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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

July 19, 2022 - 9:02 a.m.
21 South Fruit Street
Suite 10
Concord, NH

RE: **DE 22-035**
LIBERTY UTILITIES (GRANITE STATE
ELECTRIC) CORP. d/b/a LIBERTY
UTILITIES:
Request for Step Adjustment.

PRESENT: Chairman Daniel C. Goldner, Presiding
Commissioner Pradip K. Chattopadhyay

Alexander F. Speidel, Esq.
(*PUC Legal Advisor*)

Tracey Russo, Clerk

APPEARANCES: **Reptg. Liberty Utilities (Granite**
State Electric) Corp. d/b/a Liberty
Utilities:

Michael J. Sheehan, Esq.
Kevin Penders, Esq. (*Keegan Werlin*)

Reptg. New Hampshire Dept. of Energy:
Paul B. Dexter, Esq.
Jay Dudley, Electric Group
(*Regulatory Support Division*)

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

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 ANTHONY STRABONE**

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EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	Direct Testimony of Anthony Strabone and Heather M. Tebbetts, with Attachments	<i>premarked</i>
2	Technical Statement of Heather M. Tebbetts, with Attachments	<i>premarked</i>

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P R O C E E D I N G

CHAIRMAN GOLDNER: Okay. Good morning. I'm Commissioner Goldner. I'm joined today by Commissioner Chattopadhyay. We're here for a hearing in Docket DE 22-035, for Liberty's request for a step adjustment.

Let's take appearances, beginning with the Company.

MR. SHEEHAN: Good morning, Commissioners. Mike Sheehan, for Liberty Utilities (Granite State Electric) Corp. And joining me is Kevin Penders, from the Keegan firm, to make sure I don't screw up too badly.

Thank you.

CHAIRMAN GOLDNER: Very good. And the New Hampshire Department of Energy.

MR. DEXTER: Good morning, Chairman, Commissioner. My name is Paul Dexter, I'm an attorney with the Department of Energy. And I'm joined today by Jay Dudley, from the Regulatory Support Division.

CHAIRMAN GOLDNER: Okay. Very good. For preliminary matters, I have Exhibits 1 and 2 prefiled and premarked for

1 identification.

2 Is there anything else with respect to
3 the exhibits?

4 *[No verbal response.]*

5 CHAIRMAN GOLDNER: No. We did see in
6 the filing, I think, expectations for
7 administrative notice motions today?

8 MR. SHEEHAN: I didn't have anything
9 particular in mind. But, since this does come
10 out of the rate case, should a question come up
11 and one of the witnesses say "No, we covered that
12 in our testimony", that was what I was thinking
13 might come up.

14 CHAIRMAN GOLDNER: Okay. Okay. Very
15 good. Any concerns, Mr. Dexter?

16 MR. DEXTER: No. I might have missed
17 that particular filing. But I don't have any
18 particular problem with that. And, in fact,
19 today, I plan to use the Settlement from the
20 underlying rate case, which was Exhibit 37, in my
21 questioning.

22 And I also have some questions related
23 to the Company's F-1 filing, which is a quarterly
24 financial filing that utilities make with the

[WITNESS PANEL: Tebbetts|Strabone]

1 Commission each quarter. And, so, I have that on
2 my screen. I have a couple of paper copies, if
3 people can't find it. But it's filed quarterly
4 through the electronic reporting system. And the
5 one that I'm interested in using for questioning
6 was dated May 16th, 2022, and it covers the last
7 calendar year.

8 CHAIRMAN GOLDNER: Okay. Very good.
9 Mr. Sheehan, any concerns?

10 MR. SHEEHAN: No. That's fine with the
11 Company.

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

15 *[No verbal response.]*

16 CHAIRMAN GOLDNER: Seeing none, let's
17 proceed with the witnesses. Mr. Patnaude, would
18 you please swear them in.

19 (Whereupon **Heather M. Tebbetts** and
20 **Anthony Strabone** were duly sworn by the
21 Court Reporter.)

22 CHAIRMAN GOLDNER: Okay. We'll start
23 with Attorney Sheehan, and direct examination.

24 MR. SHEEHAN: Thank you.

[WITNESS PANEL: Tebbetts|Strabone]

1 BY MR. SHEEHAN:

2 Q Good morning. Ms. Tebbetts, could you please
3 introduce yourself, and state your title with
4 Liberty?

5 A (Tebbetts) Yes. My name is Heather Tebbetts.
6 And I am the Manager of Rates and Regulatory
7 Affairs.

8 Q Did you participate in the preparation of the
9 testimony with Mr. Strabone that's been marked as
10 "Exhibit 1" in this docket?

11 A (Tebbetts) Yes.

12 Q And do you have any changes to that testimony
13 you'd like to bring to the Commission's attention
14 this morning?

15 A (Tebbetts) I do not.

16 Q And do you adopt that written testimony as your
17 sworn testimony here today?

18 A (Tebbetts) Yes.

19 Q Did you also prepare the technical statement
20 that's been marked as "Exhibit 2" in this matter?

21 A (Tebbetts) Yes.

22 Q Do you have any changes to that you'd like to
23 bring to the Commission's attention?

24 A (Tebbetts) I do not.

[WITNESS PANEL: Tebbetts|Strabone]

1 Q And do you adopt that as your testimony this
2 morning?

3 A (Tebbetts) Yes.

4 Q Could you give us a brief overview of the reason
5 for the technical statement, Exhibit 2?

6 A (Tebbetts) Yes. As part of our April 6th, 2022,
7 step adjustment filing, we requested a rate
8 change effect July 1st. And the Commission
9 provided, through a procedural order, I believe,
10 that the hearing would be in July. And, as such,
11 they requested us to calculate what those rates
12 would be, in the event that rates were approved
13 for August 1st, instead of July 1st.

14 And, so, that technical statement
15 provides an overview of how we calculated the
16 rates, and also provides the tariff pages showing
17 the illustrative rates to be approved.

18 Q So, is it fair to say there is no change in the
19 projects that we're asking for approved of those
20 dollars, it's a change in the rates to
21 accommodate a month difference in effective
22 dates?

23 A (Tebbetts) Yes.

24 Q And can you tell us what those rate changes would

[WITNESS PANEL: Tebbetts|Strabone]

1 be, if the Commission approved them for August 1
2 of '22?

3 A (Tebbetts) Yes. So, the overall rate change
4 would be a reduction to distribution rates of
5 1.99 percent.

6 Q And it's a reduction because, as stated in, I
7 think, the testimony and the tech statement, is
8 that there is a discontinuation of collecting
9 some rate case expenses, which essentially
10 offsets the increase that comes from the capital
11 projects at issue today?

12 A (Tebbetts) Yes. That's correct. There would be
13 a decrease in the revenue requirement due to full
14 recovery of recoupment from the rate case in
15 Docket DE 19-064. There would be a decrease in
16 the revenue requirement due to full recovery of
17 rate case expenses. And then, given the addition
18 of the 2022 recoupment collected and rate case
19 expenses collected, we need to fund that
20 amount -- refund that amount to customers as
21 well. And, with that, you have an overall
22 decrease in rates, as applied against the
23 increase due to the capital expenditures in 2021.

24 Q And the '21 capital expenditures that are the

[WITNESS PANEL: Tebbetts|Strabone]

1 subject of this step increase come from the
2 Settlement Agreement in the underlying rate case,
3 DE 19-064, is that right?

4 A (Tebbetts) That's correct. As part of the
5 Settlement Agreement, we had two years of
6 projects included in there. And in our -- we
7 were required, in our April 6th, 2021 filing, to
8 provide a list of projects that we expected to
9 include in the 2022 filing for 2021 step
10 adjustment. And, as such, we did provide that
11 list.

12 Q And are the projects up for approval today, were
13 they on that list?

14 A (Tebbetts) Some of them were on that list.
15 Others, we explained in testimony why we did not
16 include them, and included other projects
17 instead.

18 Q And that's also consistent with the Settlement
19 Agreement, the ability to substitute some
20 projects, is that fair?

21 A (Tebbetts) Yes.

22 Q There's one issue I understand Mr. Dexter to be
23 looking into, and to maybe anticipate, the
24 Settlement Agreement had some brackets around

[WITNESS PANEL: Tebbetts|Strabone]

1 projects that could not be included in steps, the
2 thinking being that those projects would be ready
3 for the next rate case, and those related to the
4 Rockingham Substation, is that correct?

5 A (Tebbetts) Yes. That's correct. The brackets
6 were put around anything to do with the
7 Rockingham projects. And it's very specific as
8 to excluding any of those in the step.

9 Q And, at high level, the Rockingham projects
10 include a new substation and a transmission level
11 line feeding that substation, is that correct?

12 A (Tebbetts) There's one substation and two
13 transmission supply lines.

14 Q And are any of those costs in this step request?

15 A (Tebbetts) They are not.

16 Q There was a lot of work around the sides of the
17 Rockingham project related to the older
18 substations, and some of that work is in this
19 step, is that correct?

20 A (Tebbetts) There is one project where we did work
21 at our Golden Rock -- for a feeder for Golden
22 Rock Substation, and Mr. Strabone can elaborate
23 more on that, if necessary.

24 Q Okay. And it's the Company's position that that

[WITNESS PANEL: Tebbetts|Strabone]

1 is outside of the brackets that were established
2 in the Settlement Agreement?

3 A (Tebbetts) Yes.

4 Q Thank you. Mr. Strabone, please introduce
5 yourself and state your title with Liberty?

6 A (Strabone) Good morning. Anthony Strabone,
7 Director of Engineering.

8 Q Mr. Strabone, you prepared testimony, along with
9 Ms. Tebbetts, which appears as "Exhibit 1" this
10 morning. Do you have any changes to that
11 testimony you'd like to bring to the Commission's
12 attention?

13 A (Strabone) No, I do not.

14 Q And do you adopt that testimony as your sworn
15 testimony this morning?

16 A (Strabone) Yes, I do.

17 Q And, again, at a high level, can you explain that
18 one project, the Golden Rock project, that -- and
19 how it is outside of the brackets, if you will,
20 put around the Rockingham projects in the last --
21 in the Settlement Agreement?

22 A (Strabone) Sure. Golden Rock is a project
23 outside of Rockingham, but it is included in our
24 overall area system improvement of the Salem

[WITNESS PANEL: Tebbetts|Strabone]

1 area. And that's the result of a study that we
2 did many years ago. That project is the 19L2
3 feeder of Golden Rock. It does address
4 additional growth and planning criteria
5 violations within the Town of Salem.

6 However, it is -- although it's part of
7 the area, it is outside of Rockingham.

8 Q And Golden Rock is one of a couple or three
9 smaller substations that are in the immediate
10 area of Salem, is that correct?

11 A (Strabone) I'd say it's about a mid-size
12 substation. It's one of the newer ones that's
13 jointly owned with National Grid. But there are
14 much smaller ones within the area.

15 MR. SHEEHAN: Okay. Those are all the
16 introductory questions I have. Thank you.

17 CHAIRMAN GOLDNER: Thank you. We'll
18 move to cross-examination, and Attorney Dexter.

19 MR. DEXTER: Thank you.

20 **CROSS-EXAMINATION**

21 BY MR. DEXTER:

22 Q I'd like to start with Exhibit 2, which is the
23 technical statement. And, Ms. Tebbetts, you
24 testified in questioning a few minutes earlier

[WITNESS PANEL: Tebbetts|Strabone]

1 that the overall rate decrease on Exhibit 2 is
2 "1.99 percent", is that right?

3 A (Tebbetts) Yes.

4 Q And I see that that appears on Bates 005 of
5 Exhibit 2. And my question is, when I get to
6 Bates 006 and 007 of Exhibit 2, I don't see "1.99
7 percent", I see "2.14 percent" for most of the
8 rates. And then, I see a few higher rates for
9 the Residential section.

10 So, I guess my first question is, for
11 all the places I see "2.14 percent", "negative
12 2.14 percent", could you explain why that's not
13 "1.99 percent"?

14 A (Tebbetts) So, the way the calculation works is
15 it's not a straight application of a rate
16 increase or decrease. It's a formula. And,
17 as -- if you look at some of the customer
18 charges, for example, they do not receive the
19 increase or decrease to the customer charge.
20 And, so, when you -- when you go through the
21 model and you calculate, it's not perfect to say
22 it's "1.99 percent", it actually ends up being a
23 little bit more of a reduction to customers, due
24 to just the formulas within the model.

[WITNESS PANEL: Tebbetts|Strabone]

1 Q So, I understand the phenomena of the customer
2 charge, because I know the Settlement Agreement
3 said that all changes that are made in subsequent
4 step adjustments will not affect the Residential
5 customer charges. So, I expected to see a bigger
6 number for Rate D and Rate D-10, which I do see
7 on Bates 005.

8 But I'm not sure how that applies to
9 the G customers, because there was no similar
10 restriction on not changing the customer charges
11 for the G customers?

12 A (Tebbetts) Right. No, and I understand that.
13 So, each of the -- the calculation is based on an
14 overall reduction of \$962,000. But, when you get
15 into the model, we apply, based on current
16 revenues, we apply the increase or decrease to
17 that class's new revenue calculation. And, when
18 you -- again, it's not perfect. It ends up being
19 a benefit to customers. It's just how the math
20 works when we end up applying the reduction by
21 rate class, instead of just a straight reduction
22 of 1.99 percent. It's done by rate class.

23 Q Okay. Thanks. So, I have four or five areas
24 that I wanted to ask about today. And I think

[WITNESS PANEL: Tebbetts|Strabone]

1 I'll start with the two projects that are on the
2 list. One is called "Install Service to Tuscan
3 Village". And I believe that's described in your
4 testimony beginning on Page 14. So, I'm going to
5 go there, and ask you some questions about that.

6 Could you give a brief general
7 description of this project?

8 A (Strabone) This project is located within the
9 Tuscan Development itself. It's driven by what
10 the developer, Tuscan, in the parcel that they
11 planned to develop within the 170-acre
12 development. This one -- this project is located
13 on the southern 120 parcel -- 120-acre parcel.
14 And the scope of this work was to install primary
15 underground infrastructure that was needed to
16 build out to serve customers within that portion
17 of the development.

18 Q And could you just name some of the customers?
19 I'm just trying to get in my mind the southern
20 portion versus the northern portion?

21 A (Strabone) I believe it's fine. Yes, I can name
22 some of them. We have L.L.Bean, Old Navy,
23 Chipotle, Tuscan Market as well. There's a few
24 other smaller retail stores in there as well, I

[WITNESS PANEL: Tebbetts|Strabone]

1 believe Verizon, AT&T, Drive Custom Fit, and
2 there's a few others that escape me at the
3 moment.

4 Q Okay. Thanks.

5 A (Tebbetts) And may I add, too, that's just
6 retail. We have apartments, and other larger
7 customers coming in as well.

8 Q Right. And, in that southern part of the parcel
9 that this project serves, does that feed the
10 residential area in the southern Village as
11 well -- southern parcel of the Village as well?

12 A (Strabone) There will be residential being fed
13 off of the infrastructure that we did install in
14 the southern part.

15 Q Okay. And that is under construction, is that
16 right?

17 A (Strabone) That is correct.

18 Q Okay. All right. So, when was this
19 particular -- I guess this is an underground
20 wire, for a nontechnical term. Is that basically
21 what we're dealing with here?

22 A (Strabone) It is underground wire, and other
23 equipment, such as switching cabinets, that allow
24 us to provide service from our infrastructure to

[WITNESS PANEL: Tebbetts|Strabone]

1 each individual customer.

2 Q Okay. And, if I wanted to find the details of
3 that, I can go to Bates Page 037, which is the
4 list that came in with the projects. And I see
5 that this has a total install cost of \$1,235,000,
6 is that right?

7 A (Tebbetts) Yes.

8 A (Strabone) Well, that is what we're seeking for
9 cost recovery over the past three years. If you
10 look at Bates Page 015, there's a table that
11 indicates what we're looking for a total in
12 service between 2019, 2020, and 2021, which comes
13 to 1.2 million.

14 Q 1.2 million. So, which Bates page was that?

15 A (Strabone) Fifteen.

16 Q Well, I see it on Bates 043. So, maybe we're
17 working with different drafts or a different --
18 I'm working from the exhibit.

19 A (Tebbetts) It's on both pages, Mr. Dexter. Forty
20 three (43) is the start of the attachments.

21 Q Yes.

22 A (Tebbetts) Within the testimony, on Bates 015,
23 which you started on Bates 014, if you go to
24 Bates 015, near the end of the information on

[WITNESS PANEL: Tebbetts|Strabone]

1 Attachment 2, we have a table in the testimony
2 providing that breakdown by year, too.

3 Q Oh. I see. Thank you. Okay. Yes. I was
4 working from the attachments.

5 So, in this step adjustment, though,
6 the Company is seeking to recover the revenue
7 requirement associated with 1,235,000, right?

8 A (Strabone) That is correct.

9 Q Okay. All right. Now, in the Settlement itself,
10 from the rate case, on Page 5, in describing the
11 eligible capital additions, there's a sentence
12 that says "Such 2021 capital additions shall be
13 similar in nature to the 2019 and 2020 additions
14 listed on Attachments 1 and 2., and shall not
15 include growth-related additions."

16 Could you explain how the work that's
17 described for this underground wire to feed all
18 this new development is not considered a
19 "growth-related addition" by the Company?

20 A (Tebbetts) Actually, we agree it is a
21 growth-related addition. But I do believe that,
22 when you look at Attachment 1 and Attachment 2 of
23 the Settlement Agreement, this project is
24 actually included in those pages, as one of the

[WITNESS PANEL: Tebbetts|Strabone]

1 first projects in the list.

2 And we also did file, on April 6, 2021,
3 the list of projects we anticipated cost recovery
4 on for 2021, and this project was also included
5 in there. So, we believe it is within the
6 Settlement Agreement's -- it's within the
7 Settlement Agreement that we signed, that we are
8 allowed to request cost recovery of this project
9 through this process.

10 Q Okay. And I have a similar line of questions
11 with respect to the Golden Rock feeder, and then
12 I want to come back and -- well, let me finish
13 with Tuscan first, and then we'll go to the
14 Golden Rock feeder.

15 So, I want to go to the testimony at
16 Page 14. And it talks about, at Line 17, "Tuscan
17 cost-sharing for Central Village". Could you
18 explain what "Central Village" is and what the
19 "cost-sharing" involved is?

20 A (Strabone) Sure. Central Village is located on
21 the southern parcel. It's just the part that
22 they're referring to is part of the inner 120
23 acres on the southern parcel, which is just what
24 they're identifying as that parcel of property.

[WITNESS PANEL: Tebbetts|Strabone]

1 The cost-sharing that the Company
2 agreed to do at Tuscan Development has to do with
3 the civil component of the infrastructure that
4 was required due to the southern parcel.

5 In a development -- in an underground
6 commercial development, the contractor is
7 responsible for installing the underground civil
8 component, which consists of manholes, hole
9 boxes, foundations, and concrete-encased conduit
10 system.

11 As we've worked with the developer,
12 there were certain areas within that 120 acres
13 that we needed additional conduits to be
14 installed for future development outside of the
15 Park. We just did not -- we wanted to make sure
16 that we had egress points out of the Park to get
17 any additional feeders that we need in future
18 years out to feed any additional load growth
19 within the Salem area.

20 As we worked through this, it became
21 very evident that we needed to enter some form of
22 agreement with the developer to install those
23 additional conduits in those certain areas now,
24 as opposed to later, when there would be -- it

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[WITNESS PANEL: Tebbetts|Strabone]

1 would be slightly -- frankly, it would be more
2 expensive, right, because we would have
3 restoration costs, and everything that went along
4 with tearing up the road and putting the
5 additional conduits in.

6 So, as we stepped through this, we
7 determined to work with Tuscan and their
8 contractor to install those conduits for us.
9 That way, you know, realizing a cost savings and
10 some synergy using the same contractor.

11 Q Okay. So, I had a couple of follow-up questions.
12 There was a word I wasn't sure I caught, was it
13 "civil", c-i-v-i-l?

14 A (Strabone) That is correct.

15 Q And that's what you're referring to, the manholes
16 and the conduits?

17 A (Strabone) Yes.

18 Q Okay. And "Central Village" is not like some
19 sort of condo complex, that's just referring to
20 the middle of the 120-acre southern parcel?

