

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

March 15, 2022 - 9:04 a.m.
21 South Fruit Street
Suite 10
Concord, NH

DAY 1

[REDACTED for PUBLIC Use]

[Hearing also conducted via Webex]

RE: **DE 21-020**
EVERSOURCE ENERGY AND
CONSOLIDATED COMMUNICATIONS:
Joint Petition to Approve Pole
Asset Transfer.

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

Eric Wind, PUC Legal Advisor

Tracey Russo, Clerk
Corrine Lemay, PUC Hybrid Hearing Host

APPEARANCES: Reptg. Eversource Energy:
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Cheryl Kimball, Esq.
(Keegan Werlin)

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Patrick C. McHugh, Esq.

**Reptg. New England Cable and
Telecommunications Assn. (NECTA):**
Susan S. Geiger, Esq. (Orr & Reno)
David Soutter, Esq. (NECTA)
Stacey Parker, Esq. (Comcast)

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

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APPEARANCES: (C o n t i n u e d)

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Josie Gage, Dir./Economics & Finance
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Reptg. New Hampshire Dept. of Energy:
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Stephen R. Eckberg, Electric Group
(Regulatory Support Division)

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3	Attachment LGL-1: Settlement and Pole Purchase Agreement, December 30, 2020 ("Purchase Agreement") (CONFIDENTIAL)	<i>premarked</i>
4	Attachment LGL-1: Settlement and Pole Attachment Agreement, December 30, 2020 <i>(Redacted)</i> , plus Exhibits A & B	<i>premarked</i>
5	Prefiled Direct Testimony of Douglas P. Horton and Erica L. Menard (CONFIDENTIAL)	<i>premarked</i>
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9	Prefiled Supplemental Testimony of Douglas P. Horton and Erica L. Menard with DPH/ELM-1 <i>(11-15-21)</i>	<i>premarked</i>
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15	Joint Rebuttal Testimony of Michael Shultz and Sarah Davis and Attachments MS/SD-001-03 (Redacted)	<i>premarked</i>
16	Joint Petitioners Response to Data Request Staff 3-001 (Summary) and Supplemental Response to Data Request Staff 1-005a and 3-001a, Joint Petitioners' responses to Staff Data Requests 1-010, 1-011, 1-017, 2-004, 1-029, 3-006, DOE 5-002, DOE 5-004, DOE 5-005	<i>premarked</i>
17	Joint Petitioners' Response to Data Request OCA 1-009	<i>premarked</i>
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23	Joint Petitioners' Response to Data Request Staff 1-11	<i>premarked</i>
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25	Docket DE 19-057, Settlement Agreement	<i>premarked</i>
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33	Attachment JGW-5 (NECTA 1-020/Response (04/26/21))	<i>premarked</i>
34	Attachment JGW-6 (NECTA 1-044/Response (04/26/21))	<i>premarked</i>
35	Attachment JGW-7 (NECTA 2-011-SP01/Response (06/17/21))	<i>premarked</i>
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37	Attachment JGW-9 (NECTA 1-007/Response (04/27/21))	<i>premarked</i>
38	Attachment JGW-10 (Official Notice to Pole Attachers Letter (06/12/19))	<i>premarked</i>
39	Prefiled Direct Testimony of Patricia D. Kravtin	<i>premarked</i>
40	Attachment PDK-1 (Kravtin CV)	<i>premarked</i>
41	Attachment PDK-2 (Overview of the Widely Used FCC Pole Rate Formula Methodology)	<i>premarked</i>
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48	Attachment PDK-8 (DOE 6-03/Response (01/10/22)	<i>premarked</i>
49	Attachment PDK-9 (NECTA 3-001/Response (07/14/21) (CONFIDENTIAL)	<i>premarked</i>
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54	Attachment PDK-13 (NECTA 3-018/Response (07/14/21)	<i>premarked</i>

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58	Attachment PDK-17 (PSNH Pole Attachment Agreement - 2022 Attachment Fees & Charges)	<i>premarked</i>
59	Attachment PDK-18 (NECTA 1-004/Response (04/27/21))	<i>premarked</i>
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62	Attachment PDK-21 (NECTA TS 3-004/Response (08/13/21))	<i>premarked</i>
63	NECTA letter to Consolidated Disputing Pole Attachment Rates (10/18/21)	<i>premarked</i>
64	NECTA letter to Eversource Disputing 2021 Pole Attachment Rates (8/23/21)	<i>premarked</i>
65	NECTA letter to Eversource Disputing 2022 Pole Attachment Rates (12/2/21)	<i>premarked</i>

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67	Joint Petition to Approve Pole Asset Transfer <i>(Redacted)</i>	<i>premarked</i>
68	RESERVED - Record Request #1, as noted in the Procedural Order Re: Further Procedural Schedule and Record Requests dated <i>March 8, 2022</i> in DE 21-020	93, 284
69	RESERVED - Record Request #2, as noted in the Procedural Order Re: Further Procedural Schedule and Record Requests dated <i>March 8, 2022</i> in DE 21-020	102, 284
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71	RESERVED - Record Request #4, as noted in the Procedural Order Re: Further Procedural Schedule and Record Requests dated <i>March 8, 2022</i> in DE 21-020	165, 284
72	RESERVED - NECTA to provide Witness Kravtin's prepared statement regarding her update/rebuttal testimony provided on 03-15-22, also noted in the Procedural Order Re: Further Procedural Schedule and Record Requests dated <i>March 8, 2022</i> in DE 21-020	254, 284

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P R O C E E D I N G

CHAIRMAN GOLDNER: Okay. Good morning, everyone. And welcome. I'm Commissioner Goldner, and I'm joined by Commissioner Simpson.

We're here this morning in Docket 21-020 for a hearing -- Sorry. Go ahead?

[No verbal response.]

CHAIRMAN GOLDNER: Okay. For a hearing regarding the Eversource Energy and Consolidated Communications' Joint Petition to approve pole asset transfer.

Let's take appearances, beginning with Eversource?

MS. RALSTON: Good morning. Jessica Ralston, from the law firm of Keegan Werlin, on behalf of Public Service Company of New Hampshire, doing business as Eversource Energy. And with me this morning is Cheryl Kimball, also from Keegan Werlin.

CHAIRMAN GOLDNER: Consolidated Communications?

MR. McHUGH: Good morning, Mr. Chairman. Patrick McHugh, here on behalf of Consolidated Communications.

1 CHAIRMAN GOLDNER: Thank you. New
2 England Cable & Telecommunications Associations?

3 MS. GEIGER: Yes. Good morning. I'm
4 Susan Geiger, from the law firm of Orr & Reno. I
5 represent NECTA. And with me here at counsel's
6 table is Attorney David Soutter, also from NECTA,
7 and James White, who is one of NECTA's witnesses,
8 as well as Ms. Stacey Parker, of Comcast, who is
9 a NECTA member.

10 Thank you.

11 CHAIRMAN GOLDNER: Thank you. The
12 Office of Consumer Advocate?

13 MR. KREIS: Good morning, Mr. Chairman,
14 Commissioner Simpson. I'm Donald Kreis, the
15 Consumer Advocate. We, of course, represent the
16 interests of residential utility customers. With
17 me today is Josie Gage, who is our Director of
18 Economics and Finance.

19 CHAIRMAN GOLDNER: Thank you. The New
20 Hampshire Department of Energy?

21 MR. WIESNER: Good morning,
22 Commissioners. David Wiesner, representing the
23 Department of Energy. And with me this morning
24 is Steve Eckberg, our witness, who is with the

1 Electric Group in the Regulatory Support Division
2 of the Department.

3 CHAIRMAN GOLDNER: Thank you. As an
4 initial matter, before we get to exhibit and
5 hearing logistics, the Commission is of the
6 opinion that it would be useful to hear from the
7 parties on Eversource's revised cost recovery
8 proposal. As the parties are aware, the
9 Commission granted in part the Office of Consumer
10 Advocate's August 4th, 2021, Motion to Dismiss.

11 Through Order 26,534, the Commission
12 found that certain aspects of Eversource's
13 initial cost recovery proposal violated
14 provisions of the Settlement Agreement in Docket
15 19-057.

16 Based on our review of Eversource's
17 revised cost recovery proposal, as filed on
18 November 16th, 2021, we have noted that the
19 revised cost recovery proposal is apparently
20 identical to the original cost recovery proposal.

21 Excuse me. We would like to hear from
22 the parties, now that you have had the
23 opportunity to conduct discovery on this new
24 proposal, on your positions, including whether or

1 not it addresses the Commission's findings in
2 Order 26,534.

3 Based on the filings, we understand
4 that Eversource is of the opinion that the
5 revised proposal is lawful in Exhibit 9, Bates
6 Page 006.

7 Does Eversource or Consolidated have
8 anything to add?

9 MR. HORTON: Good morning, Chairman
10 Goldner. My name is Doug Horton. I'm Vice
11 President of Distribution Rates and Regulatory
12 Requirements at Eversource. Thank you for the
13 opportunity to react to that.

14 I will say I think, in preparing for
15 this hearing, identified this as a potential
16 question. I went back through the record
17 evidence and evaluated the decision from the
18 November timeframe that prompted our filing in
19 November.

20 While I don't necessarily share the
21 same conclusion about what the Settlement
22 Agreement was intended to stand for, I understand
23 the interpretation and understand the
24 Commission's decision.

1 We'll hear later from my colleagues
2 about the benefits that we see of this
3 transaction. And we think it is in the best
4 interest of our customers for it to move forward.

5 In light of that, although our revised
6 proposal had had our costs being recovered
7 through the PPAM, to your point, was essentially
8 identical to our initial proposal. In
9 particular, it included recovery of capital costs
10 associated with the initial investment and our
11 replacements over time, which is interpreted as
12 in violation of the Settlement Agreement.

13 Eversource would agree to move forward
14 with the transaction and forgo recovery of the
15 incremental capital investment that is currently
16 a component of our proposal, and treat it like
17 typical other capital investments subject to
18 regulatory lag. If the Agreement is approved
19 with that exception, we would find it acceptable
20 to move forward with the transaction.

21 The other components of the PPAM, as
22 you said, did not change, except for the
23 mechanics of recovery. Those are important for
24 us to continue to get recognition of and recovery

1 of, in light of the fact that those costs are
2 incremental to base rates, and not otherwise
3 recoverable, or covered by the incremental pole
4 attachment revenues.

5 So, long answer, to clarify that, we
6 would agree to move forward and forgo capital
7 recovery in between our rate case periods,
8 subject to other regulatory lag of capital
9 investments.

10 CHAIRMAN GOLDNER: Okay. Thank you,
11 sir. Does Consolidated have anything to add?

12 MR. McHUGH: Just very briefly, Mr.
13 Chairman. As the order states, on Page 9, the
14 text of the Petition of the Joint Petitioners
15 does not condition the proposed asset transfer
16 and the exact recovery mechanism proposed in the
17 Petition.

18 And, therefore, I think a full
19 evidentiary record is necessary to determine what
20 type of recovery mechanism (a) might be
21 appropriate, given the facts of the case, and
22 then (b) subject to that, what would be
23 acceptable to Eversource.

24 CHAIRMAN GOLDNER: Thank you, sir.

1 MR. MCHUGH: Thank you.

2 CHAIRMAN GOLDNER: Does NECTA have
3 any -- well, I should say, let's transition over
4 to NECTA, then OCA, then Energy.

5 MS. GEIGER: Thank you, Mr. Chairman.
6 NECTA takes no position on the PPAM.

7 Thank you.

8 CHAIRMAN GOLDNER: Thank you. The
9 Consumer Advocate?

10 MR. KREIS: Well, Mr. Chairman, I have
11 very little to add to what you have already
12 observed.

13 I'm thinking this morning of the
14 legendary Alfred Kahn, who was a regulatory
15 economist, who wrote a very famous treatise about
16 utility economics and regulation. He was hired
17 by President Carter to oversee the deregulation
18 of the airline industry. And he did that at a
19 time when the economy, like now, was in an
20 inflationary period. And, for political reasons,
21 he was told not to use the word "inflation", and
22 so he switched to using the word "banana".

23 So, too, here. You know, you can call
24 the regulatory recovery mechanism a "PPAM", but

1 it is absolutely identical to the adjustment, the
2 RRA adjustment, that was approved in the rate
3 case. And the Companies are asking you here to
4 approve what really amounts to a violation of the
5 Settlement Agreement, and they have slapped a
6 different name on it.

7 And the Commission should rule that it
8 is inappropriate.

9 CHAIRMAN GOLDNER: Thank you, Mr.
10 Kreis. Mr. Wiesner, from Energy?

11 MR. WIESNER: I'll just say we
12 appreciate Eversource's commitment, as I
13 understand it, to exclude capital expenditures
14 from the PPAM.

15 Other than that, we're prepared to
16 engage with this cost recovery mechanism on its
17 merits, and don't necessarily object to it on the
18 basis that it is the RRA in sheep's clothing.

19 CHAIRMAN GOLDNER: Mr. Kreis, would be
20 opposed to moving forward today?

21 MR. KREIS: No. I don't have any
22 objection to the Commission taking evidence on
23 this subject.

24 CHAIRMAN GOLDNER: Okay. And thank you

1 for not bringing up the Ides of March.

2 [Laughter.]

3 MR. KREIS: I haven't brought it up
4 yet.

5 CHAIRMAN GOLDNER: Okay. Regarding the
6 conduct of the hearing, have the parties
7 conferred on an order of presentation and whether
8 or not confidential figures will be needed in
9 discussion of the record?

10 Eversource?

11 MS. RALSTON: We have not. I think it
12 was the Company's understanding that Eversource
13 would go first, since we have the burden. But we
14 did not confer on an agenda.

15 The Company will do its best to provide
16 testimony without going into the confidential
17 information. I think we can probably work around
18 that.

19 CHAIRMAN GOLDNER: Okay. Okay, any
20 other comments or concerns from the parties?

21 MR. KREIS: Mr. Chairman, I have some
22 concerns. I don't intend to use any of the
23 allegedly confidential numbers in any of my
24 cross-examination today. But I think the

1 Commission needs to make a ruling on the pending
2 confidentiality motion.

3 Because those -- those parts of the
4 exhibits that are allegedly confidential are so
5 critical to the case, really, that, if you agree
6 with the Petitioners that their exhibits should
7 be treated in that fashion, then you're
8 essentially treating the meat of this case as a
9 confidential matter. And I think that's
10 inconsistent with RSA 91-A.

11 CHAIRMAN GOLDNER: Thank you. Just a
12 moment.

13 *[Chairman Goldner, Commissioner*
14 *Simpson, and Atty. Wind conferring.]*

15 CHAIRMAN GOLDNER: So, thank you. Mr.
16 Kreis, we'd like to proceed today, and rule on
17 the confidential piece in due course.

18 So, if possible, the Commission would
19 encourage the parties to reference the
20 confidential information by page and, if
21 possible, line number, rather than discussing it
22 on the record.

23 If, however, we need to enter a
24 confidential session or sessions to openly

1 discuss confidential information, any such
2 session should be as short as possible and
3 grouped together, to minimize the number of times
4 we need to be in confidential session.

5 Okay. I have Exhibits 1 through 67
6 that have been prefiled and premarked for
7 identification. Any material identified as
8 "confidential" in the filings will be treated as
9 confidential during the hearing.

10 Is there anything else that we need to
11 cover regarding exhibits?

12 *[No verbal response.]*

13 CHAIRMAN GOLDNER: Okay. Are there any
14 other preliminary matters, before we have the
15 witnesses sworn in?

16 *[No verbal response.]*

17 CHAIRMAN GOLDNER: Okay. Let's proceed
18 with the witnesses. Mr. Patnaude, would you
19 please swear in the panel of Eversource
20 witnesses.

21 (Whereupon **Douglas P. Horton,**
22 **Jason Yergeau,** and **Samantha Brigham**
23 were duly sworn by the Court Reporter.)

24 CHAIRMAN GOLDNER: Sorry. Just a

[WITNESS PANEL: Horton|Yergeau|Brigham]

1 moment.

2 Okay. Let's go to direct examination
3 of the witnesses. And I'll recognize Ms.
4 Ralston.

5 MS. RALSTON: Thank you. And, after a
6 brief direct, if the Commission would oblige us,
7 Mr. Yergeau would have a short direct opening
8 statement?

9 CHAIRMAN GOLDNER: Okay. Very good.

10 MS. RALSTON: Thank you. I'll begin
11 with Mr. Horton.

12 **DOUGLAS P. HORTON, SWORN**

13 **JASON YERGEAU, SWORN**

14 **SAMANTHA BRIGHAM, SWORN**

15 **DIRECT EXAMINATION**

16 BY MS. RALSTON:

17 Q Would you please state your full name, Company
18 position, and your responsibilities for purpose
19 of this docket?

20 A (Horton) My name is Doug Horton. I'm the Vice
21 President of Distribution Rates and Regulatory
22 Requirements. My purpose is in sponsoring
23 predominantly the rate and cost recovery
24 components of the case, but also standing for the

[WITNESS PANEL: Horton|Yergeau|Brigham]

1 general proposition of the benefits of this
2 transaction.

3 Q And are you familiar with the exhibits that have
4 been premarked as "3" through "13", which include
5 the Purchase Agreement that is the subject of
6 this proceeding, your prefiled testimony filed on
7 February 10th, 2021, supplemental testimony filed
8 on November 15th, 2021, and rebuttal testimony
9 filed on February 25th, 2022, together with all
10 supporting attachments?

11 A (Horton) Yes.

12 Q And are you also familiar with the exhibits
13 marked as "16" through "20", which include
14 various discovery responses submitted by the
15 Joint Petitioners of which you co-sponsored?

16 A (Horton) Yes.

17 Q And do you have any corrections or amendments to
18 any of these exhibits?

19 A (Horton) No.

20 Q And do you adopt these exhibits as part of your
21 sworn testimony today?

22 A (Horton) I do. And I should say, excuse me, the
23 only correction would be that which I gave prior
24 to being sworn in, regarding the PPAM and the

[WITNESS PANEL: Horton|Yergeau|Brigham]

1 capital cost recovery.

2 Q Okay. Thank you. Ms. Brigham, would you please
3 state your full name, Company position, and
4 responsibilities for purposes of this docket?

5 A (Brigham) Samantha Brigham. I'm Supervisor of
6 Electric Field Operations Support at Eversource.
7 And I manage the Pole Attachment Program for
8 third parties.

9 Q And the Joint Petitioners have identified
10 exhibits marked as "1" through "20". Did you
11 sponsor any of these exhibits?

12 A (Brigham) Yes? No? I just provided guidance on
13 them.

14 Q Yes. Did you support the development of these
15 exhibits and participate in the technical
16 sessions during the proceeding?

17 A (Brigham) Yes.

18 Q Thank you. And can you just provide a brief
19 overview of the topics that you have supported
20 during this proposing?

21 A (Brigham) I provided copies of our IOPs and
22 copies of our Pole Attachment Agreements, along
23 with procedures relating to pole attachments.

24 Q And are you also able to answer questions

[WITNESS PANEL: Horton|Yergeau|Brigham]

1 regarding invoicing for third-party attachers and
2 attachment surveys, if asked?

3 A (Brigham) Yes.

4 Q Thank you. Mr. Yergeau, would you please state
5 your full name, Company position, and
6 responsibilities for purposes of this docket?

7 A (Yergeau) Yes. Good morning. I'm Jason Yergeau.
8 I'm the Director of Electric Operations for
9 Eversource. Primary responsibility is providing
10 safe and reliable and cost-effective service to
11 our customers. I am responsible for all
12 distribution and transmission activity in the
13 State of New Hampshire.

14 Q And are you familiar with the exhibits marked as
15 "Exhibit 1" and "2", which are the prefiled
16 Testimony of Lee Lajoie, that was filed on
17 February 10th, 2021?

18 A (Yergeau) Yes, I am.

19 Q And are you also familiar with the exhibits
20 marked as "12", "13", "16", "17", "18", "19", and
21 "20", which include various discovery responses
22 submitted by the Joint Petitioners, some of which
23 were sponsored by Lee Lajoie and some of which
24 were sponsored by you?

[WITNESS PANEL: Horton|Yergeau|Brigham]

1 A (Yergeau) Yes, I am.

2 Q And do you have any corrections or amendments to
3 any of those exhibits?

4 A (Yergeau) No, I do not.

5 Q And do you adopt those exhibits as part of your
6 sworn testimony today?

7 A (Yergeau) I do.

8 Q Thank you. At this time Mr. Yergeau will provide
9 a brief opening statement. Thank you.

10 A (Yergeau) Good morning, Chairman Goldner,
11 Commissioners.

12 Before we get started today, I'd like
13 to let you know that we entered into negotiations
14 with CCI on a proposed Agreement that is before
15 the Commission in this proceeding. Because we
16 firmly believe that our exclusive ownership of
17 the utility poles is in the long-term best
18 interest of our electric customers.

19 We expect questions today on the
20 details of the proposed arrangement. But, first,
21 I'd like to take this opportunity to provide the
22 overarching reasons why we're asking you to
23 approve the proposed Agreement to benefit
24 customers on both "blue sky" days and

[WITNESS PANEL: Horton|Yergeau|Brigham]

1 particularly following storm events.

2 Eversource is not in the business of
3 simply owning utility poles. Eversource is in
4 the business of delivering electricity to
5 customers with safety, reliability, and
6 resiliency. To meet these goals, we're always
7 looking for ways to improve systems, eliminate
8 hazards, and increase customer satisfaction.
9 Based on my experience in the field, having
10 exclusive access to maintain, repair, and replace
11 poles will benefit our customers, and be worth
12 the cost of buying this equipment. There are
13 three reasons why this is true.

14 First, we conduct a rigorous, proactive
15 Pole Inspection Replacement Program, that helps
16 to ensure that our poles have resiliency and will
17 withstand that range of weather conditions that
18 we experience here in New Hampshire.

19 Because we're responsible for
20 delivering the essential service of electricity,
21 our program is much more rigorous than what is
22 currently in place for the poles we would
23 purchase. For example, in our program, poles are
24 replaced consistent with a defined timeline if

[WITNESS PANEL: Horton|Yergeau|Brigham]

1 they fail inspection. When poles are not timely
2 replaced after failing inspection, the poles
3 continue to debilitate and weaken, and then are
4 more likely to fail in bad weather. As a result,
5 customers experience outages and outage durations
6 that could have been avoided, as well as
7 increased costs for restoration following bad
8 weather events. Our program is more successful
9 at avoiding broken poles in bad weather. And
10 this proactive approach saves customers money and
11 outage time in the long run.

12 Second, by becoming the sole owner of
13 these poles, the delays in pole replacement will
14 be eliminated. Even though Eversource is a first
15 responder during emergency events that require
16 pole replacement, as a joint pole owner, we must
17 wait to do our work pending coordination,
18 communication, and action by Consolidated. This
19 coordination often takes an inordinate time, and
20 can result in extended outages and prolonged
21 unsafe conditions. By eliminating this obstacle,
22 the Company will be able to move faster and have
23 greater control over its restoration efforts.

24 Third, we often need to set new poles

[WITNESS PANEL: Horton|Yergeau|Brigham]

1 for electric customers, or other reasons. For
2 these purposes, Eversource is able to replace and
3 set poles on a faster timeline than currently
4 occurs. Waiting for Consolidated to replace or
5 set poles on its own timeline frequently delays
6 our new customer connections or other projects to
7 the detriment of our customers. Where we
8 experience delays, the efficiency of our work
9 suffers. And we can eliminate this inefficiency
10 if we can control the pole inventory and
11 installations.

12 As Mr. Horton can explain, the
13 Company's view is that the benefits of the
14 transaction warrant the costs. Above all else,
15 the benefits to the distribution system are
16 increased resiliency and reliability. These
17 operational benefits will translate over time to
18 reduce costs and improve service through the
19 avoidance of outages and reduce storm restoration
20 work.

21 Customers will also benefit, because
22 they will no longer be required to pay
23 Consolidated the cost associated with setting a
24 pole, if they are not requesting service from

[WITNESS PANEL: Horton|Yergeau|Brigham]

1 Consolidated, which is currently what occurs.

2 Thank you for letting me speak today.

3 We're ready to answer your questions, and to work
4 with the Commission and other parties to get the
5 proposed arrangement approved, so that our
6 customers can benefit now and in the future.

7 Thank you.

8 MR. KREIS: Mr. Chairman, I would like,
9 at this time, to interpose an objection, excuse
10 me, on two fronts.

11 First of all, you've just allowed
12 Eversource to offer up a second set of prefiled
13 written direct testimony, because Mr. Yergeau was
14 clearly reading from a written statement. The
15 way this is supposed to work is the Petitioners
16 are supposed to submit written, prefiled direct
17 testimony; then they had an opportunity to submit
18 written, prefiled rebuttal testimony; and now Mr.
19 Yergeau has just read to you written, not
20 prefiled, written testimony. That is
21 fundamentally unfair to the other parties in this
22 proceeding.

23 Furthermore, Ms. Brigham shouldn't even
24 be allowed to testify at all, because she didn't

[WITNESS PANEL: Horton|Yergeau|Brigham]

1 even -- she did not file any written testimony.
2 And, based on the direct examine we heard
3 introducing her, she simply supported other
4 witnesses, in terms of developing information
5 that they could use in their testimony. So, she
6 should be excused from the witness panel.

7 And, so, therefore, I object to that
8 written prefiled -- pre-rehearsed statement, and
9 I object to Ms. Brigham's testimony.

10 CHAIRMAN GOLDNER: Okay. Just a
11 moment.

12 *[Chairman Goldner and Commissioner*
13 *Simpson conferring.]*

14 CHAIRMAN GOLDNER: Okay. We'll take a
15 five-minute recess and be back. Thank you. Off
16 the record.

17 *(Recess taken at 9:27 a.m. and the*
18 *hearing resumed at 9:44 a.m.)*

19 CHAIRMAN GOLDNER: Okay. Let's start
20 with an opportunity for the parties to respond to
21 Mr. Kreis's objection.

22 MS. RALSTON: The Company would just
23 note that we circulated a Witness List that
24 identified Ms. Brigham, and no one objected.

[WITNESS PANEL: Horton|Yergeau|Brigham]

1 I'd also just like to point out that,
2 since the initial filing, Eversource has had some
3 turnover. Erica Menard was one of the original
4 witnesses, she is no longer with the Company as
5 of Friday. Lee Lajoie retired over the summer.
6 And, so, Ms. Brigham was provided as a witness
7 simply for efficiency. She has some knowledge
8 that Mr. Horton and Mr. Yergeau do not. So, we
9 were just hoping to make this a more productive
10 hearing by having her participate.

11 And, with respect to Mr. Yergeau's
12 opening statement, I would note there's nothing
13 new in the statement. It was simply a summary of
14 the issues that have been developed throughout
15 the proceeding.

16 CHAIRMAN GOLDNER: Okay. Thank you.
17 Is Ms. Brigham adopting any testimony or is she
18 just there to help the other witnesses?

19 MS. RALSTON: She is just there to help
20 the other witnesses. Her area of expertise is
21 with some of the practical matters that will
22 arise, if this transaction is approved, in terms
23 of invoicing and an additional survey. And she
24 can just help give the Commission a better idea

[WITNESS PANEL: Horton|Yergeau|Brigham]

1 of how things would work post-transaction, if
2 approved.

3 CHAIRMAN GOLDNER: Okay. Thank you.
4 Are there any other responses to the OCA's
5 motion?

6 *(Atty. Geiger and Atty. Wiesner*
7 *indicating in the negative.)*

8 CHAIRMAN GOLDNER: No?

9 *[No verbal response.]*

10 CHAIRMAN GOLDNER: Okay. Just a
11 moment, we're going to confer here for a second.

12 *[Chairman Goldner conferring with*
13 *Commissioner Simpson, and then*
14 *Atty. Wind.]*

15 CHAIRMAN GOLDNER: Okay. We've come to
16 a decision.

17 So, on the first motion from Mr. Kreis,
18 we'll overrule it. The witness was just making a
19 high-level summary. There is nothing new.

20 On the second, we'll excuse the
21 witness, because the witness isn't adopting any
22 existing testimony, we'll excuse the witness.

23 So, thank you.

24 *(Witness Brigham excused from the*

[WITNESS PANEL: Horton|Yergeau]

1 *Witness Panel.)*

2 CHAIRMAN GOLDNER: Okay. Ms. Ralston,
3 would you like to proceed?

4 MS. RALSTON: Sure. The witnesses are
5 now available for cross-examination.

6 CHAIRMAN GOLDNER: Okay. We'll start
7 with cross-examination. Would Consolidated have
8 any questions for the witnesses?

9 MR. McHUGH: Not at this time, Mr.
10 Chairman.

11 CHAIRMAN GOLDNER: Thank you. NECTA,
12 any questions for the witnesses?

13 MS. GEIGER: Yes, I do. Thank you, Mr.
14 Chairman.

15 Good morning. Excuse me.

16 **CROSS-EXAMINATION**

17 BY MS. GEIGER:

18 Q My first few questions are on the prefiled
19 testimony that Mr. Lajoie filed. And those are
20 Exhibits 1 and 2; and 1 is confidential and 2 is
21 redacted. And I believe I will be focusing only
22 on the redacted portion.

23 So, at Bates Page 006 of what's been
24 marked as "Exhibit 2", at Lines 7 through 10,

[WITNESS PANEL: Horton|Yergeau]

1 there's a statement there that "Eversource will
2 purchase Consolidated's 50 percent joint
3 ownership interest in...approximately 343,098
4 poles" that are jointly owned by the two
5 Companies, and will also purchase "Consolidated's
6 100 percent interest in approximately 3,844
7 utility poles." Is that correct?

8 A (Horton) That's correct.

9 Q And Eversource and Consolidated have not provided
10 an exact number of the poles to be transferred,
11 have they?

12 A (Horton) No, we haven't.

13 Q So, is it correct to say that neither Eversource,
14 nor Consolidated, know exactly how many poles are
15 being transferred, nor how many of the
16 transferred poles have each NECTA members'
17 attachments on them? Is that fair?

18 A (Horton) We have, throughout the course of this
19 proceeding, provided information regarding both
20 Companies' records, and acknowledged that the
21 number of poles on the Eversource side may vary
22 slightly between the number of poles and
23 attachments on the CCI side.

24 We've also made commitments, though, to

[WITNESS PANEL: Horton|Yergeau]

1 ensure that the pole attachment fees that we
2 charge to attachers, if the transaction were to
3 move forward, the number of attachments would not
4 change as a result of the transaction. That
5 Eversource would continue to bill for CCI --
6 poles that are currently billed by CCI, we would
7 continue to use the same number of attachments
8 that are on the CCI's system of record.

9 Q Thank you. Another question regarding that
10 prefiled testimony, at Bates Page 008, it states
11 that "The transfer of Transferred Poles to the
12 sole ownership of Eversource will result in
13 significant reliability and operational
14 benefits." Is that correct?

15 And that's at Line 17 through 18 of
16 Bates Page 008?

17 A (Horton) That's right. It says results -- excuse
18 me. It says Eversource will have the ability to
19 avoid these delays and will be able to complete
20 projects requiring pole replacement in a more
21 timely manner, resulting in improvements in
22 system reliability and resiliency for the benefit
23 of Eversource's customers.

24 Q Okay. The testimony then goes on to describe

[WITNESS PANEL: Horton|Yergeau]

1 some of the operational benefits, but it doesn't
2 specifically address improvements or benefits in
3 the pole attachment process, does it?

4 A (Horton) Our focus was mostly on the improvements
5 to reliability that are discussed in the
6 testimony.

7 Mr. Yergeau, if you have anything to
8 add regarding the attachment process?

9 A (Yergeau) I would just add that, you know,
10 currently, the attachment process requires
11 coordination, as I mentioned earlier, between the
12 two groups. So, there would be efficiencies
13 gained during what are referred to as
14 "walk-outs", that we do as part of the attachment
15 surveys.

16 Q Are there any other significant operational
17 benefits, in terms of timely pole attachment
18 application processing that you can name?

19 A (Yergeau) At this point, no.

20 Q Okay. Mr. Horton, I think this next question may
21 be for you, based on the preliminary comments you
22 gave in response to the Chairman's question about
23 the recovery of the capital investments
24 associated with this acquisition.

[WITNESS PANEL: Horton|Yergeau]

1 And I believe, and correct me if I'm
2 wrong, because I'm not sure I caught it, I
3 believe you indicated that the Company was
4 willing to forgo recovery of capital investments
5 that are not recovered through the cost recovery
6 mechanism in the Settlement Agreement. Is that
7 correct?

8 A (Horton) I don't know. Let me try to clarify.

9 Q Okay.

10 A (Horton) The rate case Settlement Agreement had a
11 provision which said that the Company would forgo
12 capital cost recovery, other than what's
13 described in that Settlement Agreement. So, as
14 part of this transaction, and up until this
15 point, we have been requiring, as a condition of
16 us moving forward, that we would get recovery of
17 the incremental capital, both for the purchase,
18 as well as additional replacements after
19 purchase.

20 In an effort to try to eliminate one
21 obstacle and have this transaction approved, we
22 would forgo that recovery in between rate-setting
23 intervals.

24 But, to be clear, we would not -- or,

[WITNESS PANEL: Horton|Yergeau]

1 by making that concession, we are not agreeing to
2 forgo recovery indefinitely. It would simply be
3 that, like other capital investments that we
4 make, in which we don't get explicit cost
5 recovery between rate cases, it would be subject
6 to regulatory lag, and then allowed into rate
7 base at the time of our next rate case.

8 Q And would the lag that you just described also
9 apply to pole attachment rates?

10 A (Horton) In what way?

11 Q In terms of cost recovery. In other words, will
12 there be an increase in pole attachment rates as
13 a result of this transaction in the near future?

14 A (Horton) No. Our proposal -- excuse me. Our
15 proposal is that there would be no change to pole
16 attachment rates immediately as a result of this
17 transaction.

18 Our proposal would be that there's --
19 there's two ways that rates are set; one on the
20 CCI side and one on the Eversource side. On the
21 CCI side, the rates are established as a result
22 of their Pole Attachment Agreements, and there's
23 a process embedded in those agreements under
24 which those rates can change. And, essentially,

[WITNESS PANEL: Horton|Yergeau]

1 it's "with 60 days notice, the rates can change."
2 As a result of that, those rates haven't changed
3 for a number of years, and wouldn't change as a
4 result of this transaction.

5 However, on the CC -- excuse me -- on
6 the Eversource side, rates are set annually,
7 based on the result of a pole rental rate
8 formula.

9 So, our proposal is that, immediately
10 after the transaction, the rates would stay the
11 same as they are today; they would not change.
12 On the Eversource side, those rates change on a
13 cadence, which would essentially have the cost of
14 this transaction, and to your question, I think,
15 including the purchase price, would be reflected,
16 essentially, on a two-year lag. If the
17 transaction were to close in, I just had to
18 confirm in my mind it's 2022, if it were to close
19 in 2022, the costs would be reflected in our FERC
20 Form 1s for calendar 2022, that would be
21 published in 2023, and flow into the rates
22 starting in 2024.

23 So, our proposal is that the CCI rates
24 wouldn't change. The Eversource rates also

[WITNESS PANEL: Horton|Yergeau]

1 wouldn't change, but for their normal course of
2 them changing. And, then, our intention would be
3 to bring them into alignment at the time that the
4 costs of this transaction would naturally flow
5 through the Eversource pole attachment rate
6 formula.

7 Q Thank you, Mr. Horton. That was helpful.

8 A (Horton) Certainly.

9 Q The next few questions I have actually relate to,
10 Mr. Horton, to your prefiled testimony, the
11 testimony that you filed with Ms. Menard on
12 February 10th of 2021. That testimony has been
13 marked as "Exhibit 5", and "Exhibit 6" is the
14 redacted version. And I believe the pagination
15 is the same on both. So, whichever one you want
16 to refer to is fine.

17 At Bates Page 009, at Lines 1 to 3, you
18 state that, "upon closing" of this transaction,
19 "Eversource will receive third-party attachment
20 revenues directly from all other third-party
21 attachers under the terms of the contracts that
22 are currently in place with Consolidated." Is
23 that correct?

