

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

Docket No. DE 22-035

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty
Request for Step Adjustment

**DIRECT TESTIMONY
OF
ANTHONY STRABONE
AND
HEATHER M. TEBBETTS**

November 4, 2022



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1 **I. INTRODUCTION AND BACKGROUND**

2 **Q. Mr. Strabone, please introduce yourself.**

3 A. My name is Anthony Strabone, my business address is 15 Buttrick Road, Londonderry,
4 New Hampshire, and I am employed by Liberty Utilities Service Corp. (“LUSC”). I am
5 the Senior Director of Electric Operations for LUSC. In that capacity, I am responsible
6 for the safe, and reliable operation, design, and maintenance of the electric system for
7 Liberty Utilities in New Hampshire.

8 **Q. Please describe your educational and professional background and training.**

9 A. Please see my April 6, 2022, testimony in this docket, marked as Exhibit 1.

10 **Q. Ms. Tebbetts, please state your full name, business address, and position.**

11 A. My name is Heather M. Tebbetts, my business address is 15 Buttrick Road, Londonderry,
12 New Hampshire, and I am employed by LUSC. I am the Director of Business
13 Development and in this role, I am responsible for strategic growth and technology
14 opportunities for New Hampshire but was the original witness in this proceeding in April
15 2022 when I was employed as the Manager of Rates and Regulatory Affairs and have
16 continued my role as the witness to see the docket through the full adjudicative process
17 during my transition.

18 **Q. Please describe your educational and professional background and training.**

19 A. Please see my April 6, 2022, testimony in this docket, marked as Exhibit 1.

1 **II. PURPOSE OF TESTIMONY**

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

3 A. This testimony addresses why it is appropriate to include two specific projects in its 2021
4 Step Adjustment filing made on April 6, 2022, which the Department of Energy
5 recommended should be removed from the step revenue requirement approved in Order
6 No. 26,661.

7 **III. BACKGROUND**

8 **Q. Please provide background on the inclusion of the 8830-1958 (Install Service to**
9 **Tuscan Village) and 8830-2069 (Golden Rock Feeder 19L2) projects in the 2021 Step**
10 **Adjustment.**

11 A. The Company's last rate case, Docket No. DE 19-064, provided for three step
12 adjustments beyond the rate case test year of 2018. Specifically, Order No. 26,376 (June
13 30, 2020) approved the Settlement Agreement that allowed for two step adjustments to
14 recover for a specific and limited list of projects that were to go into service in 2019 and
15 2020, and for a third step adjustment for projects that were to go into service in 2021.
16 The Settlement Agreement stated that the Company would provide the list for the third
17 step increase in the Company's 2020 Step Adjustment filing, which was filed on April 6,
18 2021.

19 The list of projects for the first two step increases appears at Bates 029 and 031 of the
20 Settlement Agreement (Exhibit 37 in Docket No. DE 19-064), and are as follows:

1

Table 1 – 2019 Step Adjustment Project List

<u>2019 Project #</u>	<u>Project Description</u>	<u>Priority</u>	<u>Total Spend</u>
8830-1911	GSE-Dist-Public Require Blanket	2. Mandated	\$431,329
8830-1912	Dist-Damage & Failure Blanket	2. Mandated	\$1,184,186
8830-C18630	Charlestown Dsub	4. Regulatory	(\$92,766)
8830-1929	Walk in Center Relocation Salem	5. Discretionary	\$567,737
8830-1944	Golden Rock Substation	3. Growth	\$2,012,483
8830-1945	Golden Rock Distribution Feeder 19L2	3. Growth	\$522,516
8830-1951	Enhanced Bare Conductor Replacement	5. Discretionary	\$1,060,252
8830-1958	Install Service to Tuscan Village South Line	3. Growth	\$803,676
8830-1959	Golden Rock Distribution Feeder 19L4	3. Growth	\$393,123
8830-1960	Golden Rock Underground	4. Regulatory	\$412,763
8830-1991	Granite St Meter Purchases	2. Mandated	\$952,029
8830-1992	Granite St Transformer Purchases	2. Mandated	\$514,275
		Total	\$8,761,603