21 A (Strabone) Correct. They have named certain
22 parts of the parcel. Another part could be the
23 "Medical Offices" or "Medical Park".

24 Q Sure.

[WITNESS PANEL: Tebbetts|Strabone]

1 A (Strabone) Yup.

2 Q Okay. Okay. And, so, when I saw a cost-sharing
3 arrangement, I expected to see something along
4 the lines of a contribution in aid of
5 construction. Was there a contribution in aid of
6 construction in connection with this Central
7 Village civil infrastructure that you talked
8 about?

9 A (Strabone) No. That goes to the -- the
10 contribution in aid of construction goes to each
11 individual customer. This portion is, actually,
12 all of the costs is burdened by the developer to
13 do, except for the additional conduits in
14 sections that we needed, because, ultimately,
15 those were part of the infrastructure that
16 Liberty needed in future years.

17 Q So, the civil costs that were undertaken by the
18 developer would never hit Liberty's books, that's
19 just up to the developer?

20 A (Strabone) That is correct.

21 Q And then, you sort of used the developer to do
22 additional stuff that you thought was necessary,
23 believes is necessary for the future, and then
24 you paid the developer, is that what I'm

[WITNESS PANEL: Tebbetts|Strabone]

1 understanding?

2 A (Strabone) That is correct. We paid for those
3 additional conduits that Liberty required.

4 Q Okay. And, if I were to go into the detail of
5 the 1.235 million, I'd probably see some payments
6 to this developer for that infrastructure?

7 A (Strabone) Yes, you would.

8 Q Okay. I did want to talk about the contribution
9 in aid of construction. And I thought, if we go
10 to Bates Page 043, which is in the attachments, I
11 do see "Contribution in Aid of Construction"
12 listed as \$101,000, again, I'm rounding, but
13 \$101,000. Could you explain what makes up that
14 amount?

15 A (Tebbetts) Yes. So, while the Company installed
16 the underground conduit necessary to serve these
17 customers, each individual customer, who is going
18 to be using service at the Park, is required to
19 go through a revenue justification process. And
20 we look individually at their load, their
21 expected load. And, if they're a customer who
22 has other locations in our territory, or that
23 information is available somehow from the
24 developer, or that customer, we would utilize

[WITNESS PANEL: Tebbetts|Strabone]

1 that data. And, if not, we have a load
2 calculation sheet, based on different things
3 going on in the building, HVAC, etcetera, to
4 calculate what their load may be. And, depending
5 on what that load may be may depend on if a
6 customer is required to provide a contribution to
7 that.

8 And, so, what we do is, while the
9 majority of the costs are to install the
10 underground conduit, we apply the CIAC towards
11 all of the costs associated with services and
12 that underground conduit, which is what you see
13 on Bates Page 043 to the project.

14 A (Strabone) Just making a correction. It's the
15 underground electrical. The conduit is still the
16 responsibility of the customer in these
17 scenarios. So, the underground -- the CIAC is
18 based on the installation of the electrical
19 infrastructure, which would be underground wire,
20 transformers, or any other equipment needed to
21 serve them from an electrical perspective.

22 Q And that's done pursuant to existing tariffs,
23 correct, the CIAC calculation?

24 A (Tebbetts) Yes. Our line extension policy

[WITNESS PANEL: Tebbetts|Strabone]

1 provides how we would calculate that.

2 Q Right. And the way this schedule works, on Bates
3 Page 043, is that the amount requested to be put
4 in rate base through the step adjustment is
5 reduced by the CIAC, correct?

6 A (Tebbetts) Yes.

7 Q Okay. Thanks. So, on Bates -- back on the
8 testimony. So, on Bates Page 015, there's a
9 brief description of the amount that the project
10 was over budget, and that amount is roughly
11 \$235,000. And it reference -- well, maybe you
12 could just explain for us quickly the reason for
13 the cost -- I'll use the term, "cost overrun", or
14 the amount spent over budget on this project?

15 A (Strabone) Yes. I'd like to address that. The
16 project, itself, was not overspent. If you look
17 at each year, on Bates Page 015, you know, for
18 the total budget for 2019 was "1.2 million", and
19 what we were looking to recover in that year is
20 only 98,000.

21 In 2020, it was "\$900,000" for a total
22 budget, and we were looking to recover
23 approximately 182,000.

24 And then, for 2021, very similar, it

[WITNESS PANEL: Tebbetts|Strabone]

1 was "\$1,000,000" of total budget, and the amount
2 we're looking to recover is 954 -- approximately
3 954,000.

4 So, adding those three years up, it
5 comes to 1.2 -- approximately 1.2 million. But,
6 if you look at the total budget for that year, it
7 comes in under that as well. So, our overall
8 spend was not over budget each individual year,
9 it's just what we were looking for cost recovery
10 on.

11 Q Sure. But, on the list that was provided, the
12 budget is listed as "\$1,000,000".

13 A (Tebbetts) So, --

14 Q And the total spending is 1.235 million. So, I
15 was just asking about the difference between
16 that?

17 A (Tebbetts) So, as part of this spreadsheet,
18 this -- I wanted to include each year's budget as
19 a column, but it would have probably been in
20 6 font. And, so, we addressed that in the
21 testimony instead, as part of the attachment, and
22 then the table within the testimony to be more
23 clear about exactly what we were looking for cost
24 recovery. This was more of a summary page, that

[WITNESS PANEL: Tebbetts|Strabone]

1 just addressed the budget for 2021.

2 Q So, maybe I'm mixing up the two issues, but we
3 talked earlier about a "cost-sharing"
4 arrangement, and it says, again, on Bates Page
5 015, Line 11, "Tuscany [sic] and the Company
6 agreed there would be cost savings to install
7 these conduits now prior to the area being
8 developed, as opposed to installing the
9 underground infrastructure later and incurring
10 costly pavement restoration fees."

11 So, I was associating with that "extra
12 work" with the \$235,000, which was above the
13 million dollars that was on the list. Is that
14 not a -- I shouldn't -- that's an incorrect
15 comparison or analysis?

16 A (Strabone) That's correct. Yes, it's incorrect.

17 Q Okay. All right.

18 A (Strabone) Sorry.

19 Q Right. For the infrastructure that was put in to
20 save money down the road, what's the timeframe
21 for the expected load development? Well, I
22 guess, let me preface it with an earlier
23 question, with a foundational question. The
24 extra infrastructure is to serve customers

[WITNESS PANEL: Tebbetts|Strabone]

1 outside of Tuscan, is that it?

2 A (Strabone) Those extra conduits, correct.

3 Q And where would those customers be?

4 A (Strabone) Anywhere in the Town of Salem, within
5 that development. And I can tell you, as you
6 were going to ask, we've already received a
7 request from a customer to do a load study. And
8 it looks like we may be installing one of those
9 circuits relatively soon.

10 Q Okay. So, the timeframe is fairly -- it's a
11 short timeframe for the future?

12 A (Strabone) Correct. We plan, when we looked at
13 that, we were looking at about five years out.
14 This development came to us sooner than that.
15 And we could be looking to install that, you
16 know, potentially, if it goes through, within a
17 year or two.

18 Q Okay. So, now, I wanted to flip to the Golden
19 Rock feeder project. And this is described at
20 Bates Page 016 -- well, it starts on 015 of the
21 testimony. And, as far as the attachments go,
22 somewhere around Bates 050. Let me get that
23 exact page.

24 A (Tebbetts) We have it here on Bates 050.

[WITNESS PANEL: Tebbetts|Strabone]

1 Q Bates 050. That's what I have, right. The
2 same -- similar chart. Okay. So, this project,
3 for purposes of this step adjustment, is
4 \$1,523,000, correct?

5 A (Strabone) Correct.

6 Q And could you just give a brief description of
7 what this feeder will do?

8 A (Strabone) Sure. This feeder originates out of
9 Golden Rock Substation. We needed to add another
10 breaker position with inside the substation, and
11 exit underground to our own distribution
12 circuits. The feeder will then proceed through
13 the Town of Salem, tying into existing circuits
14 that are currently out of our Spicket River
15 Substation.

16 This feeder addresses load growth in
17 the area, and also a planning violation criteria
18 for loss of our supply over Spicket River.

19 Q And some of these Bates pages are hard to read,
20 because they printed on top of something else.
21 But I'm looking for Bates Page 054.

22 So, I wanted to ask you about the load
23 growth that you mentioned. So, the page I'm
24 looking at is called "Attachment 3 Page 5 of 11".

[WITNESS PANEL: Tebbetts|Strabone]

1 A (Strabone) Correct. It looks like "Bates Page
2 054" as well.

3 Q Oh, and that one's not obliterated. Okay.
4 Sorry. So, Bates Page 054, and there is a
5 statement in the middle of the page that says --
6 the question is "Is this project growth or
7 customer connection related?" And the answer is
8 "Yes. This project supports and is aligned with
9 the planned customer expansions at the Tuscan
10 Village Park in Salem."

11 Now, your prior answer didn't mention
12 "Tuscan Village". I'm just trying to understand
13 the connection between this \$1.5 million feeder
14 and the Tuscan Village project, if any?

15 A (Strabone) Yes. So, the growth in the Town of
16 Salem, at Tuscan Village, has a cascading effect
17 on all associations in the area. So, this
18 question here is, you know, "is the growth or" --
19 "is it project growth or customer connection
20 related?" Ultimately, there is a component of it
21 that has an impact on this project, so, we
22 answered "yes".

23 And, really, what it comes down to is,
24 when we do our -- when we did our study in the

[WITNESS PANEL: Tebbetts|Strabone]

1 Town of Salem, when we project the load at
2 Tuscan, and we look at contingency analysis, some
3 of those feeders that exist, when we start
4 looking at them with this additional load growth,
5 we think, if we were to lose Spicket River, we're
6 looking to tie load that was originally out of
7 Spicket onto adjacent distribution feeders.

8 With that load at Tuscan, it ultimately
9 limits our overall capacity in the system. So,
10 when we start looking at this analysis, a
11 contributing factor is load growth in the area,
12 because, ultimately, as I mentioned, it has a
13 cascading effect in the town.

14 So, by having this additional load, if
15 we were to lose Spicket River, we would
16 ultimately start violating our planning criteria
17 due to lack of capacity on our distribution
18 system.

19 Q Okay. And back on the testimony now, there's a
20 chart on Bates Page 016 for this project. And I
21 think I've asked you about this in past years,
22 but we have two lines there of budget of "1.3
23 million" for one year and a budget of "2.1
24 million" for the second year, 2021. It would be

[WITNESS PANEL: Tebbetts|Strabone]

1 incorrect to add those up and say that's the
2 total budget for the project, 3.4 million, right?
3 They're not cumulative. Do I understand that
4 right?

5 A (Strabone) That's correct. As we went along, we
6 put together estimates, and we refined them as
7 bids came in. Ultimately, you can see, for the
8 overhead portion of the project that we did,
9 that's in this -- you look at year 2021, for 2.1
10 million, and that was what we estimated the
11 project to cost at the time.

12 Q Okay. So, that was the total budget in 2021 of
13 2.1 million?

14 A (Strabone) That is correct.

15 Q And the amount that is requested for recovery, as
16 we said here, is 1.523 million?

17 A (Strabone) That is correct.

18 Q Okay. So, last year at this time we were talking
19 about Tuscan Village, and I had some paperwork in
20 front of me that I don't have this year. And the
21 essence of my question was, "expressed in
22 megawatts, how much load is there in Tuscan
23 Village right now?" And the answer you gave, I
24 think, was something like "2.2 million" -- "2.2

[WITNESS PANEL: Tebbetts|Strabone]

1 megawatts".

2 So, I don't have that same paperwork to
3 reference this year, but, if I asked you that
4 same question this year, can you give us an
5 update as to what the load is at Tuscan Village?

6 A (Strabone) Unfortunately, I cannot. With us
7 receiving the question yesterday, I had
8 insufficient time to step through all the area
9 loading. What I can tell you is that Rockingham
10 Substation is in service. It is feeding area
11 load, which includes outside of Tuscan and
12 Tuscan, and that equates to about 15.4 megawatts
13 of load.

14 Q But you don't, of the 15.4 megawatts, you don't
15 know how much is Tuscan-related?

16 A (Strabone) Unfortunately, just getting that
17 question yesterday, I had insufficient time to
18 dive in and do a thorough examination of what was
19 just specific to Tuscan.

20 Q Sure. Okay. And when did the Rockingham
21 Substation go into service?

22 A (Strabone) January 2021.

23 Q January of 2021.

24 A (Strabone) '22, sorry.

[WITNESS PANEL: Tebbetts|Strabone]

1 Q January of 2022?

2 A (Strabone) Yes.

3 Q And, over the years, we've talked about the
4 Rockingham Station and the 115 kV line or lines.
5 Have they gone into service as well?

6 A (Strabone) One of the 115 kV supply lines is in
7 service. That's feeding Rockingham. The other
8 one is slated for construction starting this
9 year.

10 Q And when did the one line go into service?

11 A (Strabone) Same time as the substation.

12 Q January of 2022?

13 A (Strabone) Yes.

14 Q So, just to clear things up on this feeder and
15 the connection to Tuscan Village. If Tuscan
16 Village had never developed, would this 19L2
17 feeder have been necessary?

18 A (Strabone) Correct. Yes, it would have. When we
19 looked at Spicket River for loss of supply,
20 ultimately, with load growth, as we projected in
21 the area, the 19L2 would be necessary.

22 Q Okay. Okay. So, I want to move to a different
23 project. This one is called "Damage/Failure
24 Blanket". It's discussed in the testimony at

[WITNESS PANEL: Tebbetts|Strabone]

1 Page 20. I guess it starts on Page 19 through
2 20. And it's discussed in the attachments around
3 Bates Page 037.

4 So, in the testimony -- well, again,
5 maybe I should start with asking for a general
6 description of what this project is all about?

7 A (Strabone) So, the purpose of the Damage/Failure
8 Blanket is to provide funding for the Company to
9 address any equipment that we -- that becomes
10 damaged or fails. And we can find that through
11 either inspections of our equipment on our lines
12 that could be caused by, you know, weather, as
13 equipment, a lightning strike, or --

14 *[Court reporter interruption.]*

15 **CONTINUED BY THE WITNESS:**

16 A (Strabone) -- motor vehicle accidents.

17 BY MR. DEXTER:

18 Q And, if I understand the chart on Bates Page 020,
19 the budget in 2021 for this project was "1.5
20 million"?

21 A (Strabone) That is correct.

22 Q The budget in 2020 was "1,000,000", and, again,
23 these aren't cumulative, I should not add those
24 two together, correct?

[WITNESS PANEL: Tebbetts|Strabone]

1 A (Strabone) Correct. That's funding for each
2 year.

3 Q Okay. All right. So, with these blanket
4 projects -- well, let me start again. What makes
5 up for the large underspend in 2020 one,
6 1,000,000 budget/\$67,000 spent?

7 A (Strabone) That's not the total spend for the
8 year. That is just what was placed in service
9 that we are looking for cost recovery on.

10 Q Okay. All right. So, if I were to jump to the
11 attachments, we could get into some of the
12 details. And I'm going to go to Bates Page
13 111 -- well, I guess I ought to start with the
14 list. So, that's Bates Page 037, I believe. And
15 on the list, Bates Page 037, this is Line
16 Number 8. This shows the budget for this year of
17 "1.5 million", correct?

18 A (Strabone) Correct.

19 Q And a total in-service amount of "2.2" --
20 "\$2,022,000", right?

21 A (Strabone) That is correct.

22 Q Okay. So, this one is proposed to be put in at
23 an amount over budget?

24 A (Strabone) Correct.

[WITNESS PANEL: Tebbetts|Strabone]

1 Q And, so, I wanted to go to some of the detail,
2 and I'm going to jump to Bates Page 111. And
3 this is the "Capital Project Expenditure Form".
4 And this is the first time we've talked about one
5 of these today, I think. So, could you explain
6 what a "Capital Project Expenditure Form" is?

7 A (Strabone) It's part of our documentation that we
8 need to develop associated with certain projects
9 over 100,000. You can see at the top there, it
10 says "Project is less than 100,000", or "Mandated
11 or Safety", a business case is not required on a
12 capital expenditure. But, if it's not under
13 those, but it is over 100,000, if it's not a
14 safety project, we have to do a business case, a
15 Capital Expenditure Form associated with
16 authorization of the project.

17 As you step through this project -- I
18 mean, this form, it just has some questions
19 about, you know, the spending, you can see here,
20 as you just step through, you know, anticipated
21 test years, what our anticipated spend for the
22 year is, and then it has approvals and signatures
23 to be signed off.

24 Q Yes. And, on Bates Page Bates 109, it starts

[WITNESS PANEL: Tebbetts|Strabone]

1 with a general description of the project, and
2 that's consistent with what you just talked
3 about, "Damages caused by vehicles", "Failures
4 caused by age...and deterioration", and things
5 like that?

6 A (Strabone) That is correct.

7 Q Okay. But, when this blanket is put together, do
8 you have specific assets in mind that you think
9 will fail or be damaged, I imagine not, by a
10 motor vehicle, but -- or, is this more of a
11 "blanket" as the name says?

12 A (Strabone) No, you're correct. It's more of a
13 blanket. And we establish this when we do the
14 capital forms and business cases, and we try to
15 establish it, you know, towards the end of, you
16 know, prior to the year. So, you know, for 2021,
17 we would have done this in the November/December
18 timeframe of 2020. And you're right, we don't
19 have specific components or projects that we
20 would identify as "failure". But we know that,
21 as you indicated, we know we'll receive motor
22 vehicle accidents, we know that equipment has a
23 tendency to fail out there, whether it be a
24 switch or a transformer or some other type of

[WITNESS PANEL: Tebbetts|Strabone]

1 component.

2 So, we have a general idea of what we
3 would see under this project, but we don't have
4 any specific project identified.

5 Q Yes. And, so, when I look a few pages down, I
6 get to a "Change Order Form". Maybe you could
7 give us a brief description of what a "Change
8 Order Form" does?

9 A (Strabone) Yes. Similar to the Capital
10 Expenditure, you know, a description and value of
11 what you would identify is increasing the budget
12 for. You have to give a reason. So, this
13 Capital Expenditure Form was to request
14 additional capital funding to cover all of our
15 expenses associated with this blanket.

16 Q And this form on Bates Page 111 -- I'm sorry,
17 113, says the original budget was "1.2 million".
18 Now, we just saw that the original budget I
19 thought was "1.5 million". So, could you explain
20 why this would say the original budget was "1.2
21 million"?

22 A (Strabone) Well, that's just the value that was
23 developed, I mean, what it was funded for and
24 what we determined we would need in October, when

[WITNESS PANEL: Tebbetts|Strabone]

1 we developed this -- oh, excuse me, it would be
2 the prior year, we just determined it would be
3 1.2.

4 Q All right. So, let me go through that again
5 then. So, the project -- the Capital Project
6 Expenditure Form comes first, right, because that
7 kicks off the project?

8 A (Strabone) It would be the business case and
9 Capital Expenditure Form come first.

10 Q Right. But, in this case, you said "there was no
11 business case." I thought that's what I heard
12 you say?

13 A (Strabone) Yes. There's no business case
14 provided. So, there was not a business case.

15 Q Okay. And the Capital Expenditure Form is dated
16 "1/4/2021". And it's for a full year of 2021's
17 projects, that's on Bates 109, right?

18 A (Strabone) That's correct. And the requested
19 capital in this one is "1.5 million".

20 Q 1.5 million, right. And, so, then, when I scroll
21 down to past the Capital Expenditure Forms to the
22 Change Order Form, this one is done
23 "October 29th, 2021". And, so, we're still in
24 2021. And I believe the request is for an

[WITNESS PANEL: Tebbetts|Strabone]

1 additional \$500,000, correct?

2 A (Strabone) That is correct.

3 Q So, I'm just -- I don't understand again, why
4 then, on Bates Page 113, the original project
5 value was listed at "1.2 million", instead of the
6 "1.5 million" that was listed on the Capital
7 Project Expenditure Form?