24 A (Horton) Yes.

[WITNESS PANEL: Horton|Yergeau]

1 Q And is it correct that Eversource plans on
2 charging Consolidated's rates for third-party
3 attachments on the transferred poles?

4 A (Horton) Eversource -- it's really the answer
5 that I just gave. But I think "yes", unless I'm
6 missing a nuance in your question.

7 Q No. I think we're on the same page.

8 A (Horton) Okay.

9 Q And the Consolidated rate that Eversource will
10 charge third-party attachers is the rate that's
11 in effect for Consolidated at the time of
12 closing, is that correct?

13 A (Horton) Yes.

14 Q Now, is it correct to say that Eversource will
15 bill the Consolidated rate from the time of
16 closing and until a full pole attachment survey
17 is conducted or a single unified rate is applied
18 to all of Eversource's poles?

19 A (Horton) It's the latter. Our intention is to
20 conduct a pole attachment survey. But, at this
21 point, we don't know the timing and logistics of
22 how long that will take, and if it would
23 naturally align with that, those two things
24 coming together.

[WITNESS PANEL: Horton|Yergeau]

1 But, like I said, our intention would
2 be to have -- to bill two separate rates, one
3 under the Eversource jointly-owned rate, one
4 under the CCI existing jointly-owned rate, until
5 the cost of this transaction would naturally be
6 reflected in the Eversource rate. And, at that
7 point, our intention would be to bring those
8 rates together. And my expectation would be that
9 that would also be subject to a future process,
10 based on the fact that we wouldn't be able to
11 unilaterally change the CCI rate without a
12 process.

13 Q Thank you. Now, the Joint Petition that's been
14 marked as "Exhibit 66" and "67" asserts, at the
15 bottom of Page 3, that "In compliance with Puc
16 Rule 1301.01 and RSA 374:34-a", Consolidated's
17 pole attachment rates are "nondiscriminatory,
18 just and reasonable." Do you have that?

19 A (Horton) I was just getting to it while you were
20 speaking. Was that Exhibit 66, at Page 3?

21 Q Correct. And this is at the bottom of the page.

22 A (Horton) I'm sure it's correct, but I'm just not
23 finding the reference.

24 Q It's the last two sentences, at least on the

[WITNESS PANEL: Horton|Yergeau]

1 versions that I have. There is an assertion
2 there that Consolidated's rates are
3 "nondiscriminatory, just and reasonable."

4 A (Horton) Is this, the document I'm looking at,
5 Paragraph 6, "The Transferred Poles include"?

6 Q Yes. Correct. It's Paragraph 6. And it should
7 be at the bottom of the page, unless your version
8 is paginated differently than mine.

9 A (Horton) On the page that I'm looking at, the
10 last sentence is "In compliance with New
11 Hampshire Code Administrative Rules Puc 1301.01."
12 I just --

13 Q If you go to the next page, I guess, then. Yes,
14 Mr. Horton. This is -- I'm looking at what's
15 been marked as "Exhibit 67". And I guess I'm
16 just asking you to look at the end of the
17 Paragraph 6 there.

18 A (Horton) Okay. I'm sorry, I had Exhibit 66.

19 Q Okay. Well, let's look at the redacted version
20 then. The very -- the last two sentences,
21 basically, is what I'd like you to focus on, and
22 it basically talks about the Consolidated rates
23 that Eversource is going to be charging for pole
24 attachments. And there's an assertion in the

[WITNESS PANEL: Horton|Yergeau]

1 last sentence there that those rates are "in
2 compliance with Puc rules and RSA 374:34-a", as
3 being "nondiscriminatory, just and reasonable",
4 is that correct?

5 A (Horton) I'm sorry. I see it now. Yes. That is
6 correct.

7 Q But Consolidated's pole attachment rates have not
8 been set in accordance with any particular
9 formula, have they?

10 MR. McHUGH: I object, Mr. Chairman.
11 That question calls for a legal conclusion that
12 some type of formula is required. It's not
13 necessarily required by the PUC's rules. We can
14 go through it, if we need to.

15 MS. GEIGER: Mr. Chairman, I'm just
16 asking a question of fact. I'm not asking the
17 witness to opine on whether or not the formula is
18 legal. I'm just asking him to state his
19 knowledge about the fact that the Consolidated
20 rates have not been set in accordance with a
21 formula.

22 CHAIRMAN GOLDNER: I'll allow the
23 question.

24 MR. McHUGH: We can stipulate to that,

[WITNESS PANEL: Horton|Yergeau]

1 Mr. Chairman.

2 MS. GEIGER: Thank you.

3 BY MS. GEIGER:

4 Q Okay. I think this may be for you, too, Mr.
5 Horton. Again, referencing either Exhibit 5 or
6 6, this is your first prefiled testimony. I
7 believe Bates Page 008, I'm hopeful that's the
8 right page. I'm not sure if the pagination lines
9 up. It's Bates Page 008. And, actually, it's
10 the testimony's Page 6. But, if you're looking
11 at the Bates Page at the bottom, the number is
12 008.

13 A (Horton) I'm there.

14 Q Okay. Lines 14 through 16, you state that "For
15 Consolidated's attachments [on Eversource's
16 poles], Consolidated will pay Eversource \$5
17 million per year...for the first two years
18 following the close of the transaction." Is that
19 correct?

20 A (Horton) That's correct.

21 Q Now, isn't it true that that \$5 million payment
22 is less than the amount that Consolidated would
23 pay, if it were paying the same pole attachment
24 rates that other attachers will pay to

[WITNESS PANEL: Horton|Yergeau]

1 Eversource?

2 A (Horton) The \$5 million was a negotiated term,
3 and it has two factors to consider. The first is
4 that, at least at the time of negotiation, the --
5 well, let me start. The fact is that
6 Consolidated does not have a record of the number
7 of attachments on its poles, given that it was a
8 joint pole owner, and, you know, Consolidated
9 could speak to this as well, does not have the
10 records of the number of attachments per pole.
11 And, so, as part of the negotiations, we had
12 also -- we had agreed to a ratio of a number of
13 attachments per pole for the transferred poles,
14 number one.

15 When we take that agreed-to ratio by
16 the number of poles that are the subject of this
17 transaction, and we multiply it by the then
18 current rate, realizing that these negotiations
19 were happening back in 2020 and before, the \$5
20 million was roughly aligned with the result of
21 that calculation. The pole attachment rate times
22 the assumed number of attachments.

23 The \$5 million was, again, it was a
24 negotiated term, and it was for the first two

[WITNESS PANEL: Horton|Yergeau]

1 years of the Agreement. And, that's all I have
2 to say about that.

3 Q Thank you. And I believe I heard you say that,
4 at the time of the negotiation, you were looking
5 at the \$5 million payment in terms of what
6 Eversource's pole attachment rates were at that
7 time, in 2020, is that correct?

8 A (Horton) That was one data point. But, again, it
9 was a negotiated term as part of a comprehensive
10 agreement and settlement and resolution of a
11 number of issues, including the acquisition of
12 the poles.

13 Q And isn't it true that, since 2020, Eversource's
14 pole attachment rates have gone up?

15 A (Horton) That's true.

16 Q So, the \$5 million annual pole attachment fee
17 that Consolidate will pay Eversource represents
18 an even greater discount than from today's pole
19 attachment rates. Isn't that true?

20 A (Horton) Again, I don't view it as a discount.
21 It was a term that was negotiated as part of a
22 comprehensive agreement. It was not constructed
23 or intended to be a discount. That would require
24 an accurate number of the attachments on the

[WITNESS PANEL: Horton|Yergeau]

1 poles, in order to determine if it's one or the
2 other.

3 But, again, this is one provision of a
4 settlement of a number of issues.

5 Q Thank you. Mr. Horton, the next few questions I
6 have relate to your rebuttal testimony. So, if
7 you wouldn't mind focusing on that. And that's
8 been marked as "Exhibit 10, the confidential
9 version, and "Exhibit 11", the redacted version.

10 A (Horton) I have it.

11 Q Great. At Bates Page 008, Lines 9 through 14,
12 I'll let you find that. And let me know when
13 you're there?

14 A (Horton) I'm there.

15 Q Okay. There you indicate that Eversource "is
16 committed to ensuring that the combined number of
17 attachments billed by Consolidated and Eversource
18 does not change as a result of this transaction;
19 and that the number of attachments currently
20 billed by Eversource will not change as the
21 result of this transaction." Is that correct?

22 A (Horton) That's correct.

23 Q And does this commitment apply to each attacher
24 individually or simply all attachers in the

[WITNESS PANEL: Horton|Yergeau]

1 aggregate?

2 A (Horton) Each attacher individually.

3 Q Okay. Thank you. And regarding invoicing for
4 the transferred poles, does Eversource commit
5 that, for each individual NECTA member, the
6 number of additional attachments on the
7 Eversource invoice will match the decrease in the
8 number of attachments on Consolidated's invoices?

9 A (Horton) Just to be clear, our intention is to
10 issue two bills, two invoices. One would be the
11 Eversource sort of "status quo" and having the
12 number of Eversource attachments. The second
13 would be a new bill now issued by Eversource, but
14 containing the CCI pole attachment rates and the
15 number of attachments that CCI bills as of the
16 date of close.

17 Q And that would be for each NECTA member,
18 obviously, correct?

19 A (Horton) Correct.

20 Q Okay. And can you please describe the specific
21 steps that Eversource will take to meet that
22 billing commitment?

23 A (Horton) I, personally, cannot. Ms. Brigham
24 would have been better to be able to answer that

[WITNESS PANEL: Horton|Yergeau]

1 question than I.

2 Q Okay. Thank you. Turning now, the same
3 exhibits, Bates Page 007 please, Lines 16
4 through 20. And this is what you were just
5 discussing, I think, Mr. Horton, about sending
6 two invoices to third-party attachers; one for
7 the attachments on the current Eversource-owned
8 poles and another for the Consolidated's
9 transferred poles. If you can just tell me when
10 you're there?

11 A (Horton) Did you say it was "Bates 009"?

12 Q Seven.

13 A (Horton) Oh, I'm sorry.

14 Q I'm sorry, 007.

15 A (Horton) That's right. I'm there.

16 Q Okay. Am I correct in understanding that, if a
17 pole is jointly owned now, that Eversource will
18 invoice third-party attachers at the Eversource
19 jointly-owned rate, and separately invoice
20 third-party attachers at the Consolidated
21 jointly-owned rate, is that correct?

22 A (Horton) Yes.

23 Q Okay. Thank you. So, Mr. Horton, staying with
24 that same -- those same exhibits, if you could

[WITNESS PANEL: Horton|Yergeau]

1 please turn to Bates Page 020?

2 A (Horton) Okay.

3 Q And, at Line 3, there is a statement there that
4 "Consolidated's books are showing an inordinately
5 low value for a new asset." Is that correct?

6 A (Horton) Yes.

7 Q Is it Eversource's position that all of the
8 transferred poles are new assets?

9 A (Horton) No. But, as CCI had testified, I think
10 it was in their rebuttal testimony, and I'm
11 forgetting the exact number, but, since 2016, CCI
12 has invested tens of millions of dollars in pole
13 infrastructure that's part of the transferred
14 assets.

15 Our position on this portion of the
16 testimony is simply that CCI has also been
17 depreciating those assets over five years, which
18 is, by any measure, a very short depreciable
19 life, when you consider that poles can stand for
20 80 years, and their average useful life is on the
21 magnitude of 40 years.

22 So, in the case of a situation here,
23 where we are acquiring poles that at least many
24 of which are new and have an asset value that is

[WITNESS PANEL: Horton|Yergeau]

1 not reflective of the book value, the net book
2 value, on CCI's books, purely as a function of
3 the fact that CCI has been depreciating those
4 assets faster, our position is that should not be
5 the measure that the PUC looks at in determining
6 what is the appropriate value for Eversource to
7 place on its books, if this acquisition is
8 approved.

9 Q Mr. Horton, would you agree that, from a
10 regulatory accounting perspective, accumulated
11 depreciation reduces the book value of assets?

12 A (Horton) The key piece is -- the answer is "yes",
13 but CCI is not a rate-regulated utility, like
14 Eversource or other utilities in the state, that
15 are required to use a depreciation study in order
16 to set its depreciation rates. If you're a
17 rate-regulated utility, then I agree with that
18 proposition. The accumulated depreciation
19 essentially reflects the amount that our
20 customers have paid for the assets. It's the
21 recovery of our investment in the system.

22 Where CCI is not rate-regulated,
23 accumulated depreciation doesn't stand for that
24 proposition. It stands for a decision that CCI

[WITNESS PANEL: Horton|Yergeau]

1 or predecessor company's management has made, as
2 to what it should record for GAAP accounting
3 purposes, and not for rate recovery purposes.

4 Q But would you -- would you agree that
5 depreciation is a tax-deductible expense?

6 A (Horton) For tax purposes?

7 Q Yes.

8 A (Horton) And that can differ from the amount
9 that, even on a rate-regulated utility, the
10 amount that utilities record for tax purposes is
11 different than what they would record for book
12 accounting purposes. But the book accounting
13 depreciation is what goes into the calculus of
14 net book value, which is the focus of this
15 discussion. And, again, for CCI, that net book
16 value amount doesn't stand for an amount that's
17 not yet been paid for by customers.

18 Q And my question, Mr. Horton, was, would you agree
19 that depreciation, generally speaking, is a
20 tax-deductible expense?

21 A (Horton) Yes.

22 Q Okay. And, as such, doesn't depreciation provide
23 the asset owner with a quantifiable financial
24 benefit by reducing income taxes, all else being

[WITNESS PANEL: Horton|Yergeau]

1 equal?

2 A (Horton) Every deductible tax expense that
3 reduces your tax burden, in the case of
4 depreciation, that was a -- that is a timing
5 difference. To the extent that you have a tax
6 deduction, at least for a rate-regulated utility
7 again, typically, the tax-depreciable life is
8 shorter than the book-depreciable life. So, in
9 the initial years, when the tax depreciation rate
10 is higher than the book accounting depreciation
11 rate, there is a tax benefit that turns around
12 over time.

13 Q Would you agree that, by expediting amortization
14 of its pole assets in advance of the transfer of
15 these poles to Eversource, Consolidated was able
16 to improve its cash flow related to income taxes,
17 all else being equal?

18 A (Horton) I have no idea how CCI accounted for its
19 tax depreciation expense, and if it was the same
20 or different from its book depreciation expense.
21 Let me be clear on that. That the testimony that
22 I've submitted is speaking to their GAAP book
23 accounting depreciation. And the book accounting
24 net book value has nothing with their tax

[WITNESS PANEL: Horton|Yergeau]

1 depreciation position.

2 Q So, would you be able to say whether Consolidated
3 received the benefit of reduced taxes and
4 increased cash flow through accelerated
5 depreciation of its pole assets?

6 A (Horton) No. Again, I really can't say. Because
7 the five-year depreciation that I'm aware of, is
8 for GAAP accounting purposes for book
9 depreciation. I don't know if that's the same or
10 different than for tax.

11 But, in any case, the book depreciation
12 expense, which is what determines the net book
13 value, again, is not reflective of an amount
14 that, certainly, not any electric customer has
15 paid for the use of those poles. And that's
16 really the main point to hammer home.

17 These poles, just like if we were to go
18 out and purchase new poles, or poles that were,
19 you know, five or six years old, they would have
20 a value of them that would have only been
21 depreciated for six years. To try to posit that,
22 because CCI has made a determination to
23 accelerate the depreciation for book purposes,
24 therefore should reduce the value that customers

[WITNESS PANEL: Horton|Yergeau]

1 are getting from those poles, that's really the
2 main objection I have with that position.

3 Q Mr. Horton, would you agree that, by accelerating
4 depreciation of its pole assets, Consolidated has
5 minimized accounting losses related to the sale
6 of those assets?

7 A (Horton) That is CCI's reason given in this case
8 as to why they have done that, yes.

9 Q But is it true that Eversource's purchase price
10 for these assets did not take into consideration
11 Consolidated's depreciation?

12 A (Horton) That's right. The purchase price was a
13 negotiated term. We have introduced several
14 points of reference to confirm that that amount
15 is an appropriate amount for us to pay, and for
16 us to reflect and record as a net book value
17 plant addition, not the least of which is that
18 the similar poles that we own jointly with CCI
19 have a net book value in our system nearly double
20 that of the amount that CCI had recorded at the
21 time that the negotiations were underway.

22 Q Now, Mr. Horton, you're familiar with the
23 testimony filed by DOE Staff member Mr. Eckberg
24 and NECTA's witness, Ms. Kravtin, is that true?

[WITNESS PANEL: Horton|Yergeau]

1 A (Horton) Yes.

2 Q Okay. Would you agree that neither Staff nor
3 NECTA based their net book value on the
4 inordinately low net book value on Consolidated's
5 books associated with these poles?

6 A (Horton) My understanding of both of the
7 calculations relied upon the ARMIS Report that
8 was filed by CCI. And I'll leave it at that.

9 Q Okay. Is it fair to say that Staff and NECTA
10 based their net book value calculation on the
11 longer regulatory amortization associated with
12 the last regulatory depreciation rate that
13 Consolidated applied to these assets when it
14 acquired them from FairPoint?

15 A (Horton) I would have to take that back.

16 Q Okay. Isn't it -- isn't it true that NECTA's
17 testimony focuses only on the appropriate net
18 book value calculation of the transferred assets
19 for regulatory purposes, that is pole attachment
20 rates, and not on the asset purchase price that
21 Eversource negotiated with Consolidated?

22 MR. McHUGH: Well, I'm going to object,
23 Mr. Chairman. Whatever NECTA's testimony is is
24 for NECTA to testify to, not this witness.

[WITNESS PANEL: Horton|Yergeau]

1 CHAIRMAN GOLDNER: Yes. Let's -- NECTA
2 does have two witnesses, right?

3 MR. MCHUGH: Correct.

4 CHAIRMAN GOLDNER: So, we can wait for
5 the NECTA witnesses to answer that question.

6 MS. GEIGER: Okay. Thank you.

7 BY MS. GEIGER:

8 Q Mr. Horton, there's no regulatory requirement
9 that Eversource must calculate its pole
10 attachment rates based on the higher purchase
11 price that it negotiated with Consolidated,
12 versus the lower net book value that was
13 calculated by Staff and Ms. Kravtin, is there?

14 A (Horton) Like I said, the Eversource pole
15 attachment rate is formulaic, and it's based on
16 accounting books and records of Eversource. The
17 position of Staff and of NECTA, to have
18 Eversource recognize a lower purchase price on
19 its books than it had paid, is clearly an
20 objectionable position by Eversource for the
21 reasons that we've stated.

22 We're purchasing the poles at a value,
23 and we're not prepared to pay a premium for the
24 poles above the value that we're allowed to

[WITNESS PANEL: Horton|Yergeau]

1 reflect on our books. And we feel the value that
2 we are putting out there is an appropriate value
3 for Eversource customers to pay going forward, in
4 light of the benefits of this transaction on the
5 whole.

6 Q And, Mr. Horton, the next few questions I have
7 also pertain to your rebuttal testimony that's
8 been marked as "Exhibits 10" and "11". And I
9 refer you to Bates Page 020.

10 A (Horton) Okay.

11 Q Lines 1 through 7, there are some statements
12 there indicating that "the Company is proposing
13 to pay for what the assets are worth given their
14 age and condition and customers had not yet paid
15 for the assets that they are receiving." Is that
16 correct?

17 A (Horton) I'm sorry, I thought I had it. You said
18 it's "Exhibit 11, Bates Page 020?"

19 Q Correct.

20 A (Horton) Was it "Lines 1 through 7"?

21 Q Yes, please.

22 A (Horton) "As a result, Consolidated's books are
23 showing an inordinately low value for a new
24 asset, which is not an accurate, reasonable or

[WITNESS PANEL: Horton|Yergeau]

1 appropriate basis for valuing the asset that is
2 subject to the transfer." Is what where you are?

3 Q Nope. Sorry.

4 A (Horton) No problem.

5 Q Basically, my question relates to your testimony
6 that indicates that "the net purchase price is
7 equivalent to the amount the Company determined
8 to be the net book value of the transferred
9 poles, had the depreciation been aligned with the
10 customer use of the pole." Do you recall those
11 statements?

12 A (Horton) I do. But I'd like to get to the
13 reference. Would you be able to point me to
14 where that is?

15 Q Page 20, Line 18.

16 A (Horton) Thank you.

17 Q I'm sorry, that's my error. Line 18, and then it
18 goes on to Page 19, or Bates Page 021, Lines 1
19 through 7. I apologize.

20 A (Horton) Right. That statement is summarizing
21 the conversation that I just had. Which is that
22 the net book value, at the time negotiations were
23 ongoing, and in light of the fact that
24 Consolidated had been using a five-year

[WITNESS PANEL: Horton|Yergeau]

1 depreciation rate, and its predecessor, I
2 believe, had been using a fifteen-year
3 depreciation rate, both of which are severely
4 accelerated versus what we would expect as a
5 rate-regulated utility, had Consolidated been
6 using a depreciation rate that aligns with the
7 life of the poles, then we would expect that the
8 purchase price to be reflective of the net book
9 value, and wouldn't be having this issue.

10 Q Okay. Mr. Horton, again, the same exhibits,
11 Bates Page 021, Line 14?

12 A (Horton) "Any alleged" -- oh, I'm sorry. I'm on
13 the wrong page. "No. It is important to
14 separate"?

15 Q Yes. That's right.

16 A (Horton) Okay.

17 Q I believe you state that "It is important to
18 separate the issues of net book value from the
19 attacher rate." Is that correct?

20 A (Horton) That's correct.

21 Q But isn't it true that the net book value of the
22 poles is a factor that enters into the
23 calculation of pole attachment rates?

24 A (Horton) It is.

[WITNESS PANEL: Horton|Yergeau]

1 Q And isn't it also true that, all other things
2 being equal, when the net book value of poles is
3 increased, pole attachment rates will also
4 increase?

5 A (Horton) That's correct.

6 Q Mr. Horton, again, staying with that same
7 exhibit, my next question relates to Bates Page
8 023, Line 12.

9 A (Horton) "Therefore, pole attachment rates are
10 not relevant to this proceeding."

11 Q Correct. However, on Page 3 of the Joint
12 Petition that we just looked at a few minutes
13 ago, at the bottom of that page, isn't it true
14 that the Petition itself indicates that
15 Consolidated's pole attachment rates, which are
16 the rates that Eversource proposes to charge, are
17 "nondiscriminatory, just and reasonable"?

18 A (Horton) That's what the Petition says. This
19 acquisition makes no change to the rates that are
20 currently in effect for Consolidated. And, aside
21 from the timing sequence that I walked through on
22 the Eversource side, would not result in a change
23 in the Eversource rate calculation or the rates.

24 Q But would you agree that the Joint Petition

[WITNESS PANEL: Horton|Yergeau]

1 itself does, in fact, refer to Consolidated's
2 rates, and, therefore, it is a relevant issue?

3 A (Horton) The Joint Petition references the fact
4 that the rates that are in effect, as you've
5 covered, are "nondiscriminatory, just and
6 reasonable".

7 Our point is that this transaction does
8 not change those rates. The rates in the rate
9 agreements that are in place between Consolidated
10 and its attachers, which would be transferring to
11 Eversource, if this transaction were to be
12 approved, it has a provision in them whereby
13 rates can be adjusted. We're not triggering any
14 provision in that as part of this acquisition.

15 Q And just following up on that, Mr. Horton, I
16 believe, at Bates Page 024 of your testimony,
17 you've indicated that pole attachment agreements
18 that pertain to the transferred poles contain a
19 "dispute resolution process". Is that what you
20 were just referring to? That the dispute
21 resolution process can be used by attachers to
22 challenge or seek an adjustment to their pole
23 rates?

24 A (Horton) I was referring to the provision, and I

[WITNESS PANEL: Horton|Yergeau]

1 don't have it in front of me, I believe it's a
2 provision that allows CCI, or, if the agreements
3 were transferred to Eversource, Eversource could
4 change rates with 60 days notice.

5 Q Are you aware that NECTA has disputed
6 Consolidated's pole rates?

7 A (Horton) I am aware.

8 Q And, as the transaction has been proposed, is the
9 pole attachment rate that Eversource will charge
10 for the transferred Consolidated poles dependent
11 on the resolution of any pending pole rate
12 dispute that attachers may have with
13 Consolidated?

14 A (Horton) Could you say that again?

15 Q Is the rate that you propose -- that Eversource
16 proposes to charge the pole attachers after this
17 acquisition, is it the rate that's in effect from
18 Consolidated at the time of the close or will
19 that rate change, if the pending dispute with
20 Consolidated is resolved and results in a
21 different rate?

22 A (Horton) I believe, and I don't know legally, but
23 my expectation would be that we would be charging
24 the rates that are approved by the Commission to

[WITNESS PANEL: Horton|Yergeau]

1 be charged.

2 Q Okay. Thank you. And you agree that the
3 Commission has the authority over pole attachment
4 rates, correct?

5 A (Horton) That's my understanding, yes.

6 Q Now, in her prefiled testimony that has been
7 marked as "Exhibit 39", Ms. Kravtin discusses the
8 regulatory formula that should apply to arrive at
9 nondiscriminatory, just and reasonable rates.
10 Are you familiar with that?

11 And this is Exhibit 39, Pages 17
12 through 19.

13 A (Horton) I mean, I've reviewed the testimony.
14 But, like I said, it's our position that that
15 testimony regarding both how Eversource's pole
16 attachment rates are calculated, and CCI's, it is
17 really outside the scope of this proceeding.
18 We're not proposing to change any of the
19 pre-existing -- or, "pre-approved", I should say,
20 rates that CCI is charging, or the formula that's
21 in effect for Eversource, as a result of I
22 believe it's Docket 20-084.

23 Q But would you agree, based on your review of
24 Ms. Kravtin's testimony, that the rates that

[WITNESS PANEL: Horton|Yergeau]

1 she's calculated and believes are
2 discriminatory -- nondiscriminatory, just and
3 reasonable for CCI are much lower than what CCI
4 currently charges?

5 MR. McHUGH: Again, Mr. Chairman, I
6 object. The testimony from the NECTA witnesses
7 stands on its own.

8 CHAIRMAN GOLDNER: Sustained.

9 MS. GEIGER: I have no further
10 questions. Thank you.

11 CHAIRMAN GOLDNER: Thank you. Office
12 of Consumer Advocate?

13 MR. KREIS: Thank you, Mr. Chairman.
14 Excuse me, in an effort to get this hearing done
15 in the time allotted, I'll try to be as brief as
16 I can. Ms. Geiger covered some of the stuff I
17 would like to cover. My questions are all for
18 Mr. Horton.

19 BY MR. KREIS:

20 Q And I would direct your attention, Mr. Horton, to
21 what has been marked for identification as
22 Exhibit 25.

23 A (Horton) Yes. I'm there.

24 Q Are you familiar with that document?

[WITNESS PANEL: Horton|Yergeau]

1 A (Horton) Very much.

2 Q And would you agree with me that it is the
3 Settlement Agreement that resolved Docket Number
4 DE 19-057, which was the distribution service
5 rate case that Eversource filed back in 2020?

6 A (Horton) That's correct.

7 Q And the Agreement was signed on October 9th of
8 2020, correct?

9 A (Horton) Yes.

10 Q You were involved, were you not, in the
11 negotiations that led up to that Settlement
12 Agreement?

13 A (Horton) Intimately.

14 Q And, so, therefore, turning your attention to
15 Page 14 of that Agreement, 14, I believe the
16 Bates numbering is identical. And focusing on
17 Section 9 of that Agreement, that section
18 describes the terms associated with the
19 Regulatory Reconciliation Adjustment Mechanism,
20 or the -- it's called the "RRA", is that correct?

21 A (Horton) Yes.

22 Q And, in general terms, what is the "RRA
23 mechanism"?

24 A (Horton) It was a mechanism that was agreed to as

[WITNESS PANEL: Horton|Yergeau]

1 part of that rate case settlement, that would
2 allow for certain expenses to be adjusted in
3 between rate cases.

4 Q And would you agree with me that, in its initial
5 rate case filing, the Company actually proposed a
6 similar mechanism, yes?

7 A (Horton) Similar to the RRA?

8 Q Yes.

9 A (Horton) Similar, yes.

10 Q So, what we have here, in Section 9 of the
11 Settlement Agreement, would you agree, is a set
12 of compromises? Certain things were included in
13 the RRA, and certain things were not, relative to
14 what Eversource had initially proposed in its
15 rate case?

16 A (Horton) Yes.

17 Q And do you recall that, in the original rate case
18 filing, this mechanism was referred to as a
19 "DRAM", "Distribution Rate Adjustment Mechanism"?

20 A (Horton) I will accept that subject to check.

21 Q Okay. I have another proposition to ask you to
22 accept subject to check. And it is that, when
23 Messrs. Chung and Dixon filed their original
24 testimony in the rate case, back in 2019, they

[WITNESS PANEL: Horton|Yergeau]

1 said, on Bates Page 166 of that filing, that, and
2 I quote, "The Company anticipates that the DRAM
3 would be employed to recover the costs of other
4 Commission-approved programs and initiatives in
5 the future."

6 A (Horton) Yes.

7 Q Is there any similar language in the Settlement
8 Agreement that Eversource ultimately signed to
9 the effect that the RRA would be "employed to
10 recover the costs of Commission-approved programs
11 and initiatives in the future"?

12 A (Horton) There isn't. But I also don't believe
13 there's any reference to an exclusion or a
14 prohibition against Eversource recovering costs
15 that are not described in the RRA.

16 Q Yes. Well, turning your attention to Page 14 of
17 Exhibit 25, and continuing through Page 17 of
18 that document, will you agree with me that what's
19 enumerated there is a list of four things, four
20 categories marked (a) through (e), that are to be
21 included, and, in fact, now are included in the
22 Revenue Reconciliation Adjustment mechanism?

23 A (Horton) That's right.

24 Q And I'm not going to make you go through the

[WITNESS PANEL: Horton|Yergeau]

1 list. My question really is, is future capital
2 investments or expenses associated with new pole
3 plant currently owned by a telephone company
4 included in any of those four items, (a) through
5 (e)?

6 A (Horton) It is not. And that is the reason for
7 our proposal to seek recovery of the costs
8 outside of the RRA.

9 Q Turning your attention back to Page 14 of Exhibit
10 25, and asking you to look at the very beginning
11 of Section 9.1 of the Agreement, and this is
12 germane to what you were mentioning before. Will
13 you agree with me that the Settlement
14 characterizes that list of (a) through (e) as a
15 "limited set of costs"?

16 A (Horton) As it is describing the Regulatory
17 Reconciliation Adjustment mechanism, that's
18 correct.

19 Q Right. And it says "allow the Company to request
20 recovery or refund of the limited set of costs
21 identified below:" That's what it says?

22 A (Horton) That's right.

23 Q What does that word "limited" mean to you, in the
24 context of the Settlement Agreement?

[WITNESS PANEL: Horton|Yergeau]

1 A (Horton) It means that we would not include
2 recovery of other items, such as a new pole
3 acquisition not contemplated at the time, through
4 the RRA. It does not, in my reading, or
5 recollection, limit or prohibit a proposal to
6 recover costs, if the Commission were to deem it
7 in the customers' best interests.

8 Q Even if that mechanism is functionally identical
9 to the RRA?

10 A (Horton) It is not the RRA. And that was really
11 what was limited to the discussion in the
12 Settlement.

13 Q This Settlement reflected in Exhibit 25 was under
14 negotiation for quite a long time, correct?

15 A (Horton) It definitely was.

16 Q Many weeks, if not actually months. Correct?

17 A (Horton) Yes.

18 Q Was Eversource involved in negotiations with
19 Consolidated over poles and vegetation management
20 while the DE 19-057 Settlement Agreement was
21 being negotiated?

22 A (Horton) Those conversations were happening in
23 parallel, yes.

24 Q Could Eversource have requested that any pole

[WITNESS PANEL: Horton|Yergeau]

1 plant acquired by Eversource, or any additional
2 vegetation management expenses taken on by
3 Eversource as a result of acquiring new pole
4 plant, could be among the items to be included in
5 the RRA for which Eversource could request
6 recovery?

7 A (Horton) I don't see how we could have done that.
8 It was certainly premature. We did not have any
9 discussion of this on the record or in any public
10 forum at the time for us to think that we would
11 have or should have gone back and included this,
12 I don't see how that would have been accepted.
13 It was theoretical at best.

14 Again, and I'll just say, you know,
15 I've been part of other settlement discussions
16 that allow for certain things. And, if
17 there's -- in other settlement discussions that I
18 have been a part of, where it has been barred for
19 us to seek recovery of a new or different costs,
20 it has been explicitly so in a settlement
21 agreement.

22 Q Well, but you agreed with me earlier, did you
23 not, that your -- the Company's original
24 testimony in the rate case actually included a

[WITNESS PANEL: Horton|Yergeau]

1 request that's similar to what you're just
2 describing, the opportunity to make additional
3 requests to include things in the RRA? That was
4 in the Company's original testimony, yes?

5 A (Horton) Well, I'm recalling the testimony, I
6 think it was "and other items that the Commission
7 may be allowed for recovery from time to time",
8 or something to that effect. In other words, it
9 could be as the result of a Company request. It
10 could be as the result of a Commission order or a
11 legislative act. It could be a result of a
12 number of things.

13 Q And there is no similar language in the
14 Settlement Agreement that explicitly allows
15 Eversource to request and include additional
16 things outside of Items (a) through (e) in its
17 RRA Adjustment mechanism, correct?

18 A (Horton) Correct.

19 Q Turning your attention now to Exhibit 10, and Ms.
20 Geiger already asked you a bunch of questions
21 about this. So, hopefully, I won't need to ask
22 too many. Exhibit 10, of course, is your
23 rebuttal testimony. Actually, let me start with
24 a couple of preliminaries.

[WITNESS PANEL: Horton|Yergeau]

1 Assuming approval of the Petition in
2 this docket, how much money would the
3 shareholders of Eversource be placing at risk?

4 A (Horton) Based on the fact that we are always
5 subject to a prudence review for any additional
6 incremental capital investments that we make, but
7 also we have agreed to forgo capital cost
8 recovery of the transaction until our next
9 rate-setting interval, and, so, to the extent
10 that there's return on and of that's not
11 recovered, that is at risk.

12 Q So, if I'm understanding you correctly, you do
13 see some potential exposure to shareholders,
14 based on the fact that you have, on the fly,
15 changed the Petition such that you're willing to
16 forgo recovery of the capital investment that the
17 Company is making, and you are noting that the
18 Commission could, although it's hard to imagine
19 how, disallow some of these costs as a result of
20 prudence.

21 But, leaving those two things aside,
22 there's no additional risk that the Company or
23 its shareholders are taking on here, is there?

24 A (Horton) I mean, I'm not going to agree with your

[WITNESS PANEL: Horton|Yergeau]

1 characterization of what I just said. We always
2 are at risk of a prudence review and a cost
3 disallowance, if our Commission determines that
4 we haven't spent costs prudently or the costs
5 aren't in the best interest of our customers.

6 For this transaction to move forward,
7 it would have to be predicated by a Commission
8 decision that it's in the customers' best
9 interest. The costs for which, they're not
10 reflected in base rates, we're not recovering
11 them in any other way, the transaction cannot
12 move forward without recognition of that fact and
13 a regulatory support mechanism to allow us to get
14 reasonable cost recovery.

15 Q If the Commission were to approve the transaction
16 you're proposing here, do you perceive any risk
17 that, at some later point, the Company -- the
18 Commission might come back and say "Oops, you
19 acted imprudently"?

20 A (Horton) I think there's a difference between a
21 decision to purchase the poles, and then our
22 management of those poles, once they're under our
23 ownership. And that's where the risk comes in.

24 We're asking the Commission to approve

[WITNESS PANEL: Horton|Yergeau]

1 the decision to purchase the poles. We're not
2 asking the Commission to predetermine prudence of
3 our operation and maintenance and inspections and
4 transfers and the incremental costs that will be
5 incurred. We're not even asking the Commission
6 to preapprove the incremental capital for
7 replacements.

8 Certainly, we would expect that the
9 purchase price, if it were to be approved, would
10 be by virtue of getting a decision to approve the
11 poles at that price would be prudent. But every
12 action thereafter would be subject to our
13 Commission's oversight and our risk of operation.