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Table 2 – 2020 Step Adjustment Project List

<u>Project Description</u>	<u>Priority</u>	<u>Spend</u>
GSE Backup Battery Program	4. Regulatory Programs	\$ 1,500,000
Golden Rock Distribution Feeder 19L4	4. Regulatory Programs	\$ 1,300,000
Main St Salem - Overhead Line Relocation	2. Mandated	\$ 1,200,000
EI-NN URD Cable Replacement	5. Discretionary	\$ 1,150,000
Dist-Damage & Failure Blanket	2. Mandated	\$ 1,000,000
Install Service to Tuscan Village South Line	3. Growth	\$ 900,000
Enhanced Bare Conductor Replacement	5. Discretionary	\$ 875,000
01659 Granite State Meter Purchases	2. Mandated	\$ 840,000
Golden Rock Substation	3. Growth	\$ 650,000
01660 Granite State Transformer Purchases	2. Mandated	\$ 600,000
GSE Facilities Capital Improvements	5. Discretionary	\$ 600,000
GSE-Dist-Public Require Blanket	2. Mandated	\$ 620,000
Total		\$ 11,235,000

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The highlighted portions of the above tables document the parties' agreement to include

6

the Golden Rock distribution feeders, the Golden Rock substation, and the Install Service

1 to Tuscan Village South Line, in the 2019 and 2020 Step Adjustment project lists. The
2 language in the Settlement Agreement offers the following:

3 *“The Company shall be permitted to recover approximately \$1.4 million in*
4 *additional annual revenue in the form of a step increase in rates for capital*
5 *additions in service as of December 31, 2019, as shown in Attachment*
6 *1....The Company shall be permitted to recover approximately \$1.8 million*
7 *in additional annual revenue in the form of a second step increase in rates*
8 *for capital additions in service as of December 31, 2020, as shown in*
9 *Attachment 2... Liberty reserves the right to substitute projects into*
10 *Attachment 2 so long as any new projects are not growth projects and are*
11 *not related to the Rockingham Substation or the 115kV transmission*
12 *line...With its April 6, 2021, step adjustment filing, Liberty shall provide a*
13 *list of 2021 capital additions planned to be in service by December 31,*
14 *2021, and planned to be submitted for recovery in the third step increase*
15 *effective July 1, 2022. Such 2021 capital additions shall be similar in nature*
16 *to the 2019 and 2020 additions listed on Attachments 1 and 2 and shall not*
17 *include growth related additions.”*

18 Exhibit 37 at Bates 4–5.

19 **Q. Does the Settlement Agreement provide for the specific recovery of the two projects**
20 **at issue in this proceeding?**

21 A. Yes. As described above, the Golden Rock Feeder 19L2 and Install Service to Tuscan
22 South Line projects are specifically listed in the Settlement Agreement on Bates pages
23 029 and 031. Projects 8830-1945 and 8830-1959 were named the 19L2 and 19L4 feeders
24 in the list, but due to the configuration of the Golden Rock Substation, the 19L2 and
25 19L4 feeder positions could not be installed while maintaining proper clearance to
26 existing 23 kV equipment. As a result, these feeders were installed as the 19L6 and
27 19L8, respectively. This is only a nomenclature change and did not represent any other

1 change in project scope, which information was provided to the NH PUC Staff at the
2 time, see Attachment AS/HT-1 for the relevant data response.

3 **IV. 2021 STEP ADJUSTMENT**

4 **Q. Does the Settlement Agreement include a list of projects for the Company’s third**
5 **step adjustment or projects in service in 2021?**

6 A. No, it does not. The Settlement Agreement provided that when the Company filed its
7 second step adjustment in 2021 it would include a list of projects it intended to include in
8 its 2022 filing.

9 **Q. Please provide the list of projects the Company included in its 2020 Step**
10 **Adjustment filing on April 6, 2021.**

11 A. The table below provides the list of projects included in the Company’s 2021 Step
12 Adjustment filing for projects to be included in the April 6, 2022, 2021 Step Adjustment
13 filing, at Bates 189, marked as Exhibit 65 in DE 19-064.