8 So, if you can explain that? And, if
9 it's a mistake, that's fine.

10 A (Strabone) But are you --

11 Q I'm just trying to trace things.

12 A (Strabone) So, on Bates Page 037, you went back
13 to that one, is that correct?

14 Q Bates Page 037 is the list, and that's where it's
15 listed as --

16 A (Strabone) "1.5".

17 Q -- "1.5".

18 A (Strabone) Which matches the Capital Expenditure
19 Form, and, really -- and then the Change Order
20 has "1.2", which is -- it's a mistake and a typo.

21 Q Okay. And then, the same thing on the Change
22 Order Form, on Bates Page -- these are
23 obliterated. So, I'm thinking it's Bates Page
24 113 or 114. It's dated "January 18th, 2021" is

[WITNESS PANEL: Tebbetts|Strabone]

1 the date it was prepared.

2 A (Strabone) It's believe that's Bates

3 Page 118 [115?], and you're correct.

4 Q And then it's "1.2" there. Okay. So, putting
5 aside the different starting point, we have two
6 requests for additional funds in 2021, one for
7 "500,000" and one for "400,000", is that right?

8 A (Strabone) That is correct.

9 Q Okay. And. Now, the explanation that's given on
10 the one that requests the 400,000 says "the
11 Company spent 2.6 times the 2021 monthly spend
12 rate and 7 times the historical spend rate for
13 the month of December. Forty (40) percent of the
14 total spend in the month of December can be
15 attributed to two jobs that were identified as
16 either damage or fail and need immediate
17 replacement." What does all that mean? Can you
18 just --

19 A (Strabone) Yes. So, ultimately, what it comes
20 down to is we had three significant failures that
21 occurred late in the year, which really pushed
22 this Change Order.

23 We had a failure at the mall in Salem
24 of a piece of switchgear, which was a significant

[WITNESS PANEL: Tebbetts|Strabone]

1 cost. And we had a -- two pole accidents, one in
2 the Town of Salem and one in the Town -- I
3 believe it was up in Canaan, that were very
4 significant in repairs that we needed to make.
5 Those three projects are really the ones that are
6 driving this overage for the year. And this
7 Change Order was really to reflect what we saw
8 from those three individual work orders.

9 Q Okay. Were the second two motor vehicle -- motor
10 vehicles hitting poles, is that --

11 A (Strabone) Yes.

12 Q Okay. And the first one you said was a "failure
13 of the equipment at the mall", is that the Tuscan
14 Village we've been talking about?

15 A (Strabone) No. This is the mall, Rockingham
16 Mall.

17 Q Which is right next door to it?

18 A (Strabone) Yes.

19 Q Okay. And what was the nature of that failure?

20 A (Strabone) It was a piece of switchgear into the
21 switching cabinet that our underground cable
22 comes into and terminates. And then, you can
23 feed into the mall from there. That piece of
24 equipment ended up failing.

[WITNESS PANEL: Tebbetts|Strabone]

1 Q Do you know the age of that piece of equipment?

2 A (Strabone) I do not. I can tell you that it was
3 relatively old.

4 Q So, the mall isn't part of the new development,
5 the mall existed before Tuscan Village?

6 A (Strabone) Absolutely. Yes.

7 Q Okay. So, the next project I want to talk about
8 is called -- actually, I have questions about two
9 projects that seem to cover an item that sounds
10 very similar to me.

11 Project 5 is called a "General
12 Equipment Blanket", and Project 16 -- well, let's
13 start with Project 5. So, Project 5 is called
14 the "General Equipment Blanket". And the item I
15 want to ask about appears on Bates Page 078 in
16 the attachments.

17 But, before we get to Bates Page 078, I
18 think I'll just ask you to summarize the project.
19 The chart of costs appears on Bates Page 073.

20 So, could you just explain what makes
21 up the \$188,000 that's requested through the step
22 adjustment for the General Equipment Blanket?

23 A (Strabone) Correct. So, for the General
24 Equipment Blanket, that's funded for the purchase

[WITNESS PANEL: Tebbetts|Strabone]

1 of tools or other equipment that's necessary, for
2 either our engineers or operations folks to
3 perform their daily functions.

4 But, for the General Equipment Blanket,
5 some of the purchases that were made under this
6 are, you know, for a cable --

7 *[Court reporter interruption.]*

8 WITNESS STRABONE: Go a little slower?

9 MR. PATNAUDE: Yes.

10 WITNESS STRABONE: Yes. Sorry.

11 **CONTINUED BY THE WITNESS:**

12 A (Strabone) -- cable puller, phasing meter, hand
13 crimpers, some -- and a piece of equipment called
14 a "service saver", and that ultimately can be
15 used if a service to a house has failed, we can
16 install this, get the customer back up and
17 running, while we make repairs.

18 So, those are some of the types of the
19 tools and equipment that were identified as
20 either being needed to be purchased, as they may
21 have passed their useful life, they may have
22 broken. Or, we also have a Tools Committee and a
23 Safety Committee that meets throughout the year.
24 So that someone could identify a piece of tool or

[WITNESS PANEL: Tebbetts|Strabone]

1 equipment that would make their job easier. And
2 it ultimately goes through an approval process,
3 and then that can be used to purchase that --
4 this blanket could be used to purchase that piece
5 of equipment as well.

6 BY MR. DEXTER:

7 Q Okay. And, on Bates Page 078, we have a Change
8 Order Form. And, again, the original value of
9 the project is listed at "50,000", which is
10 different from -- I think what's different from
11 what's on the list, but we'll -- my real question
12 is about the Change Order amount "\$415,000", do
13 you see that?

14 A (Strabone) Yes, I do.

15 Q Okay. And then, there's two descriptions, two
16 items I think described below in the text that
17 make up the request for the 415,000. The first
18 one says it's "for 15,000", and I want to skip
19 over that one, and go to the second paragraph
20 that says "The second request for funding is for
21 400,000", and it "includes the purchase of a new
22 electric meter test board." Can you explain what
23 that is?

24 A (Strabone) Sure. So, that's a piece of equipment

[WITNESS PANEL: Tebbetts|Strabone]

1 that our Meter Department uses to test meters as
2 they come in, either from a fail off of a
3 customer's house, or when they come in from
4 shipment. Usually, what we do is just do a test
5 verification and a quality acceptance test, to
6 make sure that the meter is functioning properly,
7 and that it's giving the expected value reads.

8 So, we do -- periodically, we do what's
9 called a "Pickford test", where we go and
10 exchange the meter at the customer's house, we
11 can bring it back and test it, to make sure that
12 the values that we expect for a read are correct.
13 And then, also, as I mentioned, when new meters
14 come in, we'll also test them as well, to make
15 sure that they weren't damaged during shipment,
16 and that they, once again, are giving accurate
17 reads before we put them on a customer's house.

18 Q Well, what does it look like? Is it like a table
19 that you plug meters in or --

20 A (Strabone) Yes. So, it has a board on it. There
21 is, basically, a desktop or a work station you
22 can work on. And there is a board that has meter
23 sockets on it, so you can actually plug the meter
24 in, --

[WITNESS PANEL: Tebbetts|Strabone]

1 Q Right.

2 A (Strabone) -- run the test, and get the values
3 that you need.

4 Q Does \$400,000 strike you as a lot of money for a
5 piece of equipment like that? Because it does
6 me, but I don't work in the field. That just
7 strikes me as an awful lot of money for a piece
8 of equipment to test the meter.

9 A (Strabone) No, I mean, ultimately, you would
10 think that. There are smaller units and more
11 mobile ones that you can bring out to the field.

12 But, if you're looking to test multiple
13 trans -- multiple meters, and do it relatively
14 quickly, you can set the meters up, run multiple
15 tests. And, ultimately, the version that we went
16 with, too, allows us to test the remote and
17 dis -- the remote connect and disconnect function
18 of future AMI meters, if we go that route as
19 well. So, it has additional capability to test
20 meters for that function.

21 Q And how long would a piece of equipment like this
22 be expected to last?

23 A (Strabone) Our first one lasted seven to eight
24 years. I would suspect that's probably in the

[WITNESS PANEL: Tebbetts|Strabone]

1 ballpark, yes.

2 Q Okay. So, in looking through the material, as I
3 said earlier, if we go back to the list, we get
4 to Project 16. So, the list is on Bates Page
5 037. And Project Number 16 is called "Meter Test
6 Board". And it's budgeted at "\$300,000", and it
7 has an in-service cost of "\$248,000". And is
8 that right?

9 A (Strabone) That is correct.

10 Q Right. And, if I go to Bates Page 198 and 199,
11 there is some detail about that. Let me get
12 there. And, so, Bates Page 198 has the table
13 that we've been talking about. And then, Bates
14 Page 199 has the description. And the
15 description to me sounded very similar to the
16 description that I just read for the blanket
17 project.

18 So, could you tell me, is this the same
19 piece of equipment, or is it different, and maybe
20 give us a little more detail?

21 A (Strabone) No, you're correct. This is the same
22 piece of equipment. And why this became its own
23 individual project was due to the cost. Because
24 you're right, it's a bit more expensive. You

[WITNESS PANEL: Tebbetts|Strabone]

1 know, it's not 50,000 or 25,000. It was -- or,
2 you know, the estimate came in at "218,000". So,
3 the decision was to pull this purchase out of the
4 General Equipment Blanket, and make it its own
5 stand-alone funding for the purchase.

6 Q And, so, the final cost ended up being about
7 \$250,000? Well, is that right?

8 A (Strabone) Looks like the final -- that is
9 correct. On Bates Page 198, it's listed as, you
10 know, 248,000.

11 Q Right. And that includes overheads. So, the
12 actual amount paid to the vendor is 218,000,
13 right?

14 A (Strabone) That is correct.

15 Q Right. Now, that same amount is not up in the
16 blanket project, right, it was taken out?

17 A (Strabone) That is correct.

18 Q Okay. And when did the piece of equipment go
19 into service?

20 A (Strabone) I don't have the date, but I
21 believe -- I don't know if you saw that? It was
22 within the calendar year before years-end. I
23 just don't have the actual date.

24 Q Sometime in 2021?

[WITNESS PANEL: Tebbetts|Strabone]

1 A (Strabone) Correct.

2 Q Okay. All right. The next project I wanted to
3 ask about is called "LED Street Light
4 Conversions". And it's described in the
5 testimony on Page 2022 [022?], starting on Bates
6 Page 022. Can you give a brief description of
7 the LED Street Light Conversion Project?

8 A (Strabone) So, this project provides funding to
9 basically provide capital to as we work with
10 towns and municipalities who want to change out
11 their existing street lights to LEDs. So, we
12 reach out to our local towns, see if they're
13 interested in converting their existing, you
14 know, lighting infrastructure -- street lighting
15 infrastructure to LED lights.

16 Q And, according to Bates Page 023, it looks like
17 the total amount requested for recovery in this
18 case is \$388,000, correct?

19 A (Strabone) That is correct.

20 Q Now, up on Page 22, it says "The total request
21 for the cost recovery for the project is 388,000,
22 which is above the planned amount for 2021, as
23 the projects spanned 2020 and 2021, but the
24 lights were not in service until 2021."

[WITNESS PANEL: Tebbetts|Strabone]

1 A (Strabone) That's correct.

2 Q What happened in 2020 with respect to this
3 project? What kind of work was done?

4 A (Strabone) Yes. So, we, through conversations
5 with the Town of Salem, they were looking to
6 convert, I think, approximately 630 something
7 lights. Due to just timing on their side, and
8 going through the process to get the funding that
9 they needed to pay for this replacement, they
10 were only able to pay a certain amount in 2020,
11 and then it carried over into 2021. So, we did
12 some replacements in 2020, and then completed the
13 rest of the replacements in 2021, which is really
14 the contributing factor to the overspend in that
15 year.

16 Q Can you tell me, of the 387,000, how much was
17 spent in 2020? How much went into service in
18 2020? Is that the 114,000 on Bates 023?

19 A (Strabone) It's the 114,000, that is correct. We
20 did work with another town doing LED street light
21 conversions. But, ultimately, with the part that
22 went into service, total was 114,000. What was
23 out of all of that from Salem? I did not break
24 out the costs.

[WITNESS PANEL: Tebbetts|Strabone]

1 Q And this project was on the original list that
2 was provided about a year ago, is that right?
3 And this is not a substitution project?

4 A (Tebbetts) That's correct.

5 Q And it was listed on the original list. There's
6 not a project number, but -- there's a project
7 number, but there's not a -- I don't have a "1"
8 through "20", it's about three-quarters of the
9 way down. And it was budgeted at "125,000",
10 right?

11 A (Tebbetts) I don't have last year's filing in
12 front me. But I'm looking at what we filed this
13 year. We have a budget of "\$125,000" for 2021.

14 Q Okay. So, the pieces that were put in service in
15 2020 really aren't eligible for this step
16 adjustment, right, because this is step
17 adjustments for 2021? I'm just curious why the
18 2020 piece would be in this step adjustment?

19 A (Tebbetts) I don't believe the lights went in
20 service in 2021 -- I'm sorry, 2020. I believe
21 that the testimony says "the lights were not in
22 service until 2021", unless Mr. Strabone says I'm
23 incorrect on that. And this spanned a couple of
24 towns. And there's work that needed to be done,

[WITNESS PANEL: Tebbetts|Strabone]

1 and I don't have the details of it here, but
2 whatever those replacements were, *etcetera*.

3 So, I believe all of it went in service
4 in 2021. But we had costs associated with
5 projects in 2020.

6 A (Strabone) You are correct.

7 A (Tebbetts) And during those two years, I'll add,
8 we did collect contribution in aid of
9 construction, as noted on Bates Page 156, of
10 about \$44,000 between the towns that requested to
11 convert. So, that's -- and that was part of
12 their up-front contribution in order to move the
13 projects forward, to pay that undepreciated value
14 of the old street lights, and anything else that
15 was necessary.

16 Q Okay. I wanted to ask you about the
17 undepreciated value, but let me just get to the
18 chart in the attachments. And I think it's on
19 Bates Page 157, but let me get there. Bates Page
20 156 has the chart.

21 A (Tebbetts) Uh-huh.

22 Q Okay. And, so, let's -- since you brought it up,
23 let's talk about the CIAC, \$44,000. Could you
24 explain what that is again? I'm sorry, I didn't

[WITNESS PANEL: Tebbetts|Strabone]

1 catch it. I know you just said it.

2 A (Tebbetts) I don't have the details behind it in
3 front of me, but there is undepreciated value
4 cost of the existing street lights that are
5 necessary to be paid, that is most likely part of
6 this. And there could be other work for poles,
7 or sometimes customers want -- we offer certain
8 types of poles the customers can have, and that
9 could very well be part of that conversion as
10 well. That they want a decorative pole, instead
11 of the pole that we had. And my understanding
12 is, special requests like that would also be part
13 of that contribution. But I don't have the full
14 details in front of me.

15 Q And the notion that the customer pays the
16 undepreciated portion of the light that's coming
17 out was -- that's embedded in the tariff from the
18 last rate case, correct?

19 A (Tebbetts) Yes.

20 Q Okay. And, so, these are definitely
21 replacements. So, again, back on the 20 -- is
22 that right? These are definitely replacements?

23 A (Strabone) That is correct.

24 Q If there's an undepreciated value?

[WITNESS PANEL: Tebbetts|Strabone]

1 A (Strabone) That is correct.

2 Q So, getting back to my question about 2020 versus
3 2021, I'm having a hard time understanding how,
4 if a light was replaced in 2020, it would seem to
5 me that you would go out there, replace the
6 light, the old one would come out, the new one
7 would go in. I don't see how there would be any
8 lag in the in-service date between the expending
9 of the money and the in-service of the fixture?
10 Am I missing something?

11 A (Tebbetts) So, I don't know the details of
12 exactly what work was done. And I'm looking at
13 the breakdown on Bates Page 156. We have labor,
14 some materials, a little bit of vendors. And,
15 again, I don't -- I couldn't tell you exactly
16 what is broken down with this. I just don't have
17 the data in front of me.

18 But, in looking at the materials and
19 the costs, the majority of the materials were
20 purchased and received in 2021. And, as such,
21 just kind of moving through that thought, we
22 would not have been installing street lights in
23 2020 had those materials not arrived until 2021.

24 When we replace street lights, there's

[WITNESS PANEL: Tebbetts|Strabone]

1 other work that may be done. I do believe that
2 sometimes we have to replace some of the
3 electrical connections to those street lights.
4 If they're very old, we do not want to install
5 brand-new LED lights on old, high-pressure sodium
6 connections. And, so, I know, in some of our
7 towns, we've had to do electrical work prior to
8 installing these street lights. And that very
9 well could be part of what we're looking at here
10 for 2020 costs.

11 Q Now, jumping down a few pages, there's a Change
12 Order Form. I think it's Bates Page 165 -- 164
13 it looks like. And the Change Order Form is for
14 the LED Street Lighting Project. And it mentions
15 an original project of "125,000", and an
16 additional amount of funds for "82,000", correct?

17 A (Strabone) That is correct.

18 Q And, actually -- well, I'm confused by this,
19 though, because 125, plus 82, doesn't equal
20 332,000. So, there are actually two prior change
21 orders?

22 A (Strabone) There was one -- there was one prior
23 Change Order for 125, and then an additional one
24 for 82.

[WITNESS PANEL: Tebbetts|Strabone]

1 Q Okay. Okay. Now, a little bit down below those
2 numbers is a paragraph, and it says in that
3 paragraph that "Liberty was only able to complete
4 100 street light conversions." Well, I'm
5 reading -- I'm starting in the middle of a
6 sentence, so let me start again. It says
7 "Unfortunately, due to the Town of Salem not
8 signing an agreement and issuing payment until
9 October 2020, Liberty was only able to complete"
10 -- "Liberty was only able to complete 100 street
11 light conversions, pushing the remaining
12 replacements to 2021."

13 So, I would read that as saying that
14 "Liberty completed 100 replacements in 2020."
15 Does that sound right?

16 A (Strabone) That is correct.

17 Q Okay.

18 A (Tebbetts) So, I just want to add that, while we
19 may have completed 100 street light conversions,
20 I do not believe those costs are in here, because
21 they would not have gone in service in 2021.
22 And, so, this is, again, a blanket request. It's
23 like the other one that we looked at. We have
24 many projects within -- many work orders within a

[WITNESS PANEL: Tebbetts|Strabone]

1 project, but looking at the breakdown of data, we
2 would have included what went in service in 2021.

3 Q Well, the Project Close Out -- or, the Change
4 Order Form hits the 332,000. And the chart five
5 pages earlier hits the same number, well, close,
6 \$387,000. And the chart earlier says 114 was
7 spent -- 114,000 was spent in 2020. And the
8 Change Order Form says "100 lights were replaced
9 in 2020", and Mr. Strabone agreed that's what it
10 said. I assume he agrees that's what happened.
11 I guess we'll have to draw our own conclusions
12 from the data.

13 A (Tebbetts) Well, I -- I'm sorry, go ahead.

14 Q And I'll leave it at that. That's fine.

15 A (Tebbetts) And the 2020 spend was -- 2021 spend
16 was 273,000. That's the total we spent. We are
17 looking to add 114,000 from 2020, to get us to
18 387,000. But, when we look at the total Change
19 Order and Project Close Out of 330 -- well,
20 332,000, only 273,000 is associated with the 2021
21 conversion we're asking for cost recovery on.

22 Q But you're asking for cost recovery of 387,000,
23 correct?

24 A (Tebbetts) Yes, because we had costs associated

[WITNESS PANEL: Tebbetts|Strabone]

1 with the 2021 conversion incurred in 2020. It's
2 the same -- it's the same argument as the other
3 projects, where we've incurred maybe engineering
4 costs or other labor costs, material costs in
5 prior years, but the project did not go in
6 service until 2021. So, we're looking to recover
7 all the costs associated with that project that
8 went in service in 2021.

9 Q Well, what about -- where are the costs for the
10 100 lights that were put in in 2020?

11 A (Tebbetts) They are not here, I guess. I can't
12 answer that in front of me. But what I can tell
13 you is, the total cost for the year was \$332,000,
14 we're asking for \$273,000 for the year. So,
15 those other costs we're not asking for cost
16 recovery on. It could be that those went in
17 service in 2020. And, so, we did not include
18 that in here.