14 Q I'm asking you to think about the transaction, at
15 least as you originally proposed it, in which the
16 Company was going to pass all the costs along to
17 its customers. Would you agree with me that, in
18 that scenario, the Company is essentially serving
19 as a middleman, buying pole plant on behalf of
20 its customers?

21 A (Horton) I don't agree. I look at it like any
22 other investments that we make in our system.
23 You know, first and foremost, in this proceeding,
24 we believe it is in our customers' best interest

[WITNESS PANEL: Horton|Yergeau]

1 for us to be the sole owner and operator of the
2 poles in New Hampshire. And that is why we're
3 advancing this transaction. If the Commission is
4 to agree, we're asking the Commission to also
5 approve cost recovery.

6 But, in a proceeding where we're
7 seeking costs to be recovered, we fully expect
8 that all of the parties here, and the Commission,
9 to be reviewing and scrutinizing those costs. It
10 is not that we are a middleman or just a pure
11 pass-through. We still expect and know that we
12 have to demonstrate that our actions as owners
13 are prudent.

14 Q Were any customers or customer groups involved in
15 negotiating your agreement with Consolidated?

16 A (Horton) No.

17 Q Did you consider at any point involving them in
18 those negotiations?

19 A (Horton) No.

20 Q Are you familiar with the New Hampshire Electric
21 Cooperative?

22 A (Horton) I am.

23 Q And, presumably, therefore, you know that, as a
24 rural electric cooperative, the New Hampshire

[WITNESS PANEL: Horton|Yergeau]

1 Electric Cooperative is not an investor-owned
2 utility, like Eversource, but is, in fact, owned
3 by its customers. You're aware of that, yes?

4 A (Horton) I am.

5 Q So, if the Co-op sat down with Consolidated to
6 negotiate an agreement like this, the Co-op would
7 essentially be an agent of its customers,
8 correct?

9 A (Horton) That sounds right to me.

10 Q But, in that same sense, Eversource does not
11 consider itself an agent of its customers, when
12 it negotiates this or any other kind of an
13 agreement?

14 A (Horton) Well, I don't know about the legal
15 definition of an "agent". But we absolutely take
16 our customers into consideration at the forefront
17 of any decision that we make. And this issue
18 is -- this acquisition is about serving our
19 customers better. In the long one -- in the long
20 run, we feel that this is in the customers' best
21 interests, and that's why we're here.

22 Q Yes. And thank you for clarifying that I wasn't
23 asking you to opine on the legal significance of
24 the word "agent", because I was not.

[WITNESS PANEL: Horton|Yergeau]

1 You are aware, are you not, that the
2 New Hampshire Electric Cooperative has an ongoing
3 dispute with Consolidated over the poles that
4 those two utilities jointly own?

5 A (Horton) Really, only to the extent that it was
6 introduced as an exhibit. I don't have any more
7 exposure or experience with that.

8 Q Well, would you agree with me that, rather than
9 try to deal with Consolidated, the Co-op decided
10 to sue Consolidated?

11 MR. McHUGH: Objection, Mr. Chairman.
12 There's no evidence in the record that -- of
13 anything related to that, other than there's
14 litigation.

15 CHAIRMAN GOLDNER: Sustained.

16 BY MR. KREIS:

17 Q Well, could Eversource have sued Consolidated,
18 rather than pursue a deal?

19 A (Horton) The agreement that we have with
20 Consolidated does have dispute resolution
21 outlined and defined. And, I think, if that
22 would not have been resolved, then likely a
23 lawsuit would have been the answer.

24 Q Okay. Getting back to Exhibit 10, on -- which is

[WITNESS PANEL: Horton|Yergeau]

1 the rebuttal testimony, and I guess I should
2 probably open that exhibit. That would be
3 prudent of me. So, give me a second to do that.

4 On Bates Page 014 of Exhibit 10 --
5 okay, now I'm there. At Lines 2 through 5, we
6 see your answer to the question of "how
7 Eversource knew the net purchase price of the
8 joint pole plant was reasonable?" That's the
9 question that you were answering there?

10 And I'm asking you, just because the
11 question is on the previous page.

12 A (Horton) Yes.

13 Q And you said that we know the price is
14 reasonable, or at least you knew the price was
15 reasonable, in your opinion, because it was "less
16 than half of the net book value for these same
17 poles as of the date the Company entered into the
18 agreement with Consolidated." That was your
19 testimony, is that correct?

20 A (Horton) That's right. And, as I said, that was
21 a data point of consideration.

22 Q Right. And, just to be clear, by "net book
23 value", you mean "net book value on the books of
24 Eversource, and in relation to your Company's

[WITNESS PANEL: Horton|Yergeau]

1 financial statements", not Consolidated's
2 financial statements?

3 A (Horton) We're talking about the Eversource net
4 book value in relation to our Company's financial
5 statements, as compared to a data point of the
6 net book value on Consolidated's financial
7 statements.

8 Q And, then, the next thing you discuss is why
9 Eversource did not rely on the net book -- the
10 net book value as reflected on Consolidated's
11 balance sheet, right?

12 A (Horton) Correct.

13 Q And, if I'm understanding your answer correctly,
14 you're basically saying that the net book value
15 of the pole plant on Consolidated's books is
16 artificially low, because Consolidated decided to
17 subject the pole investment, its pole investment,
18 to accelerated depreciation. Do I have that
19 right?

20 A (Horton) Correct.

21 Q And where Eversource, I think, uses a 30-year
22 depreciable life for poles, Consolidated used
23 just five years here?

24 A (Horton) Correct. And I just need to restate the

[WITNESS PANEL: Horton|Yergeau]

1 prior answer. I believe I said "looking at
2 Eversource's net book value on Eversource's
3 books, as compared to Consolidated's net book
4 value."

5 I meant to say that "Eversource's net
6 book value on Eversource's books, relative to the
7 negotiated purchase price."

8 Q Would you agree with me that the purpose of
9 depreciation charges is to allow a company to
10 receive a return of, as opposed to a return on,
11 its investment?

12 A (Horton) For a rate-regulated utility, yes, which
13 Consolidated is not.

14 Q That doesn't apply in the case of a
15 nonrate-regulated company?

16 A (Horton) Correct.

17 Q Why not?

18 A (Horton) Because nonrate-regulated companies can
19 determine their depreciation expense, their
20 annual level of depreciation expense, based on
21 other factors.

22 For rate-regulated utilities, we have
23 to abide by a depreciation study. And the result
24 of that depreciation study is essentially to

[WITNESS PANEL: Horton|Yergeau]

1 align recovery of the investment with the
2 expected useful life of that investment.

3 Q Okay. I really want to make sure I understand
4 what you're saying and its implications. You're
5 relying on the fact that Consolidated is not a
6 rate-regulated company, meaning there's no
7 government agency that is telling Consolidated
8 what prices it can charge its residential
9 landline customers. That's your testimony,
10 right?

11 A (Horton) My testimony is that -- my understanding
12 is that Consolidated is not bound to record its
13 annual level of depreciation expense based on a
14 depreciation study that is intended to reflect
15 the recovery of an investment over its expected
16 useful life. That cannot be the case. They
17 recorded depreciation over five years, for poles
18 that clearly are going to be in existence for
19 longer than that.

20 Q Okay. So, in other words, in circumstances where
21 regulation would limit the prices that you could
22 charge, for the reasons you just gave, there's
23 nothing that limits what Consolidated can charge,
24 in some cases, the same exact customers as

[WITNESS PANEL: Horton|Yergeau]

1 Eversource's customers?

2 A (Horton) My testimony is that the depreciation
3 expense that Consolidated recorded does not
4 reflect depreciation expense that is reflected in
5 rates it charges its customers. There is a
6 disconnect between the logic applied for
7 rate-regulated electric utilities or gas
8 companies, than there is for CCI.

9 Q Is it at least theoretically possible that
10 Consolidated has more than recovered its
11 investment in those poles, and that anything it
12 takes in here by way of a payment from Eversource
13 for those poles is, essentially, a windfall?

14 MR. McHUGH: Objection, Mr. Chairman.
15 There's no evidence of whether or not CCI has
16 made any recovery on poles, or anything else.

17 MR. KREIS: I just asked him, Mr.
18 Horton, whether it's "possible". And that's an
19 important question. Because Mr. Horton appears
20 to be asking the Commission to assume that these
21 poles have never been paid for by customers of
22 either Consolidated or Eversource. And I don't
23 dispute that.

24 But I just want him to acknowledge that

[WITNESS PANEL: Horton|Yergeau]

1 he doesn't really know. And it is possible they
2 have already paid for these assets.

3 CHAIRMAN GOLDNER: I'll allow the
4 question.

5 **BY THE WITNESS:**

6 A (Horton) I can't speak to the Consolidated side
7 of that equation. The Consolidated panel will be
8 up later.

9 The Eversource side, though, Eversource
10 customers have not paid for the poles that would
11 be transferred or the amount of expenditures that
12 CCI has incurred. Those costs would not have
13 ever been reflected on Eversource's books,
14 included in a depreciation study, included in
15 rate base. So, those costs would not be paid for
16 by Eversource's customers at any point in time.

17 BY MR. KREIS:

18 Q And, finally, Mr. Horton, you, and other
19 witnesses for Eversource, have suggested to the
20 Commission that this transaction is in the public
21 interest, because it will result in improved
22 reliability of Eversource's service to its
23 customers. That is the fundamental point that
24 Eversource makes in support of this transaction.

[WITNESS PANEL: Horton|Yergeau]

1 Is that a fair statement?

2 A (Horton) That's right.

3 Q But Eversource doesn't have and is not presenting
4 any quantifiable evidence about what additional
5 units of reliability, however you measure it,
6 would be produced by this transaction?

7 A (Horton) That is right. And Mr. Yergeau can
8 chime in.

9 I think the issue with that, and we've
10 done our best throughout this proceeding to
11 respond to that when it's come up, as you can
12 imagine, it's difficult to quantify. Our point,
13 though, is there are notable efficiencies of
14 having a single pole owner, of having Eversource,
15 the electric utility, whose sole responsibility
16 is providing safe, reliable electric service to
17 our customers, under full regulation by the
18 Commission. We believe that that is in the
19 customers' short, medium, and long-term best
20 interest, and our customers' best interest. And,
21 so, that's why we're standing behind this
22 transaction.

23 MR. KREIS: Thank you. I appreciate
24 your inviting Mr. Yergeau to chime in, but I

[WITNESS PANEL: Horton|Yergeau]

1 haven't asked him any questions. And, in fact, I
2 don't have any further questions for you.

3 CHAIRMAN GOLDNER: Okay. Thank you.
4 Department of Energy?

5 MR. WIESNER: Thank you, Mr. Chairman.
6 I do have a number of questions. One or two have
7 been asked already by other parties. I'll try to
8 avoid any redundancy, so we can move things
9 along.

10 I want to begin by looking first at the
11 Purchase Agreement itself. This is Exhibit 3, in
12 the confidential version, Exhibit 4, in the
13 redacted version.

14 I'll just note that it appears that
15 Exhibit 3 is marked "confidential" without any
16 shading. However, reference to Exhibit 4, the
17 redacted version, discloses that, you know,
18 discloses the portions of the Purchase Agreement
19 which the parties have claimed "confidential" for
20 purposes of this proceeding, subject to the
21 pending motion we discussed earlier.

22 BY MR. WIESNER:

23 Q So, I'll ask Mr. Horton, in particular, to
24 reference the contractual language in Section 2.2

[WITNESS PANEL: Horton|Yergeau]

1 of the Purchase Agreement. And this is on Bates
2 Page 002 of either one of the exhibits. Why
3 don't we look at Exhibit 4.

4 A (Horton) The "Buyer's Net Payment"?

5 Q Yes.

6 A (Horton) Okay.

7 Q And there's contractual language there that
8 provides for a "full and complete [settlement
9 and] satisfaction of any and all disputes"
10 between Eversource and Consolidated, including
11 those related to vegetation management expenses.
12 Is that a fair characterization of that contract
13 language?

14 A (Horton) Yes, I believe it is.

15 Q And what period of vegetation management expense
16 invoices does that Settlement provision cover?

17 A (Horton) It covers the period up through 2020,
18 ending December 2020.

19 Q But would it also -- would the Settlement amount
20 stated there, I won't name the number because
21 it's claimed "confidential", would that be the
22 sum total of payment that Consolidated would be
23 making with respect to those disputed amounts
24 through the date of the closing, whenever it

[WITNESS PANEL: Horton|Yergeau]

1 occurs?

2 A (Horton) No. It covers the amount of vegetation
3 management up through December of 2020, and
4 resolves disputes covering that period of time.
5 The issue is that, as I've said, we don't have
6 reflected in our rates the incremental vegetation
7 management that would be required, that had
8 historically been paid for by Consolidated. As
9 it says in this provision, we have severe and
10 fundamental disagreements between Eversource and
11 CCI as to the amount that should be contributed
12 by CCI for vegetation management.

13 This Agreement resolves those through
14 2020. But, beyond 2020, and up through the date
15 of the close, and after the date of the close, we
16 are going to continue to incur vegetation
17 management expenses that would have historically
18 been paid for by CCI that will no longer be.

19 So, our request is, as part of this
20 approval, to have the cost of vegetation
21 management that are above amounts in base rates
22 be paid for by customers.

23 Q Has Eversource invoiced Consolidated for
24 vegetation management expense for 2021, and,

[WITNESS PANEL: Horton|Yergeau]

1 let's say, January and February of this year?

2 A (Horton) I don't know that we've issued invoices.
3 I could confirm that. We have been tracking the
4 amounts that would be invoiced to Consolidated.
5 But I don't know that we've actually issued
6 invoices.

7 Q And can you tell us what those amounts are?

8 A (Horton) I would be better to do that in a record
9 request, if that's acceptable. I don't have them
10 offhand.

11 MR. WIESNER: I think it would be
12 helpful to have that information, if the
13 Commission with consider issuing a record
14 request.

15 CHAIRMAN GOLDNER: Let me just repeat
16 it back, Mr. Wiesner. So, it would be the
17 vegetation management bill from Eversource to
18 Consolidated for January 1st, 2021 through the
19 end of February?

20 MR. WIESNER: Or, in the absence of any
21 billing, the expenses that would have been
22 charged to Consolidated that have been tracked by
23 the Company, as suggested by Mr. Horton.

24 CHAIRMAN GOLDNER: Okay. Very good.

[WITNESS PANEL: Horton|Yergeau]

1 We'll make that a record request.

2 ***[Record Request #1 reserved as noted above.]***

3 BY MR. WIESNER:

4 Q But, I guess, in terms of magnitude, and I'm
5 going to jump to another exhibit now, apologize
6 for that. But, if we look at Exhibit 8, and this
7 is, I believe, a model or presentation of the
8 potential rate impacts of the transaction, that
9 was presented in conjunction with the Company's
10 original testimony?

11 A (Horton) That's right.

12 Q So, it's a one-page document. On Line 34,
13 there's a reference to approximately \$7 million
14 as the incremental vegetation management expense
15 that the Company included in its original revenue
16 requirement, based on "historical reimbursement
17 amount". Is that correct?

18 A (Horton) That's correct. That's our estimate of
19 the amount that would be flowing through that
20 mechanism, to your point, in terms of order of
21 magnitude.

22 Q So, subject to receiving the record request, the
23 order of magnitude here is, let's say, \$7 million
24 approximately for 2021, and then maybe a third of

[WITNESS PANEL: Horton|Yergeau]

1 that through the potential closing date, if the
2 transaction is approved for this year?

3 A (Horton) That's my expectation. Something in
4 that range.

5 Q So, in the range of \$10 million, let's say?

6 A (Horton) Yes.

7 Q Thank you. And, so, I take it that Consolidated
8 has not made any payments for vegetation
9 management expense, they haven't been billed
10 since 2020, is that correct?

11 A (Horton) I said "before 2020". They would be --
12 they haven't -- and my understanding is no
13 payments have been made since going back to work
14 performed in 2018. The payment that would
15 resolve through 2020 is a function of the
16 Settlement Agreement. So, I don't believe any
17 payment has been made since even up through
18 including 2020, unless this transaction is
19 approved.

20 Q So, we have several years of vegetation
21 management expense that have not been paid by
22 Consolidated that are proposed to be resolved
23 through the "payment price reduction", I'll call
24 it, that's specified in Section 2.2 of the

[WITNESS PANEL: Horton|Yergeau]

1 Purchase Agreement. Is that a correct way of
2 looking at this?

3 A (Horton) That's correct.

4 Q And I think it's fair to say, subject to receipt
5 of the record request, that the total amount
6 billed and unpaid, billed to Consolidated or
7 tracked as an expense that would be billable to
8 Consolidated during that period, but not paid by
9 that company, is well in excess of the Settlement
10 amount specified in Section 2.2. Is that fair to
11 say?

12 A (Horton) I'm not sure I agree with that. One
13 second please.

14 So, I just want to be clear. Was your
15 question, is the amount incurred in 2021 through
16 February of 2022 well in excess of the Settlement
17 amount that's referenced in Section 2.2?

18 Q Well, I believe it was your testimony that
19 Consolidated has not paid for any vegetation
20 management expense from 2018 through to the
21 present day?

22 A (Horton) Oh, I see. So, the total is in excess
23 of that.

24 Q Yes.

[WITNESS PANEL: Horton|Yergeau]

1 A (Horton) Yes.

2 Q Okay.

3 A (Horton) The amount that, though, we are, and,
4 maybe this isn't where you were going, the amount
5 that would be requested for recovery for the
6 interim period, from when we had reached
7 agreement with Consolidated through the close of
8 this transaction, is not that full amount.

9 Q What is the amount that would -- that the Company
10 would be seeking recovery of?

11 A (Horton) It would be that, we just said, order of
12 magnitude, the \$10 million, the amount that I
13 would be providing as part of the record request.
14 It would be the amount incurred in 2021, up
15 through the date of the closing.

16 Q Okay. So, through 2020, any amount billed to
17 Consolidated, but not paid by Consolidated,
18 subject to the settlement that's provided for in
19 Section 2.2, would not be -- would not -- the
20 Company would not seek recovery of that amount?

21 A (Horton) That's correct.

22 Q Is that correct? Okay.

23 A (Horton) Essentially, we're, by this Agreement,
24 we are agreeing on the amount, we are resolving

[WITNESS PANEL: Horton|Yergeau]

1 the issue that is the subject of dispute as to
2 Consolidated's vegetation management
3 responsibility, up through 2020, the date that we
4 signed the Agreement.

5 And we're requesting that the
6 Commission, in finding that this is in our
7 customers' best interest, provide us a mechanism
8 to recover the incremental vegetation management
9 expenses from that point forward.

10 Q And that would be through the PPAM, as proposed?

11 A (Horton) Correct.

12 Q And when do you expect that that amount would be
13 included in the PPAM, if it were approved?

14 A (Horton) We are, and I think this is described in
15 the supplemental testimony filed in November,
16 where we introduced the PPAM as a mechanism, it
17 would be in a -- a year in arrears. So, it
18 really will depend on if and when the transaction
19 is approved. But we would seek to recover
20 amounts after-the-fact, based on expenses in the
21 prior year.

22 So, while I don't it at my fingertips,
23 just as an example: If the transaction were to
24 be approved, our proposal is that amounts would

[WITNESS PANEL: Horton|Yergeau]

1 go into our rates on August 1st. So, just for
2 the sake of illustration, if the transaction were
3 to be approved and allowed in the current form,
4 and in timing to allow costs to flow through the
5 PPAM on that schedule, we would be including the
6 actual amount incurred for calendar year 2021 in
7 that request for rates to take effect on August 1
8 of this year, just as an example. We wouldn't be
9 including projections for 2022 in that amount.

10 Q Okay. Thank you. That's helpful. Back to
11 Section 2.2 of the Purchase Agreement. There's a
12 recitation that Consolidated "denies liability"
13 for all vegetation management invoices, and that
14 "Other disputes regarding the Parties'
15 obligations under the JUA", and I believe that's
16 a reference to the "Joint Use and Operating
17 Agreement", "have arisen and further disputes
18 related to the JUA likely will arise in the
19 future."

20 Now, even though that section states
21 that Consolidated "denies all such liability", in
22 fact, Consolidated historically has paid amounts
23 for vegetation management expense, as invoiced by
24 the Company, is that correct?

[WITNESS PANEL: Horton|Yergeau]

1 A (Horton) My understanding is that, up until the
2 2018, Consolidated had contributed to vegetation
3 management, yes.

4 Q And was there any change in the underlying
5 agreements that occurred within that timeframe
6 that form a basis for Consolidated to contest
7 payment of those amounts?

8 A (Horton) There was not a change in the Agreement.
9 One second, if I can just pull up one thing
10 please.

11 I'll just leave it at that. There was
12 not a change in the Agreement.

13 Q Okay. Thank you. And what is the nature of the
14 current disputes which justifies settling for
15 less than the full outstanding amount owed by
16 Consolidated through the end of 2020, in the
17 Company's view?

18 I'll just clarify, I'm not asking you
19 for a legal opinion, just your understanding of
20 the basic nature of those disputes.

21 A (Horton) My understanding, and I could be
22 mistaken, my computer is not cooperating, my
23 understanding is that amount does resolve the
24 disputes up through 2020 -- excuse me, it

[WITNESS PANEL: Horton|Yergeau]

1 resolves the disputes up through 2020, in the
2 amounts that Eversource had attributed to
3 Consolidated.

4 Q But the disputes themselves, are they based on
5 varying interpretation of contractual language or
6 are they tied to the amounts that Eversource has
7 incurred?

8 A (Horton) I wasn't directly involved in the
9 disputes. My understanding is that the disputes
10 are that Consolidated does not agree that they
11 are required to pay the vegetation management
12 expenses that we are billing to them or
13 attributing to them.

14 Q Mr. Yergeau, do you have any better understanding
15 of the nature of the disputes that underlie the
16 settlement proposal?

17 A (Yergeau) I do not.

18 Q Okay. Thank you. Have those disputes been
19 subject to any attempted formal dispute
20 resolution processes? I believe that you
21 responded to Attorney Kreis that there's been no
22 legal action taken. Has there been any other
23 attempt to pursue alternative dispute resolution,
24 whether arbitration, mediation?

[WITNESS PANEL: Horton|Yergeau]

1 A (Horton) I'm not certain.

2 Q Mr. Yergeau, do you know the answer to that?

3 A (Yergeau) I do not.

4 Q And why does the Company believe that similar
5 disputes will arise in the future, with respect
6 to vegetation management expenses?

7 A (Horton) I think we've determined that we're four
8 years from when the issues started to become of a
9 material magnitude, and the disagreements rose to
10 the level that they have. And we don't see that
11 changing.

12 Q Does the Company have similar disputes with other
13 joint pole owners, under the terms of its Joint
14 Use Agreements and related Intercompany Operating
15 Procedures?

16 A (Horton) I'm not as familiar with the other joint
17 pole owners in New Hampshire. I will say that we
18 have had similar experiences with other joint
19 pole owners in other jurisdictions. And we had,
20 through the course of this proceeding, made
21 reference to the -- a dynamic in Connecticut that
22 is active at the same time, with our joint owner
23 in Connecticut.

24 Q Has the Company taken legal action against the

[WITNESS PANEL: Horton|Yergeau]

1 joint owner in other -- either in New Hampshire
2 or in other states?

3 A (Horton) I would prefer to answer that as a
4 record request. I just don't want to get it
5 wrong.

6 Q I think we'd be interested to know that.

7 A (Horton) Okay.

8 CHAIRMAN GOLDNER: Could you repeat the
9 request, Mr. Wiesner?

10 MR. WIESNER: Hopefully, yes. So, I
11 think the question is, if there are disputes
12 regarding vegetation management expense, similar
13 to those which are at issue between Eversource
14 and Consolidated in this proceeding, in other
15 states, how have those disputes been resolved and
16 has there been legal action in connection with
17 those disputes? And, if so, some description of
18 that legal action.

19 CHAIRMAN GOLDNER: Okay. We'll make
20 that the second record request.

21 **[Record Request #2 reserved as noted above.]**

22 MR. KREIS: Mr. Chairman, if I might?
23 I apologize for interjecting.

24 But I really would suggest that you

[WITNESS PANEL: Horton|Yergeau]

1 direct Mr. Horton to answer the question based on
2 his present state of knowledge now. And, then, I
3 don't have any concerns with him supplementing
4 that answer by a record request.

5 But, if he has no idea whether similar
6 disputes have been handled differently elsewhere
7 in the Eversource family of corporations, that
8 would be very germane to the question of whether
9 this Agreement, as negotiated by Mr. Horton and
10 his team, is in the public interest.

11 MR. MCHUGH: Mr. Chairman, if I can be
12 heard on that just briefly? Because I don't see
13 how anything that happens in any other state that
14 is not the subject of any discovery in this
15 proceeding has any relevance to this proceeding
16 whatsoever.

17 CHAIRMAN GOLDNER: Anyone else want to
18 be heard?

19 MR. KREIS: Well, the fact that nobody
20 asked a discovery question about something like
21 that is of absolutely no significance or
22 consequence whatsoever.

23 CHAIRMAN GOLDNER: Just a moment.
24 We'll confer.

[WITNESS PANEL: Horton|Yergeau]

1 *[Chairman Goldner and Commissioner*
2 *Simpson conferring.]*

3 CHAIRMAN GOLDNER: I'll allow the
4 question. And we'll also have a record request,
5 if there's any need for a follow-up.

6 Mr. Horton.

7 WITNESS HORTON: Could you repeat the
8 question?

9 MR. WIESNER: So, I think the Consumer
10 Advocate suggested that the Commissioners should
11 direct the question, but I'll do my best to ask
12 the question which Attorney Kreis suggested.

13 BY MR. WIESNER:

14 Q Which is whether Mr. Horton has any direct
15 knowledge of any disputes, and how they have been
16 resolved, either in other cases in New Hampshire
17 or in other areas where the Company conducts
18 utility operations, such as Massachusetts and
19 Connecticut?

20 A (Horton) On the issue of ongoing vegetation
21 management, I would need the record request to
22 confirm if we have similar disputes on that
23 issue. I'm not certain.

24 The disputes that I am aware of have

[WITNESS PANEL: Horton|Yergeau]

1 related to storm cost vegetation management cost
2 allocation, that have resulted in disagreements,
3 that there's been a process to resolve.

4 But, again, I would need to confirm
5 with our Legal Department as to the specifics of
6 those resolutions and the pursuits.

7 MR. WIESNER: Okay. I won't pursue
8 that any further. We'll wait for the record
9 request.

10 BY MR. WIESNER:

11 Q I now want to address reliability benefits. And
12 I'll address these questions to Mr. Yergeau.

13 The Consumer Advocate asked a question
14 regarding whether the Company had quantified the
15 reliability benefits that are outlined at a high
16 level of detail in Mr. Lajoie's testimony, which
17 you have adopted. And I guess I just want to
18 follow up on that a little bit.

19 Has the Company made any effort to
20 quantify those benefits, even through estimates,
21 understanding that it may not be possible to
22 precisely define and quantify those benefits?

23 A (Yergeau) Could you point me to the exhibit
24 number please that you're referring?

[WITNESS PANEL: Horton|Yergeau]

1 Q Okay. So, in Mr. Lajoie's testimony, and this is
2 Exhibit 1 or 2, 2 is the redacted, and I won't be
3 asking questions about confidential information
4 contained in that testimony.

5 So, on Bates Page 008, Mr. Lajoie began
6 discussing the reliability benefits of the
7 proposed transaction. And I believe you
8 testified, in response to a question from
9 Attorney Kreis, that those benefits are
10 "difficult to quantify, and, in fact, have not
11 been quantified." I guess I'm just asking you to
12 confirm that?

13 A (Yergeau) To my knowledge, they have not been
14 quantified.

15 Q And is that because of a lack of data available
16 to quantify them or a lack of methodological
17 approach, or perhaps both?

18 A (Yergeau) I do think it is a combination. But
19 we, you know, we have been trying to look for the
20 data to support it. It's just we haven't been
21 able to pull specific data together.

22 Q What type of data would the Company need in order
23 to quantify these reliability benefits?

24 A (Yergeau) Well, I think it would be important,

[WITNESS PANEL: Horton|Yergeau]

1 you know, to know specifically the Consolidated
2 pole plant that has caused reliability concerns
3 for our customers. I think, being in operations,
4 I am aware of, you know, different locations and
5 different storm events, based on, you know, New
6 Hampshire regionally. But I don't have specific
7 pole number information.

8 Q And, in particular, what types of metrics would
9 the Company want to look at, whether they're
10 available or not currently available, in order to
11 make -- in order to complete that type of
12 analysis?

13 A (Yergeau) I would say, you know, we'd look at our
14 reliability numbers. And, again, we would have
15 to look through our Outage Management System
16 events, and see which ones particularly impacted
17 the system, based on being a CCI pole asset.

18 A (Horton) May I attempt to supplement?

19 Q Absolutely.

20 A (Horton) Just to the extent of my experience in
21 the prior rate case and in this proceeding, I
22 think the challenge we have, as much as we would
23 like to be able to put a finger on a quantified
24 benefit for reliability, and then we could all

[WITNESS PANEL: Horton|Yergeau]

1 look at a cost/benefit analysis and see if it's
2 worth it in that regard.

3 The challenge we have is you're trying
4 to prove what would be, you know, an improvement
5 in a metric in the absence of something
6 happening, which is very difficult to do. You
7 know, where, and I think Mr. Yergeau can discuss
8 experiences in the field, you know, we can see
9 the efficiencies that would be gained from having
10 a single joint owner, and to eliminate the
11 coordination and the timing delays that can
12 result from the current dynamic. And we think
13 that is, you know, going to produce benefit for
14 customers that will be tangible, but are
15 difficult now, sitting here, to quantify for that
16 purpose and that analysis.

17 We ran into similar issues back to that
18 rate case, when we were advancing, you know,
19 investment proposals in certain areas of the
20 system that we saw as weaknesses. And the
21 parties at that time challenged us to come up
22 with ways to specifically quantify those
23 benefits. It's really hard to do, you know, for
24 those reasons.

[WITNESS PANEL: Horton|Yergeau]

1 So, it doesn't mean it's not there, it
2 doesn't mean it's not in the customers'
3 interests. But, for purposes of trying to, you
4 know, do a cost/benefit analysis, it's really not
5 something that we can do.

6 Q And you mentioned "cost/benefit analysis", just
7 to be clear, in the absence of an opportunity to
8 quantify the benefits, it is difficult, if not
9 impossible, to conduct what we would typically
10 think of as a "cost/benefit analysis" of the
11 proposed pole transfer, is that fair to say?

12 A (Horton) That's right. And, again, that decision
13 for us to move forward, and our ask of the
14 Commission to approve it, it's not based on --
15 otherwise, we would have had to embark on that
16 exercise, it's not based on a cost/benefit
17 analysis. It's based on our position and belief
18 that this is in the customers' best interest in
19 the short and the long run.

20 Q Okay. Thank you. I'll move on to another topic,
21 and I think these questions are for Mr. Yergeau.

22 I want to spend a little bit of time
23 asking about the difference between "pole
24 replacement" versus "pole restoration", and the

[WITNESS PANEL: Horton|Yergeau]

1 Company's view of that difference. And, in
2 connection with that, I will direct your
3 attention to Mr. Eckberg's -- excuse me, an
4 attachment to Mr. Eckberg's testimony. And one
5 place to find this is in the redacted version of
6 his testimony, which is Exhibit 22.

7 So, Exhibit 22, if you're there?

8 A (Yergeau) Yes. I'm there.

9 Q And Bates Pages 097 through 114. This is an
10 attachment to his testimony, as I said. It is a
11 discovery response, which contains an email
12 from -- to Consolidate from Osmose, the pole
13 inspection contractor, that discusses the
14 relative cost of restoring rejected poles, as
15 opposed to replacing those poles. And the email
16 has an attached PowerPoint, which is why it
17 occupies so many pages as an attachment.

18 So, in that email, Osmose estimates
19 that the replacement price for a rejected pole is
20 "\$3,200", whereas the restoration price for such
21 a pole is only "\$694". Do you see that?

22 A (Yergeau) Yes. I'm assuming you're looking at
23 that top table?

24 Q Yes. That's correct.

[WITNESS PANEL: Horton|Yergeau]

1 A (Yergeau) Yes. Yes, I see that.

2 Q And has Eversource done any similar analysis of
3 the difference in costs between restoring
4 rejected poles, rather than replacing them?

5 A (Yergeau) I don't know specifically if they have
6 done an analysis. I would have to get that
7 information.

8 Q But is it the Company's policy to replace poles,
9 rather than restoring or repairing them?

10 A (Yergeau) Eversource currently replaces, verse
11 restoring.

12 Q Is there any consideration by the Company of
13 restoring poles that fail inspection, as opposed
14 to replacing them?

15 A (Yergeau) I think it would be situational. Our
16 preference is to replace.

17 Q And what's the basis for that preference?

18 A (Yergeau) I guess, if we have a long-term project
19 that we have concerns with our plant, you know,
20 and there's issues with the plant that's in the
21 field, but we have a plan to, you know, do away
22 with that plant in the short term, to mitigate
23 any sort of impact to the assets, we may choose
24 to restore the asset, verse replace it.

[WITNESS PANEL: Horton|Yergeau]

1 Q But is it fair to say that the Company's
2 projections prepared with respect to this
3 proposed transaction assumed that all failed
4 poles will be replaced, rather than restored?

5 A (Yergeau) That's correct.

6 Q And I will now turn back to Exhibit 7, which I
7 think I mentioned earlier. And, in this case, I
8 think it could be either Exhibit 7 or Exhibit 8,
9 8 being the redacted version, because this is not
10 confidential. Just let me know when you have
11 that up?

12 A (Horton) I have it.

13 Q So, in this exhibit, at Line 46, the Company's
14 replacement cost per pole is assumed to be
15 "\$5,400", is that correct?

16 A (Horton) That's correct.

17 Q And that's based on the Company's experience with
18 pole placements?

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

20 Q Okay. And I believe that there's evidence in
21 this case that the number of poles that require
22 replacement or restoration, perhaps having failed
23 inspection, is approximately 2,300? I actually
24 think in one place I saw "2,310", and, in

[WITNESS PANEL: Horton|Yergeau]

1 Consolidated's rebuttal testimony, "2,309".

2 But, rather than laboring through all
3 the references there, can we agree, for the
4 purposes of estimation, that it's approximately
5 2,310 poles?

6 A (Horton) Yes.

7 Q And, if I multiply 2,310 by \$5,400, the product
8 is "\$12,474,000". Would you agree with that
9 mathematical result? Sorry for the math quiz.

10 A (Horton) No problem. "12,474,000", is that what
11 you said?

12 Q Yes.

13 A (Horton) Yes. I agree.

14 Q Okay. Thank you. And that, I think you'll agree
15 with me, that that is a different number than the
16 amount by which the purchase price payment is
17 proposed to be reduced for failed poles under
18 Section 2 in the Agreement, is that -- is that
19 right?

20 A (Horton) That's correct.

21 Q And what is the basis for that difference?

22 A (Horton) Well, the amount that is in the
23 Agreement reflects an amount that Consolidated
24 has agreed to credit against the purchase price,

[WITNESS PANEL: Horton|Yergeau]

1 reflecting Consolidated's cost and cost
2 structure. Which is different than the math
3 expertise that we just went through, which is
4 what we would expect, based on the numbers and
5 the projections here, to be incurring as we move
6 forward and replace the poles. If we replace
7 those number of poles, at that cost per pole,
8 that would be the amount that Eversource would
9 incur in doing so.

10 Q And, in effect, that difference that you've just
11 described is an amount that the Company would
12 seek to recover from its customers at some future
13 point in time, is that -- is that correct?

14 A (Horton) That's correct.

15 Q And would that difference be collected through a
16 rate case or through some other mechanism?

17 A (Horton) It would be through a rate case, based
18 on my initial testimony today.

19 Q It would. Okay. It would have been through the
20 PPAM?

21 A (Horton) Correct.

22 Q But you've changed. Okay. Understood. Now, I
23 want to do -- excuse me, I do want to spend a
24 little bit of time talking about cost recovery

[WITNESS PANEL: Horton|Yergeau]

1 issues, which we've already begun to delve into.

