$3.2 million.
18 And, so, we would take the \$4 million that's been
19 approved, plus the \$3.2 million that we -- what
20 we assume will be approved, plus the request for
21 \$3.2 million. And that total, 7.2 million, would
22 actually be spread over twelve months of therms,
23 instead of six months of therms.

24 Q And, so, you'll come up with a different factor,

[WITNESS: Tebbetts]

1 as have you today, just using different numbers
2 and a different time period?

3 A Yes.

4 Q And, if it's goes as you laid out, the actual
5 factor might go down a hair, even though you've
6 added in the second step adjustment?

7 A Yes. Yes. Definitely. Because the amount of
8 therms over those twelve months will include more
9 winter months.

10 Q Right. And we're proposing four months -- \$4
11 million over six months, and that proposal would
12 be \$7 million over a whole year?

13 A Correct.

14 MR. SHEEHAN: Okay. That's all I have.
15 Thank you for allowing that.

16 CHAIRMAN GOLDNER: Thank you. We'll
17 move to cross-examination. And I'll recognize
18 Mr. Dexter.

19 MR. DEXTER: Thank you.

20 **CROSS-EXAMINATION**

21 BY MR. DEXTER:

22 Q So, Ms. Tebbetts, I think you said that
23 Exhibit 56 was the August 31st filing in this
24 case that came out in response to the

[WITNESS: Tebbetts]

1 Commission's July 30th order. Is that right?

2 A Yes.

3 Q Now, that's the exhibit with the 500 plus pages
4 of documentation on the various projects that you
5 discussed with Mr. Sheehan, is that right?

6 A Yes.

7 Q Is there -- was that documentation that's
8 included in Exhibit 56 essentially the same as
9 the documentation that was provided to the PUC
10 Staff in the months leading up to the Settlement,
11 so that would be, you know, roughly March, April,
12 May, in that timeframe?

13 A Yes.

14 Q Is there anything different that you'd want to
15 point out to the record, or it's essentially the
16 same materials?

17 A It's essentially the same materials.

18 Q Okay. Had the Settlement been approved in full
19 with respect to this step adjustment, how would
20 the Company have proposed, back then in the
21 Settlement, to have collected the first step, the
22 \$4 million step, ratewise? In other words, how
23 would the rate proposal -- what would the rate
24 proposal have looked like?

{DG 20-105} [RE: Step Adjustment] {01-18-22}

[WITNESS: Tebbetts]

1 A So, the rate proposal would have looked like what
2 we provided on Bates Page 575 of the Exhibit 56.
3 And that is an increase factor spread over the
4 annual throughput, so, the annual therms.

5 Q And how long -- and, so, I see that number. The
6 factor on that page is "2.25 cents". Do I read
7 that right?

8 A Yes.

9 Q Okay. How long would that factor have been in
10 effect?

11 A That factor would have been in effect until
12 July 31st, 2022, until, obviously, we are going
13 to file on April 8th for our next step adjustment
14 for 2021 projects that went into service by
15 12-31-2021. And then, we would adjust the factor
16 based on the \$4 million and the \$3.2 million
17 request, and the expected throughput therms for
18 the upcoming year.

19 Q Did the Settlement contemplate a reconciliation
20 at the end of the first year step, to bring the
21 Company right to 4 million? Or, would that
22 factor have just been subject to sales
23 variations, and, so, the Company may have
24 collected more or less?

[WITNESS: Tebbetts]

1 A In reading the Settlement Agreement, I do not
2 believe that a reconciliation was going to be
3 part of the process. I did not find anywhere in
4 the language of the Settlement Agreement that
5 there would be a reconciliation.

6 Q And that would be consistent with the underlying
7 base rate increase in the Settlement, the revenue
8 requirement of, I forget the exact number,
9 6.3 million or something, that's not subject to
10 reconciliation at the end of a year. That's
11 subject to the ups and downs of sales volumes,
12 would you agree?

13 A Yes.

14 Q And I think you've explained how the \$4 million
15 will be collected under the proposal in
16 Exhibit 57. Is it fair to say that it's
17 essentially the same mathematical calculation,
18 except that the annual throughput or the sales
19 number is now a six-month number, rather than a
20 twelve-month number?

21 A Yes. That's correct.

22 Q And that probably explains why the factor,
23 instead of being 2.25 cents, like it would have
24 been had this gone into effect August 1st, is

[WITNESS: Tebbetts]

1 instead 5.12 cents. It's a little more than
2 doubling, correct?

3 A Yes.

4 Q And, similarly, your testimony today does not
5 propose a reconciliation at the end of the first
6 year of the step, that would be July 30th, 2022,
7 is that right? No reconciliation is proposed?

8 A No reconciliation is proposed. That's correct.

9 Q Okay. And you mentioned, I believe, that, when
10 the second step adjustment comes along, assuming
11 the Company spends up to the cap, and implements
12 the \$3.2 million that is capped, that the
13 surcharge will change, but it will continue.
14 There's not a proposal to roll this, this
15 collection, into base rates, is that right?

16 A That's correct.

17 Q And how long would that second surcharge then
18 stay in effect?

19 A Until our next rate case. We do not have another
20 step adjustment after this coming year.

21 Q And is it subject to change in any way or would
22 that surcharge be fixed until the next base rate
23 case?

24 A It would be fixed.

[WITNESS: Tebbetts]

1 Q And I gather from your testimony that the Company
2 is not looking to collect any more than the 4
3 million that would have been collected in the
4 Settlement Agreement, as presented last summer?
5 In other words, you're looking to collect the
6 4 million, is that right?

7 A Yes.

8 Q And you don't have any proposal in here today
9 that would affect the implementation of the
10 second step adjustment?

11 A We do not.

12 MR. DEXTER: Okay. That's all the
13 questions I have, Commissioner.

14 CHAIRMAN GOLDNER: Thank you, Mr.
15 Dexter. We'll move to questions from
16 Commissioners, beginning with Commissioner
17 Simpson.

18 CMSR. SIMPSON: Thank you, Mr.
19 Chairman. And thank you for being here,
20 Ms. Tebbetts.

21 BY CMSR. SIMPSON:

22 Q I just want to ask you about a few of the
23 projects that are listed in Appendix 1 of
24 Exhibit 49. I believe Mr. Sheehan referenced

[WITNESS: Tebbetts]

1 this in his questioning.

2 A Uh-huh.

3 Q So, all of these projects are non-growth, is that
4 correct?

5 A Yes. That's correct.

6 Q So, can you help me understand how the Company
7 characterizes projects as "non-growth"? If and
8 how they could lead to growth situations, like a
9 main replacement?