19 Q Okay. So, now, I want to move to Project 13,
20 which is addressed in the testimony starting on
21 Bates Page 023.

22 WITNESS TEBBETTS: Mr. Dexter, would it
23 be possible to just take a quick break? I
24 apologize. I have the paperwork for this project

[WITNESS PANEL: Tebbetts|Strabone]

1 at my computer, which is over on the table.

2 MR. DEXTER: I have no problem with
3 that. It's really up to the Chairman. I was
4 going to -- I have about three more projects I
5 wanted to ask briefly about, and then I wanted to
6 go into F1 forms. So, that probably will all
7 take about 30 to 45 minutes.

8 CHAIRMAN GOLDNER: Okay. Now would be
9 a good time for a break. Maybe come back at
10 10:35, and resume. Okay.

11 MR. DEXTER: Thank you.

12 CHAIRMAN GOLDNER: Thank you. Off the
13 record.

14 *(Recess taken at 10:21 a.m., and the*
15 *hearing resumed at 10:45 a.m.)*

16 CHAIRMAN GOLDNER: Before we pick up
17 again with Mr. Dexter, I just wanted to highlight
18 a couple things, or ask a couple things, Mr.
19 Dexter, before you proceeded.

20 Will the Department be providing a
21 table or information on any suggested, I won't
22 say -- maybe "disallowances" is the wrong word,
23 but any places where the Department disagrees
24 with the Company's filing?

[WITNESS PANEL: Tebbetts|Strabone]

1 MR. DEXTER: Yes. We were planning to
2 do that in closing. I don't think it will be
3 complicated. But I could follow it up with, you
4 know, with numbers.

5 I mean, ultimately, I think where we're
6 heading is, if we were to recommend that some of
7 these costs fall out of the step adjustment, but
8 remain eligible for, you know, the next rate
9 case, we would go back to the list, which totals
10 about \$10 million. And, if we were to make that
11 recommendation for any items on that list, that
12 \$10 million number would go down.

13 We don't have access to the revenue
14 requirement model. So, the Company would have
15 to, I guess, would have to, you know, do a
16 calculation, or, you know, I think our
17 recommendation would be at the rate base level,
18 not at the revenue requirement level, is what I'm
19 saying.

20 CHAIRMAN GOLDNER: Okay. I think that
21 would be fine. I'm just trying to think about
22 implementing everything before August 1st, and do
23 we have enough time to process all of the
24 information, seeing where you're going?

[WITNESS PANEL: Tebbetts|Strabone]

1 MR. DEXTER: Yes. And having said "we
2 don't have access to the model", I'm wondering
3 now, with everything being filed in Excel, maybe
4 we do have access to the model. I'm not sure.

5 But, if, when we get to the end of the
6 day and we make some recommendations, I think it
7 would be a fairly simple exercise for the Company
8 to do that, understanding they won't likely agree
9 with us, but, you know.

10 CHAIRMAN GOLDNER: So, you could
11 provide your input in closing at the end of the
12 hearing.

13 MR. DEXTER: Yes.

14 CHAIRMAN GOLDNER: And then, there
15 would be an opportunity for the Company to reply
16 in some days, so that we could resolve by the
17 1st?

18 *[Atty. Dexter indicating in the*
19 *affirmative.]*

20 CHAIRMAN GOLDNER: Okay. Okay. Just a
21 moment please.

22 *[Chairman Goldner and Atty. Speidel*
23 *conferring.]*

24 CHAIRMAN GOLDNER: And then, one final

[WITNESS PANEL: Tebbetts|Strabone]

1 question for you, Attorney Dexter, before you
2 continue.

3 Is part of your analysis the
4 categorization of these assets as O&M versus
5 capital?

6 MR. DEXTER: Well, I haven't -- none of
7 what I've asked about now, but the very next one
8 on my -- two down on my list, I wanted to ask
9 about that. There's a project called "DTN
10 Weather Upgrade". It's a subscription service,
11 the way it's described. And I didn't actually
12 have that question for the witnesses. But we'll
13 see what they say.

14 CHAIRMAN GOLDNER: We were puzzled as
15 to the tester, too. And we were not quite sure
16 why the tester would be O&M, for example. So,
17 maybe that's something that we could all, you
18 know, keep in mind as we move forward.

19 So, this categorization of "O&M" versus
20 "capital" is sort of an ongoing issue. And then,
21 if the Department has any recommended I'll call
22 them "disallowances", that would be -- that would
23 be good to know.

24 So, if -- we had nothing else from the

[WITNESS PANEL: Tebbetts|Strabone]

1 Commission, Mr. Dexter. So, apologize for
2 interjecting, but I thought it might be helpful
3 to take a quick read point.

4 MR. DEXTER: No, my off-the-cuff answer
5 on the tester would be -- the witness testified
6 it "has a seven or eight year life". So, I
7 wasn't thinking along those lines that that
8 should be an expense item. That wasn't going to
9 be part of our recommendation.

10 Our purpose in questioning that item
11 was to make sure it wasn't in two places on the
12 list. And I believe the witnesses have satisfied
13 that, that it's only included in Project 16, it's
14 not up in the blanket anymore. So,
15 preliminarily, at this point, we're okay with the
16 tester, as proposed.

17 CHAIRMAN GOLDNER: Okay. Thank you.

18 MR. DEXTER: Sure.

19 CHAIRMAN GOLDNER: Okay. Please
20 proceed, Mr. Dexter.

21 MR. DEXTER: Okay.

22 BY MR. DEXTER:

23 Q So, when we left, I was going to move on from the
24 LED Conversion Project. But, Ms. Tebbetts, I

[WITNESS PANEL: Tebbetts|Strabone]

1 think you said you wanted to look at some
2 paperwork. And, if you wanted to add anything,
3 I'm perfectly happy to ask you to do that, or
4 maybe your lawyer would want to do that on
5 redirect.

6 I just didn't move on, if you had
7 something else you wanted to add?

8 A (Tebbetts) The only thing I wanted to add, I
9 guess, is that, you know, these projects are
10 being audited. And, once the audit is complete,
11 we'll have, you know, we'll be able to go through
12 all of these issues at that time as well, and
13 make adjustments, as necessary, in the future.

14 And, actually, what I was referencing
15 is your next question, and I didn't have my
16 paperwork with me. I left it on my desk, but
17 it's on my computer. So, I just wanted to grab
18 it.

19 Q Okay. So, the next project I wanted to ask about
20 is Project 13, and it's referenced on the
21 testimony at Bates Page 023. So, let me get
22 there.

23 And the project itself is called "IT
24 Systems & Equipment Blanket". And the sentence,

[WITNESS PANEL: Tebbetts|Strabone]

1 in particular, I wanted to ask you about was on
2 Bates Page 023, Line 14. It says "The Company
3 completed the Payment Processing Project
4 delivering the foundation for a single payment
5 processing platform for the enterprise."

6 So, that raised a couple of questions
7 in my mind. First, if you could explain what the
8 "Payment Processing Project" is? I'll start with
9 that.

10 A (Tebbetts) Sure. So, we have a call on from
11 our -- I'm not sure what the name of our payment
12 processing program was, but we moved away from
13 that, to using a program called "Kubra". And
14 it's described from the business case that
15 enterprisewide we have many different payment
16 processing programs. And, so, two things have
17 happened.

18 The first thing that happened was we
19 needed to be PCI-compliant, and I'll explain
20 that. The second thing is we're moving to SAP,
21 and we needed a single payment processing
22 platform to be able to provide, you know, a
23 smooth transition to SAP for customers, as well
24 as one platform to process these payments. And

[WITNESS PANEL: Tebbetts|Strabone]

1 that's where Kubra comes in.

2 And PCI Compliance provides that, so,
3 the Payment Card Industry Data Security Standard,
4 PCI DSS, is standards designed by the credit card
5 companies to ensure that all companies that
6 accept, process, store or transmit credit card
7 information maintain a secure environment. And,
8 so, in order to ensure that we were
9 PCI-compliant, we moved to Kubra, which is a
10 program, and a third party, where Kubra will
11 actually handle all payment transactions for any
12 customers requiring assistance, such as let's say
13 a credit card was denied. It will also add the
14 opportunity for customers to pay with American
15 Express. They will be able to receive a
16 confirmation email or text message, once they
17 have made that payment. So, they will receive
18 some kind of confirmation. Our systems can't do
19 this today.

20 And it also allows for the fact that we
21 won't be storing any information. This will be,
22 to be PCI-compliant, we cannot store payment data
23 on file. And, so, I don't know that we are doing
24 that today, but, to be compliant, we will not do

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[WITNESS PANEL: Tebbetts|Strabone]

1 that in the future either.

2 So, moving towards this was, again,
3 two-fold: One, to become PCI-complaint with the
4 standards that the credit card companies have.
5 They have a coalition of some sort that puts out
6 these standards, and also to allow us to move to
7 SAP and have one platform to process credit card
8 payments.

9 Q And what's "SAP"?

10 A (Tebbetts) "SAP" is our -- it's a combination of
11 our financial and billing systems that we're
12 moving to. Right now, we use Great Plains for
13 financial data and Cogsdale for billing data.

14 Q And SAP has not yet been implemented, it's in the
15 works, is that right?

16 A (Tebbetts) In New Hampshire, we have not gone to
17 SAP yet.

18 Q Okay. So, the other question that this sentence
19 on Line fourteen raised for me was the phrase
20 "delivering the foundation for a single payment
21 processing platform for the enterprise." Is the
22 "enterprise" Liberty's nationwide operations?

23 A (Tebbetts) Yes. And that's what I described as
24 we had "many payment processing companies"

[WITNESS PANEL: Tebbetts|Strabone]

1 working with us, and now we will have one single
2 payment processing company for all of our
3 utilities in the country.

4 Q Okay. And "delivering the foundation", what does
5 that mean?

6 A (Tebbetts) So, as I mentioned, this is a -- this
7 is a program that will do what I mentioned of the
8 PCI Compliance, and then allow customers to have
9 more options. And it's -- when we say
10 "delivering the foundation", it's really that
11 starting point of our customers having -- I'm
12 trying to think of how I can best describe it,
13 without just regurgitating what was in our
14 testimony. But it was the starting point of us
15 moving towards SAP, as I mentioned. We need to
16 get something that's enterprisewide that SAP can
17 work with. We also needed to make sure that we
18 weren't storing credit card data, that we had the
19 third party processing already in place.

20 We couldn't just go to a new billing
21 system, and then all of a sudden not have a
22 payment processing system that would work with
23 SAP. We would have had to integrate every single
24 payment processing programming into SAP, and then

[WITNESS PANEL: Tebbetts|Strabone]

1 move it later to Kubra, and that just would be
2 costly and ineffective.

3 So, we started with fixing the first
4 problem, and then now moving up the chain of
5 getting us to that new billing and financial
6 system.

7 Q Okay. And are customers able to make use of this
8 system, and, for instance, pay with American
9 Express, and get the emails and texts, and the
10 other features that you mentioned? Is that
11 happening now?

12 A (Tebbetts) So, customers can use Kubra. I do not
13 know if those other -- this was rolled out to our
14 Customer Service group in 2020. And, so, I
15 believe that those options are available. I
16 personally have not used them. But, given that
17 this was -- the training was rolled out to our
18 Customer Service group in 2020, and this was what
19 the implementation was part of, I would assume
20 that those options are working at this time. I
21 have not heard otherwise.

22 Q And "Kubra" is an acronym? Or is that the name?
23 Is that the name of the system?

24 A (Tebbetts) I don't know, actually. I just know

[WITNESS PANEL: Tebbetts|Strabone]

1 that's the name of the software.

2 Q Software, the name of the software. And that
3 replaced -- you said something about "Great
4 Plains", or you mentioned another software
5 package?

6 A (Tebbetts) Nope. That didn't replace anything.
7 What that -- it didn't, I'm sorry, that didn't
8 replace Great Plains.

9 Q Okay.

10 A (Tebbetts) What that replaced was our current
11 payment processing programming, which I don't
12 know what it's called.

13 Q Okay.

14 A (Tebbetts) It just replaced that.

15 Q Okay. And, so -- and has that happened, I guess
16 is my -- have you gone from the old unnamed
17 system to the Kubra system?

18 A (Tebbetts) Yes.

19 Q Okay. And when did that happen?

20 A (Tebbetts) Sometime in 2021. I don't have the
21 date in front of me.

22 Q Okay. The testimony at Page 24 has a little
23 chart of things with some checkmarks and stuff
24 like that. What is all this showing us?

[WITNESS PANEL: Tebbetts|Strabone]

1 A (Tebbetts) Well, this is what we were, you know,
2 the benefits of customers being able to utilize
3 this program. We want -- what I wanted to
4 provide was part of what the business case
5 showed, and it basically allows customers for,
6 you know, a one-time payment for nonregistered
7 customers, you know, keeping pace with the IVR.
8 You can walk into our local office and pay with
9 your credit card or debit card now. We did not
10 offer that prior to this. And then, you could
11 actually set up auto-pay on your credit card, if
12 you wanted to.

13 So, these offerings were not available
14 to customers prior to us using this system. You
15 had to pay with a bank account or a check, in
16 order to get on auto-pay, for example. Now,
17 customers can use their credit card if they want
18 to be on auto-pay.

19 Q Okay. And these various features that are
20 checked off are available starting sometime in
21 2021, is that right?

22 A (Tebbetts) Yes.

23 Q Okay. Now, if we go to the attachments, and the
24 reason -- this is why I was asking you a lot of

[WITNESS PANEL: Tebbetts|Strabone]

1 questions about the dates. If we go to the
2 attachments, and we go to Bates Page 171.

3 A (Tebbetts) Uh-huh. Okay.

4 Q You're faster than I am. So, there's a -- this
5 is the Capital Project Business Case for the
6 whole system, correct?

7 A (Tebbetts) Yes.

8 Q Like the enterprisewide system, right?

9 A (Tebbetts) Yes.

10 Q Okay. And, on Bates Page 171, there's a
11 schedule, but there's no dates in the schedule.
12 Do you know why that is?

13 A (Tebbetts) There's no dates in the "eCustomer -
14 Kubra" section?

15 Q Well, I'm looking at the block on Bates Page 171
16 that says "Schedule". And it says "Forecasted
17 Start Date", "Forecasted End Date", and there's
18 no dates?

19 A (Tebbetts) Oh. I did not fill out this business
20 case. So, I cannot speak to any of that.

21 Q Okay.

22 A (Tebbetts) But this has been -- so, converting to
23 SAP has been ongoing for maybe three or four
24 years now, maybe even longer. And, so, this --

[WITNESS PANEL: Tebbetts|Strabone]

1 I'm just going to Bates Page 167, where we have
2 dates. They prepared this on "February 11th,
3 2020", and the project start date was
4 "February 18th, 2020". It looks like they had an
5 end date of 20 -- "October 1, 2021", but the
6 project did not go in service until 2021 -- I'm
7 sorry, "October 2020", but the project didn't
8 actually go in service until 2021.

9 Q Okay. And there's no Project Close Out Form for
10 this project that I could see. Do you agree?

11 A (Tebbetts) There is no Project Close Out Form,
12 it's not -- there's more work to be done. This
13 is the piece of it that went in service so far.
14 And I do not know what other pieces need to go
15 in. But my understanding is, as we move through
16 getting into the conversion to SAP, there may be
17 other things associated with this that will come
18 with it. And, so, we don't do a Project Close
19 Out until all of the pieces have been completed.

20 Q Okay. Okay. So, the next project I wanted to
21 ask about is on Bates Page 025, and it's entitled
22 "DTN Weather Upgrade". Can you explain what this
23 project is?

24 A (Strabone) So, currently, the Company subscribes

[WITNESS PANEL: Tebbetts|Strabone]

1 to a weather service called "DTN". They provide
2 us weather forecasts twice daily. Those
3 forecasts include what we anticipate to see for
4 weather for, you know, for the day, and then up
5 to ten days out. Basically, we use this as part
6 of just overall planning and, ultimately, storm
7 preparation.

8 Those forecasts, as I said, come out
9 twice daily. And there's a table that indicates,
10 you know, projected wind speed, or if there's
11 going to be severe thunderstorms, or, in the
12 winter, you know, snow and ice. And then,
13 there's a write-up that goes along with it for a
14 little bit of additional information.

15 Out of our service, we're allowed to --
16 we have an agreement to call, and we can actually
17 speak to a meteorologist, and get a little bit
18 more detail. It helps with our storm planning.

19 Another feature that they offer is this
20 analytical service using artificial intelligence,
21 and we have determined that it would be another
22 great tool in our toolbox to have during storm
23 preparation. So, what this upgrade allowed us to
24 do, we provided all of our historic system

[WITNESS PANEL: Tebbetts|Strabone]

1 impacts due to storms, and all the information
2 that we've collected over the years.

3 And DTN has put this into a database
4 for us, and uses artificial intelligence that,
5 when an event is created, we're allowed to go --
6 we can go into the system and see what the system
7 is predicting for potential impacts, and where.
8 So, we can see what it looks like at a system
9 level, and we can also see what it looks like in
10 a particular service area. So, we can determine
11 if the storms will be more impactful in the
12 Lebanon area, or in our Salem -- in our Salem
13 area.

14 This allows us to, as I mentioned, just
15 being another tool for us to determine, when it
16 comes to storm preparation, how many potential
17 crews we need, outside resources, with respect to
18 trees, and also internal resources.

19 Q And how's the information, the weather
20 information, delivered twice daily?

21 A (Strabone) It's through email. Go ahead.

22 A (Tebbetts) But we also have logins. So, it is a
23 website, it's a Web-based program, and we log in,
24 and we have access to it. So, we can take a look

[WITNESS PANEL: Tebbetts|Strabone]

1 at all of the storm analytics, the weather
2 forecasts for the day. You've got briefings, we
3 can ask questions through the briefing, we can
4 email for the briefing. We have a lot of options
5 to get data.

6 But they do send an email to an email
7 list at the Company as well every day of a
8 forecast.

9 Q And there's some detail provided on Bates Page
10 186 for this project. And, under the "Costs", it
11 says there was "150,000 one-time CapEx fee
12 (includes set-up, onboarding, and service
13 delivery)", and then a "\$9,000 per year
14 Maintenance Agreement."

15 Could you explain what's being set up?
16 Is this something on the Company's premises, or
17 just maybe a little more detail on that would be
18 helpful?

19 A (Strabone) Yes. It was setting up the
20 information in the system. So, I believe we gave
21 them past historic information, possibly ten
22 years. It ultimately has to be entered into the
23 system, it has to be analyzed, and has to,
24 basically, give a base case for the system to run

[WITNESS PANEL: Tebbetts|Strabone]

1 an analysis on similar events. So, without
2 having that information set up in the system and
3 our -- and our service territories and historic
4 storm impacts, you know, say, a round a
5 thunderstorms, like yesterday, came through, the
6 system would not be able to analyze that,
7 comparing it to past storms, to give a prediction
8 of what our potential impacts would be.

9 Q So, the system that you referenced a couple of
10 times, what's that system? Where you say you had
11 to "put this into the system"?

12 A (Strabone) Oh. It's a Web-based, as Ms. Tebbetts
13 indicated, it's a Web-based software that we're
14 allowed to get into. It's called "Storm
15 Analytics Impact" through DTN. And, as
16 indicated, we're able to log in and reference all
17 the information in there, looking at historic
18 storms, and what is potentially forecasted for
19 weather and what impacts may occur.

20 Q Do you know what the useful life of this system
21 is expected to be?

22 A (Strabone) I do not have that. I don't know if
23 Ms. Tebbetts has it?

24 A (Tebbetts) I do. And it's actually in our

[WITNESS PANEL: Tebbetts|Strabone]

1 filing. It is on Bates Page 037, I do believe.
2 Sorry, 038. I believe it has a three-year life.
3 If I look at the "Book Depreciation Rate", on
4 Line and 5, Bates Page 038, is a three-year --
5 three-year life.