2 So, Mr. Horton, in Exhibit 9, and this
3 your supplemental joint testimony, joint with Ms.
4 Menard, but you've adopted it solely as your own.

5 A (Horton) Yes. I'm there.

6 Q So, in Exhibit 9, details are presented regarding
7 the PPAM as a new rate recovery mechanism, which
8 you've modified this morning through additional
9 testimony. And that is essentially, if I
10 understand it correctly, is a mechanism by which
11 the Company would collect incremental revenue
12 requirement related to the proposed pole
13 acquisition, is that correct?

14 A (Horton) That's right. And our ongoing
15 maintenance thereafter.

16 Q So, could you please describe what cost elements
17 are proposed to be included in the PPAM, in
18 particular, now that, as I understand it, the
19 capital investment revenue -- a portion of the
20 revenue requirement is to be excluded and
21 deferred to the next rate case?

22 A (Horton) Yes. So, I'm looking at Bates Page 008,
23 starting on Bates Page 008, adjusting to exclude
24 the transferred pole rate base and the pole

[WITNESS PANEL: Horton|Yergeau]

1 replacement rate base, since those are
2 capital-related. The remaining costs would be
3 incremental O&M, operating and maintenance
4 expenses related to transfers and inspections,
5 property tax -- excuse me, not property tax
6 expenses, we would do that as a component of the
7 capital costs, vegetation management expense.
8 Those would be the key categories of costs that
9 we would expect to incur; vegetation management
10 expense, and then incremental O&M related to
11 inspections and transfers.

12 Q Thank you. And I guess I want to move to -- back
13 to Exhibit 7 now. Exhibit 7 or 8, although we're
14 going to be discussing some portions which are
15 deemed "confidential" -- or, claimed
16 "confidential", I should say.

17 And, again, my understanding of
18 Exhibit 7 is that it's a model or a presentation
19 of the cost elements that would flow through the
20 PPAM as a result of the proposed pole transfer.
21 Is that -- am I thinking of that correctly?

22 A (Horton) You are, save for the adjustments that I
23 just mentioned, to exclude the capital.

24 Q And is it correct to say that the revenue that

[WITNESS PANEL: Horton|Yergeau]

1 the Company would receive as a result of pole
2 attachment fees charged to attaching third
3 parties, including Consolidated, if the
4 transaction is completed, would also flow through
5 that model, flow through that PPAM mechanism?

6 A (Horton) Correct. It would.

7 Q Okay. Thank you.

8 A (Horton) So, just to be clear, and,
9 unfortunately, I can't get the Excel spreadsheet
10 to read the math, but, if we're looking at
11 Exhibit 7 or 8, I won't say numbers, but, by
12 excluding the capital cost recovery -- well, to
13 start, the total cost recovery, based on
14 estimates, and this would need to be adjusted for
15 timing, this doesn't include, because of when we
16 filed this originally, it was back at the start
17 of February of 2021, it's been, you know, more
18 than a year since then. And, so, there's been an
19 additional accumulation of vegetation management
20 expense that we haven't incurred, or reflected
21 here, and we have since incurred. But, at the
22 time, it was a net revenue requirement, at the
23 bottom, on Line 36, that we would be seeking to
24 recover. I just want to make sure that's not

[WITNESS PANEL: Horton|Yergeau]

1 confidential. And it varied between 8.2 and 11.3
2 million in total.

3 By forgoing recovery of the
4 capital-related components, on Line 18, the
5 "Return on rate base", Line 19, the "Depreciation
6 Expense", and then Line 32, "Property Tax
7 Expense", that number would come down. It looks
8 like the first year -- well, actually, that's
9 getting into confidential information. But it
10 would come down.

11 Q Okay. So, it will be lower due to the exclusion
12 of the capital investment portion, but it would
13 be higher in terms of inclusion of greater
14 vegetation management, correct?

15 A (Horton) Yes.

16 Q And, I mean, as noted before, we're somewhat
17 doing this on-the-fly, there isn't a version of
18 this model that reflects the exclusion of
19 capital, but the inclusion of estimated veg.
20 management expense?

21 A (Horton) There is not. But I would be happy to
22 include one, if you like, as a record request?

23 Q I think that would be helpful. So, an updated
24 version of this Exhibit 7.

[WITNESS PANEL: Horton|Yergeau]

1 **[Record Request #3 reserved as noted above.]**

2 BY MR. WIESNER:

3 Q And I'll just note, I mean, Exhibit 7 also refers
4 to the "RRA". But we are now talking about the
5 PPAM as the mechanism, rather than the RRA.

6 A (Horton) I can change that, too.

7 Q So, just a couple more questions about Exhibit 7.
8 On Line 18, there's a reference to the "Return on
9 average rate base". I guess we don't have to
10 worry about anymore, do we?

11 A (Horton) No.

12 Q Never mind. Nor the depreciation expense, which
13 is my next question.

14 So, moving down a bit to Line 25, and
15 this is a section called "Pole Attachment
16 Revenues", Line 26, labeled "Third Party
17 excluding CCI". Now, if I understand this
18 correctly, these are the pole attachment fee
19 revenue that would be received by the Company
20 following the transaction from third-party
21 attachers, other than Consolidated. Is that --
22 is that right?

23 A (Horton) Right. It's the pole attachment
24 revenues that are currently going to

[WITNESS PANEL: Horton|Yergeau]

1 Consolidated, but post-transaction would be
2 collected by Eversource.

3 Q And we see an amount of "\$2.1 million" that would
4 be received for each of the first two years, and
5 then it drops significantly to only 1 million.
6 Why does that reduction occur?

7 A (Horton) That is a function of, I believe, what I
8 described earlier, when we're bringing the rates
9 into alignment, and then relying on the
10 Eversource Pole Attachment Formula. That, at the
11 time that that happens, the number of -- the
12 number of poles within the formula would increase
13 reflecting that we are then sole owners. And,
14 so, that has an effect on the pole attachment
15 rate, to reduce it.

16 Q And, given the passage of time, I suspect that
17 those numbers would also be different?

18 A (Horton) That's right.

19 Q And you will address that in the record request?

20 A (Horton) Certainly. That's a good flag. I
21 certainly had provided updated numbers throughout
22 the proceeding. I'll make sure to pull the
23 latest.

24 Q Okay. Thank you. And just to be clear, who has

[WITNESS PANEL: Horton|Yergeau]

1 jurisdiction over establishing pole attachment
2 rates? Is it the PUC or is it some other
3 regulatory body?

4 A (Horton) My understanding is it's the PUC.

5 Q And I think you've probably already addressed
6 this. But, in Line 27, we see "CCI as attacher".
7 And I understand this to be a separate line that
8 covers the pole attachment fees that would be
9 received from Consolidated following the pole
10 transfer, if it's approved. And I see that
11 there's "\$5 million" for the first two years, as
12 we've heard, then it drops to only "\$3.6 million"
13 in year three. And I suspect that reduction is
14 also a result of reconciliation, for lack of a
15 better word, with Eversource's formula rate. Am
16 I thinking of that correctly?

17 A (Horton) The first two years, as I mentioned
18 earlier today, those are the result of -- those
19 are a fixed amount at "\$5 million". After that
20 point in time, the amounts paid by Consolidated
21 to Eversource would be dictated by the then
22 current pole attachment rate that we charge all
23 attachers, and a ratio that has been agreed to of
24 the number of attachments per pole.

[WITNESS PANEL: Horton|Yergeau]

1 Q The ratio --

2 A (Horton) I'm sorry. Ratio of attachments per
3 pole, because, as I mentioned, Consolidated does
4 not have a full catalog of the number of
5 attachments on every pole. We have reached an
6 agreement on the number of attachments per pole
7 for use in determining how much we would charge
8 to Consolidated.

9 Q And the attachment survey that the Company
10 proposes to complete, would that be completed by
11 year three, and cover Consolidated as well? Or
12 is it on some other timeline?

13 A (Horton) The attachment survey, as we have -- I
14 don't have the specifics around when it would be
15 completed. My understanding is the agreement
16 with Consolidated has a number of that ratio,
17 number of attachments per pole, for a specified
18 number of years. After that point in time, to
19 the extent that we've conducted and completed a
20 survey, I would expect that the attachments would
21 flow in to Consolidated's billings at that point
22 in time. But that would be subject to a future
23 process, like I said.

24 Q So, the agreed-upon ratio is, in effect, another

[WITNESS PANEL: Horton|Yergeau]

1 item which has been negotiated between these two
2 parties?

3 A (Horton) Yes.

4 MR. WIESNER: Thank you. Thank you. I
5 have no further questions of this panel.

6 CHAIRMAN GOLDNER: Thank you, Mr.
7 Wiesner.

8 Let's take a -- let's take a
9 five-minute break, and then come back for
10 Commissioners' questions. And probably followed
11 by lunch, followed by Consolidated.

12 So, let's just take five minutes, and
13 come right back. Off the record.

14 *(Recess taken at 11:31 a.m. and the*
15 *hearing resumed at 11:43 a.m.)*

16 CHAIRMAN GOLDNER: Okay. We'll move to
17 Commissioner questions, beginning with
18 Commissioner Simpson.

19 CMSR. SIMPSON: Thank you, Mr.
20 Chairman.

21 BY CMSR. SIMPSON:

22 Q So, I just want to clarify my understanding with
23 regards to cost recovery. Does the Company
24 intend to refile all supporting exhibits and

[WITNESS PANEL: Horton|Yergeau]

1 information with a revised cost recovery plan?

2 A (Horton) I certainly can do that. You know, the
3 testimony would just need to be adjusted
4 minimally. And then, the exhibit would be a
5 matter of adjusting a few things. And that was
6 my intent on Record Request 3. But, if the
7 Commission would like, I can certainly include
8 the revised testimony along with that?

9 Q Yes, I would. I'd like to make a record request
10 for revised testimony and supporting exhibits, in
11 live Excel format, with the revised proposal for
12 cost recovery. Thank you.

13 A (Horton) And just for logistics, would you like
14 that as part of Record Request 3 or a new record
15 request?

16 Q I think I'm comfortable adding it to Record
17 Request 3.

18 A (Horton) Certainly. Thank you.

19 Q Thank you.

20 MR. KREIS: I submit, Mr. Chairman,
21 Commissioner, I just want to interject at this
22 point that, if the Company is going to
23 essentially file an entirely new verse of its
24 case-in-chief, that I really think that I would

[WITNESS PANEL: Horton|Yergeau]

1 need to invoke the provision in the rule that
2 governs record requests that allows me to suggest
3 that the Commission really needs to convene
4 another hearing for purpose of considering
5 something that big.

6 CHAIRMAN GOLDNER: Just a moment.

7 *[Chairman Goldner and Commissioner*
8 *Simpson conferring.]*

9 CHAIRMAN GOLDNER: We agree with the
10 OCA on that. One more moment please.

11 *[Chairman Goldner and Commissioner*
12 *Simpson conferring, then Chairman*
13 *Goldner and Atty. Wind conferring.]*

14 CHAIRMAN GOLDNER: Okay. So, --

15 MR. KREIS: Mr. Chairman, I'm sorry to
16 keep interrupting.

17 CHAIRMAN GOLDNER: Yes.

18 MR. KREIS: And I apologize to
19 Commissioner Simpson in particular. But I just
20 want to add, if the Company is going to be
21 allowed to present a whole new case-in-chief, a
22 whole new Petition, a whole new set of the direct
23 prefiled testimony, then I really think that, in
24 fairness to the parties, you also need to give us

[WITNESS PANEL: Horton|Yergeau]

1 an opportunity to conduct some discovery.

2 I mean, at some point, you know, this
3 process has to be brought down to Earth and made
4 orderly, so that we know what exactly it is that
5 we are responding to and litigating about.

6 CHAIRMAN GOLDNER: Yes. I think what
7 we've -- Ms. Geiger, sorry?

8 MS. GEIGER: Yes. NECTA would concur
9 with the OCA's comments. And, at the very least,
10 we would ask that the briefing schedule that was
11 recently established by the Commission be
12 extended, and that we don't lose sight of the
13 fact that those dates are in play.

14 And, so, to the extent that the
15 schedule in this docket is expanded to allow for
16 further discovery, and perhaps another hearing
17 date, that the briefing schedule would also be
18 extended.

19 Thank you.

20 CHAIRMAN GOLDNER: Okay. Any other
21 comments?

22 MS. RALSTON: I would just say the
23 Company doesn't object to any additional process
24 the Commission thinks is necessary. But I would

[WITNESS PANEL: Horton|Yergeau]

1 just note that this is a limited issue. We view
2 this as just a revised cost recovery. I don't --
3 I just want to clarify, we wouldn't be refiling
4 the entire case. We would just be filing this
5 record request and allowing for additional
6 process to review it.

7 CHAIRMAN GOLDNER: Yes. I think what
8 we'd like to do is proceed with Commissioner
9 questions for the witnesses. And then, we --
10 we'll schedule a separate sort of "narrow
11 session", based on the cost recovery, and with
12 discovery and everything leading up to that.

13 So, let's proceed with Commissioner
14 questions.

15 CMSR. SIMPSON: Thank you, Mr.
16 Chairman.

17 BY CMSR. SIMPSON:

18 Q So, I know, it's my understanding, that the
19 witness, Mr. Lajoie, is no longer with the
20 Company, is that correct?

21 A (Horton) That is correct.

22 Q So, I'd really like to start at the beginning,
23 and get a better understanding for what started
24 this arrangement, this Petition with

[WITNESS PANEL: Horton|Yergeau]

1 Consolidated. How did this Petition for the pole
2 asset transfer come to be?

3 A (Horton) Certainly, I can do my best at that. I
4 was not involved with the operational needs that
5 arose or the negotiations directly, although I
6 was aware.

7 But, as Mr. Yergeau said, and as I've
8 also said, you know, from our perspective, we
9 think that we should be owning the poles. That
10 this is in the best interest of our customers.
11 It's our bread-and-butter. It's core and
12 critical to our ability to provide safe and
13 reliable services, to be able to have full
14 ownership and control over the infrastructure
15 that carries our wires. And, so, that's
16 fundamentally where we are coming from.

17 You know, we did have serious disputes
18 with Consolidated over the vegetation management
19 requirements that we see on our system. I
20 mentioned that earlier. And that was persistent
21 and ongoing. I was trying to pull up the
22 history, and I can't, because my computer is not
23 reacting.

24 But, although we have a Joint Ownership

[WITNESS PANEL: Horton|Yergeau]

1 Agreement and Joint Use Agreements, and IOPs with
2 Consolidated, Consolidated had initiated the
3 process to terminate those agreements back in I
4 believe it was May of 2018, indicated that the
5 need to renegotiate those agreements was
6 necessary.

7 We then entered into a series of
8 discussions. And the result of those discussions
9 was this Agreement, which, again, we feel is, on
10 balance, in the best interest of our customers in
11 New Hampshire.

12 Q And you feel that, today, the ownership structure
13 inhibits your ability to provide safe and
14 reliable service?

15 A (Horton) Mr. Yergeau can speak to that. There
16 are inefficiencies that are inherent in having
17 coordination between the parties that can be
18 streamlined, and can allow us to serve our
19 customers better. Costs that, over time, can be,
20 you know, run out of the business.

21 And, so, on balance, yes, we feel like
22 we can do our job better if we are the sole
23 owners of the poles.

24 Q And Eversource approached Consolidated initially

[WITNESS PANEL: Horton|Yergeau]

1 with regards to the pole asset transfer?

2 A (Horton) Again, I wasn't party to the discussions
3 to know exactly how it transpired. But I think a
4 major reason why it kicked off was the fact, like
5 I said, that we had a serious dispute over the
6 responsibility of vegetation management, and that
7 the Joint Ownership Agreement was, and I'm sorry
8 if "terminated" isn't the right word, but
9 whatever the process was inherent in the JOA was
10 initiated by Consolidated, that said that
11 something had to happen, at least from their
12 perspective.

13 Q So, maybe, Mr. Yergeau, you could help me
14 understand, historically, how, from an operations
15 standpoint, the Company has dealt with vegetation
16 management issues in conjunction with
17 Consolidated? Would you be able to speak to
18 that?

19 A (Yergeau) As far as operationally, the work
20 continues to get done. It's just, as you guys
21 have heard, the invoices don't get paid. You
22 know, it's important to Eversource to make sure
23 that our customers are not impacted by any sort
24 of disagreement, such as not having those

[WITNESS PANEL: Horton|Yergeau]

1 invoices paid.

2 You know, I can add, as you mentioned,
3 as far as, you know, benefits to our customers,
4 we replace poles on a defined timeline that we
5 have of ourselves to meet customer expectations.
6 And those same timelines don't exist for
7 Consolidated.

8 So, the question that was asked before
9 was, you know, more related to storm activity,
10 but how do you determine the reliability and the
11 impacts? And I just -- a lot of where we've
12 come, as New Hampshire, in reliability, you know,
13 we put a lot of smart switches on the system, and
14 a lot of those switches required new pole sets in
15 CCI territory. And, if we didn't take it upon
16 ourselves to set those poles, our customers would
17 not have seen the capital benefits of getting
18 those systems and those smart switches installed
19 earlier, so that our customers would see that
20 benefit, for the -- you know, as much of the
21 install year, as well as into the future.

22 Q I think that's really at the heart of what I'm
23 trying to understand, is the Company's due
24 diligence that's been conducted to survey the

[WITNESS PANEL: Horton|Yergeau]

1 assets in question here for transfer. Tell me
2 what the Company has done to review and survey
3 the condition of the poles in question, assets in
4 question, and what your associated findings were,
5 in terms of age and need for future replacement
6 or current replacement?

7 A (Horton) Certainly. And this was a subject of a
8 lot of discovery of the Staff and other
9 intervenors along with way.

10 Q Uh-huh.

11 A (Horton) So, we had, as a part of the initial
12 Agreement, there was a survey that was conducted
13 that I believe covered through 2019. It wasn't
14 conducted as part of the Agreement, it was
15 conducted and it happened in conjunction at the
16 time of the Agreement.

17 Subsequent to that, there was an
18 additional survey completed that covered through
19 2020. And I believe, in total, that covered
20 approximately 50 percent of the pole plant that
21 is the subject of this transaction. And, so,
22 that is reflected in the Agreement we alluded to
23 earlier.

24 But, in addition to that, we have to

[WITNESS PANEL: Horton|Yergeau]

1 remember that Eversource jointly owns 99 percent
2 of the poles that are the subject of this
3 Agreement. We are in the field, we see the
4 poles, we do visual inspections on those poles.
5 So, it isn't to say that we have no understanding
6 of the status of the poles. We have an
7 understanding of the status. We just don't have
8 a full inspection report. But we don't believe
9 that would have changed the outcome of the
10 Agreement.

11 Like I said, we have an inspection
12 report that confirms a failure rate that is in
13 line with -- generally in line with our
14 historical failure rate. It isn't to say that
15 the poles that are in existence are, you know,
16 falling over or degrading or an imminent threat
17 to the health and safety of New Hampshire
18 customers.

19 It is to say, though, that the fact
20 that there is a necessity to coordinate, and
21 different priorities within the Companies, we
22 think it is in the best interest of our customers
23 to have this transaction closed now, at the
24 agreement -- the terms of the Agreement that

[WITNESS PANEL: Horton|Yergeau]

1 we've reached, in order to try to, like I said,
2 bring out those efficiencies, serve our customers
3 better, eliminate the delays that are inherent in
4 the current process. And that's really what we
5 see as being the value.

6 Q So, tell me a little bit more operationally about
7 those processes and procedures that you
8 mentioned. You must have a program for pole
9 inspections on a periodic basis. If you're
10 jointly -- if you jointly own, as you said,
11 99 percent of the poles, you must have some
12 records with regards to the condition of the vast
13 majority of the poles in question.

14 Explain how that process works, the
15 time horizon, and what you look at for
16 projections of asset life?

17 A (Yergeau) So, I can, you know, from the
18 Eversource perspective, we inspect our pole plant
19 in a 10-year cycle. We have detailed, you know,
20 detailed information regarding those inspections,
21 identifying how the structures were rated as part
22 of the inspection program. We also have, you
23 know, the financial figures that go along with
24 the cost of performing the inspection program.

[WITNESS PANEL: Horton|Yergeau]

1 We do currently perform inspections of
2 the electrical space on CCI equipment, just to
3 make sure that, if there is an issue, in the
4 electrical space only, which is the top part of
5 the pole, for those that may not be aware, we
6 will also bring that to CCI's attention, and
7 we'll get those replaced. If it's a priority
8 replacement, we'll just do it ourselves.

9 And that's really the limit, you know,
10 customer impact. You know, so, if I go back to
11 what I was talking about previously, you know,
12 there would be no reliability benefit as part of
13 our recent reliability efforts for our customers
14 that live in Consolidated's service territory.
15 You know, they would have not seen the same
16 benefit as the Eversource customers in the
17 Eversource territory, if we didn't proactively
18 set the poles and, you know, get those switches
19 installed in a timely manner.

20 Q So, we've talked a lot about vegetation
21 management cost allocation, and that's a subject
22 of much of the testimony. But, specific to the
23 point you just raised, in terms of asset life and
24 your asset management strategy as a company, how

[WITNESS PANEL: Horton|Yergeau]

1 do you coordinate with Consolidated today, in
2 terms of ensuring that these assets meet your
3 Company's standards?

4 A (Yergeau) We would use -- we would share, you
5 know, any imminent information. If we find a
6 pole in the field that is, you know, in need of
7 immediate replacement, our Control Center will
8 work with their control center and make
9 notification. And, you know, the first attempt
10 is to call them and get their people to respond
11 in their area. But a lot of times they're not
12 available or -- and we end up setting those poles
13 on our own, just to make sure that we mitigate
14 the hazard.

15 The information -- I can't speak to
16 whether the information is specifically shared
17 with CCI for the inspections that we do on their
18 plant in the electrical space. But I do know, if
19 assets need to be replaced, in the Joint
20 Ownership Agreement, we follow a process of
21 creating, you know, an ELN [sic], that's the
22 first line of notification between the utilities
23 that someone needs a pole replaced. And, then,
24 it goes to our engineering folks. And it would

[WITNESS PANEL: Horton|Yergeau]

1 be a conversation between Eversource engineering
2 and FairPoint engineering to decide, really, when
3 the pole needs to be replaced, who's going to
4 replace it. If one party, you know, doesn't want
5 to participate, which we find that, you know, it
6 does happen in areas where the Eversource
7 customer doesn't utilize Consolidated's landline
8 services, we set a lot of those poles to meet
9 customer deadlines and to keep the system
10 resilient.

11 Q And are the standards by which you determine or
12 judge the condition of a pole identical to that
13 of CCI or are your standards different?

14 A (Yergeau) I would have to get back to you on
15 that.

16 Q And let me rephrase that. Could a pole inspector
17 from CCI go to inspect a pole and come to a
18 different determination as to need for
19 replacement or condition than an Eversource pole
20 inspector who looks at the same pole?

21 A (Yergeau) I would think, in any situation, that
22 could be a possibility. I would need to get back
23 to you on what CCI uses for a criteria when they
24 do pole inspections.

[WITNESS PANEL: Horton|Yergeau]

1 Q Okay. So, --

2 A (Yergeau) I guess, in short, I can't commit that,
3 you know, it's an apples-to-apples comparison.

4 Q Uh-huh. Do you have a sense of the need, should
5 Eversource be able to acquire these poles, the
6 need of replacement of the poles that you've
7 acquired in any time horizon, whether it's
8 short-term, long-term -- or, mid-term, long-term?

9 A (Horton) I can just try to speak and just point
10 to -- it's on Page 9 of Mr. Lajoie's initial
11 testimony. So, that's Bates 011 of Exhibit 1.
12 And this is just simply laying out our
13 expectation for after the close of the
14 transaction. We have a population of poles that
15 we know are going to require replacement. And,
16 so, our plan, certainly, we would need to
17 prioritize those that's on the table on the
18 middle of Bates Page 011. So, our intention
19 would be to replace as many of the known poles
20 that have failed inspection in the first year.
21 And, then, I just want to see, I think our plan
22 is to complete the inspection -- I'm sorry, I
23 just was reading the testimony. At the start of
24 that page, it explains that, within the first

[WITNESS PANEL: Horton|Yergeau]

1 year, we would intend to "inspect approximately
2 one-third of the transferred poles". And, then,
3 the "remainder of the transferred poles in years
4 two through five following approval of the
5 Agreement."

6 Q Uh-huh.

7 A (Horton) Just to ensure that there, you know, if
8 there are poles that do require inspection, that
9 haven't been, replacements that haven't been
10 inspected up through that 2020 timeframe, that we
11 could prioritize those.

12 I would just add that, and, again,
13 Consolidated will be on, but my understanding
14 through this process is that their inspection
15 process and timeframe is different than ours.
16 Where we are on a, basically, ten percent a year
17 inspection, we replace [sic] all of our pole
18 plant within a 10-year period, and, essentially,
19 you know, in equal increments.

20 Consolidated's historical practice has
21 been to inspect their poles in sort of one fell
22 swoop. Get through the inspection over a series
23 of years, and then proceed with mitigation, as
24 opposed to an ongoing and steady practice of

[WITNESS PANEL: Horton|Yergeau]

1 inspections.

2 Q So, your Company's intent would be to conduct a
3 rigorous inspection of all poles post-transfer?

4 A (Horton) Correct. And then to get the
5 transferred poles onto the same cycle as the
6 Eversource poles as they are today.

7 Q And is that process in line with the Company's
8 approach to asset acquisitions generally? Would
9 you typically finalize a purchase of an asset,
10 and then conduct a full due diligence inspection
11 of the assets acquired?

12 A (Horton) Well, I think -- I see where you're
13 going. I mean, it's atypical that we're
14 acquiring assets. You know, generally, when
15 we're installing plant on our system, we're
16 constructing it, we're operating it, from the
17 point of construction. Here, these poles are in
18 service to customers today. They're just jointly
19 owned by Consolidated. And, for the reasons
20 we've said, we think it's in our customers' best
21 interest to have a different ownership
22 arrangement.

23 It isn't that we expect that the poles,
24 like I said, are facing an imminent threat of

[WITNESS PANEL: Horton|Yergeau]

1 failure. But, to ensure that we have, you know,
2 conducted a pole replacement -- or, excuse me, a
3 pole inspection within a 10-year period of all
4 the poles, we want to try to address and inspect
5 those poles that haven't yet been captured.

6 Q Explain to me how you have confidence in that,
7 given that the Company hasn't conducted a
8 thorough investigation at this time?

9 A (Horton) Well, if we just look at the trends of
10 the poles that have been expected, and just give
11 me one moment, if I could?

12 Q Please. Take your time.

13 MR. McHUGH: Commissioner Simpson, if I
14 can? And, if this draws an objection, that's
15 fine.

16 But there is evidence that has been
17 presented or marked for identification, which
18 summarizes all of those pole inspections, the
19 number of poles that have been inspected, the
20 results. So, they have been identified as
21 exhibits to be introduced into evidence.

22 I don't know if -- I can point them out
23 to the witnesses, or I can point them out to you,
24 so you can take a look at them. But that data is

[WITNESS PANEL: Horton|Yergeau]

1 before you in what was submitted on Friday.

2 **BY THE WITNESS:**

3 A (Horton) Well, that's okay. I was actually --
4 that's what I was looking for. So, I found it
5 while you were speaking.

6 It's on Exhibit 14, Bates 011. And,
7 so, you know, Eversource's experienced failure
8 rates are between two to three percent of the
9 inspections. And, if you look at the bottom of
10 Bates Page 011 of Exhibit 14, --

11 BY CMSR. SIMPSON:

12 Q Give me a moment please.

13 A (Horton) Certainly. And this is the testimony of
14 Michael Shultz and Sarah Davis.

15 Q I think I'd like to stick to Eversource testimony
16 at this point. I'm really -- I intend to ask the
17 witnesses from Consolidated about the condition
18 of their poles. I'm more interested in how
19 Eversource went about conducting the due
20 diligence in seeking approval of this pole asset
21 transfer. And I haven't seen that in any of the
22 exhibits.

23 A (Horton) I understand.

24 Q So, if there's something in your testimony or one

[WITNESS PANEL: Horton|Yergeau]

1 of your colleagues' testimonies or associated
2 exhibits, that would be helpful if you could
3 point me to that?

4 A (Horton) Sure. I don't know if it's in
5 Mr. Lajoie's initial testimony, or if we provided
6 it as an exhibit, in Exhibit DPH-1. It
7 certainly, like I said, was addressed through the
8 course of the proceeding through discovery.

9 And what we know is that the
10 inspections that had been completed at the time
11 of the Agreement confirmed that the failure rate
12 of those inspections was in the range of three
13 percent, which is our historical range of failed
14 poles as well. Generally, between two and three
15 percent is the number of failed poles. So,
16 certainly not outside the realm of what we would
17 expect to see.

18 That, in conjunction with the visual
19 inspections that are performed, and realizing
20 that, again, the vast majority of the poles that
21 are the subject of this transaction are jointly
22 owned. We didn't have concerns that the pole
23 plant that would be acquired would be falling
24 down that would warrant the time and expense of

[WITNESS PANEL: Horton|Yergeau]

1 conducting a full inspection of all the poles
2 that are in CCI's maintenance area. And
3 that's -- we got comfortable with the plant in
4 that way, without having to embark on that
5 initiative.

6 Q So, the Company is not of the opinion that a
7 significant capital investment will be needed in
8 the future, should you be allowed to acquire the
9 poles from CCI?

10 A (Horton) I mean, it is my belief and expectation
11 that there will be additional incremental capital
12 that we would have to incur as owners of the
13 poles that we won't today, for sure. However,
14 you know, we don't know what we don't know. But
15 we don't expect that there is this large swath,
16 other than the failed poles that we are aware of
17 that haven't been replaced, and we would want to
18 prioritize, we are not aware of a significant
19 amount of poles that, you know, are sitting out
20 there that need to be replaced, no.

21 Q For instances where the Company has performed
22 pole replacements at your expense, as opposed to
23 a cost-sharing arrangement with CCI, how are
24 those costs carried? Does the Company carry

[WITNESS PANEL: Horton|Yergeau]

1 those costs?

2 A (Horton) And just to be clear, the circumstance
3 you're describing is, if we replace a pole that
4 is in Consolidated's service territory?

5 Q Yes.

6 A (Horton) So, we would incur the expense to
7 replace that pole. And there is a reconciliation
8 process between Consolidated and Eversource.
9 That, in accordance with the Agreement between
10 Consolidated and Eversource, there is a
11 reimbursement amount that would then be paid to
12 Eversource to offset the costs. They don't
13 offset the costs in their entirety, is my
14 understanding. But we would incur the costs,
15 whatever those costs are, and then we would get a
16 reimbursement from CCI, once that reconciliation
17 process is completed.

18 Q And, generally speaking, has the Company received
19 payment for those costs in a timely manner from
20 CCI, historically?

21 A (Horton) My understanding is that that is not an
22 area of dispute. That that reconciliation
23 process happens, and it happens without a major
24 dispute, is my understanding.

[WITNESS PANEL: Horton|Yergeau]

1 Q So, really, the area of dispute is only with in
2 terms of vegetation management expense?

3 A (Horton) As it relates to financial areas of
4 dispute, that's my understanding. And,
5 certainly, it's the largest. And I'm not aware
6 of other significant financial disputes.

7 Q What about storm costs and storm restoration
8 costs?

9 A (Horton) We did provide on the record storm cost
10 reimbursable expenses that have been charged to
11 CCI. Those amounts have continued.

12 Q I'm speaking just generally speaking, that when
13 you -- when Eversource performs storm
14 restoration, which necessitates pole or
15 associated infrastructure replacement, in either
16 Consolidated's territory or for jointly-owned
17 poles, the recoupment of your investment for
18 those restoration expenses, has it been a timely
19 recovery, historically?

20 A (Horton) Can I confer with Mr. Yergeau for a
21 second? Is that -- can we do that?

22 Q If he feels comfortable answering that question,
23 that's fine as well.

24 A (Horton) Is it okay to confer, if I could turn

[WITNESS PANEL: Horton|Yergeau]

1 this off? I don't know the --

2 Q Sure.

3 A (Horton) Okay. Just briefly.

4 *(Witness Horton conferring with Witness Yergeau.)*

5 **BY THE WITNESS:**

6 A (Horton) Well, I think -- so, Mr. Yergeau can
7 speak to operationally what happens in a storm if
8 a pole breaks. But my understanding is that, if
9 there is a -- you know, pole damage in a storm
10 that's in Consolidated's territory, the process
11 that I just described would apply.

12 So, if we get out there, and there's a
13 period of time where, and, again, this is Mr.
14 Yergeau's area, but, my understanding, we would
15 notify Consolidated, there would be a period of
16 time that would lapse. And, then, if we replace
17 the pole, we incur the expense. And, then, that
18 would be subject to subsequent reconciliation, as
19 it relates to pole replacements.

20 I do believe there's other pole-related
21 expenses that are incurred and billed to CCI.
22 And I'm not aware of disputes with that
23 reimbursement, that's not pole-related or is not
24 sort of our general vegetation management

[WITNESS PANEL: Horton|Yergeau]

1 maintenance expense.

2 BY CMSR. SIMPSON:

3 Q Do you have insight into why the issue of
4 vegetation management expenses have been at
5 issue?

6 A (Horton) Again, it wasn't -- it's my
7 understanding is that it's a matter of we, as the
8 electric utility, and trees being the number one
9 cause of outages, we prioritize vegetation
10 management. Tree removals, tree-trimming, those
11 are a number one priority for us. In a heavily
12 forested state like New Hampshire, it's even
13 more.

14 We've got drought that's affecting the
15 strength of our trees. We have bug infestation
16 that's also attacking our trees. And, you know,
17 those are causing us to prioritize vegetation
18 management and address it in ways that are beyond
19 the level of historical expense.

20 That is not unique to New Hampshire.
21 And, so, it's also having an effect on the
22 availability of resources to conduct that work.
23 So, the cost for us to secure the resources and
24 go and do that work, even if it's the same level

[WITNESS PANEL: Horton|Yergeau]

1 of work as historical, is going up significantly.
2 That cost is then being passed on to
3 Consolidated. And we have disputes and
4 disagreements over their responsibility to pay.

5 Q So, how would the Company's acquisition of these
6 assets provide an opportunity for savings for
7 customers with respect to vegetation management?

8 A (Horton) Well, I'm not sure, as it relates to
9 vegetation management, that there's a cost
10 savings inherent in this transaction. This is a
11 matter of, you know, the vegetation management on
12 the system is going to need to be performed at
13 the level, regardless of whether or not we own
14 the poles jointly with Consolidated or not. The
15 issue is a matter of "will Consolidated pay or
16 not?"

17 And, you know, the cost savings that we
18 see, the areas of efficiency that we see,
19 efficiency are really in other aspects of the
20 business, like we mentioned; pole setting
21 process, construction work, new customer
22 connections, storm restoration, those are the
23 areas of efficiency that we see. You know,
24 make-ready, that process as well. Because we

[WITNESS PANEL: Horton|Yergeau]

1 would be the joint [sic] owner, we would be a
2 one-stop shop.

3 As it relates to vegetation management,
4 though, like I said, there is an incremental
5 cost. Our rates are set based on an assumption
6 that CCI is paying. And, to the extent they're
7 not paying, and to the extent we need to continue
8 to do that work, those costs are not going to be
9 reflected in base rates.

10 Q What about personnel and contractor work? The
11 acquisition of these assets, would that lead to
12 the need for additional personnel or contractors
13 from the Company?

14 A (Yergeau) I would say that there would be, you
15 know, we would need additional resources. You
16 know, if you look at what we run now, we run the
17 resources that we need to maintain our system.
18 As I mentioned, some of that does include setting
19 poles in Consolidated territory. So, I do think
20 we would need some additional resources. I don't
21 think it would be, you know, like double the
22 workforce, for lack of a better term.

23 Q And has the Company quantified that or made an
24 attempt to quantify the additional personnel and

[WITNESS PANEL: Horton|Yergeau]

1 contractor costs?

