

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

January 28, 2014 - 10:19 a.m.
Concord, New Hampshire

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RE: DE 13-063
GRANITE STATE ELECTRIC COMPANY
d/b/a LIBERTY UTILITIES:
Notice of Intent to File Rate Schedules.

PRESENT: Chairman Amy L. Ignatius, Presiding
Commissioner Robert R. Scott
Commissioner Martin P. Honigberg

Clare E. Howard-Pike, Clerk

APPEARANCES: Reptg. Granite State Electric Company
d/b/a Liberty Utilities:
Sarah B. Knowlton, Esq.

Reptg. Mary Hitchcock Memorial Hospital
and Dartmouth-Hitchcock:
Daniel M. Deschenes, Esq. (Hinckley Allen...)

Reptg. Residential Ratepayers:
Susan Chamberlin, Esq., Consumer Advocate
Stephen R. Eckberg
Office of Consumer Advocate

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Steven E. Mullen, Asst. Dir./Electric Div.
Grant W. Siwinski, Electric Division
Leszek Stachow, Electric Division
James J. Cunningham, Jr., Electric Division
Al-Azad Iqbal, Electric Division

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

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P R O C E E D I N G

CHAIRMAN IGNATIUS: Welcome, everyone. We're here on Docket DE 13-063. This is Granite State Electric Company, now known as "Liberty Utilities (Granite State Electric Company) Corporation", or something like that. Just rolls off the tongue, doesn't it? And, this is their permanent rate case, Docket DE 13-063.

Let's begin first with appearances, and then talk a little bit about the game plan for this morning. And, I see we've got a panel already seated, which makes sense.

MS. KNOWLTON: Good morning, Commissioners. And, welcome, Commissioner Honigberg. My name is Sarah Knowlton. I'm in-house counsel at what I'll call "Liberty Utilities", to make it simple. I'm here today on behalf of Granite State Electric Company. And, with me today, from the Company, is the Company's witness, who is in the witness box, Stephen Hall, and at counsel's table is David Simek.

CHAIRMAN IGNATIUS: Good morning.

MR. DESCHENES: Good morning. Dan Deschenes, from the law firm of Hinckley, Allen & Snyder. And, I represent intervenor Dartmouth-Hitchcock.

CHAIRMAN IGNATIUS: Good morning.

1 MR. DESCHENES: Good morning.

2 MS. CHAMBERLIN: Good morning,
3 Commissioners. Susan Chamberlin, Consumer Advocate, for
4 the residential ratepayers. And, with me today is Stephen
5 Eckberg.

6 CHAIRMAN IGNATIUS: Good morning.

7 MS. AMIDON: Good morning. Suzanne
8 Amidon, for Commission Staff. In the witness box, you'll
9 see Mr. Mullen and Mr. Siwinski, who are with the Electric
10 Division. And, at my table, I have Les Stachow, Jim
11 Cunningham, and Al-Azad Iqbal, all analysts here for the
12 Commission.

13 CHAIRMAN IGNATIUS: Good morning,
14 everyone. We have a Settlement Agreement filed among some
15 of the parties. And, obviously, we will take that up, but
16 also want to be sure that everyone knows that they can --
17 the non-settling entities have the opportunity to ask
18 questions of both the Settlement Agreement and of other
19 matters that have not have been addressed in the
20 Settlement Agreement.

21 I understand that a number of the
22 witnesses are not here today. And, I assume that the
23 parties have talked about that, that it's acceptable that
24 we not have everyone here. Any trouble with the fact that

1 a number of the Company witnesses are not here today?

2 (No verbal response)

3 CHAIRMAN IGNATIUS: Good. And,
4 Ms. Chamberlin, there was a reference to the OCA
5 considering the Settlement Agreement, but hadn't yet had a
6 chance to review it. So, I don't know if you've decided
7 to join or not join?