<u>2021 Project #</u>	<u>Project Description</u>	<u>Priority</u>	<u>Budget</u>
8830-1933	Battery Pilot	4. Regulatory Programs	\$600,000
8830-1944	Golden Rock Substation ¹	3. Growth	\$400,000
8830-1958	Install Service to Tuscan Village South	3. Growth	\$1,000,000
8830-1960	Golden Rock Underground	3. Growth	\$160,000
8830-2095	Tuscan Village EV Chargers	4. Regulatory Programs	\$400,000
8830-2069	Golden Rock Feeder 19L2 ¹	3. Growth	\$2,100,000
8830-2108	SCADA & Distribution Automation	5. Discretionary	\$200,000
8830-1966	Install 9L2 9L3 Tie Line	5. Discretionary	\$356,405
8830-2014	3rd Party Attachment Blanket	2. Mandated	\$170,667
8830-2111	Public Requirements Blanket	2. Mandated	\$520,000
8830-2112	Damage/Failure Blanket	2. Mandated	\$1,200,000
8830-2113	Distribution Asset Replacement Blanket	2. Mandated	\$200,000
8830-2121	Distribution Reliability Blanket	2. Mandated	\$161,540
8830-2114	3rd Party Attachment Blanket	2. Mandated	\$125,000

8830-2124	LED Street Light Conversion	2. Mandated	\$125,000
8830-2139	URD Cable Replacement	5. Discretionary	\$500,000
8830-2146	Bare Conductor Replacement Program	4. Regulatory Programs	\$1,000,000
8830-2191	Meter Purchases	5. Discretionary	\$250,000
8830-2192	Transformer Purchases	2. Mandated	\$420,000
8830-2190	Transportation Fleet & Equip Blanket	5. Discretionary	<u>\$1,000,000</u>
		Total	\$10,888,612

1 ¹Project in the original 2020 Step Adjustment list in the Settlement Agreement, but postponed to 2021

2 **Q. Are the projects Golden Rock Feeder 19L2 and Install Service to Tuscan Village**
3 **South on the 2021 list of projects?**

4 A. Yes, they are included, as highlighted above.

5 **Q. Why were these two projects still on the list for projects completed in 2021?**

6 A. The Install Service to Tuscan Village South is an ongoing project whereby the Company
7 has been installing main line to serve the load in the area. For the Golden Rock 19L2
8 project, the electric system in Salem was in abnormal conditions due to the construction
9 of the 115 kV line. Because of the abnormal configuration, the Company could not
10 maintain safe and reliable electric service to the Salem area while constructing the 19L2
11 feeder. Therefore, the substation portion of the 19L2 feeder project was postponed until
12 the construction of the 115 kV system was complete, and the electric system could be put
13 back to a normal configuration.

14 **Q. During the discovery phase of the 2020 Step Adjustment proceeding, did the**
15 **Company receive any data requests regarding the above list of projects for 2021?**

16 A. No, it did not.

1 **Q. Was the Company asked questions about the Salem area projects in general during**
2 **the proceedings on the second step adjustment?**

3 A. Yes. The Company was asked three questions about the Salem investments. Two of
4 those data responses became Exhibits 69 and 75 at the June 24, 2021, hearing. The third
5 data response, Staff 11-9, appears in Attachment AS/HT-2 to this testimony and
6 answered Staff's question of why the Install Tuscan Village South Line was included in
7 the filing. The Company's response includes the statement that the project was listed in
8 the Settlement Agreement, but not completed in the earlier years. Staff did not include
9 this response as an exhibit at the hearing.

10 **Q. Are there other instances during the 2020 proceeding that the Salem area projects**
11 **were discussed?**

12 A. No. Although Staff noted during the hearing that they would ask questions about the
13 2021 investments, Staff never posed any such questions. See Transcript of June 24,
14 2021, hearing at 54–58.

15 **Q. Does the Company believe it complied with the Settlement Agreement when it filed**
16 **for cost recovery of the Golden Rock Feeder 19L2 and Install Service to Tuscan**
17 **Village South Line?**

18 A. Yes. In addition to including these projects in the approved Settlement Agreement, there
19 were many more opportunities for Staff to object to the inclusion of these two projects
20 during the various step adjustment proceedings, but Staff never raised a concern: the
21 2019 Step Adjustment and 2020 Step Adjustment filings with discovery, audits for both

1 filings completed by the Audit Staff, the two hearings for those proceedings, the list of
2 the 2021 projects filed in the 2020 Step Adjustment, plus a discovery response.