2 A (Yergeau) Not to my knowledge.

3 A (Horton) In the initial filing, and in the
4 exhibit that was asked to be updated as Record
5 Request 3, we had quantified the incremental --
6 external and incremental costs associated with
7 pole transfer O&M and inspection O&M. We haven't
8 included that, an analysis of if it would require
9 additional full-time employees to manage that
10 work. So, it really is limited to the
11 incremental third party costs that we would incur
12 or expect to incur.

13 Q And you don't anticipate needing additional
14 full-time employees?

15 A (Horton) Well, I think, like Mr. Yergeau said, I
16 mean, just as part of our everyday and ongoing
17 responsibility to serve our customers, we really
18 are constantly evaluating if we have the right
19 mix of resources, contractor, internal. You
20 know, if our business needs are changing or our
21 customer expectations are changing, we have to
22 adapt to those changing circumstances. So, there
23 could be.

24 But we haven't factored that in, and

[WITNESS PANEL: Horton|Yergeau]

1 we're not expecting, or, and Mr. Yergeau just
2 testified to what he did, that, you know, we're
3 not expecting it be a material increase in our
4 labor force in order to manage these poles.

5 CMSR. SIMPSON: Okay. Thank you, Mr.
6 Horton. Thank you, Mr. Yergeau.

7 Given that we anticipate additional
8 detail with regard to cost recovery, I'm going to
9 abstain from asking any questions at this time.

10 I have no further questions, Mr.
11 Chairman. Thank you.

12 CHAIRMAN GOLDNER: Okay. Thank you.

13 Yes. I'd just like to ask a few
14 questions, transactional questions, hopefully,
15 instead of cost recovery.

16 BY CHAIRMAN GOLDNER:

17 Q But, if we go to Exhibit 7, and I won't talk
18 about any of the confidential numbers. But
19 there's a number in "Year zero" for the "Rate
20 Base", and then it goes up by some millions in
21 2021, and additional millions in 2022, and
22 additional millions in 2023. Can you just walk
23 me through what's happening there, in terms of
24 that initial rate base number, and then the

[WITNESS PANEL: Horton|Yergeau]

1 increases in each of the subsequent years?

2 A (Horton) Yes. Fundamentally, the initial rate
3 base number reflects the net purchase price,
4 which is the gross purchase price less the credit
5 for zero life poles. The years thereafter
6 reflect the fact that we would be conducting
7 replacement of poles, which is a capital activity
8 that would increase our net plant associated with
9 the acquired poles. And that's, essentially,
10 what's happening.

11 The capital, so, when we acquire the
12 poles, again, we'd expect to incur -- or, we'd
13 expect to do conditional inspections and
14 transfers. Those are both expense activities, as
15 is vegetation management.

16 But, to set a new pole, and to take out
17 an old pole, those are capital-related. And, so,
18 those would be increasing rate base.

19 Q I think, when Mr. Wiesner was asking you
20 questions, we did some mathematics to determine
21 some numbers. And those are roughly equivalent
22 to the years -- from year zero to the year 2021
23 number. Is that -- am I doing that calculus
24 correct or is that -- are we looking at different

[WITNESS PANEL: Horton|Yergeau]

1 things?

2 A (Horton) Could you just clarify? I'm sorry, I
3 don't remember the question.

4 Q Yes. Mr. Wiesner had had you multiply the pole
5 replacement by 2,300, and that yielded a number
6 of 12 million. And I'm not getting into the
7 confidential piece. But it looks something like
8 that, on Exhibit 7, "Year zero" to "Year 1". Is
9 that the same number or is that -- am I thinking
10 of the problem wrong?

11 A (Horton) No. I think you are thinking of the
12 problem correctly. But I have been unable to
13 access my Excel file here just to make sure. But
14 I think, generally, that's what's happening.
15 There may be some nuances, additional
16 replacements. And, also, I think that's average
17 rate base. Oh, no. Excuse me, it's not. It
18 says it's "end of period".

19 So, the short answer is "yes". You
20 have it right.

21 Q Okay. Thank you. And, then, I'll deviate from
22 Exhibit 7 for just a moment, just to make sure I
23 understand what's going on.

24 So, there's a net purchase price. As

[WITNESS PANEL: Horton|Yergeau]

1 you said, that's the number in year zero, which
2 we won't mention. And there's a net payment
3 amount. Is that confidential, the net payment?

4 A (Horton) I believe it is.

5 Q It shows in a couple of different places, and at
6 one time shows as not confidential. But I won't
7 use the number. So, we'll just move forward
8 without the number. It just was not covered in
9 some places.

10 A (Horton) Okay.

11 Q And the difference between that net purchase
12 price and the net payment, is that, for the most
13 part, the vegetation management arrangement with
14 Consolidated? The negotiation is what's in that
15 number, basically?

16 A (Horton) Yes.

17 Q The difference? Okay. And, then, again, without
18 using discrete numbers, I'm looking at it, but
19 I'm not going to use it, the vegetation
20 management actual expense. So, I think you said
21 from 2018, and then we'll end up going, you know,
22 through first quarter of 2022. So, we'd have
23 something like four years, I think, of vegetation
24 management expense. Those numbers are not

[WITNESS PANEL: Horton|Yergeau]

1 confidential. And I think it's about 7 million a
2 year, according to Exhibit 7, but not the
3 confidential part. So, it would be like, would
4 you agree, that 7 times 4 would be the
5 approximate sort of actual expense that you have
6 never been paid by Consolidated, roughly, let's
7 round it to 30?

8 A (Horton) I do follow your math. I thought we had
9 filed actuals. I don't know if it's in one of
10 the exhibits. But --

11 Q If I could -- Mr. Horton, if I could just point
12 you. So, on the bottom of Exhibit 7, you're
13 using, for a vegetation management expense, about
14 7 million a year.

15 A (Horton) Right.

16 Q So, I'm just trying to use the same number.

17 A (Horton) So, it's roughly, order of magnitude, in
18 the same ballpark. The only reason I'm
19 hesitating is that that reflects, you know, a
20 going-forward actual -- or, excuse me, a
21 going-forward estimate, based on the historic
22 level. That historic level does vary annually,
23 and it increases. So, but I think, for purposes
24 of --

[WITNESS PANEL: Horton|Yergeau]

1 Q Yes.

2 A (Horton) -- illustration, it's in that range.

3 Q Something like that. And, so, you know, without
4 using actual numbers, it's a little clumsy, but
5 I'm doing my best. If you take that net purchase
6 price, and you subtract out the vegetation
7 management, you know, what it actually cost -- it
8 would actually be the other way around.

9 Consolidated would be paying Eversource in this
10 transaction. So, I'm just trying to understand
11 why Eversource is paying Consolidated?

12 A (Horton) Yes. Okay. And that's what I was hung
13 up on a little bit. So, these are two different
14 timeframes, two different time periods. One,
15 just to mindful of that fact.

16 So, the purchase price in the Agreement
17 takes us through 2020. So, it's 2018, 2019, and
18 2020 that are the subject of that dispute. The
19 number is not, for that period of time, \$28
20 million. It's the number that you can see that
21 we can't say.

22 Q Okay.

23 A (Horton) All right? So, that amount is resolved
24 as part of the -- as part of the Purchase

[WITNESS PANEL: Horton|Yergeau]

1 Agreement and the Settlement amount.

2 Q Okay. Let me see if I can repeat that back. So,
3 the net payment here, which we won't say, will
4 the final payment be that, less the \$10 million
5 or so that you were talking about with
6 Mr. Wiesner? Will that not be --

7 A (Horton) It will not.

8 Q Okay.

9 A (Horton) No.

10 Q How will that be treated, that 10 million?

11 A (Horton) The \$10 million, which is the amount
12 after the Agreement, that would be, under our
13 proposal, recovered as part of the PPAM. Because
14 the Agreement takes us through 2020, and it
15 resolves disputes through 2020.

16 So, our posture is that we, you know,
17 we don't have that amount in base rates. This
18 proceeding has extended certainly much longer
19 than I thought originally, but that cost is now
20 continuing to accumulate. It's not being paid
21 for by CCI, and it's not a part of our base
22 rates.

23 So, the Agreement that we have in place
24 with CCI snaps the chalk line as of December of

[WITNESS PANEL: Horton|Yergeau]

1 2020. And the points beyond that would be we
2 would be seeking to recover from our customers,
3 because it is not in base rates.

4 Q Okay. As opposed to shareholders, it would be a
5 ratepayer expense?

6 A (Horton) That's correct.

7 Q Okay. I understand. So, in the transaction, the
8 net purchase price, less vegetation management,
9 equals net payment, how much of that purchase
10 price is paid by ratepayers versus shareholders?

11 A (Horton) Well, I think Mr. Kreis asked a question
12 earlier to that. And I haven't quantified it.
13 But, by removing the capital cost recovery from
14 our request as part of this transaction, from the
15 period of time between when the transaction
16 closes and the next rate proceeding occurs, that
17 amount would not be paid for by customers for the
18 capital-related piece.

19 Q Okay. Thank you.

20 A (Horton) Just if I may go back to one other
21 comment?

22 Q Sure.

23 A (Horton) You had mentioned that, you know, why
24 isn't it that we are -- or, CCI is paying us to

[WITNESS PANEL: Horton|Yergeau]

1 take the poles? And I think that's a question
2 we've been asked repeatedly throughout this
3 proceeding. But -- and they'll speak to this
4 better than I can. That just is not a business
5 transaction that CCI would enter into. So,
6 that's the challenge we have, is, if we're
7 looking at it from that lense, then, and maybe
8 that's where this ends up, then the transaction
9 is not likely to move forward. Because it
10 isn't -- you know, CCI has made investments in
11 the poles, and, again, they can -- I would love
12 to take the poles for free, and I would love for
13 them to pay us for it. I will just say that.
14 But the transaction would not have been struck,
15 if that were the way, you know, the framework
16 that we had approached with them.

17 Q Okay. Fair enough. So, let me ask you about
18 your business model. So, when you're looking at
19 pole transactions in other jurisdictions or New
20 Hampshire, what is your business model? Do you
21 have a rate of return? What are you looking to
22 achieve, besides the reliability and operational
23 efficiency piece that you discussed earlier?

24 A (Horton) No, there's really not a rate of return

[WITNESS PANEL: Horton|Yergeau]

1 that we, like, plop this into to say that we need
2 to hit a certain -- a certain number. You know,
3 certainly, we have financial goals and
4 obligations. And we do really try hard to be
5 good cost reformers. We see that as a direct
6 customer benefit and fundamental to this model.

7 As it relates to the transaction
8 itself, though, I mean, I'm not aware of any
9 business model that the numbers were plopped into
10 to say, you know, "we've got to go and get
11 recognition of any number, so that we can get a
12 shareholder return."

13 It really is a matter of trying to
14 reach and strike a deal that will work for
15 Consolidated, it will work for us, and, in our
16 view, again, it's in the best interest of our
17 customers in the long term versus an alternative.

18 Q Okay. And, if I return to Exhibit 7 for a
19 moment, and is the whole -- I just want to make
20 sure I understand, is the whole exhibit meant to
21 be confidential or just the part that's grayed
22 out?

23 A (Horton) It's just the part that's grayed out.

24 Q Okay. Perfect. So, if we look at the bottom,

[WITNESS PANEL: Horton|Yergeau]

1 the "Total" line at the bottom, it's, you know,
2 something like \$10 million a year. The bulk of
3 the -- the bulk of that total is vegetation
4 management, right? It's about 70 -- let's call
5 it "70 percent" of the total. So, the main
6 portion of the transaction is really the
7 vegetation management expense. It's reimbursed
8 to you by ratepayers, with -- am I right to say
9 that there's no cost of capital? There's no
10 return on that investment for Eversource?

11 A (Horton) That's right. And, you know, when this
12 is adjusted to remove the capital-related
13 components, there will be no financial benefit to
14 Eversource, to shareholders. We will have spent
15 the money to purchase the poles. We will be
16 spending the money to maintain the poles. Based
17 on our proposal, we would be getting recovery of
18 that in the following year. But there's no
19 earnings, it's net neutral. Unless and until we
20 get to a rate case, and the then current net book
21 value is accepted into rate base at that point in
22 time.

23 Q Okay. And if I -- as I understand the chart, if
24 I look at Line 30, which is your "Net Revenue

[WITNESS PANEL: Horton|Yergeau]

1 Requirement", it's "1.5", followed by a small
2 negative number, followed by "2.7". So, the
3 Eversource piece would be that the revenue
4 requirement is really not that much affected in
5 this transaction?

6 A (Horton) Well, the "Net Revenue Requirement"
7 number, I just want to be clear, that the total
8 incremental revenue requirement to Eversource is
9 really that bottom line, number 36. The way that
10 we had presented it was, you know, the above
11 components, down to Line 30, which would be the
12 "Net Revenue Requirement" that would be flowing
13 through the RRA, this is, again, the initial
14 filing, as a new component, was on Line 30. And,
15 then, the "Property Tax Expense" and the
16 "Vegetation Management Expense" would be flowing
17 through the existing mechanisms within the RRA.

18 So, but just to be clear, the total
19 cost, based on the numbers here, of the net
20 revenue requirement to Eversource is on Line 36.
21 Again, that includes the capital that would be
22 removed in the revision.

23 Q Okay. Very good. And I think, from a Company
24 perspective, probably your CFO, if no one else,

[WITNESS PANEL: Horton|Yergeau]

1 cares about cash flow. So, as I read this
2 transaction, if I understand it -- as I
3 understand it, is that Line 28 is the additional
4 cash that will be flowing to Eversource
5 post-transaction. Is that the way to read that?

6 A (Horton) That is correct. And, then, every other
7 line would be a cash outflow. But, based on our
8 current proposal, those would all sort of net
9 together, to leave, based on our projections
10 anyways, a slightly net under-recovered amount
11 that would be trued up in the following year.

12 Q Has anyone performed a cash flow analysis? You
13 pay out X millions, you receive Y millions, you
14 pay Y millions out in time. Has anyone done a
15 cash flow analysis to see what this looks like?

16 A (Horton) I'm sure that we have. And there was a
17 model that's behind this that has all of that,
18 and projects it out.

19 Q I would like to make a record request. I'd be
20 interested in your just kind of conventional NPV
21 analysis. You have cash flow going out, in terms
22 of the check that you're going to write. You've
23 got cash going in, cash going out over the next
24 four or five years, and what does that look like?

[WITNESS PANEL: Horton|Yergeau]

1 A (Horton) Okay.

2 CHAIRMAN GOLDNER: I'll just write that
3 down.

4 **[Record Request #4 reserved as noted above.]**

5 CHAIRMAN GOLDNER: Okay. Thank you.
6 That helps.

7 WITNESS HORTON: So, that's Record
8 Request 4?

9 CHAIRMAN GOLDNER: Yes, sir.

10 WITNESS HORTON: Okay.

11 CHAIRMAN GOLDNER: That's all I have
12 for Eversource. Thank you. Thank you both.

13 Anything else, Commissioner Simpson?

14 CMSR. SIMPSON: Thank you. No, Mr.
15 Chairman.

16 CHAIRMAN GOLDNER: Okay. We'll release
17 the witnesses. I see that it's 12:30. And I
18 know people have traveled here from afar, and
19 there's not much lunch close by.

20 Okay. We can do redirect, too, before
21 we part.

22 But would folks like -- I know folks
23 are traveling from afar. Do you want to take
24 half an hour, 45 minutes, an hour, your

[WITNESS PANEL: Horton|Yergeau]

1 preference, for the folks that have traveled?

2 [No indication given.]

3 CHAIRMAN GOLDNER: No preference? I
4 can just make up a number then. Yes. Let's do
5 redirect, and then we'll take half an hour.

6 MR. MCHUGH: Excuse me, Mr. Chairman.
7 Before the redirect starts, I would ask -- I have
8 a few questions for the witnesses as well.

9 CHAIRMAN GOLDNER: Oh, I'm sorry. Did
10 I not recognize you earlier? My apologies.
11 There's a lot of exhibits and a lot going on.

12 So, please continue, sir. Yes. Go
13 ahead.

14 MR. MCHUGH: All right.

15 BY MR. MCHUGH:

16 Q Gentlemen, who -- let me rephrase it. Do you do,
17 in addition to what Mr. Yergeau testified about
18 pole inspections and visual pole inspections by
19 Eversource, do you hire an outside independent
20 third party company to do the pole inspections?

21 A (Yergeau) Yes, we do.

22 Q What's the name of the company?

23 A (Yergeau) We currently use, I'm drawing a blank
24 here, Maverick.

[WITNESS PANEL: Horton|Yergeau]

1 Q Who did you use in 2019, Mr. Yergeau?

2 A (Yergeau) I believe it was Osmose.

3 Q Osmose Utility Services?

4 A (Yergeau) Correct.

5 Q Do you know who Consolidated used in 2019 for
6 pole inspections of its poles?

7 A (Yergeau) I don't -- I think I saw it in an
8 exhibit, but I don't find it.

9 A (Horton) I believe it was Osmose.

10 Q Yes, it was. It's in the record. That's fine.
11 What was the date of the Settlement and Pole
12 Purchase Agreement again, Mr. Horton?

13 A (Horton) December 30th, 2020.

14 Q Okay. And what was the year of pole
15 inspection -- first year of pole inspection data
16 that was produced to Eversource and in this
17 docket?

18 A (Horton) I believe it was through 2019.

19 Q Mr. Horton, you mentioned a couple times in your
20 testimony the phrase "depreciation study". Can
21 you tell me what that is?

22 A (Horton) Yes. It's a required component of all
23 rate-regulated utility rate cases. And it
24 evaluates, essentially, the currently recovered

[WITNESS PANEL: Horton|Yergeau]

1 costs from customers through depreciation, as
2 well as the remaining life. It looks at
3 retirement activity, replacement activity. And
4 it results in a rate of recovery of investments
5 for all classifications of investment, and it
6 yields a depreciation rate that should be applied
7 to rate-regulated utility plant.

8 Q And is the Eversource depreciation rate for its
9 utility poles subject to review and approval by
10 the Commission?

11 A (Horton) Yes.

12 Q And what's that period of time please?

13 A (Horton) The period of time that's within the
14 rate or that it's reviewed?

15 Q The depreciation timeframe for utility poles?

16 A (Horton) The rate is, I believe, is 3.59 percent
17 in New Hampshire, and I think that was about 28
18 years.

19 Q And what happens to rates, if all things are
20 equal, but all of a sudden the depreciation went
21 from 28 years to 5 or 10 years, for a
22 rate-regulated, like Eversource, like a
23 rate-regulated utility?

24 A (Horton) Our rates would have to go up. Our

[WITNESS PANEL: Horton|Yergeau]

1 rates would go up to reflect the higher level of
2 annual depreciation expense.

3 MR. MCHUGH: Thank you. I don't have
4 any further questions, Mr. Chairman. Thank you.

5 CHAIRMAN GOLDNER: Thank you. And my
6 apologies for skipping you.

7 Ms. Ralston.

8 MS. RALSTON: Thank you. I just have a
9 couple questions.

10 **REDIRECT EXAMINATION**

11 BY MS. RALSTON:

12 Q Mr. Horton, you said earlier that Eversource
13 expects "incremental capital needs for the new
14 poles." Did you mean that capital would be
15 needed for anything other than normal replacement
16 of those poles?

17 A (Horton) I just meant normal replacement of the
18 poles, as well as the purchase price of the
19 poles.

20 Q Thank you. And, when a company is buying
21 inventory of numerous similar pieces of similar
22 -- simple equipment, meaning no moving parts, is
23 it necessary to inspect every item to assess the
24 condition or the value of the whole?

[WITNESS PANEL: Horton|Yergeau]

1 A (Horton) No, I wouldn't think so.

2 MS. RALSTON: Thank you. No further
3 questions.

4 CHAIRMAN GOLDNER: Okay. Thank you.
5 Let's take a 30-minute break, returning at 1 --
6 let's call it "1:10". Thank you. Off the
7 record.

8 (Lunch recess taken at 12:37 p.m. and
9 the hearing resumed at 1:19 p.m.)

10 CHAIRMAN GOLDNER: Mr. Patnaude, we can
11 swear in the Consolidated witnesses.

12 (Whereupon **Michael Shultz** and
13 **Sarah Davis** were duly sworn by the
14 Court Reporter.)

15 CHAIRMAN GOLDNER: Thank you. And
16 we'll move to direct examination. And we'll
17 begin with Consolidated. I'll recognize
18 Mr. McHugh.

19 MR. McHUGH: Thank you, Mr. Chairman.
20 Good afternoon.

21 **MICHAEL SHULTZ, SWORN**

22 **SARAH DAVIS, SWORN**

23 **DIRECT EXAMINATION**

24 BY MR. McHUGH:

[WITNESS PANEL: Shultz|Davis]

1 Q Mr. Shultz, could you state for the record
2 your full name, your employer, and your title
3 please?

4 A (Shultz) My name is Michael Shultz. I am -- my
5 employer is Consolidated Communications, and I'm
6 Senior Vice President, Regulatory & Public
7 Policy.

8 Q And how long have you been with Consolidated
9 Communications or its predecessor, Mr. Shultz?

10 A (Shultz) Twenty years.

11 Q Ms. Davis, could you state your full name for the
12 record, your employer, and your job title please?

13 A (Davis) Sure. My name is Sarah Davis. I work
14 for Consolidated Communications. And my job
15 title is Senior Director of Government Affairs.

16 Q And how long have you been employed by
17 Consolidated Communications or its predecessor?

18 A (Davis) Just over fourteen years.

19 Q And are both of you familiar with the joint
20 rebuttal testimony that you filed, and we
21 premarked in this proceeding as "Exhibits 14" and
22 "15", 14 being confidential, 15 being redacted,
23 along with the exhibits?

24 A (Davis) Yes, sir.

[WITNESS PANEL: Shultz|Davis]

1 A (Shultz) Yes.

2 Q Do you have any corrections to that testimony
3 today?

4 A (Davis) Other than the corrected exhibit that was
5 subsequently filed on the docket, I don't have
6 any corrections to the testimony.

7 A (Shultz) No, I have no corrections.

8 Q All right. Do you affirm the testimony being
9 true and correct, as if you provided it today to
10 this Commission and the parties?

11 A (Davis) I do.

12 A (Shultz) Yes.

13 Q And did you work on the discovery responses, many
14 have been premarked as "Exhibits 16" through
15 "20", Joint Petitioner Exhibits, that is, "16"
16 through "20", during the course of this
17 discovery?

18 A (Davis) Yes, sir.

19 A (Shultz) Yes.

20 Q Can you summarize please, very briefly, your
21 prefiled testimony, your prefiled rebuttal
22 testimony please?

23 A (Davis) Sure. I'll do that. The prefiled
24 rebuttal testimony essentially addressed four

[WITNESS PANEL: Shultz|Davis]

1 areas with respect to this case.

2 The first was that it addressed the
3 nine requirements provided in the testimony by
4 Mr. James White, on behalf of NECTA. Secondly,
5 it addressed the CCI pole inspection process.
6 And, third, it addressed net book value, and the
7 correct net book value with respect to the case.
8 And, then, it also addressed claims by NECTA
9 about pole rate discrimination.

10 Q Mr. Shultz, did you hear the testimony provided
11 by Mr. Horton regarding the outstanding
12 vegetative maintenance invoices for the period
13 2018 through 2020?

14 A (Shultz) Yes.

15 Q Do you believe Mr. Horton's testimony was
16 accurate or does it require any revision, in your
17 opinion?

18 A (Shultz) In my opinion, it requires a little bit
19 of revision.

20 Q Could you please tell us what that revision is?

21 A (Shultz) Sure. In 2018, Consolidated paid \$6.3
22 million in tree-trimming/vegetation maintenance.
23 And, in 2019, through May of 2019, we paid 3.9
24 million vegetation maintenance.

[WITNESS PANEL: Shultz|Davis]

1 Q All right. And the amount that's being deducted,
2 assuming the transaction were approved as filed
3 with the Joint Petition, and as contained in the
4 Asset Purchase Agreement of December 30th, 2020,
5 does that amount that would be deducted from the
6 net purchase price to get to the net payment
7 constitute, as far as you know, all tree-trim
8 that Eversource claims is owed by CCI through
9 December of 2020?

10 A (Shultz) In reference to the "_____"
11 that's in the Agreement?

12 Q Yes.

13 A (Shultz) This 10.2 is not part of that. It's
14 already money paid. And that _____
15 gets us to the end of 2020.

16 MR. McHUGH: Thank you. The witnesses
17 are available for cross-examination, Mr.
18 Chairman.

19 CHAIRMAN GOLDNER: Thank you. Does
20 Eversource have any questions for the witnesses?

21 MS. RALSTON: We do not.

22 CHAIRMAN GOLDNER: Okay. NECTA, Ms.
23 Geiger.

24 MS. GEIGER: Yes. Thank you. Good

[WITNESS PANEL: Shultz|Davis]

1 afternoon, Ms. Davis and Mr. Shultz.

2 The questions I have for you relate to
3 your prefiled testimony -- excuse me, your
4 rebuttal testimony, which has been marked both as
5 "Exhibit 14", the confidential version, and
6 "Exhibit 15", which is the redacted version. So,
7 if you could please turn to either one of those.
8 Actually, if you could -- probably be easier to
9 turn to the confidential version. I'll try to
10 stay away from any confidential numbers, but the
11 pagination there of that version seems to be more
12 in line with the original page number.

13 **CROSS-EXAMINATION**

14 BY MS. GEIGER:

15 Q So, if you could please turn to Bates Page 016 of
16 Exhibit 14. Are you there?

17 A (Davis) I am.

18 Q Thank you. There it states, on Lines 11 to 13,
19 that Consolidated "changed its GAAP accounting
20 method related to pole depreciation from the
21 prior FairPoint useful life of fifteen years to
22 an extraordinarily low useful life of five
23 years." Is that correct?

24 A (Shultz) Yes.

[WITNESS PANEL: Shultz|Davis]

1 Q And would you say that the -- would you agree
2 that the five years useful life that FairPoint
3 had used represented a regulatory useful life?

4 A (Davis) I think you made a mistake. You said the
5 "five years"?

6 Q I'm sorry, I meant to say "fifteen". I missed
7 the "one", one five.

8 A (Shultz) It's actually 5.8 percent. So, it would
9 be 18 years.

10 Q Okay.

11 A (Shultz) And that was what was approved for
12 FairPoint, was listed on the ARMIS 2020 and 2017
13 documents.

14 Q Right. And, so, those are the same documents
15 that Ms. Kravtin used to calculate her net book
16 value, isn't that correct?

17 A (Shultz) That is correct.

18 Q Okay. Your testimony goes on to say that the
19 accounting change was "purely for GAAP accounting
20 purposes and has the effect of minimizing
21 accounting losses related to any sale of poles in
22 Northern New England." Is that correct?

23 A (Shultz) Correct.

24 Q Is it fair to say then, that to the extent that

[WITNESS PANEL: Shultz|Davis]

1 Eversource is paying a purchase price for
2 Consolidated's poles above the net book value of
3 the assets, based on Consolidated's accelerated
4 depreciation, that the sale will be recorded on
5 Consolidated's books at an amount greater than
6 its -- greater than the net book value, thereby
7 reflecting a gain. Is that correct?

8 A (Shultz) I don't believe that is correct.

9 Q Okay. Could you explain why?

10 A (Shultz) Well, -- one second. Let me review this
11 again.

12 So, when we look at the 2020 ARMIS
13 Report for net book value, the thing on that
14 report is there's a depreciation rate line item
15 that says "5.8 percent".

16 Q Right.

17 A (Shultz) All right? When you're calculating the
18 net book value of that, you have to adjust for
19 when we started the accelerated depreciation,
20 because we are using GAAP numbers in that report,
21 not regulatory numbers. So, even though we've
22 listed on there the 5.8 percent, the actual
23 depreciation rate is probably 20 percent or close
24 to it. So, there's going to be a difference

[WITNESS PANEL: Shultz|Davis]

1 between what Ms. Kravtin calculated as the net
2 book value, versus what would come out of that if
3 you used the actual timing of when we started the
4 accelerated depreciation.

5 Now, as to your second part of your
6 question, you know, we're accounting for a net
7 loss there. So, we're trying to reduce the book
8 value to minimize the accounting impact on a
9 future asset held for sale. So, that's -- the
10 timing of when that Agreement was signed and the
11 timing of where we are today is how we -- or,
12 when we started accelerating that depreciation.

13 Q Mr. Shultz, when you say your "accounting
14 treatment is intended to minimize a loss", would
15 you say that, in doing so, in accelerating
16 depreciation, as you have done, and if you were
17 to close this transaction and obtain the net
18 sales price or the net purchase price that
19 Eversource is willing to pay, will Consolidated
20 realize a gain on the sale of those assets?

21 A (Shultz) I don't know that answer off the top of
22 my head. I'd have to ask our --

23 *[Court reporter interruption.]*

24 **CONTINUED BY THE WITNESS:**

[WITNESS PANEL: Shultz|Davis]

1 A (Shultz) -- our CFO.

2 BY MS. GEIGER:

3 Q So, you're saying that, even though
4 Consolidated's books show, and I think your words
5 were "a very low" or "an extraordinary [sic] low
6 net book value" -- "useful life" or "net book
7 value", that the purchase price that you'll
8 obtain for these assets may not reflect a gain on
9 the Company's books?

10 A (Shultz) There are a lot of puts-and-takes into
11 an earnings calculation of that nature. And I
12 don't have all the parts that would go into that
13 determination.

14 Q Okay. Turning now to testimony that Mr. Horton
15 provided this morning, you were present for his
16 direct examination and cross-examination, is that
17 correct?

18 A (Shultz) Correct.

19 Q And questions from the Commission?

20 A (Shultz) Yes.

21 Q Okay. I believe Mr. Horton testified regarding
22 the reimbursement that Consolidated pays
23 Eversource, when Eversource replaces a pole in
24 Consolidated's service territory. Did you hear

[WITNESS PANEL: Shultz|Davis]

1 that testimony?

2 A (Davis) Yes.

3 Q Is that correct? Could you explain how that
4 reimbursement works, in terms of I think I heard
5 Mr. Horton say that "Eversource actually pays for
6 the pole replacement initially, and then seeks
7 reimbursement from Consolidated." Could you
8 explain how much Consolidated reimburses
9 Eversource and over what time period?

10 A (Davis) So, when Eversource sets a pole that
11 Consolidated would otherwise pursuant to the JOA
12 be required to set, there is an amount that is
13 reimbursable to Eversource set forth in the JOA.
14 It's all defined there. I don't have that in
15 front of me. It is updated every so often. I
16 don't know exactly when that is. But the parties
17 get together and update those sort of
18 back-and-forth payments of what the right amount
19 should be for that.

20 Q So, is there sort of an annual reconciliation of
21 those pole sets and the amounts that --

22 A (Davis) I think it's more frequent than that. I
23 think it's billed pretty regularly. And, so,
24 they send us what is sort of our joint

[WITNESS PANEL: Shultz|Davis]

1 obligation, we send them what is their joint
2 obligation, that's netted out, and those payments
3 are made. I think it's a normal course. I'm not
4 sure it's monthly, but it's pretty regularly, as
5 I understand it.

6 Q Okay. And, so, when Consolidated pays Eversource
7 pursuant to that reimbursement process, does
8 Consolidated book those costs to its Account 364?

9 A (Davis) I believe so. But I don't know that
10 sitting here.

11 A (Shultz) I'm not sure what "Account 364" is.

12 MS. GEIGER: It's relating to poles,
13 pole costs, my understanding is.

14 Those are all the questions that I have
15 for now. Thank you.

16 CHAIRMAN GOLDNER: Thank you. Mr.
17 Kreis, any questions?

18 MR. KREIS: I just have a few questions
19 for Mr. Shultz.

20 BY MR. KREIS:

21 Q Mr. Shultz, turning your attention to what has
22 been marked for identification as "Exhibit 26".
23 Just let me know when you have that in front of
24 you.

[WITNESS PANEL: Shultz|Davis]

1 A (Shultz) Okay.

2 Q Are you familiar with this document?

3 A (Shultz) I am.

4 Q Would you agree with me that it is an order
5 issued on May 3rd of last year, in a superior
6 court lawsuit filed against Consolidated
7 Communications by the New Hampshire Electric
8 Co-op?

9 A (Shultz) It is.

10 Q And, if you take a look at Page 12 of this
11 document, would you -- let me just get there
12 myself, and it's the last page of the document,
13 would you agree that the judge at that time ruled
14 that the Defendant, Consolidated, remains
15 responsible to perform its obligations under the
16 document referred to in that order as the "JUA"?

17 A (Shultz) That's what the judge said, yes.

18 Q And "JUA" stands for "Joint Use Agreement"?

19 A (Shultz) Correct.

20 Q And would it be fair to say that the JUA between
21 Consolidated and the Electric Co-op is analogous
22 to the Joint Ownership Agreement that has been
23 marked for identification here as "Exhibit 18"?

24 A (Shultz) There are differences.

[WITNESS PANEL: Shultz|Davis]

1 Q But I asked if they were analogous?

2 A (Shultz) Yes.

3 Q Turning to, let's see, Page 3 of Exhibit 26. Can
4 you just read the second sentence on that page
5 into the record?

6 A (Shultz) On Page 3?

7 Q Yes.

8 A (Shultz) "On May 24th, 2018", that particular
9 sentence?

10 Q Yes.

11 A (Shultz) "Defendant sent a letter to Plaintiff
12 stating that it wished to renegotiate various
13 terms of the JUA and its associated Intercompany
14 Operating Procedures ("IOPs") pursuant to
15 Article XX of the JUA."

16 Q And is that, to your knowledge, a true statement?
17 Did, in fact, Consolidated send that letter with
18 those representations in it or that
19 representation?

20 A (Shultz) It is.

21 Q Now, you, I think it was you, made an interesting
22 statement correcting Mr. Horton about vegetation
23 management payments from Consolidated to
24 Eversource. And, if I'm remembering correctly,

[WITNESS PANEL: Shultz|Davis]

1 Mr. Horton testified that those payments "stopped
2 in 2018." But your testimony is that they, in
3 fact, did not stop in 2018. Am I remembering
4 correctly?

5 A (Shultz) Correct. So, there was an amount that
6 we paid up to a certain point, and anything above
7 that we disputed.

8 Q What is the status of your payments with respect
9 to those obligations for vegetation management
10 associated with joint poles as to the other
11 electric utilities in New Hampshire, that is to
12 say Liberty Utilities, Unitil, and the Electric
13 Co-op?

14 A (Shultz) Well, I'm not going to talk about the
15 Electric Co-op, because that is under litigation,
16 that particular issue.

17 Q Well, --

18 A (Shultz) Well, we talked about it there. I'm not
19 going to talk specifically what numbers and what
20 we've paid and what we haven't paid. Right?

21 That, to me, is part of the litigation. Now, --

22 Q Well, with all due respect, Mr. Shultz, I asked
23 you a question; your job is to answer it.

24 A (Shultz) I think I gave you my answer.

[WITNESS PANEL: Shultz|Davis]

1 MR. KREIS: Mr. Chairman, would you
2 please direct the witness to answer my question?
3 Nobody has objected to it.

4 CHAIRMAN GOLDNER: Any objection?

5 MR. McHUGH: Well, not at this time.
6 He just asked him to describe generally what the
7 payments are for the other electrics, and I'll
8 let the witness describe that. If he's going to
9 start asking about the litigation, that will be
10 different, and then I will object.

11 CHAIRMAN GOLDNER: I will ask the
12 witness to answer the question.

13 WITNESS SHULTZ: Fair enough.

14 **BY THE WITNESS:**

15 A (Shultz) With Liberty and Unitil, I don't know
16 the exact amounts that we're paying in tree-trim
17 for vegetation maintenance, but those are
18 current.

19 As far as New Hampshire Electric, those
20 are not current, because we are in dispute.

21 BY MR. KREIS:

22 Q So, in other words, it wouldn't be correct to say
23 that Consolidated made some kind of companywide
24 decision to simply stop making payments to

[WITNESS PANEL: Shultz|Davis]

1 electric utilities in New Hampshire, when it
2 comes to vegetation management?