8 MS. CHAMBERLIN: Your Honor, we have
9 signed the Agreement. So, we support the Settlement
10 Agreement.

11 CHAIRMAN IGNATIUS: Thank you. Is there
12 anything to address before we swear in the panel?

13 MS. KNOWLTON: Yes. Thank you. We've
14 distributed a proposed exhibit list, which I hope you have
15 before you. In which -- and, we've conferred with the
16 parties, propose to mark a number of exhibits for
17 identification. The first of which, do you want me to go
18 through each of these or --

19 CHAIRMAN IGNATIUS: Yes. Why don't you.

20 MS. KNOWLTON: Okay. Exhibit 6 is the
21 Joint Direct Testimony of Stephen R. Hall and Howard
22 Gorman. That was filed after the temporary rate hearing,
23 on October the 9th, 2013. We propose marking for
24 identification as "Exhibit 7" all of the Staff testimony,

1 which includes the Staff witnesses, Siwinski, Stachow,
2 Iqbal, Cunningham, and Mullen, all dated November 15,
3 2013. As Exhibit 8, the Testimony of Gail A. Dahlstrom,
4 from Dartmouth-Hitchcock, also dated November 15th, 2013.
5 And, my understanding is that Ms. Dahlstrom is not here
6 today, and the Company has no objection to that.
7 Exhibit 9 would be the Settlement Agreement dated January
8 24th, 2014, signed by Staff and the Company. Exhibit 10
9 is the OCA signature page to the Settlement, dated
10 January 28th, 2014. And, Exhibit 11 is a new document
11 that's been distributed to everybody here, titled "Liberty
12 Utilities Impact of Proposed Settlement in Docket 13-063
13 Typical Monthly Residential Bill".

14 CHAIRMAN IGNATIUS: Thank you.

15 (The documents, as premarked and as
16 described, were herewith marked as
17 **Exhibit 6** through **Exhibit 11**,
18 respectively, for identification.)

19 CHAIRMAN IGNATIUS: The OCA signature
20 page, we don't have. But that's all right, as long as
21 it's in the -- we don't need our own copy, as long as it's
22 in the file somewhere. Thank you.

23 MS. AMIDON: Madam Chair, there's also
24 pending a Motion for Confidential Treatment.

1 CHAIRMAN IGNATIUS: All right. Can you
2 hold off for one second. On exhibits, we have the -- I
3 don't know if this needs to be marked or not, the
4 October 16th filing from the Company with the updated
5 calculation of revenue requirements.

6 MS. KNOWLTON: We could mark that, if
7 parties would like us to, or if the Commission would like
8 that.

9 CHAIRMAN IGNATIUS: Well, I wonder if
10 we're going to be referring to it?

11 MS. KNOWLTON: I don't anticipate that
12 we're going to refer to it.

13 CHAIRMAN IGNATIUS: I assume these are
14 the numbers that the Settlement Agreement builds from,
15 yes?

16 MS. KNOWLTON: Yes, it does. So,
17 perhaps we should go ahead and mark that.

18 CHAIRMAN IGNATIUS: Just to be safe,
19 let's do that.

20 MS. KNOWLTON: And, without reordering
21 everything, we put it at the end.

22 CHAIRMAN IGNATIUS: So, Exhibit 12 for
23 identification?

24 MS. KNOWLTON: Uh-huh.

1 (The document, as described, was
2 herewith marked as **Exhibit 12** for
3 identification.)

4 CHAIRMAN IGNATIUS: Does everyone know
5 what I'm referring to?

6 MS. CHAMBERLIN: No.

7 CHAIRMAN IGNATIUS: October 16th, 2013
8 was a filing letter from Ms. Knowlton to the Executive
9 Director. And, it's a thick stack of worksheets of all of
10 the different components of the revenue requirement. The
11 cover sheet says that it addresses "both permanent rates
12 and the step adjustment".

13 MS. CHAMBERLIN: Excuse me, Sarah. Can
14 I keep this now or do you --

15 MS. KNOWLTON: We can share it.

16 MS. CHAMBERLIN: Okay.

17 CHAIRMAN IGNATIUS: This is off the
18 record.

19 (Off the record)

20 CHAIRMAN IGNATIUS: All right. We're
21 back on the record. Ms. Amidon, you were starting to
22 mention a motion?

23 MS. AMIDON: Yes. On January 21st, the
24 Company filed a Motion for Confidential Treatment for the

1 responses to three data requests, which we could address
2 at the outset of the hearing, before getting into the
3 Settlement Agreement.

4 CHAIRMAN IGNATIUS: Thank you. We have
5 the Motion filed by the Company, as you say, January 21st.
6 And, we haven't seen any responses in the file. Are there
7 positions of any of the parties on the request for
8 protective order? It's on Response Staff 3-54, OCA 2-14,
9 and Audit Request Item 106.

10 MS. CHAMBERLIN: Your Honor, we reviewed
11 the request and we do not object to it. The request is
12 targeted at very specific information that is
13 competitively sensitive, and not of particular general
14 interest to the public.