3 **V. DOE AUDIT FINDINGS**

4 **Q. Has the DOE Audit division concluded its audit on the 2021 Step Adjustment and, if**
5 **so, what are its findings?**

6 A. Yes. The Audit division included two audit issues and the recommendation to remove
7 the Install Tuscan Village South Line and the Golden Rock Feeder 19L2 projects from
8 the request for cost recovery.

9 **Q. What are the two audit issues they found?**

10 A. The first audit issue was for work orders placed in service outside of the 2021 in-service
11 year; the Company agreed with those recommendations. Issue #1 also included the
12 removal of pre-capitalized labor for meter installations, with which the Company did not
13 agree because meters are a pre-capitalized asset and the labor portion is included in that
14 pre-capitalized journal entry. When a meter is installed, a debit is made to the expense
15 and a credit is made to the capitalized meter account. To remove pre-capitalized labor
16 would require a new work order to be opened for every single meter install to capture the
17 capitalized labor, which is hundreds if not thousands of work orders annually. The
18 process of opening a work order for every meter install is inefficient, and as such the
19 Company disagrees with this finding.

1 **Q. What was Audit Issue #2?**

2 A. Audit Issue #2 dealt with transformer purchases. Just as meters are pre-capitalized assets,
3 transformers are pre-capitalized as well. However, unlike meters, the Company does not
4 include labor costs in the pre-capitalization journal entry. That is because the work
5 required to install a transformer can vary widely depending on the size and type of the
6 transformer, so a work order is taken out when each transformer is installed to capture the
7 precise labor costs associated with that installation. Audit Issue #2 requested that the
8 Company separately identify the transformer installs for growth and for damage/failure,
9 and then remove from the step adjustment any transformer costs associated with growth.
10 However, the Company does not track whether a transformer is installed for
11 damage/failure or for a new customer, that information is not available, and thus the
12 Company disagrees with the Audit's conclusion.

13 **Q. The audit report also recommends the removal of the two projects at issue in this**
14 **proceeding. Did Audit explain why it is appropriate to remove these projects?**

15 A. No, Audit simply referred to DOE's post-hearing summary. In fact, on page 7 (Growth
16 Project #8830-1958 Install Service to Tuscan Village) and page 8 (Growth Project #8830-
17 2069 Golden Rock Feeder) the report states that "Audit did not perform any audit work
18 on this project." Given that Audit "did not perform any work on these projects," its
19 recommendations to remove these projects should be disregarded. Audit's finding for the
20 removal of the projects bears no weight in deciding whether to include them in this step
21 adjustment.

1 **VI. REVENUE REQUIREMENT**

2 **Q. Has the Company calculated a new revenue requirement for implementation on**
3 **December 1, 2022, based on including the audit items that the Company accepts?**

4 A. Yes. Attachment AS/HT-3 includes the revised revenue requirement calculation. Page 1
5 includes the agreed-upon recommendations from the audit for a total of (\$891,859)
6 removed from the total capital investment, resulting in a new revenue requirement of
7 \$1,608,415 versus the \$1,751,403 in the original filing.

8 **Q. What is the revised adjustment to distribution rates?**

9 A. The Company originally filed for a decrease of (1.99%) on April 6, 2022. The revised
10 adjustment to distribution rates as shown in Attachment AS/HT-3, page 3, is an
11 additional reduction of (0.30%) over twelve months to be effective on December 1, 2022.
12 The Company is proposing to spread the reduction over seven months to coincide with
13 the fact that the 2021 Step Adjustment was approved for rates effective August 1, 2022,
14 through July 31, 2023.

15 **Q. What is the impact on the average residential customer using 650 kWh per month?**

16 A. The impact to a residential customer using 650 kWh per month is a decrease of (\$0.25) or
17 -0.11%.

18 **VII. CONCLUSION**

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

20 A. Yes, it does.