10 A Yes. Okay. So, you gave the example of a main
11 replacement. So, we look at reliability and
12 safety. And, with gas, we have -- we've had a
13 lot of cast iron and bare steel in the ground,
14 which needs to be replaced. So, what we do look
15 at is the opportunities to replace old mains, and
16 that would be reliability and safety projects,
17 which are non-growth.

18 And, so, you know, if we are going down
19 a street that happens to need this replacement
20 due to safety and reliability issues, and I guess
21 there was a home or a business that just didn't
22 hook up to natural gas along that line, there is
23 certainly always potential that a customer will
24 call and say "Can we hook up?" And, if they

[WITNESS: Tebbetts]

1 wanted to do that, it would fall under our tariff
2 as to how they would pay for their hook-up.

3 So, I guess there is opportunity in
4 that sense. But we are replacing these mains
5 because they're old, and customers are already
6 being served by them. So, we would not consider
7 that a "growth" project. We would consider that
8 "reliability and safety".

9 Q Okay. Thank you. That's helpful. Going back to
10 Mr. Dexter's questioning, the first step
11 adjustment, that's at question here today, would
12 Liberty be implementing that step adjustment
13 until their next rate case, in a similar manner
14 to the second step adjustment?

15 A So, the first step adjustment we -- let me back
16 up. Originally, had the step adjustment been
17 approved for August 1st, 2021, we would have
18 implemented that \$4 million increase during that
19 period, and that would have stayed in rates until
20 our next rate case. Then, we have the 2021
21 projects in service as part of the second step
22 adjustment. And we would have added those
23 dollars to the in-service amount in the rate
24 base. And we would have collected for both of

[WITNESS: Tebbetts]

1 those step adjustments until our next rate case.

2 I hope that answered your question.

3 Q It does. So, both of them are -- you're
4 proposing to run until your next rate case?

5 A Yes.

6 Q Thank you. With regards to property tax
7 collections, can you explain your reasoning for
8 including property taxes in the step adjustment?

9 Given that the proposal is for the step
10 increase to provide for recovery of prudently
11 incurred costs for used and useful capital?

12 A Sure.

13 Q Thank you.

14 A Sure. So, all of these projects that we have put
15 in service will incur property taxes from the
16 cities and towns which we have installed the
17 plant in. And we have a base amount in our rates
18 from the rate case, which was through our test
19 year of 2019. And, so, to include property taxes
20 for plant that went in service in 2020 would
21 allow us to recover those costs as part of the
22 revenue requirement calculation for the
23 non-growth projects as part of that \$4 million.

24 Q And you don't think those costs would be better

[WITNESS: Tebbetts]

1 characterized as expense outside of the step
2 adjustment?

3 A Well, I mean, it is part of the cost -- it is
4 part of our revenue requirement calculation,
5 which does include depreciation, property taxes,
6 and federal and state tax. That's all part of
7 the calculation of it. So, it is part of the
8 capital job project total costs.

9 Q Okay. Thank you. Can you speak to the process
10 for identifying projects that fall into the
11 various categories listed as "priority" in
12 Appendix 1, specifically "Mandated", "Safety",
13 "Growth", "Regulatory Programs"?

14 A Yes. I'm just going to get to that page.

15 Q Take your time.

16 A All right. So, to ensure I'm in the right spot,
17 are you referring to Bates Page 040, which is the
18 "Definitions", and that is in Exhibit 56,
19 Attachment 1, which is Page 28 of 60 also?

20 Q I am looking at Appendix 1, in Exhibit 49, the
21 list of non-growth projects.

22 A Oh. Okay. Okay. Sure. So, what we do is we,
23 as part of our -- as part of our capital project
24 planning, we determine what bucket each of these

[WITNESS: Tebbetts]

1 projects go in. And I can turn you to
2 Exhibit 56, Bates Page 040. And we can start --
3 actually, let me move you to Bates Page 039,
4 because it really starts over there. So, we have
5 buckets of projects: "Safety", "Mandated",
6 "Growth", "Regulatory Supported", and
7 "Discretionary".

8 "Safety" projects are those projects
9 where we do believe there may be a safety issue
10 with the public or company assets. And those are
11 first priority to apply dollars in the budget to.

12 "Mandated", mandated is not necessarily
13 safety, but we would say it's a reliability
14 issue. So, if we do believe that we are unable
15 to serve customers due to reliability issues, we
16 would put that under a "mandated" project. So,
17 when you look at the list, let's see, "Meter
18 Protection Program", "Replacement Services
19 Random", you know, "due to leaks", for example.
20 So, while that may not be necessarily
21 specifically a safety issue, because it could be
22 a non-leak issue, it is a reliability issue for
23 the customer or the Company.

24 "Growth" is simply growth. Customers

[WITNESS: Tebbetts]

1 are coming on. And, so, we've identified these
2 projects that we need to build either mains or
3 line extensions to provide service to a customer.

4 "Regulatory Supported", that's the
5 regulatory. You're going to find that's really
6 our Cast Iron/Bare Steel Program on the gas side,
7 that's what that is. And, essentially, what that
8 means, a "Regulatory Supported" program is we
9 have either an order or -- probably an order from
10 the Commission saying, you know, "You must go and
11 spend this money and do these things to make your
12 system more reliable or more safe."

13 "Discretionary" is the bucket of
14 everything else, I'll call it. And, really, it
15 doesn't mean that it's discretionary to spend
16 money. It just means it's not a safety issue,
17 it's not a reliability issue. When I look at the
18 list of projects, let's see here, "Transportation
19 Fleet and Equipment Purchases", that's
20 discretionary, because it doesn't fall under
21 "safety", "mandated", or "regulatory supported".
22 I'm trying to see something else.

23 Q Well, let me ask you about --

24 A Yes. Sure.

[WITNESS: Tebbetts]

1 Q -- a couple specifically. So, looking at Exhibit
2 56, Bates 391, the "Dresser Coupling Replacement
3 Program". So, on this Capital Project
4 Expenditure Form, the "Project Type" is noted as
5 "Mandated". So, by whom, is my question?