6 Q So, this falls into the first column that's
7 called "Software"?

8 A (Tebbetts) Yes.

9 Q So, you're depreciating it over three years?

10 A (Tebbetts) Yes.

11 Q Now, what about the annual fee, the \$9,000 annual
12 fee, does that get depreciated as well?

13 A (Tebbetts) No, that's an expense. It's just an
14 annual expense for them to maintain it. So, we
15 get upgrades every so often. And one of the
16 reasons why we looked also to make this upgrade
17 is that we actually own the --

18 *[Court reporter interruption.]*

19 **CONTINUED BY THE WITNESS:**

20 A (Tebbetts) I'm sorry. We own -- I guess we own
21 the source code. So, what happens is, annually,
22 we'll get upgrades. In the event that DTN went
23 out of business tomorrow, we could still run this
24 program. We wouldn't be able to get any more

[WITNESS PANEL: Tebbetts|Strabone]

1 upgrades out of it, and we wouldn't be able to
2 add any more data to it. But we still could run
3 the program, and determine, based on the weather
4 that's coming in, from past storms that already
5 had been uploaded into it, what our potential
6 impacts could be.

7 And, so, that's one reason why we found
8 this to be, not only helpful, in the meantime, to
9 work through the storm analytics, you know, just
10 trying to figure out what may happen with our
11 predictions, but the fact that we're, you know,
12 we're able to continue to use this in the event
13 that something happened with DTN. It's not a --
14 it will be something that we can use forever, I
15 guess, because we have the source code.

16 BY MR. DEXTER:

17 Q Okay. I wanted to jump to the project called
18 "Salem Garage", and I wanted to go to the
19 attachment at Bates Page 243. Could you explain
20 what this project is briefly?

21 A (Strabone) Yes. Down in our Salem service
22 territory -- excuse me, in our Salem Office, we
23 had a garage out back from our main office that
24 there was and addition put onto by a contractor

[WITNESS PANEL: Tebbetts|Strabone]

1 that allowed an area to be developed for our
2 Substation group to perform testing in a
3 controlled indoor environment.

4 Q So, it was an addition to an existing building,
5 and the total amount for inclusion in this case
6 is 668,000, correct?

7 A (Strabone) That is correct.

8 Q And, under the column of "Materials", there's
9 zero for materials. Could you explain why
10 there's no -- if you're building a building, how
11 there's no materials involved?

12 A (Strabone) Correct. That was the responsibility
13 of the contractor, to secure the building
14 materials.

15 Q Oh. So, any of the materials that they used
16 would be under the "Vendor" column?

17 A (Strabone) That is correct. "Material costs"
18 under this would refer to anything that we pulled
19 out of our stockroom, which we would not have
20 building material as local stock.

21 Q And the work that was predicted to be done in the
22 space, is that going on? Is that happening right
23 now?

24 A (Strabone) It's complete.

[WITNESS PANEL: Tebbetts|Strabone]

1 Q Okay. So, the building's complete, but is the
2 work that you described, the test -- the
3 substation testing and the equipment testing, is
4 that going on now?

5 A (Strabone) Pardon me, I misunderstood. Yes.

6 Q Okay. And that happened in 2021?

7 A (Strabone) Correct.

8 Q And what happened to the former space that this
9 testing function moved out of? I think your
10 testimony said it was "up in Lebanon".

11 A (Strabone) They were doing stuff in Lebanon,
12 which was in an area that was just designated as
13 part of our warehouse. So, it wasn't -- it was
14 just a dedicated spot inside the warehouse that
15 was roped off. So, it wasn't a true test area.

16 We had an unfortunate incident up in
17 that area that led to a determination inside the
18 Company to make sure that we added a dedicated
19 area to provide, like I said, a controlled
20 environment for our internal folks to perform
21 testing.

22 Q So, this would be an improvement in safety, is
23 that what you're saying?

24 A (Strabone) Yes, it is.

[WITNESS PANEL: Tebbetts|Strabone]

1 Q Okay. All right. Well, I think that completes
2 my questions -- no, actually, it doesn't. I'm
3 sorry.

4 I've got a follow-up to something that
5 we talked about earlier today, and that has to do
6 with the Damage/Failure Blanket we were talking
7 about, and the three incidents that occurred at
8 the end of the year that caused the blanket to
9 spend more than was predicted. Do you remember
10 that? I think you said two of them were motor
11 vehicle accidents, --

12 A (Strabone) That's correct.

13 Q -- and one was an equipment failure.

14 A (Strabone) Correct.

15 Q I'm curious about insurance recovery, and how
16 that works in a motor vehicle accident? In other
17 words, if someone hits your pole, is the person
18 driving the car ultimately responsible for the
19 cost of repairing that pole, or their insurance?

20 A (Strabone) They are. And, ultimately, we would
21 not see that immediately, that it would -- it
22 would go through our insurance, and, ultimately,
23 deal with the individual's, you know, insurance
24 company. And it would -- it would be the timing

[WITNESS PANEL: Tebbetts|Strabone]

1 of when we saw -- recouped those costs.

2 Q So, if you recoup some costs from either of these
3 incidents, that didn't happen in 2021?

4 A (Strabone) That's correct.

5 Q Okay. So, this in at a gross amount, if you
6 will. How would those insurance recoveries be
7 accounted for, do you know? Would they be an
8 offset to the plan amount that we're talking
9 about in this case or would they be handled some
10 other way?

11 A (Tebbetts) I don't know. I don't know how they
12 would come in. I have not dealt with Insurance,
13 and I don't know if Mr. Strabone has either.

14 A (Strabone) I have not.

15 Q Do you know how successful recovery is? In other
16 words, do you end up getting 10 cents on the
17 dollar or do you end up --

18 A (Strabone) I am not involved in that process, and
19 I would not be able to speak to it.

20 Q Okay. And, Ms. Tebbetts, you had said that these
21 projects are being "audited". You're referring
22 to the DOE Audit Staff or -- or were you? Or
23 were you referring to some sort of Liberty
24 internal audit?

[WITNESS PANEL: Tebbetts|Strabone]

1 A (Tebbetts) DOE Audit Staff.

2 Q Okay. Okay. So, like I said, I have a few
3 questions, I wanted to go to the Company's Form
4 F1. And I have extra copies, if that's helpful.
5 I just printed a few, because I didn't identify
6 this ahead of time.

7 A (Tebbetts) I would like to take a copy, since I
8 did not have a chance to print it out before
9 today, please.

10 MR. DEXTER: Sure.

11 *[Atty. Sheehan handing document to*
12 *Witness Tebbetts.]*

13 MR. DEXTER: Mike, did you want to take
14 one?

15 MR. SHEEHAN: Sure, if you've got one.

16 MR. DEXTER: And I have a third one, if
17 anyone at the Bench would like a paper copy?

18 CHAIRMAN GOLDNER: Yes, please. Yes,
19 please. Thank you.

20 MR. DEXTER: You're welcome.

21 *[Atty. Dexter distributing documents.]*

22 BY MR. DEXTER:

23 Q So, the reason I was looking at this form was I
24 wanted to compare the allowed return on rate base

[WITNESS PANEL: Tebbetts|Strabone]

1 from the last rate case, to the Company's
2 currently earned return on rate base. And, to
3 make that comparison, I first went, having now
4 handed out this one page, I want to refer to
5 something else. I went back to the Settlement in
6 the rate case. And I see that the Settlement
7 allowed for a return on equity of 9.1 percent,
8 and an equity ratio of 52 percent, and a debt
9 ratio of 48 percent. And that appears on Page 3
10 of the Settlement.

11 Does that all sound familiar and
12 correct to you?

13 A (Tebbetts) Yes.

14 Q Okay.

15 A (Tebbetts) Yes.

16 Q And I was searching for the actual chart that we
17 often put in settlements showing the return, and
18 I didn't find it in the body of the Settlement,
19 but I actually found it on Attachment 1 in the
20 Settlement, Bates Page 028, and it's the
21 calculation of the first step adjustment. And,
22 at the bottom of that page, I see the typical
23 chart that we see for overall rate of return, and
24 return on equity and debt, and all that. Do you

[WITNESS PANEL: Tebbetts|Strabone]

1 see that?

2 A (Tebbetts) Yes.

3 Q Okay. So, I'm focusing on the "Weighted Rate" in
4 that chart, overall Weighted Rate of 7.6 percent,
5 as opposed to the next column, which says
6 "Pre-Tax". And, so, I'm inferring that this 7.6
7 percent, I guess, is a post-tax number, an
8 after-tax number, is that right?

9 A (Tebbetts) Yes.

10 Q And, so, now having identified the 7.6 percent
11 allowed overall rate of return, which
12 incorporates the 9.1 return on equity and the
13 5.97 percent debt, I want to compare it to the
14 most similar calculation that's provided in the
15 F1.

16 And I believe that that's a chart
17 labeled as "Attachment 1" in the F1, it's labeled
18 "Schedule 1.A - Calculation of Per Books Rate of
19 Return for the twelve months ended 12/31/21
20 (Including Historic Accumulated Deferred Income
21 Taxes)".

22 Would you agree that, of the various
23 calculations provided in the F1, that this is the
24 one that's, I guess, comparable to what was

[WITNESS PANEL: Tebbetts|Strabone]

1 allowed in the rate case?

2 A (Tebbetts) I would not.

3 Q Okay. So, let me go back to the cover letter
4 then. So, the cover letter that came with the F1
5 says it includes two rate of return calculations,
6 one is "Schedule 1.A" and then one is
7 "Schedule 1.B".

8 Would 1.B more -- would Schedule -- the
9 calculation on Schedule 1.B be more comparable,
10 if we're trying to evaluate actual results versus
11 the allowed rate of return?

12 A (Tebbetts) Yes. Attachment 2 is what I would
13 consider -- Attachment 2, Schedule 1.B, is what
14 we would consider to be comparable.

15 Q And, if I go to that schedule, I see that the
16 earned rate of return for the last year is 7.83
17 percent, correct?

18 A (Tebbetts) Yes.

19 Q And, so, that's a little bit higher than the
20 allowed rate of return from the Settlement,
21 correct?

22 A (Tebbetts) Yes.

23 Q And the reason I went to Schedule 1.A, instead of
24 1.B, was the parenthetical in the cover letter.

[WITNESS PANEL: Tebbetts|Strabone]

1 And the parenthetical said "ADIT from Settlement
2 in 19-064", "ADIT" standing for "Accumulated
3 Deferred Income Taxes". It seemed to me that it
4 was referencing the Settlement, that's why I made
5 that comparison. Can you explain why 1.A is not
6 the more comparable calculation versus 1.B?

7 A (Tebbetts) Yes. So, we have to consider that, as
8 part of Docket DG 11-040, as part of the
9 acquisition, we -- as part of the acquisition, we
10 took the ADIT that was on the books, which was a
11 liability, and it was taken off books. And, by
12 doing that -- it was about \$21 million. And, by
13 doing that, we then reduced the amount that
14 customers are paying as part of the rate of
15 return in our calculation by that \$21 million.
16 So, customers are paying, not on \$176 million on
17 the books, but as of \$155 million on the books.

18 And, so, that's why we -- and that's
19 done for ratemaking purposes. And, so, that's
20 why we look to that number, and not the Schedule
21 1 number that you mentioned, in Attachment 1.
22 Customers received that benefit at the time of
23 the acquisition of reducing the rate base by \$21
24 million.

[WITNESS PANEL: Tebbetts|Strabone]

1 Q Okay. Okay. And this calculation, on
2 Schedule 1.B, Line 1 is "Operating Revenues", 107
3 million and change, that number would include
4 sales that we've been talking about in the Tuscan
5 Village area, would it not?

6 A (Tebbetts) Well, I don't know -- any customer
7 that came on -- so, the issue with that is, we
8 have customers who -- we have a very small
9 parcel, the north parcel, which does have
10 customers with load. Yes, that is true. The
11 larger parcel we talked about, the south parcel,
12 has a lot of building on it. We've already
13 connected them, because they need to get service
14 in order to do the work they need to do to build
15 those buildings and put in the equipment,
16 *etcetera*.

17 So, some of it has some Tuscan in it.
18 I couldn't tell you how much. And Mr. Strabone
19 might be able to further provide information
20 about what's built out there, if you have
21 questions.

22 Q Well, I guess -- I guess my -- I guess my
23 question is, if a customer is down there taking
24 service, whatever stage of development they're

[WITNESS PANEL: Tebbetts|Strabone]

1 at, it's going to be in this number, is all I'm
2 asking?

3 A (Tebbetts) Yes.

4 Q And it may be more, based on future development.
5 But whatever was there in 2021 is in this number?

6 A (Tebbetts) Yes.

7 MR. DEXTER: Okay. That's all I wanted
8 to ask.

9 That completes my questions. Thank
10 you.

11 CHAIRMAN GOLDNER: Okay. Thank you.
12 We'll move to Commissioner questions, beginning
13 with Commissioner Chattopadhyay.

14 CMSR. CHATTOPADHYAY: Still good
15 morning.

16 BY CMSR. CHATTOPADHYAY:

17 Q So, I'm going to first go to the Settlement in DE
18 19-064. And I'm going to read what appears in
19 that Settlement at Page 5, it's both Bates and
20 otherwise. And somewhere in the middle it says
21 "With its April 6, 2021 step adjustment filing,
22 Liberty shall provide a list of 2021 capital
23 additions planned to be in service by December
24 31, 2021, and planned to be submitted for

[WITNESS PANEL: Tebbetts|Strabone]

1 recovery in the third step increase effective
2 July 1st, 2022. Such 2021 capital additions
3 shall be similar in nature to the 2019 and 2020
4 additions listed on Attachment 1 and 2 and shall
5 not include growth related additions."

6 So, first of all, all of the dollar
7 amounts that you're talking about for 2021
8 associated with Golden Rock feeder and the Tuscan
9 Village South lines, so this is going back to,
10 just a moment, Exhibit 2, Bates Page 003, the
11 dollar amounts that you're showing, those are
12 expended during 2021, or maybe 2020, some of it,
13 but it's meant for -- it's meant to reflect that
14 those projects went into service in 2021,
15 correct?

16 A (Tebbetts) Yes.

17 Q And they are -- and you have stated that these
18 are growth projects?

19 A (Tebbetts) Those two projects, yes.

20 Q And those, would you characterize them as those
21 are "growth-related additions"?

22 A (Tebbetts) They're growth projects. So, yes, I
23 guess.

24 Q Okay.

[WITNESS PANEL: Tebbetts|Strabone]

1 A (Tebbetts) I mean, they're for growth.

2 Q Okay.

3 A (Tebbetts) And, if I may add, this project, the
4 19L2 Golden Rock feeder, was in the original list
5 of projects on Bates Page 029 of the Settlement
6 Agreement. It's listed halfway down, "Golden
7 Rock Distribution Feeder 19L2".

8 Q Yes, I do see them.

9 A (Tebbetts) And it was just -- it was pushed out
10 to this future year. And, as such, that's why we
11 included it, as it was part of the original list.

12 Q Okay. Let's go to the -- since you showed me
13 these, the listing here, Bates Page 029 from the
14 Stipulation, from the Settlement from, you know,
15 16-064 [19-064?]. I would also go to Bates Page,
16 just a moment, 20 -- that's 29, that's 2019, and
17 the other one is Bates Page 031, right?

18 And I just notice that you have used
19 the term "blanket", and any time it appears for
20 2019 and 2020, those are mandated projects. Is
21 that a correct reading, based on 2019 and 2020's
22 listing?

23 A (Tebbetts) That is what I see in the list here,
24 yes.

[WITNESS PANEL: Tebbetts|Strabone]

1 Q And, if you go to Bates Page, bear with me, 003,
2 of Exhibit 2, when you look at "blanket"
3 appearing, it also appears for "discretionary"
4 funding, right?

5 A (Tebbetts) Yes.

6 Q And one of them is as big as \$3.3 million, or,
7 you know, which is Number 13?

8 A (Tebbetts) Yes.

9 Q Okay.

10 A (Tebbetts) So, blanket projects are those that
11 occur annually. And the reason for having a
12 blanket project could be lots of reasons. But
13 meaning it could be discretionary, mandated, but
14 the purpose of a blanket is primarily that it is
15 an annual project. And, so, you'll see the
16 General Equipment Blanket as well as
17 discretionary, that's for the tools that Mr.
18 Strabone explained earlier.

19 IT systems, that's a blanket, because,
20 again, it occurs annually, depending on what
21 things are being either newly installed or
22 updated. And this one's discretionary.

23 You may find that the Distribution
24 Asset Blanket is mandated, and our Capital

[WITNESS PANEL: Tebbetts|Strabone]

1 Expenditure Policy provides how we determine what
2 priority that is.

3 Q So, can you give me a sense of why, in 2019 and
4 '20, you know, if there are these blanket
5 expenditures, and blanket capital expenditures
6 that you have listed here, that the ones that are
7 discretionary, they weren't there in those two
8 years, like 2019 and 2020. Can you go back to
9 2019 and 2020 and tell me that there were these
10 discretionary blanket capital expenditures that
11 didn't happen in those two years?

12 A (Tebbetts) So, it's not that it didn't happen.
13 This is just a select list of projects to go into
14 the step adjustment. We have maybe 100 projects
15 a year, and those projects, of that bucket of
16 projects, the 12 to 15 that are in here are the
17 only ones that we said we would look for cost
18 recovery on through a step adjustment.

19 So, yes, there very well could be lots
20 of projects that are blankets that have
21 discretionary spending on them.

22 Q Okay. Would you agree that, in 2019 and 2020,
23 roughly speaking, 20 percent of the dollar
24 amount, you know, is discretionary?

[WITNESS PANEL: Tebbetts|Strabone]

1 And you can subject to check, of
2 course. But I can give you the numbers there.

3 A (Tebbetts) Subject to check, I would agree with
4 you.

5 Q One of them is 18 percent, the other is 23
6 percent. So, around 20 percent.

7 A (Tebbetts) Yes. And subject to check, I would
8 agree with you. And I think, unfortunately, the
9 word "discretionary" sounds as if we don't need
10 to do it. Unfortunately, we have a broad Capital
11 Expenditure Point Plan and program that provides
12 how our policies work. And, essentially,
13 "discretionary", we would use that term to say
14 "it's not being mandated by an order from the
15 Commission, it's not being" -- "it's not a safety
16 issue."

17 So, these are projects that are
18 necessary, costs that are necessary to incur,
19 they just don't fit within a specific bucket to
20 why we're doing the project. And, so, we have it
21 called like a "miscellaneous" bucket of why we
22 need to do this.

23 Q Again, a general question. For some of the
24 blanket items, can you give me a sense of whether

[WITNESS PANEL: Tebbetts|Strabone]

1 some of these costs can be really just O&M
2 expenses? I mean, or do you think that,
3 typically, or it's always the case that these
4 blanket expenditures are about capital
5 expenditures?

6 A (Strabone) These blanket -- these blanket
7 expenditures are always capital. Usually, what's
8 involved with these projects and these
9 expenditures is the replacement of a plant item,
10 you know, an item that's identified as, you know,
11 "capital plant". Anything that would be an
12 expense is captured elsewhere in our expense
13 accounting.

14 So, anything that you see here is an
15 actual project that's been identified, that's
16 replacing capital plant items.

17 Q Okay. Again, going back to the discretionary
18 point, subject to check, would you agree that 57
19 percent of the expenditure that you have listed
20 in Exhibit 2, Bates Page 003 is discretionary?

21 A (Tebbetts) Subject to check, I would agree with
22 you.

23 Q Okay. I would also say, subject to check,
24 roughly speaking, for all of these years, 2019,

[WITNESS PANEL: Tebbetts|Strabone]

1 2020, 2021, the mandated expenditures were
2 roughly around 35 percent. And, you know, I've
3 checked them. So, just -- okay.

4 For the "DTN Weather Upgrade" or
5 "update", "Upgrade" rather, you did mention it's
6 "discretionary". Can you give me a sense of what
7 benefits we are going to get that were sort of
8 impending, that couldn't, you know, absolutely
9 had to be taken advantage of, so -- advantage of?
10 So, I just want to get a sense of, you know, when
11 you're talking about discretionary funding like
12 that, give me a sense of what value do ratepayers
13 actually get that is commensurate with the cost
14 that you're spending?

15 Likewise, for the IT Systems and
16 Equipment Blanket, did you do any such analysis?
17 A (Tebbetts) So, with regard to discretionary
18 spending, again, I think it's unfortunate, it's a
19 misnomer. It's not that it's just we decided to
20 spend money. It's that we've identified items
21 that we believe are important to run our business
22 or to plant assets that need to be replaced, and
23 it's more of a "miscellaneous" bucket, because it
24 doesn't fit in the very prescribed bucket that

[WITNESS PANEL: Tebbetts|Strabone]

1 our Capital Expenditure Policy provides for us to
2 fill out our paperwork.

