



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

Docket No. DE 13-063

Granite State Electric Company d/b/a Liberty Utilities  
Distribution Service Rate Case

**DIRECT TESTIMONY  
OF  
VICTOR D. DEL VECCHIO**

March 29, 2013

1   **I.       INTRODUCTION**

2   **Q.       Please state your name and business address.**

3   A.       My name is Victor D. Del Vecchio. My business address is 11 Northeastern  
4            Boulevard, Salem, NH 03079.

5

6   **Q.       By whom are you employed and in what capacity?**

7   A.       I am the President of Granite State Electric Company (“Granite State” or the  
8            “Company”). In that capacity, I am responsible for and oversee all aspects of  
9            Granite State’s operations.

10

11   **Q.       Please describe your educational background and professional experience.**

12   A.       In 1976, I earned a Bachelor of Arts in Political Science from Yale University, and  
13            in 1979 received a Juris Doctor and Master of Business Administration from  
14            University of Chicago. For most of my professional career, I was employed by  
15            Verizon Communications in varying capacities, including most recently Assistant  
16            General Counsel. I left Verizon in 2008 and from 2009 to 2011, I served as a  
17            mediator and arbitrator, including on behalf of the New Hampshire Public Utilities  
18            Commission and the State of New Hampshire, in addition to maintaining a law  
19            practice. In early 2012, I joined Liberty Utilities and later became the President of  
20            Granite State, EnergyNorth Natural Gas, Inc. (“EnergyNorth”), and Liberty Energy  
21            Utilities (New Hampshire) Corp. (“Liberty Energy NH”).

22

1     **Q.    Have you previously testified before the Commission?**

2     A.    No.

3

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

5     A.    My testimony discusses: (i) the Company's philosophy and mission; (ii) an update  
6           on the Company's operations since July 3, 2012 when Liberty Energy NH took  
7           over ownership of Granite State from National Grid; (iii) the rate relief requested  
8           by the Company in this case; and (iv) an identification of each witness who is  
9           testifying in support of the Company's filing and the subject matter of his or her  
10          testimony.

11

12    **Q.    Please describe the Company's philosophy and mission.**

13    A.    In July of 2012, Granite State began a new chapter in its 100 year history when it,  
14          along with EnergyNorth, was acquired by Liberty Energy NH. Liberty Energy NH  
15          is a part of a group of utilities operating as a subsidiary called Liberty Utilities,  
16          whose ultimate parent is Algonquin Power & Utilities Corp. Liberty Utilities has  
17          brought a new operating philosophy to the Company. The cornerstones of Liberty's  
18          values are Care, Commitment, Community, Efficiency, Family and Quality. There  
19          are many ways that these values translate to the operation of our business.

20

21          For example, Liberty is committed to the local communities in which its companies  
22          operate. Since the July 3, 2012 closing on Granite State's ownership, we have made

1 significant efforts to restore local management to the Company. All of the Liberty  
2 Energy NH employees who provide services to Granite State are located in New  
3 Hampshire, including the entire management team, which is comprised of  
4 Operations, Energy Procurement, Customer Care, Environmental, Health, Safety  
5 and Security, Finance, Human Resources, Regulatory and Legal. This return to  
6 New Hampshire truly makes the Company a local utility that we believe will result  
7 in better connections to the communities in which we operate and a better response  
8 to the needs of our customers.

9  
10 At the end of October 2012, Liberty Energy NH took another significant step  
11 towards local management and operation of Granite State when it entered into an  
12 agreement to purchase a building in Londonderry, New Hampshire which will serve  
13 as Liberty Energy NH's permanent headquarters. The Company will begin to move  
14 its operations to the Londonderry facility in July 2013. This new headquarters will  
15 provide an unprecedented opportunity to centralize the operations of Granite State  
16 and EnergyNorth, which we believe will be beneficial to customers.

17  
18 **Q. Are there other examples of how Liberty has demonstrated its commitment to**  
19 **its customers?**

20 A. Yes. In its day-to-day operations, the Company has already demonstrated its  
21 commitment to serve customers. During Superstorm Sandy, we had more than 65  
22 line and tree crews – more than 5 times our usual force – here from New

1 Brunswick, Michigan and Maine, along with our Liberty Utilities crews,  
2 responding to storm-related outages. At its peak, we had 10,200 – or nearly 25  
3 percent – of our customers without power. We deployed more than 170 people to  
4 support our efforts for Superstorm Sandy – including our gas crews to help with  
5 wires down. And when we were done restoring service to our customers, our  
6 employees provided mutual aid to other utilities to assist with their restoration  
7 efforts.

8  
9 We also recognize that there are opportunities to continue to improve  
10 responsiveness to customers. The Company has begun hiring additional line crews  
11 and is making investments to its distribution infrastructure that are important to the  
12 reliability of the system. In 2014, the Company will open its first customer walk-in  
13 centers, a place where customers can come and interact directly with Company  
14 employees regarding all aspects of their service. The totality of these and other  
15 actions will help to return Granite State to its home base in the community, and  
16 represents a true reflection of our values of Care, Commitment, Community,  
17 Efficiency, Family and Quality.

18  
19 **Q. How does the Company achieve its commitment to providing service locally**  
20 **when the Company continues to receive transition services from National**  
21 **Grid?**

1     A.     The vast majority of the Company's operations are run on a day-to-day basis by  
2           Liberty Energy NH employees located in New Hampshire. While it is true that the  
3           Company continues to receive support in the operation of the business through  
4           transition services provided by National Grid, many of those services are necessary  
5           until Liberty Energy NH has put in place various software and related systems to  
6           complete the transition. Regardless of the provision of transition services, the  
7           Company is responsible at all times for its operations, and works hand-in-hand with  
8           National Grid on a daily basis to ensure that those functions which have yet to  
9           transition are performed consistent with our standards for service.