6 A Well, it doesn't say here. It's mandated. So,
7 again, we will look at this as, when you say "by
8 whom?", this is a reliability issue for us. So,
9 we would not say, you know, "the Commission has
10 required us", it's not mandated by the
11 Commission. And this is where our --
12 unfortunately, I'll say this is where the
13 definitions of "mandated" and like "safety" get a
14 little fuzzy. And the reason for that is because
15 this policy is for all of our utilities, it's not
16 just New Hampshire. So, what may be not a safety
17 issue, not regulatory supported, discretionary,
18 or growth, we would then put in a "mandated".
19 So, again, this is a reliability issue. And, so,
20 we would -- we would put it under "mandated".

21 So, this one specifically deals with
22 dresser couplings, and joints that tend to leak
23 during the winter months. And, so, we provide
24 that, you know, this is definitely -- it may not

[WITNESS: Tebbetts]

1 be a safety issue, but it's definitely a
2 reliability issue for our customers.

3 So, again, most of our projects that
4 are "mandated" are going to be ones that we would
5 consider reliability issues.

6 Q Okay. Moving to Bates Page 200, also in Exhibit
7 56, "Main Replacement LPP".

8 A Uh-huh.

9 Q Can you discuss how the costs for this project
10 were developed and the prioritization process for
11 the LPP Program?

12 A Yes. What Bates Page was that again?

13 Q Two hundred (200).

14 A Thank you. I just would like to read it.

15 Q Take your time.

16 A Thank you. All right. So, this project -- this
17 program, actually, has been ongoing for quite a
18 few years now. And we had identified I believe
19 it's over 50 miles of pipe that needs to be --
20 main pipe that needs to be replaced. And each
21 year we strive to replace a portion of that.
22 And, in 2020, our goal was to replaced 4.8 miles.
23 And, so, we take a look at each year. And, as I
24 mentioned earlier, we have a business case. We

[WITNESS: Tebbetts]

1 have an idea of how much it costs per mile to
2 replace the main. And, so, we utilize that data
3 to then determine how much it's going to cost us
4 to replace, for example, this 4.8 miles. And
5 this includes the digging, the contracting, it
6 also includes costs associated with paving. And
7 that's another thing that we have to do. So,
8 when we're looking at main replacement, one of
9 the most important things for us is to work with
10 our cities and towns. We try every year to dig
11 in the cities and towns that are going to be
12 paving in that year. This way we are not having
13 to rip up streets that may have just been paved,
14 and also the cities and towns may not allow us
15 to.

16 So, every year we look at costs, we
17 look at a cost per mile, and we also look at
18 where we're going to be doing it, and what share
19 of paving costs we'll incur.

20 Q Okay. Looking at Exhibit 48, Bates Page 009,
21 there's a table with regards to the LPP Program
22 and the mileage of pipe remaining. I'll give you
23 a minute.

24 WITNESS TEBBETTS: Mr. Sheehan, I don't

[WITNESS: Tebbetts]

1 actually have that in front of me.

2 MR. SHEEHAN: I'll bring it up.

3 WITNESS TEBBETTS: Thank you.

4 MR. SHEEHAN: What was the page again?

5 CMSR. SIMPSON: Bates Page 009,

6 Exhibit 48.

7 WITNESS TEBBETTS: Yes. I'm there.

8 Thank you.

9 BY CMSR. SIMPSON:

10 Q So, just trying to understand.

11 A Uh-huh.

12 Q So, for 2021, Liberty replaced "5.99" miles of
13 pipe, with "48.31" miles remaining, is that
14 correct?

15 A That was the plan at the time we filed this
16 rebuttal testimony. I do not know, as of right
17 now, what we actually ended up replacing. And
18 that will most certainly be part of our step
19 filing for 2021. But that was the intent of the
20 amount we expected to replace.

21 Q Okay. Do you have any sense of the amount of
22 main that remains from the 1890s, or up through
23 the 1950s, as you mentioned in the Capital
24 Project Expenditure Form, Exhibit 56, Bates 200,

[WITNESS: Tebbetts]

1 back to the authorization?

2 A I think I'm confused. You're asking me how much
3 we have left to replace?

4 Q So, on Bates Page 200 of Exhibit 56, --

5 A Yes.

6 Q The bottom part of the form says "Will there be
7 assets, greater than 5,000, currently in service
8 removed as a result of this expenditure? This
9 project will remove approximately 4.8 miles of
10 cast iron and bare steel pipe from the ground.
11 The cast iron and bare steel was installed
12 anywhere between the 1890s and the 1950s."

13 A Uh-huh.

14 Q When I read that, I was just surprised to see
15 pipe of that vintage.

16 A Yes. Well, over the last 20 or 30 years, I will
17 say, prior to Liberty purchasing the assets of
18 EnergyNorth Natural Gas, there was very little
19 done to replace any of that main. And, so, you
20 are correct, that there is very old main in the
21 ground, and it has not been touched,
22 unfortunately, which is why we're trying to do it
23 now. And, as I mentioned earlier, you know, for
24 safety reasons, certainly we've seen other areas

[WITNESS: Tebbetts]

1 where old pipe, especially from the 1890s through
2 the 1950s, could be, you know, unsafe.

3 Q Thank you. Just a couple more projects I want to
4 ask you about.

5 The "FLIR Camera Project for Keene",
6 referenced on Bates Page 553 of Exhibit 56, these
7 are listed as "Safety". Can you help describe
8 some of the justification? It's mentioned, in
9 the "Project description", it's "being mandated
10 by DHS". Can you describe that, that
11 requirement?

12 A Yes. So, my understanding of this project is
13 that this is our gas propane plant over in Keene.
14 And our Department of Homeland Security required
15 us to install these systems, because we had no
16 security in place at all.

17 And I don't have the specifics behind
18 that requirement. But, given that we had no
19 security in place, and this is a propane plant,
20 we were required by Department of Homeland
21 Security to install security cameras.

22 Q Would you be able to follow up with information
23 regarding that requirement for us?

24 A Yes.

[WITNESS: Tebbetts]

1 CMSR. SIMPSON: So, Mr. Chairman, I
2 would like to make a record request, information
3 pertaining to the FLIR Camera Project in Keene,
4 pertaining to the Department of Homeland Security
5 requirement.

6 CHAIRMAN GOLDNER: Yes, Commissioner.
7 I could do that. There's actually two, I noticed
8 there were two FLIR devices. Happily, for all of
9 us, I used to design FLIR systems. So, we're in
10 my wheelhouse.

11 So, there's one in Manchester as well,
12 I noticed, just a little bit up. So, maybe we
13 could get information on both of them?