3 A (Shultz) No. We have sent out letters to various
4 utilities, electric utilities, where we have
5 joint ownership arrangements, in both this state
6 and our neighboring State of Vermont. These are
7 the only two states that we serve in our 22-state
8 footprint that we actually have the tree-trim
9 vegetation that the ILEC will pay. All other
10 states, it's the electric companies that pay
11 tree-trimming. So, this is a unique situation
12 for this area, for the country.

13 Q Thank you. Regarding Exhibit 3, which is the
14 Consolidated/Eversource Agreement, that Agreement
15 was effective on December 30th, 2020, do I have
16 that date right?

17 A (Shultz) Correct.

18 Q Do you know when Consolidated began discussing a
19 potential settlement with Eversource?

20 A (Shultz) We've had, in terms of settlements, we
21 sent a letter out in May of 2018, and we probably
22 started having discussions sometime that summer.
23 I don't have specific dates as to when those
24 conversations occurred, and they occurred over a

[WITNESS PANEL: Shultz|Davis]

1 long period of time.

2 MR. KREIS: Thank you. Those are all
3 the questions I have for these witnesses, Mr.
4 Chairman.

5 CHAIRMAN GOLDNER: Thank you. Mr.
6 Wiesner.

7 MR. WIESNER: Excuse me. I have no
8 questions for these witnesses. The points I
9 thought of covering have been covered by others'
10 questioning.

11 CHAIRMAN GOLDNER: Okay. We'll move to
12 Commissioner questions. Commissioner Simpson.

13 CMSR. SIMPSON: Thank you, Mr.
14 Chairman.

15 BY CMSR. SIMPSON:

16 Q So, Mr. Shultz, I'd like to elaborate on the last
17 line of questioning with regard to vegetation
18 management payments. Can you explain for me your
19 perspective on the issue of payment since 2018 to
20 Eversource?

21 A (Shultz) Could you repeat the question please?

22 Q Explain to me how the Company has paid vegetation
23 management costs to Eversource since 2018?

24 A (Shultz) Well, you know, at the beginning of the

[WITNESS PANEL: Shultz|Davis]

1 year, we get a correspondence from Eversource
2 saying "Here is the maximum amount of tree-trim
3 that we'll have that particular year." Okay?
4 And that's around 5.2 million, and it was since
5 the time we acquired them in July of 2017.

6 So, we paid that amount in 2018;
7 anything above that we disputed. Okay? In 2019,
8 again, we filed the letter saying "we'd like to
9 terminate the IOP for tree-trim." And, in doing
10 that, in 2018, we paid through -- or, May of
11 2019, that's when the termination took effect.
12 We had one year to negotiate something. Okay?

13 But the actual Agreement that we -- the
14 Settlement Agreement we have takes care of that
15 piece going forward, tree-trim, in the
16 Settlement, of _____, into December of
17 2020.

18 Q So, should the Settlement Agreement not be
19 approved, what would the status of the dispute
20 with regard to vegetation management costs be?

21 A (Shultz) Well, it would be -- I don't have the
22 numbers in front of me. But the point from June
23 of 2019 forward would be the amounts that would
24 be in dispute, and probably go to litigation.

[WITNESS PANEL: Shultz|Davis]

1 Q And, from your perspective, the essence of the
2 dispute is with regard to standards for
3 tree-trimming? Is that a fair characterization?

4 A (Shultz) It's a combination of things. For one,
5 it's the -- you know, since the ice storm of
6 2000 -- was it '08 timeframe? -- the cycles have
7 changed. The area in which they trim has
8 increased. So, there's more areas being trimmed
9 that really doesn't impact an ILEC or a telephone
10 company. So, there's more being trimmed that
11 we're bearing the costs of that really aren't
12 benefiting our customers, compared to what we
13 were being charged before. So, you have a couple
14 things at play.

15 And, then, there's the cost of all this
16 increasing substantially over time. We've gone
17 from 5 million, up to 8 million, in the span of
18 three years, since we've owned the Company in
19 2019 [sic]. So, there's -- and that's not just
20 Eversource, that's all ILECs -- or, electric
21 companies, in both Vermont and New Hampshire.

22 So, it's not a trend we want to be a
23 part of, when it's not a core component of our
24 business.

[WITNESS PANEL: Shultz|Davis]

1 Q Okay. Thank you. That's helpful.

2 A (Shultz) You're welcome.

3 Q I'd like to step back. When I was speaking with
4 Mr. Horton, I had asked him a similar
5 introductory question. I'd like to get your
6 perspective. So, let's back up.

7 How did we get here? Did Consolidated
8 approach Eversource for this pole asset transfer?
9 Did Eversource approach Consolidated? Set the
10 stage for us, please.

11 A (Shultz) Well, I think it all started with the
12 letter I sent to Eversource and to other
13 elcos *[sic]* in the state, both in New Hampshire
14 and in Vermont. And that got conversations going
15 about our issues, our disputes with vegetation
16 management, and, you know, how to resolve that
17 going forward. And part of that is, naturally,
18 is to sell the assets so they can control,
19 because they had issues with us on pole
20 replacements and timing of things that we
21 probably weren't as fast as they would have liked
22 us to be.

23 So, there's puts-and-takes from both
24 sides, and that's how we kind of came up with our

[WITNESS PANEL: Shultz|Davis]

1 discussion points, and how we got to, you know,
2 selling the assets and creating a settlement that
3 was we thought a win/win for both, both parties.

4 Q Looking at some of the testimony from Exhibit 15,
5 it seems like this might be part of your
6 corporate strategy, to step away from the
7 ownership of poles, generally speaking. Is that
8 fair to say?

9 A (Shultz) In these two states, it's been a focus
10 with the larger elcos, because that's where we
11 have the largest cost increases that we're
12 seeing. We do not have this issue in our other
13 20 states. We don't have it in Maine; the
14 elco pays for all tree-trim, even in joint use
15 areas. So, this is really unique to New
16 Hampshire and Vermont.

17 And we've already sold the bulk of our
18 poles in Vermont to Green Mountain Power. So,
19 we've kind of gotten out of that obligation in
20 Vermont. We still have a little bit, but minor,
21 compared to what we have in New Hampshire.

22 Q So, the core -- oh, please, Ms. Davis.

23 A (Davis) I was just going to take an opportunity
24 to add, because you might not be as aware of

[WITNESS PANEL: Shultz|Davis]

1 this. But, with respect to the services
2 provided, elcos have -- sorry, telcos [sic] have
3 traditionally served via heavy copper cables that
4 sit right against the pole. And, with respect to
5 those facilities that we serve, trim issues don't
6 impact our facilities as frequently as they do
7 for the power facilities. So, it is not a
8 standard nationwide that telcos bear 50 percent,
9 or even close to that, with respect to trim.
10 This is incredibly unique.

11 And the resiliency benefits that are
12 achieved, particularly with excessive trimming,
13 trimming back further, is based on three-phase
14 power, not on copper cables that sit close to the
15 poles. And, so, really, the benefits that are
16 achieved through this significant amount of
17 trimming really go directly to electric
18 ratepayers. And telecom ratepayers do not
19 achieve those same benefits. That's why
20 attachers don't pay these high costs either.

21 Q So, then, it sounds like it's fair to say that
22 Consolidated's motivation to engage in this
23 transaction is a business decision based around
24 vegetation management practices. Is that fair?

[WITNESS PANEL: Shultz|Davis]

1 A (Davis) Largely.

2 A (Shultz) Largely.

3 Q Okay. Thank you. I'd like to go to Exhibit 15,
4 Bates Page 011, Lines 1 through 4. I had asked
5 the Eversource witnesses some questions with
6 regard to their due diligence of pole inspections
7 in entering this Agreement.

8 In your testimony, you provide that
9 Consolidated uses the same vendor as Eversource
10 for pole inspections, is that correct?

11 A (Davis) Yes. I mean, I would add, I think we
12 heard earlier that they might have changed since.
13 That was correct. So, I'm not positive. But,
14 certainly, in the timeframe we were negotiating
15 this, we used the same vendor.

16 Q Understood. Thank you.

17 A (Davis) Uh-huh.

18 Q And, during that timeframe, when you were using
19 the same vendor, I believe it's Osmose, is that
20 correct?

21 A (Davis) Osmose, yes.

22 Q Are the standards that -- or I should say, were
23 the standards that were used by Osmose to assess
24 poles, either owned by Consolidated, either owned

[WITNESS PANEL: Shultz|Davis]

1 by Eversource, or jointly-owned poles, were those
2 standards the same?

3 A (Davis) That is my understanding, yes.

4 Q Okay. Thank you.

5 A (Davis) At least -- I should say, at least with
6 respect to the pole integrity itself. Maybe not
7 with the specific facilities attached, but the
8 integrity of the poles, yes.

9 Q And how does the Company bill customers for
10 pole-related work today?

11 A (Davis) So, like end-user customers?

12 Q How do the costs associated with your
13 construction activities to replace poles,
14 maintain poles, fix poles, how are those costs
15 filtered down at the end of the day to your
16 retail customers?

17 A (Davis) Yes. There is no direct recovery, and
18 certainly not a regulated recovery. And
19 Consolidated is in -- is experiencing what all
20 ILECs experience, significant access line
21 decline. And, so, we maintain currently the same
22 number of miles of cable and the same number of
23 poles for a much smaller customer base.

24 And, so, that sort of regulatory "death

[WITNESS PANEL: Shultz|Davis]

1 spiral", as it likes to be called that, that
2 failure to be able to account directly for costs,
3 makes it impossible to filter those down. In
4 addition, we offer different unregulated
5 services. There's no way to connect the two.

6 And we face steep competition from our
7 cable competitors, from the NECTA parties
8 specifically. And, so, we have to keep a cost at
9 what the market will bear, even in some cases
10 where it's not fully recovering for the costs we
11 incur.

12 Q So, you're saying that your pole-related costs
13 are bundled within the various products and
14 services that you offer, without a direct
15 attribution to any one element within a price?

16 A (Davis) That's exactly right.

17 Q Okay. Thank you. Looking at Bates Page 026,
18 also of Exhibit 15, with respect to net book
19 value. This is a statement that appears multiple
20 times in your objections to discovery questions.

21 A (Davis) I'm sorry, can you just repeat the page?
22 I'm sorry to interrupt you.

23 Q Of course. Bates Page 026 is one instance of
24 this statement. And I'll give you a moment. Let

[WITNESS PANEL: Shultz|Davis]

1 me know when you're there.

2 A (Davis) So, it's Bates Page 026 of Exhibit 15?

3 Q That's correct. At the very top. Starting with
4 "As a result".

5 A (Davis) That's right.

6 Q So, this statement provides "As a result, the
7 Joint Petitioners do not see Consolidated's GAAP
8 net book value as a relevant or useful data point
9 for purposes of going forward ratemaking for
10 Eversource post-acquisition. Unlike the net book
11 value reported for a regulated utility, which
12 represents the unrecovered plant balance
13 not-yet-paid for by customers, Consolidated's
14 GAAP reported net book value does not represent
15 an amount paid for (or not paid for) by its
16 customers."

17 So, then, my question is, what does it
18 represent?

19 A (Davis) What does our GAAP net book value
20 represent?

21 Q Yes.

22 A (Davis) It represents -- so, it represents
23 accounting for assets, including a lot of things,
24 which is that we had an acquisition, right, in

[WITNESS PANEL: Shultz|Davis]

1 2018. And, as part of that acquisition, those
2 assets were revalued. You wouldn't necessarily
3 take that acquisition accounting from a
4 regulatory perspective, but that's what it
5 represents on our books as sort of a publicly
6 traded, unregulated, and I know we are regulated,
7 but unregulated company. But it doesn't
8 represent what you would be able to recover, if
9 you were transferring these between two equally
10 regulated companies.

11 I mean, Eversource owns half of 99
12 percent of these poles, right? That's the
13 evidence in the record. And they have a value
14 for the other half. It's the same pole, right?
15 Why is this half worth less than that half? You
16 know, it's not representative of what you would
17 do from a regulatory perspective.

18 Q So, just from a business perspective then, does
19 your GAAP net book value represent Consolidated's
20 view of the value of these assets in question?

21 A (Davis) I think it's fair to say it represents a
22 view that is appropriate under the accounting
23 rules we follow, with accelerated depreciation
24 included. But value, you know, the value of a

[WITNESS PANEL: Shultz|Davis]

1 pole, if you accelerated depreciation to five
2 years, the pole still exists and provides the
3 same purpose for that longer period of time.

4 So, you know, value, there's a famous
5 law case, and if I was Don, I could probably
6 quote it. But, you know, value is a pretty
7 difficult thing to capture. So, I don't think
8 that that is representative in this transaction
9 of the value that Eversource is getting for those
10 same poles that they own and have a different
11 value for.

12 CMSR. SIMPSON: Thank you, Ms. Davis.
13 Thank you, Mr. Shultz.

14 Mr. Chairman, I have no further
15 questions.

16 WITNESS DAVIS: Thank you.

17 CHAIRMAN GOLDNER: Thank you. Just a
18 couple.

19 BY CHAIRMAN GOLDNER:

20 Q First, starting with Mr. Shultz. You had
21 mentioned, in your earlier testimony here today,
22 that you had sort of a -- the Consolidated level
23 for vegetation management, you had a max of
24 "\$5.2 million" that you would pay. Did I --

[WITNESS PANEL: Shultz|Davis]

1 A (Shultz) There was -- there was an agreement that
2 FairPoint -- that we inherited, FairPoint had
3 with Eversource. And it was -- there was a cap
4 on vegetation management of 5. -- I want to say
5 "5.2 million" annually.

6 Q Okay. And, then, earlier I think you said that
7 "Consolidated paid 6.3 million in 2018". I was
8 just curious as to why you paid more than the
9 arrangement?

10 A (Shultz) That would also include storm damage.

11 Q Okay. The 6.3 did?

12 A (Shultz) Yes.

13 Q Okay. And, then, I understood you to say earlier
14 that you stopped paying for vegetation management
15 in 2019, I think it's June, I think you said,
16 something like that, you paid "3.9 million", and
17 that would be storm management, plus vegetation.
18 I guess I didn't understand why you stopped
19 paying?

20 A (Shultz) Because we terminated the Agreement.

21 Q So, it was -- that was a unilateral termination,
22 or that was in the Agreement that you could
23 terminate in 60 days?

24 A (Shultz) Well, it was one year.

[WITNESS PANEL: Shultz|Davis]

1 Q Okay.

2 A (Shultz) So, we submitted the letter in May of
3 2018.

4 Q Okay.

5 A (Shultz) And, per the Agreement, it had a
6 one-year termination clause. So, we began
7 discussions, settlement discussions, in 2018,
8 Summer of 2018. But it, obviously, took a much
9 longer track than that to do that. So, --

10 Q And what was your motivation in terminating that
11 arrangement? I mean, you know, if it would have
12 taken four or five years in order to make an
13 arrangement, I guess there would be a lot of
14 vegetation issues?

15 A (Shultz) Well, we didn't anticipate it taking as
16 long as it did. However, you know, we accounted
17 for vegetation management in the Settlement
18 Agreement that we have, that was mutually agreed
19 upon. Again, lots of puts-and-takes in that
20 Settlement Agreement, as Ms. Geiger has mentioned
21 earlier, and this is how it came about. And,
22 again, we anticipated closing closer to the end
23 of 2020 than where we are right now.

24 But, you know, that being said, you

[WITNESS PANEL: Shultz|Davis]

1 know, we've tried to account for the regulatory
2 lag, in terms of getting the approval.

3 Q Okay. And, then, I'm just trying to understand
4 the math. And I haven't been able to follow all
5 day, so, perhaps it's my problem.

6 But, so, there's a "\$_____"
7 number that you quoted earlier for the
8 vegetation management sort of agreement, in
9 terms of what Eversource and Consolidated agreed
10 to was the amount that was owed. And I'm just
11 trying to do the simple math. If you stopped
12 paying in the middle of 2019, and it goes
13 through the end of 2020, so, ____ actually looks
14 like you're overpaying, if I understood your
15 testimony.

16 In other words, if you took another
17 3.9, you added that to 6.3, you're still less
18 than _____. So, I'm just trying to understand why
19 you would overpay?

20 A (Shultz) Well, you know, we stopped paying in
21 '19, or May of '19, right, was the last payment.

22 Q Right.

23 A (Shultz) But we didn't pay 100 percent of 2018.
24 Okay? There was more billed than what we paid.

[WITNESS PANEL: Shultz|Davis]

1 Q Oh, I see.

2 A So, that, combined with what was owed for the
3 rest of 2019, yes, 2019, plus the estimates for
4 2020, I think, were higher.

5 Q Okay.

6 A (Shultz) So, probably more in \$8 million range.
7 So, I think we're still less than what we were
8 planning, but it's probably closer to what
9 Eversource actually had. So, --

10 Q Okay. And let me ask you about that. So, the
11 _____ number, was that actually, from
12 Consolidated's perspective, was that the billed
13 number from Eversource or is that some sort of
14 negotiation where Consolidated negotiated the
15 number down? I'm just trying to characterize
16 the ____.

17 A (Shultz) That is a negotiated number.

18 Q Okay. So, it was higher than _____, the amount
19 that --

20 A (Shultz) I don't specifically remember the
21 sequencing, because there was a lot of
22 back-and-forth on that.

23 Q Right.

24 A (Shultz) And, so, that's kind of where we came up

[WITNESS PANEL: Shultz|Davis]

1 with with the net book value. You also had, you
2 know, the _____ credit and all that kind of
3 tied together. So, there's, you know, one goes,
4 the other comes down. There's a lot of balancing
5 act here.

6 Q Okay. Okay, I just want to clarify that the
7 vegetation management and storm bills that you --
8 storm bills that you were billed, it was
9 something greater than ____? Whether it was
10 12.7 or 70 million, I don't care, but it was
11 greater, correct? In other words, you negotiated
12 that portion of it down?

13 A (Shultz) Yes. We negotiated the portion down.
14 You know, just as they negotiated, you know,
15 other things down, right?

16 Q No. No problem. Yes. I'm just trying to
17 characterize that particular piece of the
18 transaction. Understanding it's in the greater
19 context.

20 Okay. Very good on that. Just one
21 more issue.

22 And I just wanted to understand,
23 Ms. Davis, I think on your earlier testimony,
24 because I'm not sure I totally grasped --

[WITNESS PANEL: Shultz|Davis]

1 A (Davis) Sure.

2 Q -- the description on the motivation for
3 Eversource to trim back farther than
4 Consolidated. Can you try me again on that? I'm
5 not sure, if it's the same pole, why would one
6 company want more trimming than another company?

7 A (Davis) So, as I understand it, and I am not an
8 electric expert, but, as I understand it,
9 electric facilities are significantly more
10 susceptible for, like, a branch hitting it or
11 touching it. Obviously, if a tree falls, a tree
12 falls, right, and probably takes down the pole.
13 But, with respect to branches and things that
14 fall, my understanding is that electric
15 facilities are significantly more susceptible to
16 that. And, additionally, electric facilities go
17 out further, if you ever look up at a pole, you
18 know, three-phases goes out further, so it takes
19 a lot more trimming.

20 If a branch hits a copper cable,
21 because it's so heavy, the chances of it coming
22 down, unless it's a very, very large branch, are
23 very little.

24 So, the power companies trim back way

[WITNESS PANEL: Shultz|Davis]

1 further because of the susceptibility of their
2 facilities to being touched by vegetation.

3 Whereas, we would be less concerned with that,
4 because our copper cables are going to withstand,
5 you know, branches and things of that nature.

6 Q Okay. Thank you.

7 A (Davis) You're welcome.

8 CHAIRMAN GOLDNER: And, then, a final
9 question. I'm just trying to understand this
10 business on the confidential treatment. Was
11 it -- was that a request from Consolidated or a
12 request from Eversource for confidentiality?

13 MR. McHUGH: So, for most all the data,
14 if not all of it, is requested on behalf of
15 Consolidated, Mr. Chairman.

16 CHAIRMAN GOLDNER: Okay. Thank you.
17 And I'm just -- maybe I'll direct this to the
18 witness, but feel free to jump in, Mr. McHugh, if
19 there's anything that you can help with.

20 BY CHAIRMAN GOLDNER:

21 Q I'm just trying to understand, if you sort of
22 have -- you're ending this pole-selling business,
23 why would you care if it was treated
24 confidentially?

[WITNESS PANEL: Shultz|Davis]

1 MR. McHUGH: I will answer that, Mr.
2 Chairman, because there are a couple of things.

3 There were other negotiations that were
4 going on at the time, and a lot of the --
5 although the puts-and-takes aren't necessarily
6 the same, nor is, you know, maybe tree-trimming
7 the same, what might be acceptable, in terms of a
8 pole value, to even to get to this stage, you
9 know, it's like saying, you know, put a car
10 dealer saying "hey, I will accept" -- "the lowest
11 possible amount I'm going to accept for this, you
12 know, even if I take a loss, is X", they don't
13 want you to know that. They want you to pay
14 something.

15 But we'd like to just enter into fair
16 negotiations with the companies, in the event
17 there are other poles to sell.

18 CHAIRMAN GOLDNER: Would you be opposed
19 to eliminating the confidential treatment moving
20 forward? In the subsequent discussions that are,
21 I think, going to take place over the next month
22 or so, after this hearing?

23 MR. McHUGH: Oh, before --

24 CHAIRMAN GOLDNER: In terms of the cost

[WITNESS PANEL: Shultz|Davis]

1 recovery, *etcetera*? I mean, I guess I'm asking,
2 are you okay with removing the confidential
3 treatment from these documents or your request
4 would be to keep them confidential?

5 MR. McHUGH: Well, the request would be
6 to keep them confidential. I would have to see
7 what Mr. Horton and Eversource produces, in terms
8 of revised documents, to see what would need to
9 be kept confidential, from that perspective.

10 CHAIRMAN GOLDNER: Okay. Thank you.

11 Okay. Very good. Any other questions,
12 Commissioner Simpson?

13 CMSR. SIMPSON: No thank you, Mr.
14 Chairman.

15 CHAIRMAN GOLDNER: Okay. We'll move to
16 redirect, Mr. McHugh?

17 MR. McHUGH: I don't have any, Mr.
18 Chairman.

19 CHAIRMAN GOLDNER: Okay. Thank you.
20 So, we'll release the witnesses. Thank you very
21 much.

22 WITNESS DAVIS: Thank you.

23 CHAIRMAN GOLDNER: Mr. Patnaude, would
24 you please swear in the NECTA witnesses.

[WITNESS: White]

1 MS. GEIGER: Mr. Chairman, I expected
2 Mr. White to testify first, and then be followed
3 by Ms. Kravtin. I was not expecting to swear
4 them in as a panel, simply because Ms. Kravtin is
5 testifying remotely.

6 CHAIRMAN GOLDNER: Of course.

7 MS. GEIGER: If that's -- if it's more
8 helpful to the Commission to do them together,
9 that's fine. But I thought, for ease of, you
10 know, questioning, it might be easier to take
11 Mr. White first, and separately, since he's
12 covering discrete issues that are separate from
13 those that Ms. Kravtin are going to be
14 covering --

15 CHAIRMAN GOLDNER: Okay.

16 MS. GEIGER: -- is going to be
17 covering.

18 CHAIRMAN GOLDNER: Thank you. I think
19 that's fine.

20 (Whereupon **James G. White, Jr.** was duly
21 sworn by the Court Reporter.)

22 CHAIRMAN GOLDNER: Okay. We'll move to
23 direct examination. Ms. Geiger.

24 MS. GEIGER: Thank you.

[WITNESS: White]

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JAMES G. WHITE, JR., SWORN

DIRECT EXAMINATION

BY MS. GEIGER:

Q Could you please state your name for the record?

A James G. White, Jr.

Q And, Mr. White, by whom are you employed and what position do you hold?

A I work for Comcast Cable. I am a Senior Director of Regulatory Affairs for Comcast's Northeast Division.

Q And what are your responsibilities at Comcast Cable?

A I work on issues at state PUCs, mainly in New England, but across the Northeast Division, which runs from Maine, down to North Carolina. And I work with management on operational and financial issues, kind of "duties as assigned".

Q And could you please briefly describe your background and experience?

A My background and experience are in my prefiled testimony. It's Exhibit 27. I've been in the cable industry since 1994. And I've worked on regulatory interests, issues my whole career.

Q And on whose behalf are you testifying in this

[WITNESS: White]

1 proceeding?

2 A On behalf of NECTA, the New England Cable &
3 Telecommunications Association.

4 Q Mr. White, what is NECTA?

5 A NECTA is a nonprofit corporation and trade
6 association representing the interests of members
7 in New England states. The NECTA members
8 Breezeline, formerly Atlantic Broadband, Charter,
9 and my employer, Comcast, are New Hampshire's
10 leading broadband and communications providers.
11 Together they serve about 485,000 New Hampshire
12 customers, and offer services to more than
13 650,000 locations, in 184 New Hampshire
14 communities.

15 Q And, Mr. White, what are NECTA's interest in this
16 docket?

17 A NECTA's members' interest in this docket stem
18 from the fact that we own facilities attached to
19 utility poles, owned by Consolidated and by
20 Eversource, as has been indicated, about 99
21 percent of the poles proposed for transfer here
22 are jointly-owned, but we have facilities on
23 those poles. We use them to deploy our broadband
24 and advanced communication services. We hold

[WITNESS: White]

1 licenses and we apply for attachments. Actually,
2 we make an application and pay an application
3 fee. They do a survey. If make-ready is
4 necessary, it's performed. But, in the end, we
5 actually get a license. It's a pole-by-pole
6 thing. We need those licenses to be on the
7 poles. So, we want to make sure those are
8 transferred over, if this transaction is
9 approved. We also pay -- we pay those costs up
10 front. But, in addition, we pay annual pole
11 rental fees.

12 So, we have an interest in the
13 economics of this transaction. We want to make
14 sure that the bills are accurate, that, if the
15 transaction is approved, if the number of
16 attachments that we paid for beforehand, with
17 Consolidated, for their interests, that they
18 match what Eversource bills after the
19 transaction, so there's a matching there.

20 We also have issues, as I indicated,
21 about the economics of the transaction, the pole
22 work that we pay. Those are really Ms. Kravtin's
23 issues.

24 Q Mr. White, did you submit prefiled direct

[WITNESS: White]

1 testimony in this docket dated January 31st,
2 2022, which has been marked as "Exhibit 27",
3 along with attachments that have been marked as
4 "Exhibit 29" through "38"?

5 A Yes, I did.

6 Q And could you please provide a very brief summary
7 of your prefiled testimony?

8 A Yes. My prefiled testimony describes NECTA's
9 concerns about the annual billings for pole
10 attachments, the processing of pole attachment
11 applications.

12 The first concern really stem from the
13 experience in Vermont, when Green Mountain Power
14 acquired pole interests from Consolidated. There
15 was an issue with the number of attachments being
16 billed by Green Mountain after the transfer
17 exceeded those that we paid for Consolidated
18 before the transfer, despite our best efforts.
19 It was very hard. They had different accounting
20 records. There was a mismatch. And it became
21 very --

22 MR. MCHUGH: Excuse me, Mr. Chairman.
23 At this point, I object to this. This is not in
24 his prefiled testimony. So, if he's going to

[WITNESS: White]

1 provide a summary, a summary is different. But,
2 if he's going to go ramble on about what led all
3 to his prefiled testimony, then I object to it.

4 CHAIRMAN GOLDNER: Ms. Geiger.

5 MS. GEIGER: I believe Mr. White's
6 testimony does, in fact, state and provide
7 information about the fact that there were
8 problems experienced by Comcast in connection
9 with the transfer of Consolidated's poles in
10 Vermont to Green Mountain Power.

11 So, I don't believe that Mr. White is
12 rambling on. I believe that he is trying to
13 summarize his prefiled testimony.

14 CHAIRMAN GOLDNER: Okay.

15 **CONTINUED BY THE WITNESS:**

16 A In any event, I would say that that is kind of
17 water under the bridge, at this point. We just
18 don't want that situation repeated. We just want
19 accuracy this time around, if the transaction is
20 approved.

21 We want to make sure that any pole
22 attachment applications we have pending at the
23 close of the transaction continue to flow through
24 properly. They take time. We wouldn't want them

[WITNESS: White]

1 to stop -- we don't want to stop and start all
2 over with Eversource. And we do have issues
3 about pole rent, and, you know, the cost recovery
4 issues that Ms. Kravtin addresses.

5 CHAIRMAN GOLDNER: Okay.

6 BY MS. GEIGER:

7 Q Mr. White, do you have any corrections or updates
8 to your prefiled testimony?

9 A Yes. What's been marked as "Exhibit 28" is a
10 revision to the nine recommendations I made, to
11 be imposed as part of this transaction. In the
12 rebuttal testimony -- so, there are nine
13 recommendations, they really are starting on
14 Page 11 of my prefiled testimony. Exhibit 28 is
15 a revision to those. In the rebuttal testimony
16 by Mr. Horton and by Mr. Shultz and Ms. Davis,
17 they also -- they addressed the nine
18 recommendations I made. So, Exhibit 28 are based
19 on their rebuttal testimony. I've revised the
20 nine recommendations, as shown in Exhibit 28.

21 And I don't want to take too long with
22 this. But there were nine recommendations. So,
23 the first couple of recommendations, one is --
24 numbers 1 and 2, there was really, in my view, no

[WITNESS: White]

1 real dispute about the language in the
2 recommendations I proposed. I proposed to leave
3 those the same.

4 The third recommendation I made was
5 accurate -- about accuracy in billing. And my
6 original recommendation asked for a detailed
7 report. And I think it was fair for them to say
8 "Well, we don't know exactly that is." So, what
9 I've asked for, or what NECTA is asking for, is
10 one very simple sheet of paper for each NECTA
11 member. That is, before the transaction, how
12 many sole and joint-owned poles, you pay one rate
13 for a solely-owned pole, double the rate for a
14 jointly-owned pole. How many of those did
15 Consolidated invoice each member before the
16 transaction, and that's what should match what
17 Eversource would invoice for after the
18 transaction closes.

19 Now, Consolidated sends NECTA members,
20 at least Comcast, multiple invoices that
21 correspond to their co-pole owner. So, Comcast
22 gets about eight invoices. So, and it
23 corresponds, some are from Eversource areas, some
24 are New Hampshire Electric Co-op, etcetera.

[WITNESS: White]

1 Because there are multiple invoices, so say they
2 transferred 100,000 poles with our attachments on
3 them. We'd like to know just can you break those
4 down by those different agreement areas. So,
5 we're not asking for a detailed report. It's a
6 one-page -- it's a one-page snapshot. And, so,
7 that's a correction to Recommendation Number 3.

8 Recommendation Number 4 concerns what's
9 called the "Joint Use Charge". So, Consolidated
10 actually invoices NECTA members in certain areas
11 a Joint Use Charge, which equals the joint-owned
12 rate for poles that Eversource owns 100 percent.
13 Now, this is a vestige of history.

14 I've corrected the language or updated
15 the language in Paragraph 4 to indicate that
16 Consolidated will cease billing for joint-use
17 poles in Eversource territory following the
18 transaction. I think that's an accurate
19 reflection of Exhibit -- Ms. Kravtin's
20 Exhibit 19, it's Exhibit 60, my Exhibit 3, which
21 is Exhibit 31. Those are responses to
22 interrogatories. So, we're really just copying,
23 reflecting the language in interrogatory
24 responses.

[WITNESS: White]

1 Number 5, my Recommendation Number 5,
2 really, we're billed twice a year. If the
3 transaction should close in the middle, the
4 responsibility for our payment to CCI should
5 cease at the close of the transaction, it would
6 start, at the close of the transaction, we'd
7 begin with Eversource. Just want to make sure
8 those are -- the financial responsibility is
9 aligned properly. Pursuant to Mr. Horton's and
10 Mr. Shultz and Ms. Davis's testimony, we
11 reference Section 3.2 of the Settlement and Pole
12 Asset Purchase Agreement, we think that takes
13 care of it. It just makes it a little clearer.
14 Just like to make sure we get a clear demarcation
15 of what our NECTA members' responsibility for
16 pole attachment rent is.

17 Recommendation Number 6 is just to have
18 the -- all the pole licenses transferred. So, we
19 no longer will need licenses on Consolidated's
20 poles. But those will -- we need those
21 transferred over to Eversource. We think that
22 will happen as a part of the transaction.

23 Pole records are very voluminous, going
24 back in the old days, you think of lots and lots

[WITNESS: White]

1 of paper. We would like to have reasonable
2 access. We have a little dispute about how -- we
3 don't want Consolidated to toss all the records.
4 They should hold on to them. And, if we ever
5 need access to those records, we just want
6 reasonable access. And, so, didn't change the
7 wording of my Recommendation Number 6, we
8 inserted the word "reasonable" in there.

9 The Recommendations 7, 8, and 9, there
10 was -- I haven't proposed any changes there. I
11 don't believe there was any significant
12 disagreement from either Eversource or
13 Consolidated.

14 So, those are the changes to my nine
15 recommendations in Exhibit 28.

16 Q Mr. White, do you have any other updates to your
17 prefiled testimony?

18 A No.

19 Q Subject to the updates that you just described,
20 and those contained in Exhibit 28 in writing, if
21 you were asked the same questions contained in
22 your January 31, 2022 prefiled testimony today,
23 under oath, would your answers be the same?

24 A Yes.

[WITNESS: White]

1 Q Is there any additional information that you'd
2 like to present to the Commission?

3 A I would say that, in one of my exhibits, one of
4 the original NECTA discovery questions to
5 Eversource was about the timeframe, whether any
6 of the pole applications we had pending at
7 Eversource were late or overdue, that exhibit
8 does show some. Since then, there's been
9 improvement, at least from Comcast's point of
10 view. Eversource has been working very hard with
11 us. I think, of all the pole applications that
12 were pending as of June 24th, when that
13 exhibit -- when that response was provided by
14 Eversource, there's only maybe one still on
15 there.

16 We actually have more poles and
17 applications pending now, but that's because
18 we're proposing to do more work in Eversource's
19 area. And, actually, some of those applications
20 are for really, really small jobs, like our pole
21 is serving one single-family unit, or something
22 like that.

23 But we have a very good relationship
24 with Eversource right now business-to-business.

[WITNESS: White]

1 So, I did want to update that.

2 MS. GEIGER: Thank you, Mr. White.

3 This witness is available for cross-examination.

4 CHAIRMAN GOLDNER: Okay. Eversource?

5 MS. RALSTON: We do not have any
6 questions for this witness. Thank you.

7 CHAIRMAN GOLDNER: Okay. Mr. McHugh?

8 **CROSS-EXAMINATION**

9 BY MR. MCHUGH:

10 Q Mr. White, does NECTA own any pole attachments on
11 the Eversource/CCI jointly-owned poles?

12 A Do we have attachments on Eversource solely-owned
13 poles?

14 Q Does NECTA own any attachments on the
15 CCI/Eversource poles?

16 A NECTA does not.

17 Q Does NECTA have any Pole Attachment Agreements
18 with Consolidated Communications?

19 A No. It's members do.

20 Q So, the answer is "no"?

21 A Correct.

22 Q Does NECTA have any Pole Attachment Agreements
23 with Eversource of New Hampshire, as far as you
24 know?

[WITNESS: White]

1 A No. Same answer. The members do.

2 MR. McHUGH: Thank you. No further
3 questions.

4 CHAIRMAN GOLDNER: Thank you. Mr.
5 Kreis?

6 MR. KREIS: No questions from me, Mr.
7 Chairman.

8 CHAIRMAN GOLDNER: Mr. Wiesner?

9 MR. WIESNER: Just one question.

10 BY MR. WIESNER:

11 Q Mr. White, you referenced "historic pole
12 attachments". I'm just wondering if you can
13 explain why it's useful or necessary to consider
14 the historic pole attachments, given the Company
15 is planning to do a complete pole attachment
16 survey in the future?

17 A Well, as one example, a pole attachment survey,
18 one thing it does is it finds unauthorized
19 attachments. You know, people do, hopefully, not
20 in numbers, but sometimes people hang things up
21 there that are not authorized. And, then,
22 there's an unauthorized fee. There could, for
23 example, be a dispute about whether that pole was
24 licensed or not. There could be a disagreement

[WITNESS: White]

1 between us and a pole. That's one. It's remote,
2 but it's possible.