3 So, I just want to make sure I've
4 explained that correctly, because I'm not sure I
5 did earlier. But it's, really, "discretionary"
6 is more "miscellaneous". That we've identified
7 something. We've decided that it's important to
8 make this either change or update or addition,
9 and we move forward with a business case to get
10 approved to spend the money.

11 And I can now have Mr. Strabone discuss
12 more on the DTN benefits of this upgrade.

13 A (Strabone) So, ultimately, over time, as the
14 system learns the weather patterns in New
15 Hampshire -- the weather patterns in our service
16 territory, and what those typical storm events
17 will -- the severity of what they will impact our
18 system, we'll be able to make better decisions
19 with respect to securing outside contractor
20 resources.

21 So, today, if, I'm going to use this as
22 a hypothetical, today, if we saw that there was
23 going to be, you know, a significant amount -- a
24 significant snowstorm come through with, you

[WITNESS PANEL: Tebbetts|Strabone]

1 know, six inches of heavy, wet snow, we would say
2 "Historically, based on our information, we see
3 this, and we're going to go out and get 25
4 outside contractor resources." And, because it's
5 a Northeast storm, we're pulling those
6 contractors from Georgia. And there's going to
7 be a very hefty expense to go along with that.

8 Ultimately, with this system, we're
9 going to be able to look and say "Hey, due to the
10 system learning the impacts, this is really going
11 to be concentrated in one service territory. And
12 we don't need those 25 contractor resources, we
13 only need 5 or 10." And, ultimately, because
14 we're asking for a smaller number, we can get
15 those closer. So, we're going to get those, say,
16 from Vermont.

17 And then, ultimately, you know, we're
18 properly staffed for the storm, and, you know, we
19 go through the event, restore our outages in a
20 timely manner, and, ultimately, keep our overall
21 storm-related costs down, which will have a, you
22 know, a compounding, you know, an effect later on
23 down for when we're looking for any type of cost
24 recovery with storms.

{DE 22-035} {07-19-22}

[WITNESS PANEL: Tebbetts|Strabone]

1 Q And can you provide a similar explanation for the
2 Row Number 13, it's IT?

3 A (Tebbetts) Yes. So, that's the Kubra that we
4 talked about. I mentioned earlier that there is
5 a couple reasons for moving to a new payment
6 processing platform.

7 The first reason was to be -- the
8 compliance with PCI, and ensuring that we are
9 processing credit card payments in the manner
10 that the credit card companies have standardized.
11 And, until then, we were not compliant.

12 The other reason to move to this was
13 due to the fact that we will be moving to SAP for
14 our billing and financial systems. And we had
15 many -- we have -- I don't know how many exact
16 operating companies we have in our system, but we
17 have at least 15 to 20, and many of those were on
18 all different payment processing platforms.

19 And, so, in order to get all of us on
20 one payment processing platform, we went through
21 and worked with this company, the software is
22 "Kubra", I'm not sure where it comes from or who
23 designed it, I'm just not the IT person on it.
24 But Kubra was chosen as being PCI-compliant, and

{DE 22-035} {07-19-22}

[WITNESS PANEL: Tebbetts|Strabone]

1 also offering options to customers, as I
2 mentioned earlier, with credit card payments,
3 being able to walk in and make a credit card
4 payment, do an auto-pay on credit cards or debit
5 cards, and also provided a third party that would
6 store any information needed, whereas PCI
7 compliance provides that we cannot store credit
8 card information.

9 So, 11 percent of the total cost was
10 borne by Granite State Electric. And that is the
11 amount we're seeking for cost recovery.

12 Q Thank you. When is the Company expecting to come
13 back for a rate case?

14 A (Tebbetts) The earliest we can come back is next
15 year. And, as such, I don't know when we will
16 come back. But the earliest we can come back is
17 next year, 2023.

18 Q That is -- that was part of the Settlement as
19 well, right?

20 A (Tebbetts) Yes.

21 Q But what you're saying is, you don't know whether
22 you're going to do that, you don't know yet?

23 A (Tebbetts) Correct.

24 Q Okay. You had a back-and-forth with DOE about

[WITNESS PANEL: Tebbetts|Strabone]

1 the 1.99 percent, if you remember. So, that is
2 you're -- are you essentially saying that, when
3 the customer charge for the Residential class
4 isn't changed, and with the all other changes,
5 ultimately, it results in a percentage change in
6 revenue that is equal to 1.99 percent? I guess
7 just confirm that. I think that's what you're
8 essentially saying?

9 A (Tebbetts) For the customer -- for the Rate D
10 customer class, you're correct. The Rate D
11 customer class gets a greater volumetric
12 reduction, because we're not applying any of it
13 to the customer charge, yes.

14 Q And my point is, when you look at 1.99 percent,
15 it's for all customers, right? And, because the
16 residential customers has a big -- it's a big
17 share, so, it's -- I'm just trying, because I
18 haven't gone through the numbers, the percentage
19 increases for each class was, as DOE was pointing
20 out, more than 1.99 percent. And I'm trying to
21 convince myself that it can still make sense,
22 because the customer charge itself hasn't changed
23 for Residential class. Therefore, ultimately,
24 1.99 percent would still be reasonable?

[WITNESS PANEL: Tebbetts|Strabone]

1 A (Tebbetts) Yes.

2 CMSR. CHATTOPADHYAY: Okay. So, just
3 confirming that.

4 I think that's all I have. But if I
5 may? I'm just curious if -- I'm going to ask the
6 DOE a question.

7 And my question is, when you look at
8 the Settlement language, the one that I read
9 initially, let me go there, if I have it handy.

10 Yes. So, it's those particular lines,
11 and, you know, and I'll read it again. It says
12 "Such 2021 capital additions shall be similar in
13 nature to the 2019 and 2020 additions listed on
14 Attachment 1 and 2 and shall not include growth
15 related additions."

16 Can you give me a sense of what at that
17 time -- the Department, at that time, was PUC
18 Staff, might have been thinking of, in terms of
19 including the last few words there, which is
20 "shall not include growth related additions for
21 2021"?

22 MR. DEXTER: Yes. Yes. I don't have a
23 specific memory of the negotiations. But it's
24 not -- it's a fairly typical clause to find in a

[WITNESS PANEL: Tebbetts|Strabone]

1 step adjustment, I believe. And the reason
2 behind it, and this is what I was going to get
3 into in closing, is that step adjustments are
4 inherently one-sided. In other words, they're
5 designed to increase rates, to allow a company to
6 recover certain expenditures, but there is no
7 offsetting revenue calculation. And, when I say
8 "one-sided" there's no -- there is no recognition
9 of the change in post-test year revenues.

10 Now, a lot of the things that we've
11 been talking about today won't bring in any more
12 revenues. For example, probably a silly example,
13 but the meter test board for \$230,000, I don't
14 think is going to bring in any revenue to the
15 customer. And, so, that would be something that
16 would be non-growth related. And, therefore,
17 wouldn't, you know, it's not impacted by the fact
18 that the step adjustment doesn't account for
19 change in revenues.

20 If you get into something like "Install
21 the service to Tuscan Village", as the witnesses,
22 you know, understandably testified that's going
23 to bring in more revenue. It's not a bad thing,
24 it's great, because more revenue between rate

[WITNESS PANEL: Tebbetts|Strabone]

1 cases will keep the Company out of rate cases.

2 But the point is, in a step adjustment,
3 where you're talking about a limited, one-sided
4 calculation, you have to be careful not to give
5 the Company recovery for things they're going to
6 bring in revenue in a format where the increased
7 revenue isn't counted in the calculation.

8 So, I think that's what was behind it.
9 I think it's a fairly standard clause in step
10 adjustments, particularly where you're dealing
11 with a list, a list of projects.

12 So, that's my answer.

13 CMSR. CHATTOPADHYAY: Thank you. And
14 I'll wait to hear your closing argument. So, you
15 know, I'm guessing you'll have some thoughts
16 there about some of the growth projects that are
17 in the listing.

18 That's all. Thank you.

19 CHAIRMAN GOLDNER: Okay.

20 BY CHAIRMAN GOLDNER:

21 Q I'd just like to start on Bates 011, Exhibit 1,
22 there's the complete list of the projects that
23 were removed. They were removed, and then, on
24 Bates 013, there's the complete list of the

[WITNESS PANEL: Tebbetts|Strabone]

1 projects that were added. And, you know, I guess
2 a proponent would say "Things change over a
3 couple years, we had a settlement, a couple years
4 passed, you know, things change, projects go in
5 and out." The skeptic would say, you know,
6 "After the projects were removed, the Company
7 could come in and just sort of fill up the
8 bucket, to make sure that the full amount was
9 spent."

10 So, I wanted to give the witnesses, the
11 Company, a chance to sort of respond to that, and
12 also to maybe comment on your process by which
13 those projects are added, to give the Commission
14 confidence that the bucket wasn't just being
15 filled up?

16 A (Tebbetts) Sure. So, as part of our April 6th
17 2021 filing, excuse me, we were required to
18 present a list of projects to be completed in
19 2021. And, as part of that list, we had the
20 items on Bates Page 011. And, so, you know, this
21 information was prepared in, we'll say, mid-March
22 of 2021. And we had anticipated spending on
23 these projects.

24 But, through the course of the year,

[WITNESS PANEL: Tebbetts|Strabone]

1 and I do believe we explained why these changes
2 were made, we did not embark on these projects or
3 they just didn't go in service in the time we
4 expected them to. And, as such, you know, the
5 Settlement Agreement provides that we could
6 substitute. And we felt that the projects we
7 substituted with were appropriate and met the
8 language in the Settlement. And that's why we
9 substituted them.

10 Q Is it, in terms of process, is it something at
11 Liberty where the CEO is sitting down with the
12 Engineering Department or the Finance team and
13 they're -- I mean, how do you substitute
14 projects? I mean, what's the management process
15 for doing that?

16 A (Strabone) I can talk to that. So, for the
17 management process of that, it's -- we're looking
18 at the projects that are originally on our list,
19 and then there's a determination that it comes
20 off. Now, we look and see what is in our bucket
21 that we could do that somewhat fits that dollar
22 amount. And it could be north or south of it.
23 But, ultimately, we look at that, and we make a
24 determination of whether or not it's prudent to

[WITNESS PANEL: Tebbetts|Strabone]

1 go in for asking our local senior management for
2 authorization to go ahead and walk that project
3 in.

4 Because, normally, at that point, we
5 would have to put in a business case and a
6 Capital Expenditure Form, and, ultimately,
7 justify why we're not going to spend on Project
8 X, but why we're walking in Project Y. And then,
9 ultimately, through, you know, a meeting with,
10 you know, our senior leadership in New Hampshire,
11 a determination is then made of whether or not
12 we're going to proceed with the appropriate
13 approvals and sign-offs to walk that project in.

14 Q Okay. Because I'm just looking at a sample I
15 just randomly pulled up, Bates Page 049. And
16 there's many signatories. Mr. Strabone, you're
17 on the signatory list. There's a Senior
18 Director. There's a Senior VP. There's a state
19 President. There's a regional President.

20 So, it does look like it no doubt goes
21 through the appropriate approval list, given that
22 each of those signatories has an approval limit.

23 A (Strabone) Correct.

24 Q And then, goes through that. And, so, I do think

[WITNESS PANEL: Tebbetts|Strabone]

1 I understand that part of the process.

2 I guess what I'm trying to get to is,
3 are people in a room discussing it or is it
4 something where you, for example, make a
5 recommendation, and then there's an email
6 circulation, where everybody sort of looks at it
7 and says "yup, this looks good"?

8 A (Strabone) Well, there's usually multiple rounds
9 of conversation. We start socializing it with
10 the immediate supervisor or director. And then,
11 it ultimately moves up into a room, and we have
12 monthly budget capital meetings where this will
13 be discussed and it is presented to a larger
14 group. So, there is visibility larger than just
15 say, you know, a handful of folks.

16 So, there's usually communication,
17 there's discussion. Ultimately, as you see with
18 the signatures, there is an email chain for
19 people to sign off electronically. But that
20 email for the sign-off is not the first time
21 they're seeing the project. Ultimately, it's
22 been socialized, it's been approved, and now it's
23 making its way for final approval. But there
24 is -- it's a larger group than just, say, two and

[WITNESS PANEL: Tebbetts|Strabone]

1 three people in Engineering talking about it. It
2 makes its way up to the group.

3 As you saw, depending where it has to
4 go for approval, there's conversations all the
5 way up to that level talking about the project.

6 Q So, who's the highest ranking person in the room?
7 Is it Ms. Fleck or Mr. Sweeney? Or who's,
8 generally speaking, the highest ranking person in
9 the room?

10 A (Strabone) I don't know what Bates page you're
11 on, but, between those two names, it would be
12 Mr. Sweeney would be the highest ranking. He's
13 the East Region President.

14 Q And I didn't check each and every Capital
15 Expenditure Form, but would he have personally
16 signed off on all of the major categories that we
17 look at on Bates 013?

18 A (Strabone) If it makes it to his authorization
19 level, yes. Ultimately, if it can stay within
20 the state President. So, for your example, if
21 that was Ms. Fleck, it's now Mr. Proudman, but,
22 if it could stay within his authorization level,
23 he will approve it. But, ultimately, even if
24 Mr. Sweeney does not have to approve it, he sees

[WITNESS PANEL: Tebbetts|Strabone]

1 that. He would see or have some visibility of
2 those projects as part of our five-year capital
3 budget submittal.

4 Q Okay. Okay. Very good. Thank you.

5 A (Tebbetts) And may I add just one thing I thought
6 of while we were going through the line of
7 questioning?

8 In looking at the replacement projects,
9 the Lebanon Pole Pile, the General Equipment,
10 Street Lighting, and IT Systems are annual --
11 well, take the IT Systems out. But the other
12 three projects are already in our budget every
13 year. And, again, they just didn't make the list
14 previously. So, when we substituted, we added
15 them. But they were not new projects that we had
16 included. They were part of our annual budget
17 process.

18 Q Okay. Okay. That's a good lead-in to my next
19 question, which is an accounting question, which
20 I'm not really qualified to comment on. So, I'll
21 put it in the form of a question.

22 I have the FERC accounting lines up
23 here for maintenance. And I'm looking, for
24 example, at Line 597, which is called

[WITNESS PANEL: Tebbetts|Strabone]

1 "Maintenance of Meters". So, I'm just trying to
2 understand the Company's methods for determining
3 what's capital and what's O&M.

4 And, for example, on this test meter,
5 you know, we have \$400,000, which is a large
6 number. It has a life. So, that's often
7 capital.

8 But, then, when you look at the FERC
9 accounting, they say "well, it's O&M", if you're
10 attending to this maintenance piece of it.

11 So, I'm just trying to understand the
12 Company's accounting and how that works and how
13 you categorized it?

14 A (Tebbetts) So, the purchase of the board itself,
15 which is an asset, would be capitalized. And
16 then, my understanding is, when the meter person
17 is actually sitting at the table, plugging in the
18 meter, doing that work, that would be expense,
19 that would be O&M. That has no asset associated
20 with it. It's labor associated with testing.

21 Q Okay, very good. Very good. And that is
22 extremely helpful.

23 Let me move to Exhibit 2, and a
24 question that I'm sure that you're prepared for.

[WITNESS PANEL: Tebbetts|Strabone]

1 So, if we look at the bottom right on Exhibit 2,
2 Bates Page 004, I'll give you a second to get
3 there. We have two calculations that I
4 understand completely, and one that I don't.

5 On Line 31, Bates Page 004, Exhibit 2,
6 you have a calculation for the return, you're
7 calculating it, in sum, the revenue requirement.
8 Line 31 is the "Return on Rate Base at 9.36
9 percent". Based on your calculation of the rate
10 base right above that, at 9.7 million, I
11 understand that. "Property taxes at 3.12
12 percent", \$300,000, at a 3.12 percent, so that
13 makes sense to me.

14 I'm hoping you can help me with Line
15 32, which is the "Book Depreciation Expense" of
16 543,000. That's just the expense on that \$10
17 million asset base that you're adding back in.
18 And can you remind me, on the accounting, on why
19 you add that and don't subtract that? Number
20 one. And, number two, why the original asset
21 base, the core asset base for the Company isn't
22 involved in the calculation?

23 A (Tebbetts) I'm just looking at the model, because
24 the paper, obviously, doesn't help me either.

[WITNESS PANEL: Tebbetts|Strabone]

1 Okay. So, when we look at -- and I'm actually
2 going to go to, just because it's easier on my
3 computer, to look at the "Software" column. So,
4 for Account 303, looking at "Line 32", I think
5 you said, \$187,000.

6 Q No, I'm talking about the Book Depreciation
7 Expense of \$543,000, on the "Total", Bates Page
8 004, far right.

9 A (Tebbetts) Yes. I'm just breaking it down, --

10 Q Okay.

11 A (Tebbetts) -- because that sums all costs.

12 Q Oh, I see.

13 A (Tebbetts) So, I'm just breaking it down to one,
14 so I can look at it.

15 Q Okay.

16 A (Tebbetts) So, let's see here. I'm sorry, just
17 give me one minute to --

18 Q So, just let me know what column you're in when
19 you get there. You're in Column 1, I guess?

20 A (Tebbetts) I'm in Column 1, under "Software".

21 Q Okay.

22 A (Tebbetts) We'll call Column 1, yes, "Software".
23 Okay. So, the \$187,000, in my reference for us
24 to work through this process, on Line 32, we have

[WITNESS PANEL: Tebbetts|Strabone]

1 a book depreciation amount on Line 16, which
2 matches the 187. And that -- let's see here.
3 Okay. So, that is -- so, what we're looking to
4 do -- I believe your question is "why are you
5 adding back the book depreciation expense?" Am I
6 correct in that?

7 Q Thank you, yes. My first question is an
8 accounting question, "why do you add it back in?"

9 A (Tebbetts) Okay. So, when we look to make rates,
10 we look at the cost of the asset, and then we
11 also look to gross that up for property taxes and
12 taxes and the rate of return. And, so, the
13 question at the end of the day is "How much money
14 do we need as a company to purchase that asset?
15 How much of that" -- "How much money do we also
16 need to get our rate of return, and also to pay
17 those property taxes?" And the depreciation is a
18 piece of that, so we would also have to include
19 in that.

20 And, so, we would add those three
21 pieces back to say it costs us, and I'm just
22 going to go to the "Software" bucket, it costs us
23 \$561,000. But, in order to recover the costs
24 associated with that one year of depreciation,

[WITNESS PANEL: Tebbetts|Strabone]

1 the taxes associated with it, and earning our
2 rate of return, we would need the 238,000. And
3 we add depreciation back, because it is an
4 expense to the Company, as would, we would say,
5 as is property taxes. So, we would treat it in
6 the same manner, that it is an expense to the
7 Company. So, we add it back to the revenue
8 requirement.

9 Q Okay. Thank you. I understand now. Thank you.
10 That's very helpful.

11 And, I mean, what is sort of puzzling
12 is, I think I understand what you've done here.
13 You've purchased \$10 million worth of new assets,
14 you've done the mathematics on the cost to the
15 Company, and adjusted the revenue requirement,
16 the 1.751 million.

17 And I think we'll have a separate IR
18 docket on understanding the mathematics of the
19 existing asset base, to understand how that folds
20 in. But, I think, for purposes of this docket,
21 I'll let that go here.

22 So, I'll just move back to Exhibit 1
23 with just a couple of follow-up questions. So,
24 I'm on Exhibit 1, Bates 028. And there's --

[WITNESS PANEL: Tebbetts|Strabone]

1 it's, again, sort of a process question. There's
2 talk of "transformers failing in the field", and
3 that's, you know, obviously, a customer impact.
4 If something fails, you have to rush out there,
5 you have to replace, hopefully, you have
6 transformers in inventory, you know, you replace
7 it as quickly as you can, you get them up and
8 running.

9 The first question is, is that -- I
10 assume you keep spares in inventory. And my
11 question is, do you have a healthy amount of
12 inventory to sort of manage this process?