14 CMSR. SIMPSON: That would be great. I
15 should have saved those for you.

16 MR. SHEEHAN: So, you're looking for
17 the directive from DHS or you're looking for more
18 specifics on the actual work or --

19 CMSR. SIMPSON: Just on the directive
20 from DHS. Okay. Thank you.

21 BY CMSR. SIMPSON:

22 Q I'm looking at Bates 323 now, also of Exhibit 56,
23 the "Gas System Reliability Program". Let me
24 know when you're there.

[WITNESS: Tebbetts]

1 A I'm there. Yes.

2 Q So, in the second part of the "Details of
3 Request", the question is: "Is this project
4 growth or customer connection related? If "yes",
5 list the specific locations and how expenditure
6 aligns with customer expansion objectives?" And
7 the response is: "Yes, the projects will enable
8 more growth and sales in Laconia and Concord."

9 So, can you describe why you feel this
10 project should fall within the step adjustment,
11 given that this expenditure form provides that
12 the project will enable growth?

13 A Sure. So, our gas system planning and
14 reliability projects, really, what we're trying
15 to do here is we're trying to handle feeder
16 pipelines that are not attributable to a single
17 customer, but they need expansion in order to
18 serve our customers reliably.

19 And then, there is -- there is
20 opportunity, simply because we've increased the
21 amount of -- I'm just reading real quickly. So,
22 by increasing the size of the pipe, a 12-inch
23 steel feeder, yes, we would be able to serve more
24 customers, if more customers decide to come on

[WITNESS: Tebbetts]

1 line at some point. But the purpose was that
2 it's not necessarily just to serve more
3 customers. It is just to increase the gas that
4 we can send through the pipe. And a lot of that
5 has to do with reliability as well, because, in
6 very cold days, there's, you know, such a
7 restriction on the smaller pipe that, if you were
8 to use more at your home, we can't get it to you,
9 even though you're a current customer.

10 In the event that customers do end up
11 signing up for it, then, yes, we will end up
12 serving more customers. But we are not
13 attributing the replacement of this pipe to
14 serving more customers necessarily, but we could
15 serve more customers down the road.

16 Q So, when you look at a project like this one,
17 where there's a justification for safety,
18 reliability, but also a justification for growth,
19 how do you weigh those benefits, in terms of
20 categorizing the project?

21 A Well, that's why we have it under
22 "Discretionary", because there is opportunity for
23 growth, simply because we're putting in a larger
24 pipe. But we're not -- the main focus of it in

[WITNESS: Tebbetts]

1 2020 was "install larger pipe, provide more gas
2 through that pipe to the customers we are
3 currently serving."

4 Secondary to that is, in the event more
5 customers do sign up down the road, we've already
6 installed a larger pipe, we can serve you. We
7 don't have to say "no" to you, if you request
8 service from us. Whereas, in the event that we
9 had not replaced it with a larger pipe, and down
10 the road you want to get service from us, we may
11 have to decline, simply because we can't get
12 enough gas through the pipe as folks on the line
13 prior to you are using so much that we just can't
14 add another customer.

15 Q And just taking this project as an example, do
16 you have any sense of how many new customers you
17 could serve following this expenditure?

18 A I don't.

19 CMSR. SIMPSON: Okay. Thank you for
20 your testimony, Ms. Tebbetts.

21 Mr. Chairman, I have no further
22 questions?

23 CHAIRMAN GOLDNER: Thank you. Just
24 wanted to follow up on a couple of things.

[WITNESS: Tebbetts]

1 BY CHAIRMAN GOLDNER:

2 Q First, on Mr. Sheehan's line of questioning, I'm
3 looking -- I was looking at your revenue
4 requirement in the step increase, it's
5 4.605 million, you were talking before about it
6 was "something over four". So, it's 4.6. You're
7 capped at four. So, that means you have about
8 600K that's over.

9 Now, I believe you said, I just want to
10 verify, that this will not roll into the next
11 step increase, the one that's coming this August.
12 This will be something you'll request in the next
13 rate case. I just want to make sure I have that
14 right?

15 A Yes. That's correct. The \$3.2 million in our
16 step increase request we'll file on April 8th
17 will only be for projects that went into service
18 in 2021.

19 Q Perfect. Thank you.

20 A Now -- yes.

21 Q Go ahead. I'm sorry, I didn't mean to cut you
22 off. Go ahead.

23 A No, I think that was it.

24 Q Okay. Thank you. Okay. So, I just want to move

[WITNESS: Tebbetts]

1 to the table that Commissioner Simpson was asking
2 you questions on. These are the non-growth
3 projects placed in service during 2020. It's in
4 multiple exhibits, but it's marked as
5 "Exhibit 49".

6 And I just want to verify, again, a
7 couple of things that Mr. Sheehan was saying, and
8 I just want to make sure I understand. So, this
9 entire list has been reviewed and audited by the
10 DOE, is that right?

11 A Yes.

12 Q Okay. All right. Very good. And I just want to
13 ask you about one line, Commissioner Simpson
14 asked about a number of line items. I'm going to
15 go to "8840-2090", which you had touched on
16 earlier. And I read that one very thoroughly, I
17 think. And there's -- this is on the
18 "Transcription Fleet", it's \$1.7 million. And
19 there's discussion about mileage and age and
20 those being reasons to replace equipment. But
21 there's no mileage and age ever specified in the
22 document that I could find. What are Liberty's
23 rules on replacing the fleet and equipment, in
24 terms of mileage and age?

{DG 20-105} [RE: Step Adjustment] {01-18-22}

[WITNESS: Tebbetts]

1 And, if you don't know, I understand,
2 and we can make it a record request.

3 A Yes. If you are looking for specifics on, you
4 know, "after a certain number of miles on a
5 vehicle, we request to replace it"? I don't have
6 that specific information today.

7 CHAIRMAN GOLDNER: Okay. Yes. We can
8 make that a request. I'm very interested in
9 this, because utility -- utility trucks, you
10 know, we want them to be reliable, but we also,
11 you know, don't want a fleet of brand-new trucks,
12 I suppose, from a cost perspective. So, I can
13 add that to the record request.

14 Just a second here, I'm going to make a
15 note on "Transportation Fleet and Equipment".
16 All right.

17 BY CHAIRMAN GOLDNER:

18 Q So, that's all I have on that table. So, just
19 for my sort of final line of questioning, I'll
20 move to what's marked here again as "Exhibit 49",
21 Appendix 1, Page 2 of 2. This is the one that
22 talks to the revenue requirement for the step
23 increase of 4.6 million, and the step increase
24 capped at four. It also highlights your weighted

[WITNESS: Tebbetts]

1 average cost of capital at 8.76 percent, and has
2 the details on the step increase, including a
3 rate base of \$34.7 million.