10

11    **Q.     What is the Company's request for base-rate relief in this proceeding?**

12    A.     The Company is seeking to recover an annual revenue deficiency of approximately  
13           \$14.2 million based on a rate base of approximately \$66.8 million. In making this  
14           request, the Company is sensitive to the challenging economic environment over the  
15           last few years. However, this increase is necessary given that the Company's costs  
16           of operation have increased significantly since its last rate increase in 1996. In  
17           addition the Company is seeking approval for a step increase to recover an annual  
18           revenue deficiency of approximately \$1.2 million based on additional capital  
19           spending of approximately \$9.2 million for the period ending December 31, 2013.

20

21    **Q.     Are there any other rate changes that the Company is seeking?**

1     A.     Yes. The Company's filing also includes proposals to address a number of cost  
2            areas that require specific rate treatment in order for the Company to have a  
3            reasonable opportunity to earn its allowed return. They include: (a) a Step Increase  
4            for significant capital additions that the Company is making in 2013, shortly after  
5            the case is filed; (b) a proposal for a long-term Reliability Enhancement Plan and  
6            Vegetation Management Plan; (c) a request to recover pre-staging costs associated  
7            with storm planning and restoration; (d) rate mechanisms to ensure the timely  
8            recovery of increases in municipal property tax; and (e) a request for a reconciling  
9            mechanism for pension expense. The Company is also proposing a number of  
10          changes to the terms and conditions of its service that have not been updated for  
11          more than fifteen years. These changes are necessary in order to bring the  
12          Company's tariff up to date to reflect the current realities of providing service to  
13          customers.

14  
15     **Q.     What are the factors motivating this rate increase?**

16     A.     Since the Company's last distribution rate case in 1995, the Company has invested  
17            approximately \$94 million in electric plant but has not received recovery of these  
18            capital investments. Those investments alone are a major driver of the need for a  
19            rate increase. In addition, the Company has experienced significant increases in  
20            operational expenses such as property tax and employee related costs. Growth in the  
21            Company's sales volumes has not been sufficient to support the Company's

1 continuing investments in infrastructure and reliability projects. These and other  
2 factors combined drive the need for this rate increase.

3  
4 **Q. Why is rate relief necessary?**

5 A. Currently, Granite State's earned return on distribution investment is negative 0.75  
6 percent, which is a very serious erosion from its allowed return of 8.61%. The  
7 Company needs a rate increase to continue to operate in a safe and reliable manner,  
8 and it needs to be able to achieve a reasonable return on its investment. Moreover,  
9 there have been significant changes in the environment in which the Company  
10 operates since its last distribution rate case. For example, the electric industry has  
11 restructured and there have been several mergers and acquisitions resulting in  
12 changes in Granite State's ownership, including National Grid's acquisition of New  
13 England Electric System and National Grid's merger with KeySpan, both of which  
14 resulted in long-term rate stay out provisions. In addition, in 2007, when National  
15 Grid merged with KeySpan, Granite State's customers received a \$2.2 million rate  
16 decrease, which was implemented in two steps over the following two years.

17  
18 While there have been some rate increases along the way for specific programs  
19 such as the Reliability Enhancement Plan and Vegetation Management Plan, an  
20 increase in Granite State's base distribution rates is critical to enable the Company  
21 to meet its service obligations to its customers while earning a reasonable return. To  
22 do so, the Company requires cost recovery of its increased cost of operations,

1 recovery of its rate base additions, timely recovery of the steady and ongoing  
2 increases to its municipal property tax and pension costs, recovery of its  
3 investments in reliability programs and, finally, a rate of return that provides an  
4 incentive for capital investment in the Company to meet its ongoing capital needs.  
5

6 **Q. Please provide an overview of the Company's witness testimony included in**  
7 **the filing.**

8 A. ChristiAne Mason is the Director and Head of Regulatory, Government and  
9 Community Affairs and Dr. Michael Schmidt is the Rates Advisor for Liberty  
10 Utilities (Canada) Corp. Their testimony sets forth the calculation of the revenue  
11 requirement and resulting revenue deficiency for both the request for permanent  
12 rates and the step increase.  
13

14 Daniel Saad is the Vice President, Operations and Kurt Demmer is the Director,  
15 Electric Operations. Mr. Saad and Mr. Demmer's testimony describes the major  
16 additions to rate base since 1995, the capital projects that are included in the step  
17 increase, the Company's request for a long term Reliability Enhancement Program  
18 and Vegetation Management Program, and its request for authority to recover pre-  
19 staging costs associated with storm planning and response.  
20

21 William Sherry is the Vice President, Customer Care and his testimony addresses  
22 changes to terms and conditions in the Company's tariff, including changes in

1 certain customer fees, the Company's line extension policy, and the Company's  
2 evaluation of LED Street Lighting.

3  
4 Mark Smith is the Vice President, Human Resources. His testimony describes  
5 compensation and benefits of Liberty Energy NH employees.

6  
7 Dane Watson is the Managing Partner of Alliance Consulting Group. Mr. Watson's  
8 testimony presents the Company's depreciation study and proposed depreciation  
9 rates for ratemaking purposes.

10  
11 Robert Hevert is the Managing Partner, Sussex Economic Advisors, LLC. Mr.  
12 Hevert's testimony addresses the cost of capital in the Company's rate filing.

13  
14 Howard Gorman is the President, HSG Group, Inc. Mr. Gorman's testimony  
15 presents the Company's Marginal Cost of Service Study and rate design.

16  
17 **Q. Does this conclude your direct testimony?**

18 **A.** Yes it does.