13 A (Strabone) So, yes, we do keep transformers in
14 inventory spare. Lately, due to the supply chain
15 issues and long lead-time items, we have
16 experienced some issues where our surplus and our
17 spare units have not been as plentiful as they
18 have been in the past. So, we manage through
19 that. We do have some contingency plans in
20 place. But, ultimately, we do try to keep a
21 certain level of transformers of each individual
22 size in spare.

23 Q Okay. And then, from an accounting perspective,
24 where are those booked? Are those booked in step

[WITNESS PANEL: Tebbetts|Strabone]

1 increases? Are they booked in rate cases? How
2 are they -- how are they accounted for?

3 A (Tebbetts) So, they have been included in our
4 step adjustments for the past three years, this
5 one included. And then, moving forward, we would
6 include them in the rate case. You know,
7 whatever went into service in the year that we
8 had incurred those costs. And our
9 transformers -- oh, wait, no. Never mind. I was
10 thinking of something else.

11 Q So, on this exhibit, on Page 28, how many of
12 those transformers are for inventory and how many
13 of those were to replace -- a field replacement?

14 A (Strabone) I don't have that information in front
15 of me.

16 A (Tebbetts) And our transformers are pre-cap,
17 pre-capitalization item. So, when we receive
18 them, we capitalize them then, so that we
19 would -- we would capitalize them then, and they
20 would sit in the stockroom until they're needed.
21 So, we don't put them in service in the system
22 when we actually go into the field and use them,
23 because many times this is a failure, immediate
24 failure, as you just mentioned, and we're just

[WITNESS PANEL: Tebbetts|Strabone]

1 going out to replace.

2 Q So, in other industries, oftentimes, when the
3 capital -- when the machine, the piece of
4 equipment comes in, it sits in the warehouse
5 uncapitalized, until it's put in service, and
6 then it's capitalized. But you're saying that
7 Liberty does not do that?

8 A (Tebbetts) Not with transformers. So, if this
9 was a pole or other things, that would be the
10 case. That we would not put it in service, not
11 pre-capitalized, until the pole actually goes out
12 in the field and gets, you know, put in the
13 ground.

14 But transformers and meters are
15 pre-capitalization items.

16 Q "Pre-capitalized", meaning, as soon as you
17 receive it, you capitalize it?

18 A (Tebbetts) Yes.

19 Q Okay. And, so, I just want to come back to the
20 question, I think you might not know the answer,
21 and I don't want to make a record request based
22 on the timeframe of this filing, but can you
23 hazard a guess, in terms of how much of this --
24 how much of the transformers, this 639K that

[WITNESS PANEL: Tebbetts|Strabone]

1 you're requesting, can you -- is it 10 percent
2 was for inventory? Or is it 90 percent was for
3 inventory? Can you just hazard a guess?

4 A (Strabone) Yes.

5 Q 50/50? I mean, is it -- any idea at all?

6 A (Strabone) If I had to venture a guess, I'd go
7 with 50/50, but even that may not be very
8 accurate.

9 Q And the reason for the question is, of course,
10 this "filling up the bucket" thing. That if one
11 is just purchasing transformers, in order to
12 fully get to the step, that's different than
13 you're short inventory, as you were describing,
14 and you're trying to -- you're just trying to get
15 as many -- as much inventory as you can, which I
16 suspect is your current environment.

17 But, in future proceedings, I would
18 always wonder, and you may want to consider just
19 putting in the filing how much of this is
20 inventory and how much of this is replacement.

21 So, in this environment, I won't ask
22 any further questions. But, in a more normal
23 inventory environment, that would be -- that
24 would be important to know.

[WITNESS PANEL: Tebbetts|Strabone]

1 A (Strabone) And you are correct. Currently, we
2 are placing orders, because lead times for
3 certain transformers are up to three years, or
4 around that timeframe. So, we are trying to get
5 on the books with suppliers to get those
6 transformers in as fast as we can.

7 Q Yes. And you may even want to make transformers
8 at Liberty, but that's another question for
9 another day.

10 On Exhibit 1, I think it's also on
11 Bates 028, there's discussion, and there was
12 earlier discussion on this, the garage in Salem.
13 And you talked about why Lebanon wasn't adequate.
14 And I think you said you had just some tape in a
15 garage, and that was -- and you're dealing with
16 high-voltage equipment. So, it was probably a
17 safety issue, as I think what you were saying
18 before?

19 A (Strabone) That's correct. We had a spot in the
20 garage that was coned off with cones and tape.
21 And, ultimately, our substation folks were
22 testing equipment there where, ultimately, the
23 test volts is relatively high. So, really,
24 when -- safety concerns, when you look at it, it

[WITNESS PANEL: Tebbetts|Strabone]

1 was just not an adequate space. So, out of that
2 came this project, to have a dedicated space to
3 perform those tests.

4 CHAIRMAN GOLDNER: For sure, yes. I
5 would never recommend doing high-voltage work
6 behind tape. So, that's very sensible.

7 Exhibit 1, Bates 029, there's
8 discussion, and I know this always a little
9 awkward when I -- there's witnesses on the stand,
10 and then I direct a question to the Department of
11 Energy. So, Mr. Dexter, feel free to push back,
12 if it's not appropriate.

13 But there's discussion on Exhibit 1,
14 Page 29, about where the Company says that there
15 were performance-based ratemaking proposals that
16 none of the parties, and that's not just the
17 Department of Energy, I think there's six or
18 seven parties in this docket, haven't replied.

19 So, Mr. Dexter, I don't know if maybe
20 you would be willing to address it in closing, or
21 now, but I just wanted to understand, there's a
22 lot of interest in this performance-based
23 ratemaking. And it seems like the parties -- or,
24 the Company has proposed something, and none of

[WITNESS PANEL: Tebbetts|Strabone]

1 the parties have replied. And I didn't know if
2 you would care to comment on that?

3 MR. DEXTER: Well, I guess the first
4 thing I would say is that, in the Department of
5 Energy's view, Liberty has satisfied the
6 requirements of the Settlement. In other words,
7 that was a clear directive in the -- a clear
8 element of the Settlement was -- and it was
9 connected to the step adjustments, and I believe
10 the Settlement actually states that before
11 collecting the -- before applying for the third
12 step adjustment, the Company will take steps down
13 the PBR road. And I believe they have met their
14 requirements.

15 I will say, at the Department of
16 Energy, that workload and, to a certain extent,
17 turnover, has prevented us from participating as
18 much as we would like to or should have. And
19 maybe I'll just leave it at that.

20 But I do believe that the Company has,
21 in good faith, satisfied its requirements.

22 CHAIRMAN GOLDNER: Would you have a
23 suggestion for the Commission about how best to
24 facilitate that process? Is there anything that

[WITNESS PANEL: Tebbetts|Strabone]

1 the Commission can do to help or facilitate?

2 MR. DEXTER: Well, I think this
3 discussion here will move it up, will move it up
4 on the list. There is ongoing workshops, I know
5 right now. One was held as recently as a month
6 ago. And there was a schedule laid out. So, we
7 will turn our attention to that to the best that
8 we can.

9 And I believe this is an item that the
10 Consumer Advocate was particularly interested in.
11 And I know they have participated in the two
12 workshops that have been undertaken so far.

13 CHAIRMAN GOLDNER: Okay. Okay. Very
14 good. Thank you.

15 What I would suggest we do at this
16 point, I know that everyone had the ambition to
17 finish by noon, which is a window already missed.
18 We, the Commissioners, need to take a few minutes
19 just to -- the hearing took some different twists
20 and turns than we were anticipating today. So,
21 we just need to regroup for a few minutes and
22 make sure that we're on the same wavelength.

23 But what I could suggest, if it's
24 enough time for people, is to come back at 12:45.

[WITNESS PANEL: Tebbetts|Strabone]

1 We might have one or two more questions, we
2 might, we might not. We could then go to
3 closing, and -- have redirect first, and then to
4 closing.

5 My question for you, Mr. Dexter, would
6 it be more efficient or helpful to go to a
7 written closing, instead of oral, due to the
8 nature of your closing?

9 MR. DEXTER: No, I think I can cover it
10 today. I think we're going to make three
11 recommendations that will be fairly simple to
12 follow.

13 CHAIRMAN GOLDNER: Okay. My request
14 would be, because often the -- the stenographer
15 has a large backlog, and we have a ruling that's
16 needed by the first, maybe we'll go through it
17 slowly, and we'll just make sure we understand
18 your request, without having the stenographer
19 record before issuing the order.

20 MR. DEXTER: Sure. And if, when I'm
21 done, if you'd like me to summarize it in
22 writing, I could do that. But I believe it will
23 fairly simple to follow.

24 CHAIRMAN GOLDNER: Fairly simple. Very

[WITNESS PANEL: Tebbetts|Strabone]

1 good. Thank you.

2 Okay. Is that acceptable, Mr. Sheehan?

3 MR. SHEEHAN: Yes. Yes.

4 CHAIRMAN GOLDNER: Okay. Okay, very
5 good. Let's return at 12:45. And, again,
6 Commissioner follow-up will be very brief. And
7 then, we'll -- then, we'll move to redirect, and
8 then closing.

9 So, thank you. Off the record.

10 *(Lunch recess taken at 12:12 p.m., and*
11 *the hearing resumed at 12:51 p.m.)*

12 CHAIRMAN GOLDNER: Okay. The
13 Commissioners have no additional questions. We
14 can move to redirect.

15 MR. SHEEHAN: Thank you. I have just a
16 handful of, hopefully, simple reinforcing or
17 clarifying.

18 **REDIRECT EXAMINATION**

19 BY MR. SHEEHAN:

20 Q Ms. Tebbetts, there's been a fair amount of
21 discussion about "discretionary" versus
22 "mandated" projects. And you've explained a few
23 times are different ways.

24 Could you first tell us how many

[WITNESS PANEL: Tebbetts|Strabone]

1 different categories of capital projects are
2 within the Company's capital policy?

3 A (Tebbetts) Yes. There are five. And, in order
4 of how we look at them would be number one is
5 "safety", number two is "mandated", number three
6 is "growth", number four would be "regulatory
7 programs", and then number five is
8 "discretionary".

9 Q And that order you read them would be the
10 prioritization that the Company would use in
11 deciding whether to do a project or not?

12 A (Tebbetts) Yes.

13 Q "Safety" seems self-explanatory. Number two was
14 "mandated"?

15 A (Tebbetts) Mandated, yes.

16 Q And what does that mean?

17 A (Tebbetts) "Mandated" is something that -- I
18 think I might let Mr. Strabone answer that one.

19 A (Strabone) A recent example of a mandated project
20 was the reliability enhancement projects that we
21 had funding, it was about -- based on about 1.5
22 million for the replacement of bare conductor
23 with covered tree wire.

24 So, that was an example or it could be

[WITNESS PANEL: Tebbetts|Strabone]

1 an example of a mandated project.

2 Q Because that came out of a Commission proceeding
3 directing us to do that?

4 A (Strabone) Correct.

5 Q And I can offer maybe another example, you can
6 confirm whether it would be "mandated". The
7 electric rules require testing of meters, is that
8 correct?

9 A (Strabone) Yes, they do.

10 Q So, would our testing, to the extent there's any
11 capital expenses in our testing process, could
12 that be considered "mandated"?

13 A (Strabone) Yes.

14 Q Or some other rule-based requirement of us?

15 A (Strabone) Correct.

16 Q After mandated was what, Ms. Tebbetts?

17 A (Tebbetts) Growth.

18 Q Okay. And we'll get back to that, because that's
19 the issue here. And then, number four was
20 "regulatory". What would be in a "regulatory
21 required"?

22 A (Tebbetts) Yes. So, "regulatory programs" could
23 be -- it could also be something like our bare
24 conductor program, it could be that. It could be

[WITNESS PANEL: Tebbetts|Strabone]

1 other kinds of programs. I know Mr. Strabone
2 mentioned the "mandated" was the bare conductor.
3 And, you know, I'm trying to think of an example
4 lately of a regulatory program. But it could
5 just be any kind of -- something that came out of
6 a Commission order, really.

7 Q And, again, these, obviously, are not
8 hard-and-fast rules. This is a prioritization
9 matrix, if you will, for deciding whether to do a
10 project or not in a particular year, is that
11 fair?

12 A (Tebbetts) Yes. I think a good example actually
13 is the Battery Pilot. That was a regulatory
14 program. We got approval for it, we went forward
15 with it. And we, you know, showed the prudence
16 in the previous step adjustment.

17 Q Okay. And then "discretionary" is the last one,
18 is that correct?

19 A (Tebbetts) Yes.

20 Q And does "discretionary" mean it's just "whatever
21 we want to do", or does there still have to be
22 some rationale behind a discretionary project?

23 A (Tebbetts) Yes. "Discretionary" is in that
24 "miscellaneous" bucket I mentioned earlier, where

[WITNESS PANEL: Tebbetts|Strabone]

1 it's not "whatever we want to do", we found a
2 need on the system, and it doesn't fit
3 specifically into any of these other buckets.
4 And, so, we would look to get funding or request
5 funding for it.

6 Q Obviously, a project under the "discretionary"
7 category still has to pass the prudent standards
8 here in this room, is that correct?

9 A (Tebbetts) Yes.

10 Q Which means we have to convince the Commission
11 that it was a wise decision to invest the money
12 in that discretionary project?

13 A (Tebbetts) Yes. And I'll add, it actually has to
14 pass internal muster as well. We couldn't come
15 up with a project and say "This is a great idea",
16 and then just go do it. We would need to get
17 internal approval, and convince them that it was
18 a prudent project to embark on as well, prior to
19 moving forward with it.

20 Q Mr. Strabone, in conversations during the break,
21 we came up with a very simple example of a
22 discretionary project. Could you give that
23 example?

24 A (Strabone) Correct. It could be a pole of -- you

[WITNESS PANEL: Tebbetts|Strabone]

1 know, a very old pole that has, you know, some
2 damage to it. Not completely unsafe, but it does
3 need to be replaced. You know, it's a very
4 simple project where we could choose not to
5 replace the pole, because it's still serving its
6 intended purpose. Just it could lead -- it could
7 ultimately fail, you know, during a storm, later
8 at night. But, ultimately, that is a
9 discretionary project, where we could say "well,
10 we're not going to replace it right now, we're
11 going to replace it six months from now", or wait
12 until it actually fails, and then go back out and
13 replace.

14 Q Okay. The second topic, this hearing includes a
15 specific number of projects, and falls under the
16 \$1.8 million cap. I think you mentioned earlier,
17 Ms. Tebbetts, that these are not all the projects
18 that the Company did in 2021, is that fair?

19 A (Tebbetts) That's correct.

20 Q Can you give me an order of magnitude of what
21 percentage these projects represent of all of
22 Granite State's capital projects in '21? Was it
23 a quarter? Was it half?

24 A (Tebbetts) In the number of projects, this might

[WITNESS PANEL: Tebbetts|Strabone]

1 be a quarter of them. And, you know, I guess we
2 could have filed the whole list of them, and then
3 just applied the 1.8 million cap, and said
4 "Here's all the capital spending we did in 2021,
5 but we're only allowed to recover 1.8 million,
6 and here you go."

7 But, for ease, and just, you know, I'll
8 say "ease of writing testimony", explaining the
9 projects, going through the audit, going through
10 data requests, and, certainly, the hearing
11 itself, having the list just makes it a little
12 easier. And that's why we filed it in the manner
13 we did.

14 Q And, to the extent prior to this hearing there
15 was an ability to swap projects, if one either
16 didn't get finished or there was a change in
17 priority, some were substituted in, is that
18 correct?

19 A (Tebbetts) Yes.

20 Q And is it fair to say that those substituted
21 projects similarly had to pass the internal
22 check, and similarly has to pass a prudence check
23 here?

24 A (Tebbetts) Yes.

[WITNESS PANEL: Tebbetts|Strabone]

1 Q And, so, it's not simply "trying to fill the
2 bucket" in a pejorative way, it's "trying to fill
3 the bucket" in an appropriate way, there's
4 another project that we can move into the \$1.8
5 million cap?

6 A (Tebbetts) Yes.

7 Q Mr. Strabone, there was some discussion about the
8 Golden Rock feeder being a "growth project",
9 which is what it was labeled as. I think you
10 mentioned there was non-growth reasons for that
11 project as well, is that true?

12 A (Strabone) That is correct.

13 Q And what is that?

14 A (Strabone) It's our planning criteria violation.
15 One of the main driver behind this project is
16 planning criteria --

17 *[Court reporter interruption.]*

18 **CONTINUED BY THE WITNESS:**

19 A (Strabone) -- N-1 contingencies. And it really
20 relates to loss of supply at Spicket River.

21 BY MR. SHEEHAN:

22 Q Which is a nearby substation?

23 A (Strabone) That is correct. If we were to lose
24 that supply, we would rely on our distribution

[WITNESS PANEL: Tebbetts|Strabone]

1 circuits within the area of Salem to pick up the
2 isolated load.

3 When we did our analysis, we violate
4 our planning criteria of 120 megawatt-hours of
5 our load isolated after restoration. When we
6 take into consideration the Tuscan load, that
7 number is increased to about 226 hours of
8 isolated load after restoration. Without Tuscan
9 load in there, we still violate the 120 hours of
10 our planning criteria.

11 So, when we did our business case and
12 documentation of it, we did indicate that there
13 was growth related to this project that
14 compounded our violation of the planning
15 criteria. But the ultimate driver is contingency
16 loss.

17 Q Thank you. And, on the label of "growth", can
18 you give a more precise definition of what is a
19 growth project? Is it a project simply just the
20 last piece to serve a customer? Is it, as Mr.
21 Strabone said, because we have growth in one area
22 of our system, it requires an investment in
23 another area of our system? How do we put some
24 brackets around what is a "growth project"?

[WITNESS PANEL: Tebbetts|Strabone]

1 A (Strabone) So, a "growth project" is truly like
2 the last piece of infrastructure we need to put
3 in to serve a customer. So, in the theory of
4 Tuscan, we have to install our infrastructure
5 throughout the development. But that's not
6 really related to growth, that's more there to
7 build out our infrastructure, so, when growth
8 comes as an individual customer, we then go
9 through the process of looking at what their
10 impacts will be to our system, potentially going
11 for a CIAC, and then, ultimately, determining
12 what we need to do for that last piece of
13 components that we need to install to provide
14 service to them.

15 Q And the CIAC is not calculated on the trunk line
16 that you put down the road. Is it correct to say
17 that's based on the last piece of investment
18 needed to connect to that customer?

19 A (Strabone) That is correct.

20 Q And using the analogy of, say, in the gas
21 business, there's a difference between the main
22 going down the street, and then the small service
23 coming off to serve the house. Is that a fair
24 analogy?

[WITNESS PANEL: Tebbetts|Strabone]

1 A (Strabone) It is, yes.

2 Q And in that -- in the electric version of that,
3 is the cost of the main down the street
4 considered in the CIAC?

5 A (Strabone) No, it is not.

6 Q That's part of a distribution investment to serve
7 all customers, is that fair?

8 A (Strabone) That is correct.

9 Q So, to the extent there's some growth, you know,
10 there's some label of "growth" is being used, of
11 course, all of Tuscan is growth, but there are
12 some core investments you need to make first, is
13 that fair?

14 A (Strabone) That is a fair statement.

15 Q And last, Ms. Tebbetts, on the discussion about
16 the annual reports and the rate of return,
17 there's a clarification you wish to make, to make
18 sure we're literally on the same page?

19 A (Tebbetts) Yes. So, earlier when I talked about
20 the schedules we were looking at, I had noted
21 Attachment 2, Schedule -- Page 1 of 2. And what
22 I was trying to reference was the "\$155 million"
23 amount on Attachment 1, Page 1 of 2, on Line 23.
24 And the reason I was trying to reference that was

[WITNESS PANEL: Tebbetts|Strabone]

1 due to that includes the removal of the \$21
2 million of the ADIT at the time of acquisition.

3 Q So, where should the Commission look to answer
4 DOE's question about which is the correct rate of
5 return that should be looked at for this step?
6 Or that is, you know, what's the most appropriate
7 apples-to-apples comparison?

8 A (Tebbetts) So, when we look at it, we look at the
9 8.89 percent on Line 25. But what we want to
10 ensure, I explained correctly, was that what
11 customers are paying that rate of return on is
12 the \$155 million, not the \$176 million. So, it
13 looks that our rate of return is higher, but
14 understand it's based on a lower rate base
15 calculation.