4 So, and this might take -- you might
5 not have this data in front of you, but I will
6 need it for today's discussion. So, if we need
7 to take a break and grab something, that's fine,
8 too.

9 A Uh-huh.

10 Q But I'd like you to walk through, and it's just a
11 rate base discussion, so, it's just rate base.
12 So, my first question is, what was the rate base,
13 rate base, not revenue requirement, rate base on
14 January 1st, 2020?

15 A I would need to go back into our rate case
16 documents that we filed for our test year, to
17 give you what the ending -- I don't have the
18 ending balance of 12-31-2019.

19 CHAIRMAN GOLDNER: Yes. So, let me
20 give you the full line of questioning, and we can
21 just take a five or ten-minute break while you
22 gather what you need.

23 So, what I'm interested in is the rate
24 base at the beginning of the year in 2020, the

[WITNESS: Tebbetts]

1 rate base at the end of the year in 2020, and the
2 total depreciation for that year. And the line
3 of questioning is around looking at your -- the
4 total picture for Liberty, versus the -- versus
5 the non-growth asset picture, and I'm going to --
6 I want to fold those two pictures together. So,
7 I just want to explain to you where I'm going
8 with the line of questioning.

9 So, that's what I'd like to talk about,
10 is the rate base at the beginning of January
11 2020 -- or, the beginning of 2020, rather, and at
12 the end of 2020, and then your depreciation
13 expense for 2020. If you can take a few minutes
14 and capture that, that would be where I'd like to
15 start.

16 And, Mr. Sheehan, if you'd like to just
17 take five or ten minutes, we can step out while
18 you -- if that's acceptable?

19 MR. SHEEHAN: That would be great.
20 Just so we don't have people breathing down poor
21 Heather's neck as she's looking for numbers.

22 CHAIRMAN GOLDNER: Thank you. We'll be
23 right back.

24 *(Recess taken at 2:08 p.m. and the*

[WITNESS: Tebbetts]

1 *hearing resumed at 2:30 p.m.)*

2 CHAIRMAN GOLDNER: Okay. We'll go back
3 on the record.

4 BY CHAIRMAN GOLDNER:

5 Q All right. Ms. Tebbetts, I guess we were
6 talking, when we took the five minutes, for the
7 rate base at the beginning of 2020?

8 A Yes. Yes. Okay. So, the rate base at the
9 beginning of 2020 was \$356,214,902.

10 Q All right. Very good. And at the end of 2020
11 please?

12 A So, the rate base is the same, because we didn't
13 have any Commission order or docket approving to
14 add any of our plant in service to our rate base
15 that year. This docket was the one asking to add
16 rate base.

17 Q So, it's frozen. I understand. But what -- what
18 would you have -- what would it have been if you
19 had not had the rate case and the rates were
20 frozen -- the rate base was frozen, rather?

21 A So, --

22 Q So, in other words, how much -- how much rate
23 base did you add, actually? So, how much did you
24 add, not how much was on your books?

[WITNESS: Tebbetts]

1 A Sure. So, I --

2 Q Because all we have here is the non-growth
3 assets, right? So, we don't know about the
4 growth assets.

5 A Sure. Okay. So, I think -- I believe what
6 you're asking me then is how much plant in
7 service we added in 2020.

8 Q Net of --

9 A -- in total?

10 Q Yes. Net of accumulated depreciation. Exactly.

11 A Okay. So, for the year, we had a total spend for
12 projects in service of \$48,829,636. And the
13 36 million and change, we talked about earlier,
14 is the number you do have. And, so, that
15 difference, which is growth, is \$12,623,219.
16 That was the amount of plant in service
17 attributable to growth for 2020.

18 Q Gotcha. And that's gross, right? That's your
19 gross plant, as opposed to net, that doesn't take
20 into account your accumulated depreciation?

21 A That's correct. I don't have that calculation.

22 Q Okay. We will need that. We will need that,
23 because what we need to figure out is the -- I'll
24 call it the "effective rate base" at the end of

[WITNESS: Tebbetts]

1 the year. So, I understand we had a rate case,
2 and the rate base was frozen, and we're talking
3 here about the non-growth assets. But we need to
4 understand the total from Liberty's perspective.

5 And I'll just give you a data point,
6 which is what caused me to -- gave me -- it
7 caught my attention, I should say. And that is,
8 if I look at your Annual Report, and I look at
9 the net utility plant, so that's net of
10 depreciation, I see a balance at the beginning of
11 the year of \$500.6 million, and at the end of the
12 year \$519.2 million, which is a net increase of
13 18.6 million. This is in your Annual Report.

14 And my concern here is, and the reason
15 I'm asking this question is, that should be a
16 reasonable proxy for your rate base. And, if
17 your rate base went up by about 18 and a half
18 million, but you're asking for here in the
19 non-growth assets of 34.7, then you're asking for
20 roughly twice as much as it would be at the
21 Company level. So, in other words, the Company
22 level only supports roughly 20 million, and
23 you're asking for roughly double that?

24 A I'm not understanding that line. When you say

[WITNESS: Tebbetts]

1 "Annual Report", --

2 Q Uh-huh.

3 A -- which Annual Report are you talking about?

4 Q I am looking at, dated "March 31st, 2021", Annual
5 Report, Form F-16.

6 A F-16.

7 Q And I'm looking at, I'll give you the page number
8 here, I'm looking at, sorry, paging down. There
9 we go. Page 9, and I'm looking at Line 6.

10 A Okay. I'd like to pull that up, if I could, just
11 to have look at it.

12 Q Oh, sure. Yes. Take your time. Yes. This is
13 my last line of questions. So, while you're
14 looking, Ms. Tebbetts, I'm just going to rephrase
15 my concern. Which is, if, at the Company level,
16 your rate base went up by roughly 20 million,
17 then asking for 35 million is problematic.

18 A And you're looking at the 2020 report dated
19 "August 11th"?

20 Q March 31st.

21 A March 31st. Okay.

22 Q Well, let me go up to that, actually.

23 A Sure. We had a revision -- a revised. But
24 that's okay. I'll look at that one.

[WITNESS: Tebbetts]

1 Q Yes. It should be close.

2 A Okay. And I apologize. You said it was "Page
3 9"?

4 Q Yes. Page 9.

5 A Okay. Thank you.

6 Q And Line 6. And I recognize this is a proxy,
7 because it just gives you net plant in service.
8 It doesn't take into account working capital,
9 material and supplies, *etcetera, etcetera*, but it
10 should be close.