3 Q And that authorization, that requires
4 application, survey inspection, an attachment
5 agreement, and a license issued pursuant to that.
6 Is that the typical process that's followed?

7 A Yes. In order for an attacher to get on the
8 pole, they have to make an application, pay the
9 application fee, a survey fee along with it.
10 Those are paid up front. Usually, the pole owner
11 goes out, they do the survey, if any make-ready
12 is required, that's performed. The attacher pays
13 for that. When all that is done, a license is
14 issued.

15 MR. WIESNER: Thank you. I have no
16 other questions.

17 CHAIRMAN GOLDNER: Thank you.
18 Commissioner Simpson.

19 CMSR. SIMPSON: Thank you, Mr.
20 Chairman. Two questions for you, Mr. White.

21 BY CMSR. SIMPSON:

22 Q In Exhibit 27, Pages 7 through 8, you mention
23 facilitation of "make-ready work". Do you have
24 concerns with Eversource's ability to facilitate

[WITNESS: White]

1 make-ready work, consistent with practices by
2 Consolidated, should the transfer be approved?

3 A No, not necessarily. The whole issue around
4 timely processing of pole applications has to do
5 with having the proper amount of resources. If
6 there are a lot of pole applications pending,
7 there's a lot of work for everybody. Pole
8 owners, if there's a large number of pole
9 applications, they have to process them. And
10 sometimes they need bodies, they may need to hire
11 contractors. So, their workforce or their
12 resources have to match the flow of work that's
13 coming in. So, it really is -- it's really a
14 resources issue.

15 But, as to ability or capability, the
16 answer is certainly "no", we have no concern.

17 Q So, your perspective would be that the pole asset
18 transfer would likely require additional internal
19 resources to facilitate make-ready work by
20 Eversource?

21 A Possibly. Possibly, yes. I mean, it's been
22 described that there could be some efficiencies
23 in this transaction having one pole owner, as
24 opposed to two. That's theoretically true, as

[WITNESS: White]

1 long as the resources are there to perform the
2 work upon the part of the pole owner, yes.

3 Q Thank you. And, then, you also mentioned the
4 "transfer of licenses". Why wouldn't those
5 licenses be transferred automatically, as they
6 contain significant value for the acquiring
7 company?

8 A Well, I think they technically have to be
9 assigned or transferred. And I think the
10 Petition takes care of that or some of the
11 transaction agreements actually take care of
12 that, licenses actually be assigned. For
13 example, if Comcast were to sell or a NECTA
14 member were to sell out to someone else, those
15 licenses then would be transferred to XYZ
16 company.

17 Q So, your point in making that statement in your
18 testimony is just to provide certainty that the
19 licenses are transferred, not that you have a
20 concern --

21 A Correct.

22 Q -- whether or not that they will be? Okay.

23 A Correct.

24 CMSR. SIMPSON: Thank you. I have no

[WITNESS: White]

1 further questions for Mr. White. Thank you,
2 Mr. Chairman.

3 CHAIRMAN GOLDNER: Okay. Just one
4 question.

5 BY CHAIRMAN GOLDNER:

6 Q Mr. White, how would you characterize the
7 reaction of Eversource and Consolidated to your
8 nine recommendations?

9 A I thought they were fair. I mean, they sought
10 clarification on several, then I've tried to
11 response to that. A couple of them were, I might
12 say, "nonissues". And, so, I made no adjustment.
13 But I thought -- I tried to adjust a couple of my
14 recommendations where I thought they made fair
15 points.

16 Q Would you be interested in a revised revised nine
17 recommendations or are you comfortable that your
18 latest version is the one you'd like to sit pat
19 on?

20 A I think the revised Exhibit 28 is fine.

21 CHAIRMAN GOLDNER: Okay. Thank you.
22 That's all I have for Mr. White.

23 Ms. Geiger, would you like to keep Mr.
24 White available while we move on to the next

[WITNESS: Kravtin]

1 witness or would you -- I can excuse the witness,
2 if you'd prefer?

3 MS. GEIGER: I don't have any questions
4 on redirect. Thank you.

5 CHAIRMAN GOLDNER: Okay. Thank you,
6 Mr. White. We'll release the witness.

7 And if we could swear the next NECTA
8 witness onscreen, Mr. Patnaude.

9 (Whereupon **Patricia D. Kravtin** was duly
10 sworn by the Court Reporter.)

11 MS. GEIGER: Mr. Chairman, I've not
12 conducted a direct examination of a witness using
13 Webex. And, so, the question I have for you and
14 for Ms. Kravtin is whether she can hear me, and
15 whether you would like me to proceed from where I
16 am, or whether I need to move to a different
17 location in this room?

18 CHAIRMAN GOLDNER: No, Ms. Geiger.
19 You're fine where you are, if the witness -- can
20 the witness hear everything?

21 WITNESS KRAVTIN: I can.

22 CHAIRMAN GOLDNER: Okay. Please
23 proceed, Ms. Geiger.

24 MS. GEIGER: Thank you.

[WITNESS: Kravtin]

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PATRICIA D. KRAVTIN, SWORN

DIRECT EXAMINATION

BY MS. GEIGER:

Q Ms. Kravtin, could you please state your name and spell your last name for the record?

A Yes. My name is Patricia Kravtin, spelled K-R-A-V-T-I-N.

Q Ms. Kravtin, by whom are you employed and what is your occupation?

A Yes. I'm Principal and Owner of Patricia D. Kravtin Economic Consulting, specializing in the analysis of communications and energy regulation and markets.

Q And could you please provide a very brief summary of your background and experience?

A Yes. My full CV is provided in Exhibit 40. But, briefly, I hold a Bachelor of Arts with Distinction in Economics from George Washington University. I studied in the Ph.D. program at the Massachusetts Institute of Technology under a National Science Foundation Fellowship. I've completed all oral and written coursework in the Ph.D degree, passing exams in my areas of specialty, Government Regulation of Industry, of

[WITNESS: Kravtin]

1 Industrial Organization, and Urban and Regional
2 Economics. I've held a wide range of consulting
3 experiences in regulated industries. Between
4 1982 and 2000, I was a consultant at the National
5 Economic Research and consulting firm Economics
6 and Technology, Incorporated, after which I left
7 to start my own consulting practice.

8 During the 40 years of my professional
9 career, I've been actively involved in a wide
10 range of public utility, economics, policy
11 regulation matters. I've participated in a large
12 number of state and federal regulatory commission
13 proceedings involving rates and costs of
14 utilities, in exchange for access to their pole
15 rates, pole ducts, conduits, and rights-of-way.
16 In many of those proceedings I served as an
17 expert and have involved a calculation of just
18 and reasonable pole attachment rental rates.

19 Q Ms. Kravtin, have you previously testified before
20 this Commission?

21 A Yes, I have. I testified in Docket DT 12-084, on
22 behalf of Time Warner Cable. That docket
23 involved a dispute over Eversource's pole
24 attachment rates, and resulted in the settlement

[WITNESS: Kravtin]

1 that adopted the formula that Eversource uses to
2 set pole attachment rates in New Hampshire.

3 In addition, I testified in the
4 Commission's generic competition docket, DR
5 90-002, on behalf of the Office of the Consumer
6 Advocate. That docket dealt with interstate
7 communications competition. And my testimony
8 addressed the economics of monopoly bottleneck
9 toll and switched access services, and the design
10 and implementation of interstate access charges.

11 Q Ms. Kravtin, did you submit prefiled direct
12 testimony on behalf of NECTA in this docket,
13 dated January 31st, 2022, which has been marked
14 as "Exhibit 39", along with attachments that have
15 been marked as "Exhibits 40" through "62"?

16 A Yes, I did.

17 Q Could you please provide a brief summary of your
18 prefiled direct testimony?

19 A Yes. My testimony presents information
20 supporting the position that the net purchase
21 price of the poles that Eversource intends to pay
22 for Consolidated's pole assets far exceed the net
23 book value of those assets appropriately
24 calculated, and, therefore, will negatively

[WITNESS: Kravtin]

1 impact the rates that pole attachers, such as
2 NECTA members, must pay for those facility
3 attachments to those poles.

4 My testimony also addresses why the
5 Consolidated rates that Eversource proposes to
6 charge for the transferred poles are excessive,
7 and, therefore, not just and reasonable.

8 I also discuss that the pole attachment
9 fees that Consolidated will pay to Eversource for
10 Consolidated's pole attachments are less than
11 what other pole attachers will pay Eversource,
12 and are, therefore, discriminatory.

13 And, lastly, my testimony makes a
14 number of recommendations to address the issues
15 I've identified in my testimony.

16 To summarize those briefly, one, if the
17 Commission decides to approve the proposed
18 transaction, it should not allow Eversource to
19 recover in pole attachment rates a premium above
20 Consolidated's net book value appropriately
21 determined for the transferred poles. The
22 Commission has previously determined the issue of
23 whether an acquisition premium should be
24 recovered, is appropriately considered in the

[WITNESS: Kravtin]

1 context of a rate case, not in the acquisition
2 approval proceeding. The Commission should also
3 preserve pole attachers' rights to challenge
4 Eversource's net book value for the transferred
5 poles, in connection with any challenge to
6 Eversource's pole attachment rates for the
7 transferred poles and other poles owned by
8 Eversource.

9 I'm also recommending that, in any
10 order approving a transaction, the Commission
11 should set a lower Consolidated pole rate for the
12 transferred poles in accordance with my prefiled
13 testimony. Consolidated's rates are not set
14 according to any approved pole rate formula.
15 And, as indicated in my testimony, I believe the
16 just and reasonable Consolidated rate would be
17 that calculated in accordance with the
18 Commission's rules, which I believe would warrant
19 application of the current FCC rules pursuant to
20 Section 224 of the Communications Act. I
21 recommend that Eversource collect the lower rate
22 for the transferred poles until such time as
23 Eversource develops new rates that reflect
24 inclusion of the transferred poles.

[WITNESS: Kravtin]

1 In the alternative, if the Commission
2 does not so order in this proceeding that a lower
3 Consolidated rate be charged by Eversource for
4 the transferred poles, then the Commission should
5 order that, if Consolidated's pole attachment
6 rates are reduced, either as the result of a
7 negotiated settlement or a Commission order,
8 prior to the time that Eversource consolidated
9 its rates, that Eversource must bill the lower
10 rate shown in Table 4 of my prefiled testimony
11 for the transferred poles, until such time it
12 chooses to integrate the costs and data
13 associated with the transferred poles into its
14 pole rates.

15 Q Ms. Kravtin, do you have any updates to your
16 prefiled testimony?

17 A Yes. I have a few clarifications to my prefiled
18 direct testimony, based on statements made in the
19 Petitioner's rebuttal testimony.

20 First, the net book value I've
21 calculated and recommended be relied on for
22 purposes of ensuring a just and reasonable pole
23 rate calculation is not based on the exceedingly
24 low GAAP net book value, as referenced in

[WITNESS: Kravtin]

1 Petitioner's rebuttal. And that was based, as
2 we've heard, on an extremely accelerated
3 depreciation using an extraordinarily low useful
4 life of five years. Rather, the net book value
5 that both I and Mr. Eckberg calculate --

6 *(Audio difficulties with the Webex feed*
7 *at this point, where the audio was cut*
8 *off for several seconds.)*

9 *[Court reporter interruption.]*

10 MS. GEIGER: You're breaking up.

11 CHAIRMAN GOLDNER: I'm sorry, Ms.

12 Kravtin? Ms. Kravtin?

13 *(The following italicized words in the*
14 *answer below were the words dropped*
15 *during the several seconds of lost*
16 *audio, and then the testimony*
17 *continues.)*

18 **CONTINUED BY THE WITNESS:**

19 A -- *is an imputed just and reasonable regulatory*
20 *net book value that is much higher than the GAAP*
21 *Net Book Value.*

22 The Net Book Value we calculate applies
23 a depreciation amortization schedule based on the
24 historic regulatory approved depreciation rate,

[WITNESS: Kravtin]

1 one roughly three times longer than the
2 Consolidated's actual accelerated depreciation,
3 and from which it derived tax benefit.

4 While both myself and Staff witness
5 Eckberg have calculated an imputed regulatory Net
6 Book Value for the transferred assets for
7 ratemaking purposes, my focus in particular has
8 been on the calculation of just and reasonable
9 pole attachment rates for the transferred poles,
10 to be clear, I have not opined on either the
11 gross or net purchase price that the Petitioners
12 negotiated between themselves for purposes of
13 this transaction. The parties are free to
14 negotiate a price pursuant to their respective
15 corporate interests and resources, and that may
16 include an acquisition premium over an
17 economically appropriate regulatory value. But
18 corporate interests do not necessarily align with
19 the public interest. And following from that,
20 the purchase price negotiated between the buyer
21 and seller of the assets does not necessarily
22 align with a just and reasonable net book value
23 for regulatory purposes, and in particular, for
24 the purposes of regulatory pole attachment rate,

[WITNESS: Kravtin]

1 which, pursuant to the Commission's rule, is
2 calculated using a formula methodology based on
3 the net book value of poles.

4 From an economic and regulatory public
5 interest standard, the just and reasonable net
6 book value for the transferred poles is based on
7 the capital recovery of the investment of the
8 transferred assets as carried on the seller's
9 books, not the buyer's, and in this instance,
10 taking into account the origin of the transferred
11 assets from Verizon to FairPoint to Consolidated,
12 the former both telephone companies following
13 regulatory depreciation principles. So, to
14 clarify, the value of the transferred assets is
15 appropriately based on the actual or imputed
16 regulatory depreciation applicable to the pole
17 assets as carried on the telephone company side,
18 for CCI, this would be the last regulatory
19 approved rate of 5.8 percent, corresponding, as
20 you've heard, to a roughly 17 year life, not the
21 slower regulatory depreciation applied to
22 Eversource, on the electric side, which we heard
23 about 3.5 percent, corresponding to a roughly 30
24 year life.

[WITNESS: Kravtin]

1 Under the Petitioner's theory, pole
2 attachers would effectively be paying double
3 depreciation related capital recovery for the
4 transferred assets, since Eversource's regulatory
5 depreciation has been roughly about half the
6 regulatory rate for depreciation historically
7 applied to the telephone company assets.

8 Now that Consolidated may be minimally
9 regulated, as Petitioners have reiterated in
10 their rebuttal testimony, does not exempt
11 Petitioners from the just and reasonable public
12 interest requirements of the transaction, and
13 which require no adverse harm to the public
14 interest, including harm to the pole attachers.
15 It just means, in the absence of full regulation,
16 that just and reasonable regulatory values must
17 be calculated for purposes of valuing the
18 transferred pole assets and in setting pole rates
19 for the transferred assets.

20 One final point of clarification, my
21 testimony opines on the nondiscriminatory just
22 and reasonable rates that Eversource should
23 charge on the transferred poles, that is the pole
24 attachment rate previously charged by

[WITNESS: Kravtin]

1 Consolidated based on its ownership share of the
2 poles, that will post-transfer be charged by
3 Eversource. I do not opine on the pole rates
4 that Eversource is charging or proposing to
5 charge on poles it controlled pre-transfer,
6 although those rates were identified by
7 Eversource in response to Staff data requests in
8 this proceeding. While my testimony notes my
9 findings that Eversource's rates are also
10 overstated according to just and reasonable rate
11 calculations, I mention that in my testimony only
12 in the context of explaining why the use of an
13 excessive net book value based on the negotiated
14 purchase price of the assets is significant when
15 considered in the context of its additive impact
16 on an already excessive pole rate.

17 BY MS. GEIGER:

18 Q Ms. Kravtin, subject to the --

19 CHAIRMAN GOLDNER: Ms. Kravtin or Ms.
20 Geiger, would you like a few minutes to confer
21 with your witness. I don't know how much of that
22 we captured after the glitch. Mr. Patnaude, were
23 you --

24 *(The court reporter indicated that at*

[WITNESS: Kravtin]

1 *the point of the audio glitch, there*
2 *was a short time where he tried to*
3 *interrupt, hoping to have Witness*
4 *Kravtin repeat from that point.)*

5 MS. GEIGER: Ms. Kravtin? Ms. Kravtin,
6 can you hear me?

7 WITNESS KRAVTIN: I can.

8 MS. GEIGER: When you were providing
9 the updates to your prefiled testimony, you broke
10 up. And the stenographer was unable to capture
11 some of the statements that you made. But did
12 capture some of them, is that correct, Mr.
13 Patnaude?

14 *(The court reporter indicated he had*
15 *stopped writing for about 30 seconds*
16 *while trying to interrupt Witness*
17 *Kravtin, and asked Ms. Geiger if there*
18 *was a prepared statement to assist.)*

19 MS. GEIGER: She does. And, Mr.
20 Patnaude, if that's something that --

21 *(The court reporter noted he could use*
22 *that, plus access the Webex recording*
23 *to assist with the transcript.)*

24 MR. KREIS: And, in addition to the

[WITNESS: Kravtin]

1 transcript, I would like to hear everything
2 Ms. Kravtin had to say, and I'm sure the
3 Commissioners would as well.

4 WITNESS KRAVTIN: Well, if I may ask,
5 was it just beginning with the updates to my
6 testimony?

7 MS. GEIGER: Yes, Ms. Kravtin. Maybe,
8 Mr. Patnaude, if you wouldn't mind just --

9 *(The court reporter noted it would be*
10 *difficult to find the area of the audio*
11 *glitch as it was several minutes ago.)*

12 MS. GEIGER: Okay.

13 MS. RALSTON: The Company would like to
14 object, however, to Ms. Kravtin's statement.
15 This feels like it's going beyond the scope of an
16 amendment or an update to her testimony. That
17 was quite lengthy, and beyond just a simple
18 update.

19 CHAIRMAN GOLDNER: Ms. Geiger.

20 MS. GEIGER: Well, as Ms. Kravtin began
21 her remarks, I asked her if she had any updates,
22 and which I believe is customary. And she said
23 that she did have some clarifications to her
24 prefiled direct testimony, in response to the

[WITNESS: Kravtin]

1 Petitioners' rebuttal testimony. So, it was in
2 that context that she provided the information to
3 the Commissioners, basically, in response to --
4 as clarifications in response to rebuttal
5 testimony that was provided.

6 CHAIRMAN GOLDNER: Could we perhaps
7 have a short clarification of her testimony? I
8 think that was quite lengthy. I think, maybe a
9 simplification would be in order, for
10 Mr. Patnaude and the rest of the hearing room?

11 MS. GEIGER: Sure.

12 BY MS. GEIGER:

13 Q Ms. Kravtin, would it be possible for you,
14 instead of going through and providing all of
15 your remarks again, could you just very briefly
16 highlight the points that you made?

17 A Yes. Yes, I could. Thank you. I appreciate
18 that. And apologize for not understanding the
19 break-up.

20 So, a few clarifications. First of
21 all, to clarify, the net book value that I've
22 calculated and relied on for purposes of ensuring
23 a just and reasonable pole rate is not based on
24 the extraordinarily low GAAP net book value that

[WITNESS: Kravtin]

1 Consolidated has indicated is taken for
2 accounting purposes. But, rather, both I and Mr.
3 Eckberg relied on an imputed regulatory value,
4 based on the last approved regulatory
5 depreciation rate that was reported. So, to
6 clarify, ours is not based on the extremely low
7 net book value, but the regulatory just and
8 reasonable value.

9 I would like to clarify that I have not
10 opined on the gross or net purchase price the
11 Petitioners have negotiated. I understand
12 parties are free to negotiate based on their
13 corporate resources and interests, but that that
14 does not align with the public interest. To
15 align with the public interest and to ensure just
16 and reasonable rates, we must use a just and
17 reasonable regulatory value, and that's what I've
18 calculated for purposes of the pole attachment
19 rates, similar to Mr. Eckberg in his
20 calculations.

21 To clarify, from an economic and public
22 policy standpoint, it's not the value of the
23 transferred poles as they may exist on the
24 buyer's side, but on the seller's side. And

[WITNESS: Kravtin]

1 that's why we look to a regulatory capital
2 recovery experience associated with the telephone
3 side, and that would be, again, based on the
4 regulatory depreciation. If you base it on the
5 buyer's side, the electric side, you'll have pole
6 attachers effectively double paying for the
7 capital recovery, because they have already done
8 so on the telephone side, but the electric side
9 is at a slower rate. And, so, they'd be subject
10 to double recovery, if the assets are valued
11 according to Eversource's regulatory treatment,
12 not the telephone company regulatory treatment.

13 To clarify, that Consolidated may be
14 minimally regulated, as has been articulated,
15 does not exempt Petitioners from the just and
16 reasonable standards. It just means, as I have
17 done and Mr. Eckberg had done, we need to use
18 some imputed, objective regulatory standards that
19 net a just and reasonable standard.

20 And, finally, I want to clarify that I
21 don't opine on the pole rates that Evercharge --
22 Eversource, excuse me, is charging or proposing
23 to charge, but, rather, those charged by
24 Consolidated, that, pursuant to the transfer,

[WITNESS: Kravtin]

1 public interest requirement must be just,
2 reasonable, and nondiscriminatory. And, so, I
3 only refer to Eversource's rates, which I found
4 to be excessive, but only in the context of
5 saying why an overstated net book value must be
6 considered in that context as well. But my
7 opinions go to the rates that Eversource should
8 charge on the Consolidated side of this
9 transaction going forward.

10 Q Ms. Kravtin, subject to the updates to your
11 prefiled testimony that you just described, if
12 you were asked the same questions contained in
13 your prefiled testimony under oath today, would
14 your answers be the same?

15 A They would.

16 MS. GEIGER: The witness is available
17 for cross-examination.

18 CHAIRMAN GOLDNER: Okay. Very good.
19 Ms. Ralston?

20 MS. RALSTON: We don't have any
21 questions for this witness. We just want to note
22 that we object to her introductory statements,
23 based on that it introduces a lot of new facts
24 into the record.

[WITNESS: Kravtin]

1 CHAIRMAN GOLDNER: Okay. Just a
2 moment.

3 *[Chairman Goldner, Commissioner*
4 *Simpson, and Atty. Wind conferring.]*

5 CHAIRMAN GOLDNER: Okay. We have a
6 four-step solution for this problem.

7 So, first, I'm going to strike the
8 testimony. We'll ask NECTA to put it in writing
9 for the record. But we're going to strike the
10 verbal testimony. The witness is, of course,
11 subject to cross. So, anyone can question the
12 witness further on any concerns that they have.
13 And, then, we'll also ask the witness to come
14 back for our next hearing on the matter, so that
15 we can question her further.

16 Ms. Geiger.

17 MS. GEIGER: Yes. Mr. Chairman, could
18 I please have some clarification, when you said
19 that you were "going to strike the testimony",
20 are you saying you were going to strike Ms.
21 Kravtin's testimony in its entirety, or simply
22 that portion of her testimony in which she
23 provided statements in response to my question
24 about updates?

[WITNESS: Kravtin]

1 CHAIRMAN GOLDNER: I'll strike her
2 entire testimony. We couldn't understand what
3 she was saying precisely, and, if it was in
4 response, or if there were other pieces of
5 testimony that were added.

6 So, what we'd request is that it be put
7 in writing, perhaps some others did understand,
8 and then she's subject to cross. So, we can
9 learn further about her statements.

10 MS. GEIGER: Mr. Chairman, again, for
11 some clarification please. Ms. Kravtin submitted
12 prefiled direct testimony, which has been marked
13 as an exhibit, --

14 CHAIRMAN GOLDNER: Yes.

15 MS. GEIGER: -- along with attachments.
16 Am I correct that the portion of her oral
17 testimony today, that incorporates and adopts
18 under oath her prefiled testimony is in the
19 record, or has that been stricken?

20 CHAIRMAN GOLDNER: We struck it.

21 MS. GEIGER: I would respectfully ask
22 the Bench for an explanation about that. That
23 has never --

24 CHAIRMAN GOLDNER: We're going to --

[WITNESS: Kravtin]

1 we're going to take five. This is quite
2 complicated, and we're going to take a few
3 minutes. So, let us step out.

4 Before we do, Mr. Kreis, you wish to
5 say something?

6 MR. KREIS: As you are stepping out to
7 ponder this, I guess I would respectfully request
8 that you reconsider the ruling that you just laid
9 out.

10 Really, all Ms. Kravtin did, by way of
11 clarifying her prefiled direct testimony, is say
12 that Eversource was mistaken in characterizing
13 her as having based her recommendations on GAAP
14 value. All she said was "in fact, I and Mr.
15 Eckberg relied on what we calculated as an
16 imputed regulatory value." Then, she said "if
17 you do otherwise, there's a risk of double
18 payment." That's a point that I made as well
19 during my cross-examination of I think it was Mr.
20 Horton.

21 So, there isn't -- I don't think that
22 Ms. Kravtin has made any effort to embellish or
23 substantially add to her testimony. She really
24 did only clarify it, although she talked for a

[WITNESS: Kravtin]

1 long time, admittedly. And it's just not fair
2 to, given all of that, strike every bit of
3 testimony that she intended to offer, including
4 her written testimony, because you're basically
5 going to give the Petitioners another bite at the
6 apple. They should be here today ready, willing,
7 and able to cross-examination her as necessary.

8 CHAIRMAN GOLDNER: Ms. Ralston.

9 MS. RALSTON: Yes. I would just
10 clarify, we were only objecting to the portion
11 that was an update. We were not seeking to
12 strike her earlier testimony regarding her
13 prefiled testimony.

14 And, if it could be provided in
15 writing, and we could reserve the right to
16 perform cross-examination on these new facts that
17 have been introduced at the subsequent hearing,
18 that's really all we're looking for.

19 CHAIRMAN GOLDNER: Ms. Geiger, is that
20 acceptable?

21 MS. GEIGER: Certainly. We would be
22 more than happy to provide the parties,
23 Mr. Patnaude, the Commission, with a copy of the
24 written statement that Ms. Kravtin provided

[WITNESS: Kravtin]

1 orally in response to my question about "whether
2 she has any updates to her prefiled testimony?"

3 CHAIRMAN GOLDNER: Mr. Kreis, any
4 concerns?

5 MR. KREIS: I respectfully yield to my
6 friend, Ms. Geiger, since it is her witness after
7 all.

8 CHAIRMAN GOLDNER: Very good. Just
9 wanted to make sure there was no concern. So, I
10 think we can proceed, having agreed. So, --

11 CMSR. SIMPSON: Mr. Chairman, I just
12 want to make sure that I'm clear here.

13 CHAIRMAN GOLDNER: Okay.

14 CMSR. SIMPSON: We're going to strike
15 from the record the verbal testimony that
16 Ms. Kravtin just gave with respect to the last
17 question asked by Ms. Geiger. Is that your
18 understanding, Mr. Chairman?

19 CHAIRMAN GOLDNER: That's correct.

20 CMSR. SIMPSON: So, her prefiled
21 written testimony, and her testimony verbally
22 today, preceding the last question asked by
23 Ms. Geiger, stands. Is that correct?

24 CHAIRMAN GOLDNER: That's correct.

[WITNESS: Kravtin]

1 CMSR. SIMPSON: Thank you. That's my
2 understanding as well.

3 I think I would ask Ms. Geiger to ask
4 the last question again, and to give Ms. Kravtin
5 an opportunity to respond, with the suggestion
6 that we keep things brief, as we're quickly
7 approaching the end of the day.

8 CHAIRMAN GOLDNER: Ms. Geiger?

9 MS. GEIGER: I think I did that.

10 CHAIRMAN GOLDNER: Yes.

11 MS. GEIGER: I think this will be the
12 third time, if I do that again. And, so, I'm not
13 certain that, if I asked that question again,
14 that you are going to hear anything differently
15 from what Ms. Kravtin said the first time or the
16 second time.

17 CMSR. SIMPSON: Well, I would
18 respectfully say that, given the lack of
19 information that we received, or the lack of
20 communication, I should say, in the midst of
21 Ms. Kravtin's testimony, which I want to hear,
22 I'm somewhat confused as to where we stand.

23 So, now that we've established a clear
24 line of communication with Ms. Kravtin, it would

[WITNESS: Kravtin]

1 be wonderful to hear her testimony again with
2 communication intact.

3 MS. GEIGER: Okay. Thank you.

4 CMSR. SIMPSON: Respectfully.

5 MS. GEIGER: Thank you.

6 CMSR. SIMPSON: Okay. Thank you.

7 BY MS. GEIGER:

8 Q Ms. Kravtin, do you have any updates to your
9 prefiled testimony?

10 A Yes. I have a few clarifications. The net book
11 value that I've calculated and recommended be
12 used for purposes of pole attachment rates is not
13 based on the extraordinarily low GAAP book value
14 that Petitioners have referenced, but rather a
15 higher imputed regulatory value, based on a
16 historically regulated depreciation recovery
17 applicable to these assets. And that it is that
18 value that is appropriate to rely on, not the
19 valuation of these assets or depreciation
20 recovery experience being carried on the electric
21 utility side. Because the electric utility has
22 been subject to a lower rate of depreciation,
23 and, so, if you then apply that to the
24 transferred assets, you'll be essentially

[WITNESS: Kravtin]

1 allowing for double recovery of those assets upon
2 transfer. And that would not be in the public
3 interest or just and reasonable.

4 I further want to clarify on my
5 testimony, as prefiled, does not opine on the net
6 or gross purchase price of the transaction,
7 realizing that parties are free to negotiate
8 according to their corporate interests or
9 resources, but that does not necessarily align
10 with the public interest, which requires a just
11 and reasonable standard, and that can only be
12 achieved through application of a just and
13 reasonable amount of capital recovery based on
14 the transferred assets, and how they have been
15 previously owned and depreciated in the past.

16 I also note, to clarify, that
17 Consolidated's minimal regulatory status does not
18 exempt Petitioners from the public interest
19 standard, which would require just and reasonable
20 values be used for purposes of the pole rate
21 calculation and the net book value of the
22 transferred poles. Just that we may need to
23 rely, as we have, myself and Mr. Eckberg, on
24 imputed regulatory values that were associated

[WITNESS: Kravtin]

1 with these poles on the telephone company side,
2 under this ownership and prior ownership.

3 And, finally, I do not opine on the
4 pole attachment rates that Eversource should
5 charge on the transferred poles on its books, but
6 only to the rate that Eversource would charge
7 pole attachers on the Consolidated pole
8 attachment rates that post-transfer Eversource
9 will take over billing. My testimony, to
10 clarify, as stated in my prefiled, is that those
11 should be subject to the New Hampshire rules
12 applying the pole rate formula to the
13 Consolidated pole rates, which were not set
14 according to any regulatory pole formula.

15 MS. GEIGER: Thank you, Ms. Kravtin.
16 Mr. Chairman, I don't have any further questions
17 for this witness. And she is again available for
18 cross-examination.

19 CHAIRMAN GOLDNER: Thank you.
20 Ms. Ralston?

21 MS. RALSTON: Just to clarify, will
22 this be put into writing, that we will have an
23 opportunity to ask cross-examination on at the
24 next hearing?

[WITNESS: Kravtin]

1 CHAIRMAN GOLDNER: So, I think the
2 original statement that she made that -- where it
3 cut out, --

4 MS. RALSTON: Uh-huh.

5 CHAIRMAN GOLDNER: -- the original full
6 statement is what we're planning to put in the
7 record.

8 MS. RALSTON: Okay. And --

9 CHAIRMAN GOLDNER: Yes, it was her
10 written testimony, or it was what she was reading
11 in during her initial testimony.

12 MS. RALSTON: And there will be
13 opportunity for cross-examination on that
14 statement at the next hearing, correct?

15 CHAIRMAN GOLDNER: Yes.

16 MS. RALSTON: Okay. Then, no questions
17 at this time.

18 MS. GEIGER: Mr. Chairman, should we
19 reserve an exhibit number for that filing?

20 CHAIRMAN GOLDNER: Yes, we should.

21 MS. GEIGER: It would be "Exhibit 68",
22 based on the list that we have.

23 CHAIRMAN GOLDNER: Yes. We could do
24 that. There were, I think, four or five record

[WITNESS: Kravtin]

1 requests, but we could --

2 MS. GEIGER: Understood. Whatever
3 number you assign to it.

4 CHAIRMAN GOLDNER: Okay.

5 MS. GEIGER: Thank you.

6 CHAIRMAN GOLDNER: Find my notes.
7 We'll add that.

8 ***[Exhibit to be reserved as noted above.]***

9 CHAIRMAN GOLDNER: Okay. Mr. McHugh?

10 MR. MCHUGH: Well, Mr. Chairman, if I
11 could ask, I might, I guess. Can I get a five or
12 ten-minute break to try and sort out all that
13 just transpired, and see if I really do or don't?

14 CHAIRMAN GOLDNER: Of course.

15 MR. MCHUGH: Thank you.

16 CHAIRMAN GOLDNER: Thank you. We'll
17 take a five-minute recess.

18 *(Recess taken at 2:54 p.m. and the*
19 *hearing resumed at 3:12 p.m.)*

20 CHAIRMAN GOLDNER: Okay. Mr. McHugh.

21 MR. MCHUGH: Thank you for the break,
22 Mr. Chairman. I'm going to defer my questions
23 until I see the written statement of Ms. Kravtin
24 that should follow.

[WITNESS: Kravtin]

1 CHAIRMAN GOLDNER: Okay. Thank you.

2 Mr. Kreis?

3 MR. KREIS: Nothing from me, Mr.

4 Chairman.

5 CHAIRMAN GOLDNER: Mr. Wiesner?

6 MR. WIESNER: I have nothing as well.

7 CHAIRMAN GOLDNER: Commissioner

8 Simpson?

9 CMSR. SIMPSON: No questions for me at
10 this time either, Mr. Chairman. Thank you.

11 CHAIRMAN GOLDNER: And no questions
12 from the Chair. So, the witness is released.

13 Oh, I'm sorry. I'm sorry. Is there any
14 redirect, Ms. Geiger? My apologies.

15 MS. GEIGER: No. Thank you.

16 CHAIRMAN GOLDNER: All right. Okay.
17 Now, the witness is released.

18 WITNESS KRAVTIN: Thank you.

19 CHAIRMAN GOLDNER: All right.

20 Mr. Patnaude, can you swear in our final witness?

21 (Whereupon **Stephen R. Eckberg** was duly
22 sworn by the Court Reporter.)

23 CHAIRMAN GOLDNER: All right. We'll
24 move to direct examination. Mr. Wiesner.

[WITNESS: Eckberg]

1 MR. WIESNER: Good afternoon, Mr.
2 Eckberg.

3 **STEPHEN R. ECKBERG, SWORN**

4 **DIRECT EXAMINATION**

5 BY MR. WIESNER:

6 Q For the record, could you please state your full
7 name and your title with the Department of
8 Energy?

9 A My name is Stephen Eckberg. And I'm a Utility
10 Analyst in the Regulatory Support Division of the
11 Department of Energy.

12 Q And did you submit prefiled testimony in this
13 matter, which has been marked for identification
14 as "Exhibit 21", in its confidential version, and
15 "Exhibit 22", in its redacted version?

16 A Yes, I did.

17 Q And do you have any updates or corrections to
18 that prefiled testimony?

19 A I do not.

20 Q Well, I'm glad to hear that. And if I were to
21 ask you the same questions this afternoon, would
22 you answer them in the same way as in those two
23 exhibits?

24 A There might be some minor changes. But,

[WITNESS: Eckberg]

1 generally, yes.

2 Q And do you adopt that prefiled testimony as your
3 sworn testimony for purposes of this proceeding?

4 A Yes, I do.

5 MR. WIESNER: Well, I will not ask you
6 to summarize your testimony, and make the witness
7 available for cross-examination.

8 CHAIRMAN GOLDNER: Thank you,
9 Mr. Wiesner. Ms. Ralston.

10 MS. RALSTON: Thank you. Good
11 afternoon, Mr. Eckberg.

12 **CROSS-EXAMINATION**

13 BY MS. RALSTON:

14 Q Can I refer you to Exhibit 22, which is the
15 redacted version of your testimony, and at Bates
16 003? And you state there that you do not
17 recommend approval of the transaction, because it
18 would require Eversource customers to pay costs
19 that should be collected from Consolidated, is
20 that correct?

21 A Could you, just to be very sure about the spot in
22 the testimony that I'm looking at, could you --
23 you said "Bates Page 003"?