16 Q So, by looking at what customers, excuse me, are
17 actually paying on rates, if you look at that
18 calculation, it results in an inflated ROE rate
19 of return, is that right? Whereas the actual
20 Company's rate of return is the lower number? Or
21 do I -- am I confusing things?

22 A (Tebbetts) Yes, I think what we -- I think the
23 idea here is that, while we -- I understand what
24 Mr. Dexter was trying to explain, as far as the

[WITNESS PANEL: Tebbetts|Strabone]

1 rate of return, the overall rate of return, the
2 understanding must be had that that rate of
3 return needs to be calculated on the \$155
4 million, that takes into account the 338(10)
5 election, not the 176 million, when you have a
6 higher rate base, you end up with a lower rate of
7 return, but you also have customers paying on
8 that higher rate base. We don't have that.

9 MR. SHEEHAN: Okay. That's all I have.
10 Thank you.

11 CHAIRMAN GOLDNER: Okay. Thank you.
12 The witnesses are released. You can stay there,
13 if you're more comfortable, or return to the main
14 hearing room, whatever you'd prefer.

15 And without objection, we'll strike ID
16 on Exhibits 1 and 2 and admit them as full
17 exhibits.

18 And we'll move to the closing
19 arguments, beginning with Mr. Dexter.

20 MR. DEXTER: Thank you, Mr. Chairman.
21 I'll be brief.

22 As I started to say, in response to the
23 Commissioner's question earlier, just trying to
24 put this whole case in perspective. The step

1 adjustment before you today is a product of the
2 Settlement from the rate case. And the
3 interpretation of the step adjustment, what's
4 included and what's not, should come from the
5 document that was all signed by all the parties,
6 which is the Settlement Agreement, Exhibit 37,
7 from DE 19-065 [19-064?].

8 And step adjustments, more generally --
9 well, let me put it this way. Step adjustment
10 was agreed to by the then Staff of the PUC, in
11 recognition that there is a direct trade-off
12 between the frequency of rate cases and the
13 number of step adjustments that a company is
14 permitted to make in between rate cases, because
15 part and parcel of the step adjustments is always
16 a -- at least in my experience, a rate case
17 stay-out provision. And this Settlement includes
18 a rate case stay-out provision, and the first
19 available test year for this Company for its next
20 rate case is 2022. So, essentially, it was a
21 three-year stay-out, coupled with three step
22 adjustments.

23 This is all subject to negotiation, and
24 this is all more of an art than a science. You

1 know, the parameters that were important to the
2 Staff at the time were that the step adjustments
3 be large enough that they provide a reasonable
4 hedge against regulatory attrition between rate
5 cases, I should say. That they be reviewable,
6 which is why we employed a "list" approach in
7 this case, and that they be limited, which is why
8 we insisted on a cap for all three step
9 adjustments. And that they not, at least for
10 this third step adjustment, include
11 growth-related additions. Because, as I said
12 earlier, we're not looking at the Company's
13 entire cost of service/return on rate base
14 calculation. In a step adjustment, we're taking
15 a narrow look, and adjusting only rates, allowing
16 rates to go up, without looking at what has
17 happened in the interim years between the test
18 year of the last case, in terms of sales growth.

19 So, in times of high sales growth on
20 the electric side, which we probably haven't seen
21 since maybe the 1960s, '70s, and '80s. You know,
22 in times of relatively flat sales, which we've
23 seen, step adjustments are an appropriate tool,
24 and they have been employed by this Commission

1 for decades, and they have taken various forms.

2 On the gas side, for years, we had the
3 Cast Iron/Bare Steel Program, which allowed
4 periodic increases to improve safety, in
5 recognition that taking out an old pipe and
6 placing in a new pipe is not going to lead to any
7 sales. It is non-growth.

8 So, those are the general parameters
9 that the Staff at the time had when agreeing to
10 this step adjustment. And I believe they're
11 fairly -- fairly standard across cases.

12 So, having said all that, we have
13 reviewed the Company's filings, and we are
14 generally supportive of the step increase, step
15 decrease in this case, because it's offset by a
16 couple of other items. But, with respect to the
17 plant additions, we're generally supportive.

18 We do not agree that two projects
19 should be recovered through the step adjustment,
20 because we believe that they are not
21 "growth-related additions". And I want to point
22 out that that doesn't say "growth additions", it
23 says "growth-related additions". In other words,
24 the Settlement provides that this third step

1 "shall not include growth-related additions".

2 Now, we understand that one of the projects that
3 we're talking about was on the list for the two
4 prior steps, that's the service to Tuscan
5 Village.

6 But the fact of the matter is, for the
7 third step, that one is excluded -- let me put it
8 this way, at the time of negotiating the
9 Settlement, the parties agreed that it was too
10 far out to necessarily predict exactly what was
11 going to be in the third step. The first step
12 had already been done, it was post-test year, the
13 second step was a one-year look-out, and the
14 third step was two plus years looking out.

15 So, we agreed to a different approach,
16 which was "Look, we want to know what's on the
17 list", and we put some parameters. One is that
18 it may be similar to what was on the prior list
19 for Step 1 and 2, and then, secondly, that they
20 not include growth-related additions.

21 The Company did what they were required
22 to do, which was file their prospective list last
23 year at this time. They also made use of the
24 substitution clause. That was an idea to give

1 the Company flexibility, so that, if they weren't
2 able to predict exactly what they were going to
3 spend the money on, they could make a reasonable
4 substitution, which they have made use of in this
5 case. That's all contemplated by the Settlement.

6 But it seems clear to the Department,
7 sitting here today, that the project labeled
8 "Install Service to Tuscan Village South",
9 labeled as a "growth" project, is being put in to
10 serve growth. It's at least a growth-related
11 addition, if not directly a growth addition. In
12 other words, there are new customers there,
13 there's new infrastructure. We believe that that
14 item should be removed from the step adjustment.

15 Now, we're not saying it's not eligible
16 for recovery. We're not making a prudence
17 argument. The default position would be that
18 that project would fall into general rate base
19 inclusion or review in the next rate case, which
20 can come as early as next year, and maybe --
21 maybe not, based on what the witnesses said. But
22 it can come as early as next year.

23 That's a long way of saying that, with
24 respect to the "Install Tuscan Village South"

1 project, in the amount of 1,235,000, we believe
2 that should be removed from the step adjustment
3 calculation.

4 Secondly, we have a similar
5 recommendation with respect to the Golden Rock
6 Substation. I agree with the witnesses that this
7 appears to have two reasons for being done, one
8 of which is a backfill to the system, to address
9 planning criteria violations that have arisen,
10 "as a result of growth", I believe is what I
11 heard the witness say. And, secondly, it's to --
12 I think the witness used the term the "cascading
13 effect" of the growth of the Tuscan Village.

14 So, while that may not be specifically
15 a "growth" addition, the way the service to
16 Tuscan Village South is, in our view, it's
17 certainly a growth-related addition, and,
18 therefore, is not eligible for recovery in this
19 third step adjustment. And the -- I have to get
20 you the amount for that -- for that, which I will
21 do, when I'm done closing here. But I recall it
22 being about a million -- a million five, I think
23 a million five twenty three [1,523,000].

24 The third project with which we

1 recommend exclusion from the step adjustment is a
2 portion of the LED street lights that were
3 presented. This was a project that started out
4 at \$125,000. It had a 100 percent increase
5 through a Change Order Form to get it to 250,000,
6 and then another 83,000 addition, to get it to
7 its total of 332,000, I believe.

8 The project is presented as having two
9 years, 2020, 2021. This step adjustment, as laid
10 out in the Settlement, is only -- only projects
11 for 2021 are eligible for inclusion in the step
12 adjustment.

13 The record I guess you could say is
14 conflicting on this, because we have a project
15 document that says "100 street lights in Salem
16 were installed", we don't have an exact dollar
17 amount associated with that. We have the
18 witnesses' testimony that says "yes, we did
19 install 100,000" -- I'm sorry, "100 street lights
20 in Salem, but none of those costs are in this
21 case." But, yet, we have the project documents
22 that say the amount was increased, because of the
23 need to go from 2020 to 2021. And the numbers
24 that are in the project documents are fairly

1 close to the numbers that are on the list for
2 inclusion.

3 So, while I don't -- we don't have 100
4 percent tie-down of these figures, it would seem
5 to the Department, as a reasonable solution to
6 this issue, to exclude the numbers that are
7 labeled as "2020", and allow for inclusion the
8 numbers that are labeled as "2021".

9 And those were the three -- are the
10 three adjustments that I would recommend. If you
11 like, I'll take a few minutes and find the exact
12 numbers. But I see you nodding along with me,
13 and I suspect you know exactly where they are in
14 the record.

15 CHAIRMAN GOLDNER: I do. I think, so,
16 there's no need to do that, because I can see
17 where everything is in the record, and I can
18 repeat them back.

19 What I would suggest is that, at the
20 conclusion of your close, Attorney Dexter, we can
21 move to Mr. Sheehan, and then I can kind of run
22 through the next steps and how we can close this
23 by August 1st.

24 But please proceed. And then, when --

1 after Attorney Sheehan, I'll make some remarks,
2 in terms of how I think we can get everything
3 closed.

4 MR. DEXTER: Yes. Those are the three
5 recommendations we would make for this case. And
6 I haven't done the actual calculation to bring it
7 down to a rate number, to a number that would be
8 factored into the rates.

9 I just wanted to point out that there
10 are two issues that were raised in the step
11 adjustment that we flagged for review in future
12 rate cases.

13 One is this -- the notion of insurance
14 recoveries for items that are being capitalized.
15 We've learned today that one of the projects on
16 the list here includes replacing equipment that
17 has been damaged in motor vehicle accidents.
18 We've learned that there is potentially insurance
19 recovery for that. And we've learned that this
20 step adjustment includes the cost of the
21 replacement, but does not include any insurance
22 recoveries, because they would not have been
23 garnered yet. It's too soon after the accident.

24 But, more broadly, I question whether

1 or not there is any mechanism in the step
2 adjustment, the way it's designed here, that
3 would ever capture insurance recoveries, given
4 the timing of step adjustments and these
5 insurance recoveries. So, that is something that
6 we will be looking at in the next rate case, to
7 track down how that's handled. And it may be
8 that there's already a mechanism to handle that.

9 My suspicion is that it becomes a test
10 year item, in other words, if they fall in the
11 test year, that becomes what's built into the
12 cost of service as a representative amount. But
13 we haven't had a chance to look into that. But
14 we will take that up in the next rate case.

15 The other item we want to follow up on
16 is the notion of pre-capitalizing meters and
17 expenses. We have heard of this before. We just
18 want to make sure, when the next rate case comes
19 along, that materials and supplies, which are a
20 rate base item, that they don't include these
21 meters and transformers. If they have been
22 pre-capitalized, they can't also be -- it sounds
23 like they're physically sitting in inventory.
24 But there's going to have to be some difference

1 between what physically happens and what happens
2 in the accounting world, in order for those to be
3 accounted for properly. But that's an issue that
4 we will take up in the next rate case.

5 So, with that, those are the
6 recommendations that we have. Thank you.

7 CHAIRMAN GOLDNER: Thank you, Attorney
8 Dexter. And we'll move to Attorney Sheehan.

9 MR. SHEEHAN: Thank you.

10 Just a comment on the
11 pre-capitalization. I think the thinking behind
12 pre-capitalizing upon arrival, is these are items
13 that are coming and going all the time. So, if
14 you -- over the course of time, it all evens out.
15 So, in any given year, the same number of
16 transformers are going to come in as go out. So,
17 pre-capitalizing them is a logical way to track
18 it. And I think that was the thinking behind it.

19 To the merits, as a starting point, the
20 Company has submitted all the required
21 information for you to find all of these projects
22 prudent. And I have not heard any suggestion
23 from DOE that any of the projects were not
24 prudent. The argument is that it may not be

1 included in the step, which are, obviously, two
2 very different things. So, we do ask that, for
3 the projects you approve, you find them to have
4 been prudently incurred, and those costs are
5 reasonable, for the reasons stated in the
6 testimony, both orally and written.

7 The two projects -- the first two
8 projects DOE recommends not including now, the
9 Golden Rock feeder and the trunk line in the
10 Tuscan Development.

11 I'll first note that we have some
12 conflicting language in the Settlement Agreement.
13 There's no way around that. As Commissioner
14 Chattopadhyay pointed out, there is a "shall not
15 include" language in there. But there's also
16 language that "the projects on the list are to be
17 included in the step." And these projects were
18 on the list filed in the Spring of '21.

19 So, the next year, after the Settlement
20 Agreement was filed, they were put on that list
21 according to the terms of the Settlement
22 Agreement, the Company is to inform the parties
23 what they plan to do in '21. This Commission had
24 a hearing last year on the step, which included

1 that filing. And you can find the -- the list is
2 one of the last pages in last spring's filing.
3 So, it's, if you want to look it up, it's Bates
4 189 of the Spring of '21 filing, has a document
5 called "Project List in Service as of
6 December 31, 2021", and these projects are on it.

7 So, we informed everyone in the Spring
8 of '21 that, under the terms of the Settlement
9 Agreement, we're telling you what we're going to
10 do this year. And there was no pushback, no --
11 the argument presented today wasn't presented.
12 And, so, the Company, in good faith, we're going
13 to do the projects anyway, but, in good faith,
14 included those in this step.

15 Had we learned a year ago that there's
16 this issue that maybe they shouldn't be in this
17 step because of the Settlement language, we are
18 doing plenty of other projects that we could have
19 appropriately filled the bucket to have enough
20 projects for the full amount. And, so, by not
21 raising this issue till now, we were deprived of
22 the opportunity of putting former projects --
23 appropriate projects that were done to fill out
24 the 1.8.

1 And I think Ms. Tebbetts said, these
2 steps, with a cap, we can file them one of two
3 ways. We can file them like we did, "Here are
4 the projects that fill the 1.8 million." As Ms.
5 Tebbetts said, it's a fraction, a half or a third
6 of all our projects. But we, frankly, for ease
7 of review, for ease of audit, for ease of this
8 hearing, we kept it to those projects.

9 Or, we could have given you all 100
10 projects we did in '21, and said "Pick whichever
11 ones you want to come up to 1.8", which is a
12 little flip comment by me to characterize it, but
13 that's another way we could do it. And if that
14 were -- if that's -- if we had done that, and
15 this argument came up that those two projects
16 should have been excluded, there would have been
17 others available.

18 So, I do think there's a fair reading
19 of the Settlement in that what we did that these
20 projects can be included in this third step.
21 That the subsequent list, in effect, to modify
22 the Settlement, and the Settlement said "shall
23 not include growth", we filed a list that spring,
24 the following spring, saying we have these two

1 growth projects, and no comment. That step was
2 approved. And, so, it's appropriate to include
3 them now.

4 For those reasons, I think you cannot
5 accept Staff's recommendations on those two
6 projects.

7 Second, as Mr. Strabone testified, the
8 Golden Rock, although labeled "growth", had a
9 more pressing objective of alleviating the supply
10 problems he just described. And that would have
11 been done either way. So, it's not -- we've
12 been -- we've fallen victim to labels a couple
13 times here. The "discretionary" label comes from
14 our policy, it's not a great label. And we've
15 tried to explain that -- explain that. The same
16 with "growth". "Growth" is a label that can have
17 several meanings. And, in this context, the
18 Golden Rock feeder isn't really a growth project.
19 It was a project to make the system work the way
20 it should.

21 So, I think there's good reasons to not
22 accept either of those two recommendations.

23 As to the third, we don't have a dollar
24 amount on the impact of 100 LED installations. I

1 suspect, in the scheme of this hearing, it's not
2 very large. And our recommendation is to approve
3 it as filed. The Audit Division is going through
4 this. And should there be a clarification of
5 that issue, of whether those LEDs went into
6 service in 2020 or 2021, we could make an
7 adjustment thereafter to, at the next appropriate
8 time, to either include or exclude them.

9 The other interesting -- so, that's our
10 response to the three recommendations.

11 As to the audit, there's always a
12 chance that Audit has findings that may touch
13 other things. And we do not ask the Commission
14 to postpone an order in this docket based on a
15 pending audit. But we do ask that, should there
16 be issues that come up in September, say, that we
17 may agree with, and there would be an adjustment
18 of rates, we may not agree with, and have the
19 opportunity to come back here and perhaps tweak
20 this order appropriately, depending on what Audit
21 does.

22 So, that's all I have. Thank you.

23 CHAIRMAN GOLDNER: Okay. So, I'll just
24 make a suggestion to close, so that we can close,

1 and the Company has enough time to make the
2 adjustment by August 1st.

3 So, I guess what I would suggest is,
4 Attorney Dexter, if you could just provide just a
5 short document with your positions, today or
6 tomorrow would be fine. And, if we put that in
7 the docket, and give the Company, Attorney
8 Sheehan, until close of business Friday to
9 respond, that way we can have, in writing, the
10 positions, that will enable us to issue the order
11 early next week.

12 And, if there is any adjustment that
13 the Commission decides to make, that will give
14 the Company enough time to make the adjustments
15 to the rates and so forth, so that -- so that
16 everything can be in place by the 1st.

17 Would that be enough time, Mr. Sheehan,
18 if there is any change to the proposal?

19 MR. SHEEHAN: I believe so. So, the
20 rough timing is, something from DOE today,
21 tomorrow, a response by us Friday, presumably, an
22 order Monday or Tuesday, that we could react to
23 by the 1st?

24 CHAIRMAN GOLDNER: Yes. If we just use

1 Tuesday for the sake of --

2 MR. SHEEHAN: Right.

3 CHAIRMAN GOLDNER: -- for the sake of
4 description here, would that be enough time?

5 MR. SHEEHAN: Yes.

6 CHAIRMAN GOLDNER: Okay. Okay.

7 MR. DEXTER: Well, I'm grimacing,
8 because I have a hearing tomorrow afternoon
9 that's far more complicated than this one, I
10 believe.

11 CHAIRMAN GOLDNER: Oh-oh.

12 MR. DEXTER: Unutil External Delivery
13 Charge, we'll be here at 1:30 tomorrow discussing
14 that.

15 CHAIRMAN GOLDNER: Oh, right.

16 MR. DEXTER: I kind of had that
17 timeframe blocked out.

18 CHAIRMAN GOLDNER: Blocked out.

19 MR. DEXTER: But, I mean, I can put
20 together a short recommendation that says what I
21 said at closing.

22 If you're looking for us to do the
23 calculation of the impact, then that would be a
24 problem.

1 CHAIRMAN GOLDNER: No, sir. I think
2 what I'm suggesting is just if you put what you
3 said in closing in writing, that gives the
4 Company something firm to reply to, as opposed to
5 the Commission issuing a PO, and we don't get the
6 verbiage right, --

7 MR. DEXTER: Okay.

8 CHAIRMAN GOLDNER: -- and we get into a
9 circular thing. That allows them to respond to
10 something specific. And then, we'll have
11 everything in the record by Friday for the
12 Commission to issue a firm order.

13 MR. DEXTER: Okay. I will endeavor to
14 do that by tomorrow.

15 CHAIRMAN GOLDNER: Thank you. What
16 should I bring for dinner tomorrow?

17 MR. DEXTER: No, I don't know if it's
18 going to be that. There's a lot of issues. I
19 don't know, timewise, it's going to take six
20 hours. But this EDC has a lot of elements, is I
21 guess is all I'm saying.

22 CHAIRMAN GOLDNER: All right.

23 MR. SHEEHAN: And if I may just jump
24 in? I think what you're expecting is a page or

1 two?

2 CHAIRMAN GOLDNER: Yes. Yes, at the
3 most. Yes.

4 MR. DEXTER: Yes.

5 CHAIRMAN GOLDNER: Two at the most,
6 yes. Yes. Just a few lines, just to make sure
7 that we are issuing the order based on what we
8 think we're issuing the order on.

9 Okay. Anything else that we need to
10 cover today?

11 *[No verbal response.]*

12 CHAIRMAN GOLDNER: No? Okay. Seeing
13 none.

14 We'll take the matter under advisement.
15 And pending the two -- the two documents, after
16 which we'll issue an order by next Tuesday.

17 And we are adjourned. Thank you.

18 ***(Whereupon the hearing was adjourned***
19 ***at 1:27 p.m.)***

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