11 A I am looking at -- the problem is, the file I
12 have -- okay, Page 9. I do see -- okay. Net
13 utility plant, Line 6. So, I will have to better
14 understand, I -- unfortunately, I do not -- I do
15 not prepare this file. And, so, because I don't
16 prepare this, I do understand what you're saying.
17 Because, when you look at Line 4, "Total Utility
18 Plant", was 38.4 million -- I'm sorry, 47.9, you
19 take out the 107, and I will also -- I will say
20 that, in the revenue requirement calculation,
21 which is -- my apologies, I closed out of it. I
22 just want to get the right Bates number. Okay.
23 So, in Exhibit 49 -- okay. So, in Exhibit 49, --
24 Q Okay.

[WITNESS: Tebbetts]

1 A -- and I'm on Bates 029, --

2 Q Okay. Just me give me a minute to get there.

3 A Now, that there takes into consideration the
4 depreciation associated with those projects, for
5 Lines 15 and 16, to get us to that \$4 million.
6 So, when you look at the rate base calculation,
7 you look at the plant in service by FERC
8 account, --

9 Q Yes.

10 A -- we have accumulated depreciation, on Line 26,
11 of a deduction of 1.356 million, --

12 Q Uh-huh.

13 A -- and the deferred tax amount, to get us to that
14 34, which then gets us to an annual revenue
15 requirement of \$4.6 million. So, the -- which we
16 are capped at 4 million. So, the accumulated
17 depreciation for these specific projects are
18 included in the -- well, they're included in the
19 4 million, because it's more than 4 million that
20 we have, but we're only getting 4 million.

21 Q I totally understand. So, for the non-growth
22 assets, which is the Bates page you're talking
23 about, I have no doubt that those calculations
24 are correct. So, no dispute on those

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1 calculations.

2 I'm just backing up to the Company
3 level to say, okay, in the end, as a company,
4 your rate base beginning the year and your
5 calculated rate base at the end of the year, what
6 your rate base would have been had it not been
7 frozen due to your rate case. If that's going up
8 less than 34 million, then there's a case to be
9 made that you can't recover the 34.7 million.
10 Because, at the Company level, you're not -- your
11 rate base is not going up by that much.

12 So, I'm asking at the Company level. I
13 have no problem with your non-growth asset chart.
14 I agree with it.

15 A Okay.

16 Q So, what we can do from here, I think, is we can
17 just make a record request, because I don't want
18 to drag this on too long. But what I'm -- I have
19 your rate base from the beginning of the year,
20 356.2 million. And, so, I'll ask for that exact
21 same calculation, so we all know the calculation.
22 But, to calculate your rate base, so, to take
23 your gross plant in service, less accumulated
24 depreciation, equals net plant in service, plus

[WITNESS: Tebbetts]

1 working capital, plus materials and supplies,
2 less your customer-contributed capital, less your
3 accumulated reserve for deferred income taxes.
4 So, calculate rate base at the end of year, and
5 let's compare those two. Okay? And, if that's
6 greater than 34.7 million, no problem. We're all
7 set. If it's less than 34.7 million, then we
8 have a problem.

9 A Okay. I'm trying to formulate what the record
10 request should say.

11 Q Okay.

12 A But, just to be clear, you want to -- so, I think
13 what -- and the looking in the F-16 report, I
14 think what you're looking at is -- or, you're
15 looking to figure out how is it that we have a
16 beginning balance of the year of 500 million, in
17 this example, and end up with an ending balance
18 of 519 million, which the change was about 18 and
19 a half million, yet we provided to you, I
20 provided to you today, that we had an in-service
21 amount of almost 48 million, which it does show
22 on Line 2 approximately that number. And yet,
23 then we apply construction work in progress and
24 some other items here.

[WITNESS: Tebbetts]

1 So, I think we can formulate a record
2 request on this. I just, like I said, I wanted
3 to be clear that's really what you're asking for?

4 CHAIRMAN GOLDNER: Yes. I think we're
5 on the same page. In the end, Line 6, the "Net
6 Utility Plant" is going to be a very good proxy
7 for your rate base, and it shows 18 and a half
8 million, versus 34.7 million.

9 So, we can -- I can repeat it back at
10 the end for the record request, but I think
11 we're -- I think we're on the same page.

12 Okay. Well, let's -- I'll repeat the
13 record requests back at the end. There are three
14 of them all together.

15 So, I'll go to any questions from you,
16 Commissioner Simpson?

17 CMSR. SIMPSON: No further questions
18 from me, Mr. Chairman.

19 CHAIRMAN GOLDNER: Thank you. We'll go
20 to redirect, with Mr. Sheehan?

21 MR. SHEEHAN: I have two items to, I
22 think, clarify.

23 **REDIRECT EXAMINATION**

24 BY MR. SHEEHAN:

[WITNESS: Tebbetts]

1 Q First, Ms. Tebbetts, there was a discussion about
2 a non-growth project that may allow for growth,
3 and the particular project of Laconia pipeline,
4 you know, why did we categorize it as
5 "non-growth" rather than "growth". And I think
6 you said one reason was "the primary reason for
7 the project was non-growth", is that correct?

8 A Yes.

9 Q And can you tell me, is there a metric, for lack
10 of a better word, that we use to call something a
11 "growth project"? Is there some outside thing or
12 some internal thing that says "Okay, if this
13 happens, therefore it's a growth project"?

14 A Yes. We would consider a "growth project" when a
15 customer would request service, it could be a
16 developer that's requesting, but it would be a
17 request for service. And this is not such that.
18 This is not a request for service.

19 Q Okay. So, a "request for service" equals a
20 "growth project", because we have to run a new
21 pipe to that development, in your example. In
22 the Laconia project, it was "We need to replace a
23 pipe. And, yes, we replaced it with a bigger
24 pipe, for all the obvious reasons, and that could

[WITNESS: Tebbetts]

1 accommodate growth." Is that what you were
2 saying?

3 A Yes. That's correct. So, we replaced I think it
4 might have been an 8-inch pipe with a 12-inch
5 pipe. And, again, that wasn't necessarily for
6 growth in this example, no customer requested it.
7 What we were replacing if for is to allow more
8 gas to flow to the customers who currently have
9 service. In the event, down the road, a customer
10 down that line does ask for service, doesn't mean
11 that every house is hooked up, we can accommodate
12 that service. If we had not increased that pipe,
13 and usage may go up on that current line, we may
14 have to reject a customer and say "We can't
15 provide you service. We don't have enough gas
16 going through the pipe."