24 Q Yes. Bates Page 003, at Line 16.

[WITNESS: Eckberg]

1 A And, I'm sorry, did you say "Line 15"?

2 Q Sixteen.

3 A I happen to be looking at -- I'm sorry, I do
4 happen to be looking at the confidential version.
5 Is perhaps the pagination different? I'm not
6 sure that that would be the case. I would hope
7 it's the same. But I'll be glad to open
8 Exhibit 22.

9 Q If it's helpful, it's the "Page 3 of 10" of your
10 testimony.

11 A I'm sorry?

12 Q Page 3 of 10 of your testimony, where the
13 question is "Could you state briefly whether you
14 recommend approval of the joint filing made by
15 CCI and Eversource?" Are you able to find that?

16 A Yes. That's the question. On Line 14?

17 Q Sure. Yes.

18 A Yes.

19 Q And, then, at Line 16, you state "I do not
20 recommend the approval of the asset transfer as
21 proposed in the joint petition."

22 A Yes, I see that. That was the answer that I gave
23 to that question, yes.

24 Q Okay. And, then, turning to the next page, you

[WITNESS: Eckberg]

1 explain that "the costs Eversource should collect
2 from Consolidated are related to the settlement
3 of the vegetation management dispute between the
4 Joint Petitioners", is that correct?

5 A That is how I explained it in my testimony, yes.

6 Q Okay. And, so, is it your understanding that the
7 vegetation management costs in dispute between
8 the Joint Petitioners are included as an element
9 of the valuation assigned to the pole assets that
10 would be purchased by Eversource?

11 A At the time that I prepared my testimony, that
12 was the way I presented it here. Though, I have
13 come to understand that it would be a more
14 accurate presentation to refer to the vegetation
15 management settlement amount as not necessarily
16 being included in the net purchase amount, but
17 rather as an offset to that amount.

18 Q Thank you. So, if I could refer you to Exhibit
19 11, which is Mr. Horton's testimony?

20 A One moment. This is the rebuttal testimony of
21 Mr. Horton?

22 Q Yes.

23 A Okay. I have that open.

24 Q Okay. And if you turn to Bates 016, starting at

[WITNESS: Eckberg]

1 Line 21?

2 A Page 16, Line 21.

3 Q So, there it states that "The vegetation
4 management settlement amount reflects a
5 receivable on Eversource's books, which the
6 Company will deduct from the net purchase price
7 in determining the amount of cash exchanging
8 hands as of the date of closing." So, based on
9 your updated understanding since you filed your
10 testimony, do you agree with that statement?

11 A Yes, I do. As the testimony states, as Mr.
12 Horton's testimony states here, beginning on Line
13 20, he says "the vegetation management settlement
14 amount is not included in the net purchase
15 price." And I believe that's just about exactly
16 what I said, yes.

17 Q Okay. Thank you. So, let's turn back to Exhibit
18 22, which is your testimony.

19 A Okay.

20 Q And, so, at Bates 006, you state that you
21 recommend a net book value for the transaction of
22 a little over \$13 million, based on a calculation
23 you performed using the ARMIS data that was
24 provided by Consolidated. Is that accurate?

[WITNESS: Eckberg]

1 A Yes, it is.

2 Q Okay. And, so, then, if we can refer to
3 Exhibit 15?

4 A And this is the Rebuttal Testimony of Mr. Shultz
5 and Ms. Davis?

6 Q Yes.

7 A I'm sorry. I have that open, yes.

8 Q Okay.

9 A I'm sorry.

10 Q And, if you go to Bates 015, at Lines 11 through
11 12, does it state here that "Consolidated is not
12 a rate-regulated utility"?

13 A Bates 015, Lines 11 and 12. It does, in fact,
14 say "Consolidated is not a rate-regulated utility
15 and is not required to file ARMIS reports." Yes.

16 Q And is it your understanding that Consolidated is
17 a rate-regulated utility or would you agree that
18 they are not a rate-regulated utility?

19 A I would agree that they are not a rate regulated
20 utility.

21 Q Okay. So, can we turn to Bates 016 of the same
22 exhibit, at Line 11?

23 A I'm sorry, Bates?

24 Q Sixteen. The next page.

[WITNESS: Eckberg]

1 A I lost that one. We're in the same exhibit?

2 Q Same exhibit. Bates 016.

3 A Bates 016. Yes.

4 Q And, starting at Line 11, does it state that
5 Consolidated "changed its GAAP accounting method
6 related to pole depreciation from the prior
7 FairPoint useful life of fifteen" --

8 A One moment. Perhaps I misheard you. My ears are
9 not as acute as they used to be. You said "Bates
10 016"?

11 Q Bates 016, at Line 11. Are you there?

12 A I think I must have not the correct reference.
13 Are we talking about Bates 1-6?

14 Q Yes.

15 A At Line 11. Okay. I was looking for the
16 beginning of a sentence there.

17 Q Oh, no. It's mid-sentence.

18 A Okay, it's mid-sentence.

19 Q Yes. So, mid-sentence it states that
20 Consolidated "changed its GAAP accounting method
21 related to pole depreciation from the prior
22 FairPoint useful life of fifteen years to an
23 extraordinarily low useful life of five years."
24 Do you see that?

[WITNESS: Eckberg]

1 A No, I don't. Now, I do. "An extraordinarily low
2 useful life of five years", yes.

3 Q Okay. And does it also state that this "change
4 in accounting method purely was for GAAP
5 accounting purposes and has the effect of
6 minimizing accounting losses related to any sale
7 of poles in Northern New England"?

8 A You have read that correctly, yes.

9 Q Okay. And is it your understanding that, if the
10 depreciation rate was set for accounting purpose
11 on a useful life of five years, then a good
12 assumption regarding the condition of those poles
13 is that they are old and in need of replacement?

14 A Could you ask that question again?

15 Q Sure. Is it your understanding that, if the
16 depreciation rate was set for accounting purposes
17 on a useful life of five years for poles, that it
18 would be a good assumption that the condition of
19 those poles is that they are old and in need of
20 replacement?

21 A I'm not sure that I would necessarily make that
22 assumption, no. I think, as we've heard, poles
23 generally have a useful life of longer than five
24 years. And, if they are being depreciated over a

[WITNESS: Eckberg]

1 life of five years, that is something that's
2 being done for accounting purposes. It's not
3 something that necessarily reflects the useful
4 life of the asset.

5 Q Thank you. And is it your understanding that
6 Eversource is a rate-regulated utility?

7 A Absolutely.

8 Q Okay. Can I refer you to Exhibit 11, at Bates
9 014?

10 A Bates -- Exhibit 11.

11 Q Yes. Bates 1-4, 14, starting at Line 16.

12 A Yes. I'm there.

13 Q Okay. And does Mr. Horton state here that "for a
14 rate-regulated utility (like Eversource), that
15 the accelerated depreciation more closely
16 reflects the recovery of an investment from its
17 customers"?

18 A Yes. That's generally what his message is here,
19 yes.

20 Q Okay. And what is your understanding of what Mr.
21 Horton is saying with that statement?

22 A Well, I think, as the testimony states here, that
23 a five-year period, a depreciation reflecting a
24 five-year period, is not something that would

[WITNESS: Eckberg]

1 normally be part of a regulated utility practice.
2 It would not be -- it's certainly not for a poles
3 asset.

4 Q Okay. And, in your experience, what is the
5 purpose of depreciation in utility ratemaking,
6 just generally?

7 A Well, as other witnesses have said today, the
8 purpose of the depreciation is to provide the
9 regulated utility with an opportunity to collect
10 the costs of the assets that it has invested in,
11 that is the return of, rather than the return on,
12 the asset.

13 Q Would you agree that, in utility ratemaking,
14 "depreciation" is generally defined as "the
15 decrease in the value or worth of a fixed asset
16 that occurs throughout its life as the asset is
17 used for the production of goods or services"?

18 A I think that's a good general description of
19 "depreciation", yes.

20 Q And are you familiar with the NARUC Depreciation
21 Manual?

22 A I am generally familiar with that. I believe I
23 have a copy in my office, if we need it.

24 Q And have you considered the depreciation

[WITNESS: Eckberg]

1 principles encompassed in that manual in making
2 your recommendations regarding stating that
3 Eversource's valuation of the CCI poles is too
4 high?

5 A Could you repeat that question one more time?

6 Q Sure. Have you considered the depreciation
7 principles from the NARUC Depreciation Manual in
8 recommending that Eversource's valuation of the
9 CCI poles is too high?

10 A I think that, generally, I have considered the
11 principles from that manual, as well as the
12 information that's been provided in the
13 testimony, in exhibits that have been filed here,
14 yes.

15 MS. RALSTON: Thank you. Those are all
16 our questions for the witness.

17 CHAIRMAN GOLDNER: Thank you. Mr.
18 McHugh?

19 BY MR. McHUGH:

20 Q Mr. Eckberg, from the discovery in this case,
21 including the Pole Attachment -- Settlement and
22 Pole Asset Purchase Agreement, we can agree that
23 the number of joint-owned poles that are being
24 transferred, if the Commission were to approve

[WITNESS: Eckberg]

1 the transactions as presented, is 343,098
2 joint-owned poles with Eversource, between CCI
3 and Eversource?

4 A "343,098", is that the number you said?

5 Q Yes.

6 A Yes. That's the number that I had in my
7 testimony, which I took from Mr. Lajoie's
8 testimony, yes.

9 Q Okay. "Joint-owned" means that CCI has a half
10 interest and Eversource has a half interest,
11 would you agree with that?

12 A That's my understanding of what "jointly-owned
13 poles" are. Yes.

14 Q All right. From the discovery in this matter,
15 Mr. Eckberg, do you agree that over half of those
16 poles are in the Eversource maintenance
17 territories?

18 A I have heard that testimony, yes. I don't
19 dispute it.

20 Q All right. Let's just -- I'm just trying to
21 figure out some math. So, we'll put those half
22 aside. So, those half are subject to Eversource
23 maintenance procedures, inspection procedures,
24 you agree with all of that?

[WITNESS: Eckberg]

1 A Yes. If those poles are in the Eversource joint
2 maintenance area, yes.

3 Q Yes. And, in the prefiled testimony filed on
4 behalf of Consolidated, Mr. Shultz and Ms. Davis
5 testified under oath that "over 90,000 of the
6 poles in the CCI maintenance area have been
7 inspected by Osmose Utility Services", do you
8 disagree with that testimony?

9 A No, I don't disagree with that. I believe there
10 was reference during the course of the day today
11 something close to 52 percent, perhaps, of poles
12 had been inspected during the course of a 2019
13 inspection report, and then another report that
14 took place in 2020.

15 Q Okay. So, that would be 52 percent of the poles
16 in the CCI maintenance areas, correct?

17 A I'm not sure whether that refers to the CCI
18 maintenance area or the total number of poles.

19 Q You haven't disputed what was in -- today, you
20 don't dispute the pole inspection results that
21 Ms. Davis and Mr. Shultz included in their
22 prefiled testimony, right?

23 A No. No, I don't.

24 MR. McHUGH: Okay. That's it. Thank

[WITNESS: Eckberg]

1 you very much.

2 CHAIRMAN GOLDNER: Ms. Geiger?

3 MS. GEIGER: Thank you.

4 BY MS. GEIGER:

5 Q Mr. Eckberg, would you agree that you calculated
6 the net book value of the assets that
7 Consolidated proposes to transfer to Eversource
8 using essentially the same methodology that Ms.
9 Kravtin used to correctly calculate her net book
10 value figure?

11 A I believe that to be the case, based upon
12 discussions in technical sessions following the
13 filing of our two separate testimonies, yes.

14 Q And is it fair to say that the methodology that
15 you and Ms. Kravtin used to calculate the net
16 book value of the transferred assets is based on
17 regulatory ARMIS data that was provided by
18 Consolidated, in response to the Commission's
19 order on NECTA's Motion to Compel?

20 A Yes. I used the -- that's correct. I used the
21 data in the ARMIS 2020 Report that was provided
22 by Consolidated.

23 Q Yet your net book value figure is lower than Ms.
24 Kravtin's figure, is that correct?

[WITNESS: Eckberg]

1 A Yes. That's correct.

2 Q And is that because you applied one additional
3 year's worth of depreciation at the last reported
4 and regulatorily approved depreciation rate of
5 5.8 percent?

6 A That is correct. I used -- I applied an extra
7 year's worth of depreciation, because the
8 agreed-upon prices in the Settlement Agreement
9 between Eversource and Consolidated reflected
10 values that were determined or purported to be
11 the end of 2020. And, at the time testimony was
12 filed, it was, according to the front page of my
13 testimony, "January 31st, 2022". So, I applied
14 another year's worth of depreciation. That's
15 correct.

16 Q Thank you. And, Mr. Eckberg, would you agree
17 that the net book value, as calculated by Ms.
18 Kravtin and yourself, are a fair proxy or fair
19 proxies for what Consolidated's books would show
20 had it continued to adhere to regulatory
21 accounting principles for depreciation and the
22 regulatory depreciation rate of 5.8 percent?

23 A That was my understanding of what that
24 information that was provided in that report

[WITNESS: Eckberg]

1 represented. Though, it's my impression, from
2 testimony today, and during the course of
3 discovery, that Consolidated may be claiming that
4 this information is not exactly that, but it may
5 be representing information which is subject to
6 other GAAP accounting techniques. Though, that
7 was not presented, I don't believe, very clearly,
8 in relation to this particular ARMIS Report.

9 Q Okay. With respect to the depreciation rate of
10 5.8 percent that's in the ARMIS Report data,
11 would you agree that using that regulatory
12 depreciation rate, which you applied using the
13 ARMIS data, is close to double the depreciation
14 rate that Eversource takes?

15 A I'm not sure it's quite double. But we do have a
16 5.8 percent rate here, and I believe Mr. Horton
17 testified earlier today that the currently
18 approved poles depreciation rate, and that is
19 Account Number 364 in the electric utility
20 reporting system, the depreciation rate for that
21 account is 3.59 percent, I believe.

22 And, if I could just diverge for a
23 moment on depreciation matters, I'll try to make
24 it brief so I don't put everyone to sleep, it's

[WITNESS: Eckberg]

1 late in the day. But I think that Mr. Horton
2 testified earlier today that that 3.59 percent
3 corresponded to roughly a 28 year asset life.
4 And I would suggest that, if we were to look in
5 detail back at the depreciation study and the
6 rates that are approved from the Company's last
7 rate case, 19-057, that I believe that the
8 approved asset life for assets in that Account
9 364 is more like a 53 year life. And the reason
10 is that the difference between 53 years, and the
11 28 years that Mr. Horton shared, is just that the
12 calculations of depreciation rates are more
13 complicated than just using the asset life. We
14 have to take into account the net salvage value
15 as well.

16 And, so, Mr. Horton's arithmetic is
17 absolutely correct. If you divide one by the
18 0.0359, which is the decimal equivalent of 3.59
19 percent, you do, in fact, get about a 20 year
20 asset life. But that's a somewhat simplistic way
21 of converting the depreciation rate into an asset
22 life. And, so, I just wanted to make that
23 correction.

24 And I think that we've also heard

[WITNESS: Eckberg]

1 today, and perhaps several witnesses have talked
2 about this 5.8 percent depreciation rate, which
3 is on the ARMIS Report, and have suggested that
4 that corresponds to about a 17 year asset life.

5 I have taken the liberty of digging
6 back through records. And, though, this is not
7 in the record, I have found, in a FairPoint ARMIS
8 Report from 2011, which has a lot more detail
9 included in it, including a depreciation page.
10 And the 5.8 percent actually corresponds to a
11 poles life of 19.1 years in the FairPoint world.
12 So, I would suggest that, since we're still using
13 that 5.8 percent here, that probably the asset
14 life is about 19 years, rather than 17 something.

15 So, hope you all don't mind too much
16 that little sidetrack down depreciation lane.

17 Q No. I believe you referred to an Eversource
18 depreciation rate of "3.59 percent", is that
19 correct?

20 A Yes. I believe that's the correct number.

21 Q Would you, subject to check, accept that, in
22 Exhibit 61, which is -- at Page 34, I don't know
23 if you have that, that Eversource's FERC Form 10
24 for 2019 shows a "3.18 percent" depreciation

[WITNESS: Eckberg]

1 rate?

2 A I believe that's correct. I think that the new
3 3.59 percent rate went into effect in 2021.

4 Q Okay.

5 A So, depending upon at what point in time these
6 schedules were prepared during the course of this
7 proceeding, the Company, Eversource, may have
8 used the previously approved rate, which I think
9 was more in line with the number you just gave
10 us, "3.18 percent". Yes.

11 Q Yes. That was on the FERC Form 10 for 2019. So,
12 that might explain the discrepancy?

13 A Yes.

14 MS. GEIGER: Okay. I have no further
15 questions for this witness. Thank you.

16 CHAIRMAN GOLDNER: Thank you. Mr.
17 Kreis?

18 MR. KREIS: Mr. Chairman, in the
19 interest of making sure that the Ides of March
20 doesn't become Ides of March plus one, given the
21 lateness of the hour, I have no questions for
22 this witness.

23 CHAIRMAN GOLDNER: Thank you.

24 Commissioner Simpson.

[WITNESS: Eckberg]

1 CMSR. SIMPSON: Thank you, Mr.
2 Chairman. And thank you, Mr. Eckberg, for being
3 here today on behalf of the Department of Energy.

4 BY CMSR. SIMPSON:

5 Q Can you explain to me what you mean by "good
6 will", on Bates Page 006 of Exhibit 22 of your
7 testimony?

8 A Just to make sure that I -- Exhibit 22, Bates
9 Page 006. I think that I mentioned, it is --
10 yes, on Line 20, "It is worth noting that the
11 joint petitioners have not claimed or requested
12 that any part of the currently proposed net
13 purchase price be considered as "good will"."

14 It's my understanding that,
15 occasionally, when one utility purchases the
16 assets of another utility, or another company
17 perhaps, if the purchase price is above the net
18 book value, there may be good reason why the
19 purchaser would be willing to pay over the net
20 book value. And, in such a case, the amount over
21 and above the net book value of the assets being
22 purchased, might be considered as "good will".
23 In other words, there are perhaps synergies or
24 benefits to purchasing these assets at a price

[WITNESS: Eckberg]

1 above the net book value. And, in such a case,
2 sometimes that amount over net book value may be
3 amortized over a different period, rather than
4 included as rate base, for the purposes of
5 figuring the revenue requirement.

6 So, it's treated differently, as sort
7 of a different component of the purchase price.
8 But that is not an element here that has been
9 proposed.

10 Q And would you say that, generally speaking, such
11 "good will" could be viewed as a premium over net
12 book value?

13 A That's certainly one alternate description of
14 the -- yes, an acquisition premium. And,
15 oftentimes, the acquirer will make, you know,
16 presentations about why it's worth paying more
17 for an asset. There are certain operational
18 benefits, *etcetera*, which might come along with
19 acquiring those assets.

20 Q And, in your view, neither Consolidated nor
21 Eversource have identified any aspect of the
22 purchase price as being attributable to good
23 will, is that correct?

24 A As far as I'm aware, that's correct. That has

[WITNESS: Eckberg]

1 not been part of their presentation. And, so,
2 the proposed asset value that Eversource has
3 requested to put into rate base is the value,
4 which is referred to as the "net purchase
5 amount", I don't want to say it out loud, it's
6 the gross purchase amount, --

7 Q Yes.

8 A -- minus the adjustment for failed poles.

9 Q And would you or the Department characterize any
10 elements of said purchase price as "good will",
11 as cited in your testimony on Bates Page 006?

12 A I would not venture down that road myself, no.

13 Q Okay. Thank you. And, looking at Bates Page 008
14 or 009 -- 008 and 009, in the Department's view,
15 has the pole inspection due diligence that's been
16 conducted by Eversource and Consolidated been
17 sufficient for your and/or the Department's
18 review?

19 A I would say it's been minimally sufficient. And,
20 in my testimony, I did suggest that, you know,
21 perhaps there had been -- there could have been
22 additional pole inspections that had been
23 performed, which might have helped to more
24 accurately pinpoint a failure rate. This is one

[WITNESS: Eckberg]

1 of the aspects that we have talked about some
2 today. What is the pole failure rate? And how
3 many poles will have to get replaced on a
4 priority basis after the acquisition, if it's
5 approved?

6 But I do think that, generally
7 speaking, the Companies have done sufficient due
8 diligence as far as pole inspections, yes.

9 CMSR. SIMPSON: Okay. Thank you, Mr.
10 Eckberg.

11 Mr. Chairman, I have no further
12 questions for the witness.

13 CHAIRMAN GOLDNER: Just a couple of
14 quick ones.

15 BY CHAIRMAN GOLDNER:

16 Q In your experience, Mr. Eckberg, is a statistical
17 analysis ever apply, where you have 300 and
18 something thousand poles, and you check a couple
19 thousand of them, and you do some statistical
20 analysis to determine what the failure rate is?
21 Is that a practice that's done or common?

22 A I don't think I have enough expertise in that
23 field to opine on that.

24 Q Because I know that NBC can determine who's going

[WITNESS: Eckberg]

1 to be president with 383 people. So, I thought
2 maybe there's a similar analysis here? No?

3 A It may be possible. But, you know, it could be
4 that the environmental conditions in, you know,
5 Stewartstown are sufficiently different than the
6 environmental conditions in Milton, that that
7 wouldn't be a good thing to try.

8 Q Okay.

9 A But, again, I think I would leave it to those who
10 perhaps would have more expertise in pole surveys
11 and pole inspections to address that.

12 Q Could be something for a future reference, even
13 if, within a region, one did some sampling and
14 had some statisticians involved, it might
15 simplify the process of sorting through this kind
16 of thing. Just for future reference, I would
17 throw that out there for consideration.

18 Okay. Mr. Eckberg, just to bring it
19 home here. I just want to validate what you have
20 in your testimony.

21 You have, I think, an estimate of 13.4
22 million for net book value, correct? I'm
23 rounding.

24 A I will accept that. Yes.

[WITNESS: Eckberg]

1 Q And would you say that that should be the same as
2 the rate base that Eversource puts on their
3 books, if this acquisition were to go through?

4 A That would be -- that is equivalent, yes. That's
5 the number that I had proposed, yes. "Not in
6 excess of that", I believe is the language I
7 used.

8 Q And, if the confidential number of the sales
9 price is higher than 13.4 million, then that
10 would be booked as some kind of premium, you
11 would agree?

12 A Well, again, that is not what the Company has
13 proposed. But I suppose that's one possible
14 approach that could be used. Uh-huh.

15 Q Can you, even though it's late in the day, can
16 you share the different options that are
17 available to the Company? Because, for me,
18 anything paid over 13.4 million is goodwill. But
19 I would like to hear your experience in this
20 regard.

21 A Well, I think that there's other witnesses that
22 probably have more experience than I do in, you
23 know, acquisitions of this size.

24 Q But you, sir, are the last witness.

[WITNESS: Eckberg]

1 A So, it all falls on me.

2 Q Yes, sir.

3 A I don't know about the fairness of that approach,
4 sir. But -- so, could you just remind me again,
5 Mr. Chairman, what was the question --

6 Q Sure.

7 A -- that you were hoping I could enlighten you on?

8 Q We agreed -- we agreed that 13.4 million was both
9 the net book value and the appropriate rate base,
10 in your opinion. And that any acquisition price
11 higher than that would mean, sort of by
12 definition, that there was a premium being paid,
13 and we were talking about the characterization of
14 that premium.

15 A Uh-huh. And?

16 Q So, I was hoping you could give me your
17 experience with -- your long experience in this
18 profession, and how those premiums have been
19 treated in the past?

20 A I can't specifically think of another situation
21 where there were -- where there was an
22 acquisition premium involved. I think there
23 probably was, would we go back and look at the
24 record of 07-011, which had to do with the

[WITNESS: Eckberg]

1 FairPoint acquisition of Verizon many, many years
2 ago. But I was not heavily involved in that
3 docket, but that may have been one example.

4 But, you know, in the case of the
5 current situation, my recommendation was not to
6 approve the transaction at a price that was
7 greater than the number I provided for a net book
8 value. So, I wasn't particularly entertaining
9 the idea of an acquisition premium.

10 Q Okay.

11 A So, I'm reluctant to participate in your
12 hypothetical question.

13 Q No problem. In other industries, you know, a
14 multiple of four, five, or six is common. So,
15 it's not a criticism to pay a premium. I'm just
16 trying to understand your experience and
17 characterization. So, it sounds like you're --

18 A And I would agree with you on that. It's not
19 impossible or unheard of to pay a premium for an
20 asset or group of assets. But, if that's the
21 case, then I would say it's incumbent upon the
22 Joint Petitioners to make the case for why that
23 is appropriate to do that.

24 Q And, in your opinion, have the Joint Petitioners

[WITNESS: Eckberg]

1 shared anything with you that would -- that
2 would, in your mind, be reasonable for a premium?
3 Or, is your opinion that the book value is the
4 correct sales price?

5 A Well, I think that the Joint Petitioners have --
6 the presentation they have made is for a net book
7 value of X, and the presentation that the
8 Department of Energy has made is for a net book
9 value of roughly half of X, you might say.

10 Q Yes.

11 A Roughly.

12 Q Thank you. I understand.

13 A So, --

14 CHAIRMAN GOLDNER: Yes. Thank you. I
15 understand, Mr. Eckberg. Appreciate it.

16 Mr. Wiesner, any redirect for your
17 witness?

18 MR. WIESNER: I have no redirect.

19 CHAIRMAN GOLDNER: Okay. Thank you.
20 So, Mr. Eckberg, you're released. Thank you.

21 WITNESS ECKBERG: Thank you very much.

22 CHAIRMAN GOLDNER: Okay. So, as far as
23 next steps, what I have here is that we'll have a
24 future hearing on the narrow topics of cost

1 recovery from Eversource, and redirect of Witness
2 Kravtin. Do I have that correct? Does anyone
3 want to augment that note that I have?

4 *[No verbal response.]*

5 CHAIRMAN GOLDNER: Okay. So, --

6 MR. MCHUGH: Well, Mr. Chairman, when
7 you said -- I thought I heard you say "redirect
8 of Ms. Kravtin". It's --

9 CHAIRMAN GOLDNER: I'm sorry,
10 cross-examination.

11 MR. MCHUGH: -- cross-examination.
12 Correct.

13 CHAIRMAN GOLDNER: Right. Thank you.
14 Redirect would be a short day.

15 So, very good. I guess the next
16 question would be, do the parties wish to confer
17 and get back with the Commission on a schedule by
18 the end of the week or would you like to propose
19 a time now? We're open to either, either
20 suggestion.

21 MR. KREIS: I might suggest we try to
22 deal with that now, while the Commissioners are
23 in the room, because, obviously, we need to
24 choose dates that work for you distinguished

1 deciders up there on the Bench. And, of course,
2 we also need to think about the implications for
3 the briefing schedule.

4 I'll just say, for my part, I would
5 definitely like the transcript of any hearings to
6 be available to me as I prepare my briefs.

7 CHAIRMAN GOLDNER: Mr. Patnaude, not to
8 put you on the spot, but are you expecting two
9 hours? Two days? Two weeks? Two months?

10 *(Court reporter indicated two weeks to*
11 *file the transcript.)*

12 CHAIRMAN GOLDNER: So, let's target the
13 29th then, two weeks from today.

14 So, given that piece of information,
15 Mr. Kreis, where does that leave you?

16 MR. KREIS: I think it depends on the
17 fate of the extra hearing day that everybody has
18 been talking about, and that you've already
19 indicated you intend to confine. Because I
20 really think, in fairness, or maybe just out of
21 efficiency, it wouldn't make sense for any of the
22 briefing efforts to start until the record is
23 closed. And, obviously, the record is not yet
24 closed.

1 CHAIRMAN GOLDNER: Ms. Geiger?

2 MS. GEIGER: Yes. Mr. Chairman, thank
3 you.

4 And, on that point, in terms of the
5 record, perhaps we can start with first things
6 first. It might be helpful to have a deadline by
7 which the parties are to submit their responses
8 to record requests, as well as the submission
9 that the Joint Petitioners intend to make. And,
10 then, we can work from that date forward.

11 CHAIRMAN GOLDNER: Okay. So, for the
12 record requests, I have five record requests. I
13 can repeat them back, if folks don't remember.
14 Would it be too much to ask for those by the end
15 of next week?

16 MS. RALSTON: That's fine with the
17 Company.

18 CHAIRMAN GOLDNER: Okay. So, I
19 think -- so, I think they were all Company
20 requests, except for the last one, which was Ms.
21 Kravtin's verbal testimony. So, that would be
22 acceptable?

23 MS. GEIGER: Yes. Thank you.

24 CHAIRMAN GOLDNER: Okay. That's

1 settled. Mr. Kreis, you --

2 MS. RUSSO: Excuse me, Chairman?

3 CHAIRMAN GOLDNER: Yes.

4 MS. RUSSO: There is a hearing
5 scheduled on March 9th -- no, March 21st -- 29th,
6 I apologize, an all-day hearing.

7 CHAIRMAN GOLDNER: No worries. No, the
8 hearing will not be March 21st. Thank you.

9 MS. RUSSO: The 29th.

10 CHAIRMAN GOLDNER: The 29th, okay. No
11 problem. We wouldn't schedule that soon. Thank
12 you.

13 MS. RUSSO: Okay.

14 CHAIRMAN GOLDNER: Thank you,
15 Ms. Russo.

16 Mr. Kreis, you had the lead, and keep
17 going. You're doing great.

18 MR. KREIS: Thank you. So, the record
19 responses are coming in on the 25th.

20 And, then, I think the next task would
21 be to figure out when to convene that hearing
22 that we've been talking about.

23 MR. WIESNER: Mr. Chairman, I'll break
24 in. Earlier there was a question about whether

1 there would be an opportunity for discovery --

2 MR. KREIS: Oh, yes.

3 MR. WIESNER: -- on any further
4 submissions, especially from the Joint
5 Petitioners, if they were to revise their
6 testimony.

7 Now, I understand that revised
8 testimony will focus on the different approach to
9 cost recovery and updates of information. But I
10 think it still would be helpful to the parties to
11 have at least some opportunity for limited
12 discovery prior to the next hearing.

13 CHAIRMAN GOLDNER: Okay. Very good.
14 Very good.

15 So, I have the record requests due on
16 the 25th, I have the transcript on the 29th. So,
17 in between then and the hearing I would think
18 it's up to the parties, not the Commission, to
19 recognize.

20 Would you say a month would be enough
21 time? Is that sensible?

22 MR. WIESNER: I think, from my
23 perspective, a month would be sufficient.

24 CHAIRMAN GOLDNER: Okay. So, perhaps

1 we would schedule the hearing, I'm looking first
2 week in May is suboptimal. I have May 10th open
3 for the Commission.

4 MS. GEIGER: Excuse me, Mr. Chairman.
5 Were you going to establish a deadline for data
6 requests and responses to data requests?

7 CHAIRMAN GOLDNER: Yes. I'm sorry if I
8 didn't complete the thought.

9 So, the record requests are due on the
10 25th. The response to record requests, we could
11 add, say, two weeks, if that would be acceptable
12 to everyone? So, I'll just get the date here.
13 So, 25, so that would be April 8th.

14 MR. KREIS: That's the date for data
15 requests?

16 CHAIRMAN GOLDNER: The response to the
17 record requests. Right? Is that what you're
18 asking, Ms. Geiger?

19 MS. GEIGER: I was -- I understand
20 that, on March 25th, the parties are to provide
21 the responses to the record requests that have
22 been made today.

23 And, then, what I was suggesting, as a
24 follow-up to, I believe, what Attorney Wiesner

1 suggested, was that there would be some
2 opportunity for data requests on the submissions,
3 at least on the revised prefiled testimony and
4 submissions that the Joint Petitioners were going
5 to make, which I believe will be made on the 25th
6 as well.

7 So, I mean, I just -- I would also like
8 to include Attorneys Kreis and Wiesner's
9 conversation with respect to how much time they
10 think they would like to propound data requests,
11 and then how much time the Joint Petitioners
12 would need to answer data requests, before we
13 actually end up at a hearing.

14 CHAIRMAN GOLDNER: Okay.

15 MR. KREIS: From my standpoint, I would
16 think that about a week would be acceptable,
17 reasonable. So, you know, April 1st, another
18 auspicious date.

19 CHAIRMAN GOLDNER: Yes. Exactly. Is
20 that -- that's acceptable to everyone? A week is
21 okay?

22 MS. GEIGER: Yes.

23 MS. RALSTON: And, then, would the
24 Petitioners get two weeks to respond? So, April

1 15th for responses?

2 CHAIRMAN GOLDNER: Another auspicious
3 date.

4 MS. RALSTON: Yes.

5 CHAIRMAN GOLDNER: For response, okay.

6 MR. KREIS: And, so, then that
7 leaves -- the only question that leaves is
8 briefing. And I guess I'm tempted to say, why
9 don't we leave that to the end of the hearing,
10 because then we'll have a sense of how long it
11 will really, like, there will be a transcript of
12 that hearing that is going to happen on the 10th
13 of May, we'll know how long it will take to have
14 the court reporter prepare a transcript. And
15 that, at least from my perspective, would inform
16 how much time I feel like I need to draft a
17 brief.

18 CHAIRMAN GOLDNER: Okay. Would it be
19 the report, plus a week or two? What would be
20 typical?

21 MR. KREIS: Well, I'm probably not the
22 right person to answer that question, because I
23 am a very fast typist.

24 CHAIRMAN GOLDNER: Well, you're the

1 perfect guy to ask then.

2 *[Laughter.]*

3 MR. KREIS: Well, yes. I could do it
4 in a week after receiving the transcript.

5 CHAIRMAN GOLDNER: So, maybe we'll make
6 it two, how about that? All right.

7 MR. McHUGH: Mr. Chairman, do we have
8 finality on the hearing date of May 10th?

9 CHAIRMAN GOLDNER: I'm working on the
10 math here. But, if everyone can accept that,
11 from the mathematics of what we just did, I'm
12 okay with booking the 10th of May. Is everybody
13 comfortable with that?

14 *(Multiple parties indicating in the*
15 *affirmative.)*

16 CHAIRMAN GOLDNER: Okay. So, we'll do
17 a hearing on May 10th. Okay. Anything else,
18 before we wrap up?

19 The only other thing I was going to add
20 is we'll issue a PO with the record requests.
21 So, it's documented and everything is clear to
22 everyone. And we'll notice the hearing date of
23 May 10th.

24 Is there anything else?

1 CMSR. SIMPSON: I think Mr. Patnaude --
2 *(Court reporter inquired at to*
3 *assigning exhibit numbers to the*
4 *reserved record requests.)*

5 CHAIRMAN GOLDNER: We can. So, I've
6 got -- I have five. So, that would be Exhibits
7 68, 69, 70, 71, and 72.

8 MR. KREIS: And a "PO" is a "procedural
9 order", I assume?

10 CHAIRMAN GOLDNER: Sorry. Yes, the new
11 lingo. Yes, "procedural order". Sorry.

12 MS. RALSTON: And just to clarify, will
13 68 be the first record request or the
14 supplemental filing by NECTA?

15 CHAIRMAN GOLDNER: Sixty-eight (68)
16 will start with the first record request to
17 Eversource.

18 MS. RALSTON: Okay.

19 CHAIRMAN GOLDNER: And, then, the fifth
20 and final, so, record request, 72, will be
21 Ms. Kravtin's verbal testimony. So, Eversource
22 would have 68, 69, 70, 71, and NECTA 72.

23 **(Exhibits 68, 69, 70, 71, and 72 were**
24 **reserved for record requests.)**

1 MS. RALSTON: Thank you.

2 CHAIRMAN GOLDNER: Okay. Anything else
3 before we wrap up?

4 *[No verbal response.]*

5 CHAIRMAN GOLDNER: Okay. Well, thank
6 you very much.

7 We'll continue this hearing on May
8 10th. And I think we're adjourned from the
9 perspective of this meeting, but not the final
10 hearing. So, I'll say it that way. Thank you.
11 I've never had a continuation before.

12 ***(Whereupon the hearing was adjourned at***
13 ***3:59 p.m. The hearing will resume on***
14 ***May 10th, 2022, as noted above.)***

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