17 Q And the other point for clarification had to do
18 with property taxes. There was a question of how
19 they are included in this request.

20 First of all, the -- of course, there
21 are two property taxes, state and local. Is it
22 fair to say that none of the local property taxes
23 are in this \$4 million calculation, because
24 that's now covered by a new PTAM, "Property Tax

[WITNESS: Tebbetts]

1 Adjustment Mechanism", is that correct?

2 A Yes. That's correct.

3 Q So, the property taxes involved would be the
4 state property taxes. And the question is "why
5 weren't they expensed?" Are those property
6 taxes, let's say, it's a \$100 project, and \$10 of
7 that -- or, \$100 is going -- is part of the step,
8 and \$10 of that is property taxes. Are we
9 earning a return on those \$10 in property taxes?

10 A No. We would expense those \$10. But we include
11 it in the calculation to gross up the amount we
12 need from customers to pay that \$10. But we're
13 not earning a return on that \$10. The \$10 is
14 expensed, and we would pay that to the state or
15 city or town.

16 Q So, it's a way to collect the money that we have
17 to pay on that project going forward, for as long
18 as that project is assessed at whatever the
19 town's assessed it or the state's assessed it
20 for?

21 A Yes. At that amount that was calculated, not
22 grossed up for a return.

23 MR. SHEEHAN: Okay. Those were the
24 only two I had.

1 CHAIRMAN GOLDNER: Thank you,
2 Mr. Sheehan.

3 Okay. So, without objection, we'll
4 strike ID on Exhibits 56 and 57 and admit them as
5 full exhibits.

6 We'll hold the record open for three
7 exhibits: 58, 59, and 60.

8 Fifty-eight (58) being information on
9 the FLIR systems, specifically the DHS directive.
10 And I'll just add to that, we would want the
11 reply to be responsive to meeting the DHS plan.
12 So, not only what the DHS plan said, but also how
13 Liberty was responsive to that request. I note
14 that the FLIRs were for both Keene and Manchester
15 in the record.

16 Exhibit 59 was the age and mileage
17 requirements for Liberty, the Liberty
18 transportation fleet and equipment.

19 And then, Exhibit 60 was comparing the
20 rate base at the beginning of 2020 to what I'll
21 call the "unconstrained rate base" at the end of
22 2020, meaning to apply the classic rate base
23 calculation to that number at the end of 2020,
24 using the classic rate base calculation with

1 gross plant in service, less accumulated
2 depreciation, net plant in service, etcetera.

3 MR. SHEEHAN: Could you repeat 59
4 again? I was writing something and --

5 CHAIRMAN GOLDNER: Oh, no worries.
6 Sorry. It's the age and mileage --

7 MR. SHEEHAN: No, no. The depreciation
8 one?

9 CHAIRMAN GOLDNER: Oh, sorry. That's
10 60. Sixty (60).

11 MR. SHEEHAN: I'm sorry.

12 CHAIRMAN GOLDNER: Okay. So, that
13 compares the rate base at the beginning of 2020,
14 so we know what that is, we already have that
15 number, it's 356.2, and compare it against what
16 I'll call the "unconstrained rate base", what the
17 rate base would have been had the utility had
18 2020 as a test year.

19 MR. SHEEHAN: So, there are three?

20 CHAIRMAN GOLDNER: Three.

21 MR. SHEEHAN: Okay. I had divided the
22 third one into two. Okay.

23 CHAIRMAN GOLDNER: Sorry. We can do
24 "A", "B", "C", but I just named them "59" --

1 MR. SHEEHAN: Got it.

2 CHAIRMAN GOLDNER: -- "58", "59", and
3 "60". Yes. Sorry. Okay? So, we'll hold the
4 record open for those exhibits.

5 *(Exhibits 58, 59, and 60 were reserved*
6 *for record requests to be filed.)*

7 CHAIRMAN GOLDNER: And, if there's
8 nothing else, we can move to closing, and Energy.

9 MR. DEXTER: Thank you, Mr. Chairman.
10 The Department of Energy, when we were
11 the PUC Staff, entered into this Settlement back
12 in the Spring of 2021. And, as part of that
13 Settlement, we agreed to the two step adjustments
14 that we've been talking about today.

15 Those projects, from 2020, were
16 reviewed by the Commission Staff. And I'm not
17 able to present you more details on that, because
18 the chief analyst on that case has retired. But
19 I do recall conversations with Mr. Frink and the
20 PUC auditors. And, before we signed the
21 Settlement, we were convinced that the Staff was
22 comfortable with those projects as being in
23 service, prudent, used and useful.

24 Further, in the calculation of the

1 project, we -- the Settlement reflects less than
2 full recovery of those projects, and that's the
3 cap. That was a very important part of the step
4 adjustment from Staff's standpoint at the time,
5 very important part of the Settlement. As well
6 as the fact that the step adjustment included a
7 list of projects, not just sort of the Company's
8 budget, and the designation that the projects
9 were "non-growth related".

10 And those are the parameters that Staff
11 has adhered to in various rate cases over the
12 last decade or so. We have generally been
13 supportive of step adjustments, usually one, two,
14 or three, when they are listed projects, when the
15 recovery is capped, and when the listed projects
16 are non-growth related.

17 The reason Staff has recommended --
18 mostly, the rate cases in New Hampshire have been
19 decided by Settlement. The reason we've agreed
20 to those, primarily, is the notion that, you
21 know, by the time the test year -- by the time
22 the rate case is over, the test year is more than
23 twelve months old. And this allows the Company
24 an increase in rates with reduced administrative

1 costs and review. And, at least in theory --
2 well, not "in theory", in practice, it limits the
3 frequency of rate cases, because Staff will
4 also -- has only agreed to a rubric of step
5 adjustments when there is a corresponding
6 "stay-out" provision. And that's been the state
7 of step adjustments in New Hampshire, going back,
8 I said "a decade", but probably even longer than
9 that. I remember step adjustments from the
10 1990s.

11 This situation, the way it's laid out
12 in the Settlement, was consistent with all that,
13 and we were comfortable with it. We have not
14 gone back and reviewed the projects again for
15 this phase of the proceeding. We understood that
16 this phase of the proceeding was for the
17 Commission to do that, and perfectly appropriate.

18 We have reviewed the rate calculation
19 that's proposed and the mechanism to get the
20 Company back to where they would have been had
21 this Settlement -- had this rate gone into effect
22 back in August. And we are satisfied that that
23 will take place.

24 We are pleased that the Company is not

1 asking for more than the 4 million, on the theory
2 that, you know, collection has been delayed, and
3 therefore there might be some sort of a cost of
4 money associated with that.

5 So, we're supportive of the rate
6 proposal that's put forth here. And we
7 understand that there will be another step
8 adjustment coming down the road.

9 Having said all that, we're interested
10 in the response to the record requests that the
11 Bench has just levied. That's, I guess I would
12 say, maybe a more expansive way of looking at
13 record requests -- I'm sorry, looking at step
14 adjustments. In other words, we'd be taking the
15 test year, and moving it forward, and seeing what
16 the rate base looks like, you know, one year
17 later. I imagine that there would be other
18 things that may have changed, primarily revenues,
19 which won't be in the record request. A lot of
20 the O&M expenses in a rate case do get proformed
21 out one year. So, it's an interesting concept.

22 Department of Energy won't be
23 advocating that anything other than the
24 Settlement that we signed be implemented in the

1 context of this case. Our position is that we
2 signed the Settlement, and we will stick behind
3 it. However, we will be interested in this type
4 of analysis that the -- that the Commission has
5 raised, when we look at future rate cases.

6 So, with that, Department of Energy
7 recommends approval of the rate as filed.

8 Thank you.

9 CHAIRMAN GOLDNER: Thank you, Mr.
10 Dexter.

11 Before we move to Liberty's closing, I
12 forgot to mention, Mr. Sheehan, in terms of is
13 there a timeframe when you think you can get back
14 to us on these three record requests? I know you
15 have some -- there's some time sensitivity in
16 this docket and, obviously, sooner is better. If
17 we can do it by the end of the week, then I think
18 it would be very helpful?

19 MR. SHEEHAN: I think we can, and I'll
20 make every effort. I have already gotten a
21 couple, you know, responses on the first two.
22 So, --

23 CHAIRMAN GOLDNER: Okay.

24 MR. SHEEHAN: And Heather will be

1 chasing down the accounting end on the third one.

2 CHAIRMAN GOLDNER: Thank you. And
3 we'll -- thank you. I think I just know you're
4 looking for some urgency, and we'll try to reply
5 in kind.

6 MR. SHEEHAN: That's appreciated.

7 CHAIRMAN GOLDNER: All right. We'll
8 move to closing for Liberty.

9 MR. SHEEHAN: Thank you.

10 Of course, the question here is for the
11 Commission to have the opportunity to confirm
12 that the projects listed in the first step are
13 worthy of being approved. And, as Ms. Tebbetts
14 testified, both orally and in writing, we
15 provided the documents that were available to
16 others before and now available to you. And we
17 believe they do confirm that these investments
18 were prudent.

19 I have a couple side comments, just to
20 address some questions that came up.

21 Commissioner Simpson was asking about
22 the criteria for prioritizing leak-prone pipe.
23 We had what we called a "CIBS Program", "Cast
24 Iron/Bare Steel Program", that was terminated in

1 the Summer of '20. It was actually the year
2 before. The Summer of '20 was picking up the
3 last year of work. And it's -- I wrote the
4 docket number down. Mr. Knepper always wrote
5 reports every year. It's a great summary of
6 what -- it's got all the miles left, and costs,
7 and it's got the A to Z of how we select them,
8 whether we should -- how we should do it better
9 next year. They have the famous spreadsheet,
10 which has Columns A through, I think, BBB, with
11 every project, cost per foot, blah, blah, blah,
12 blah. So, it's a learning experience.

13 I can tell you that the engineering
14 team follows that same criteria. We don't have
15 the same reporting requirements now, since it's
16 not part of the CIBS Program, but those are the
17 criteria we follow. And, for early years, it was
18 "Which pipes are leaking the most?" And it was
19 putting out fires, that's a bad pun. But it
20 was -- as the years went on, and the worst of the
21 pipes were gone, and we were left with lots of
22 old and less leaking, then the approach shifted
23 to, instead of doing piecemeal projects all over,
24 let's attack a 2-mile stretch in one town for one

1 year. So, it became that kind of more organized
2 approach, at a better cost.

3 What's left, unfortunately, is the most
4 difficult and most expensive, big pipes in the
5 middle of cities. And it's Nashua, Manchester,
6 Concord, and Laconia are the old cities in our
7 system. And, so, yes. Now, we have to shut down
8 Main Street and dig out a 12-inch pipe and run
9 into asbestos in Hudson, and all kinds of things.

10 So, it's, as Ms. Tebbetts said, the
11 lesson of putting off these things for a number
12 of years, and it all snowballs into a big project
13 that we're left with on that. So, that's that.

14 On the record request, what the -- I
15 got a response from our Facilities Manager, and
16 we will put this in writing and provide the DHS
17 directive. DHS did not directly say we needed
18 the FLIR cameras. But they said we had to have
19 24/7 coverage of these facilities, and it's the
20 Keene propane yard, and, in Manchester, our
21 operations yard there has the LNG facilities and
22 the propane facilities. So, it's a similar
23 sensitive place.

24 And the -- as the Chair knows, the

1 system monitors for human movement 24/7, and
2 sends email alerts to dispatch and to Mr. Dorn,
3 the Facilities Manager, if there's a problem.
4 So, that's the system we've installed. And,
5 according to Mr. Dorn, DHS approved this as 24/7
6 coverage. So, we will provide that support.

7 And, on the vehicle thing, our Supply
8 Chain Director says we have a fleet policy, and
9 we will show you the portions of that policy that
10 answer the question of miles and age, or
11 whatever, however we phrase that.

12 CHAIRMAN GOLDNER: Okay.

13 MR. SHEEHAN: So, we will provide that
14 to you.

15 So, finally, we appreciate the time and
16 the consideration you both have clearly given to
17 this. We ask that the Commission approve the
18 proposal as set out in Ms. Tebbetts' Second
19 Supplemental to approve that rate factor for the
20 next six months.

21 And we will be back in July to address
22 the second step, and tweak that factor
23 appropriately, to pick up whatever is approved
24 from that case.

1 Thank you.

2 CHAIRMAN GOLDNER: Thank you. I'll
3 thank everyone. We'll take the matter under
4 advisement and issue an order. And we are
5 adjourned. Thank you.

6 ***(Whereupon the hearing was adjourned***
7 ***at 3:02 p.m.)***

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