15 MR. DESCHENES: Dartmouth-Hitchcock has
16 no objection.

17 CHAIRMAN IGNATIUS: Thank you.

18 MS. AMIDON: Staff has reviewed the
19 filing, and we believe that the Liberty properly filed
20 this Motion for Confidential Treatment, because the
21 responses to these data requests do include confidential
22 information, either competitively sensitive, or, with
23 respect to the tenant agreement, it's a contract between
24 two parties that is not disclosed to public. So, we would

1 support the Motion for Confidential Treatment.

2 CHAIRMAN IGNATIUS: I did have a
3 question. On the first two, as I read it, I didn't have
4 any concern. They seemed appropriately identified as
5 information that we protect. On the audit request, I
6 would like to hear why -- the request is that the entire
7 contract be given protective treatment, and it's, as
8 described in the Motion, it's the contract that identifies
9 allocation of taxes among National Grid entities. And, I
10 don't understand what -- that may be true, that it's
11 commercial information of the Company, but why that
12 necessarily is something that should be protected from the
13 public disclosure. I wasn't seeing at first reading.

14 MS. KNOWLTON: Right. This was a
15 document that was requested by the Audit Staff, when they
16 conducted the audit last summer in the rate case. And,
17 National Grid produced this document to the Company, to
18 then provide to the auditors, because half of the test
19 year, as you may recall, was based on National Grid's
20 ownership of the Company, and thus the financial records
21 that National Grid maintained on Granite State, and with
22 the second half of the test year being a Liberty test
23 year. So, my understanding is that this relates to the
24 first half of the test year.

1 And, National Grid has told us that it
2 views the document as "confidential", and that it's not
3 something that it distributes publicly outside of the
4 Company. I did inform National Grid that we were filing a
5 Motion for Protective Treatment to cover the document, and
6 that they haven't elected to come and participate and
7 offer any further explanation. I mean, what I was told is
8 that, you know, they don't distribute it. They consider
9 it proprietary. But I don't have any more detail really
10 that I can provide you with regard to the specifics of it.
11 I recognize that it is unusual to ask that an entire
12 document be protected. I mean, we do typically try to be
13 razor-like in our excisions, so that the public can
14 generally see what's going on. I mean, it's a document
15 that relates to the internal allocations of taxes among
16 the various National Grid entities. I'm assuming that
17 National Grid files a consolidated tax return. And, how
18 it divvies up the tax liabilities among the entities is
19 not something that it generally makes known to the public.
20 That's the best that I can offer on this.

21 CHAIRMAN IGNATIUS: I appreciate your
22 trying to help sort it out. Can you think of what a
23 possible competitive disadvantage or other harm their
24 might be if it were released?

1 MS. KNOWLTON: I mean, the only issue
2 that I can think of is that, as you see, there are a lot
3 of entities listed that are parties to this agreement, and
4 many of them are not, by my understanding, regulated
5 entities, not public utilities regulated by a commission
6 in a state or by FERC. And, so, it may be that, in the
7 case of a non-regulated entity, that there would be no --
8 there really would be no basis, you know, to release a
9 contract about how taxes are allocated. You know,
10 whereas, for a regulated entity, obviously, you know,
11 you're subject to Commission scrutiny in what you do.
12 And, you know, if you want to receive rate recovery, you
13 need to make documents available. And, there is,
14 generally, there is no competition on the distribution
15 side. But that's really all I can think of, is that,
16 because there are non-regulated entities listed, that that
17 perhaps is part of the concern.

18 CHAIRMAN IGNATIUS: All right. Well,
19 why don't we take this under advisement. And, for the
20 course of the hearing, I doubt it will come up, but, if it
21 is, treat it as if it were confidential for this purpose.
22 And, we will deliberate among ourselves with a final
23 determination on the protection.

24 MS. KNOWLTON: I will just note one more

1 thing for the record. Which is, I did inquire about the
2 response itself to the audit request, and whether any of
3 that was considered "confidential", and I was told "no".
4 So, the body of the audit response is not something that
5 National Grid was seeking any protection for.

6 CHAIRMAN IGNATIUS: All right. Good.
7 Thank you. Then, anything else to take up, before we
8 begin with evidence?

9 MS. KNOWLTON: The only other thing I
10 would mention is that, as you indicated, all of the
11 Company witnesses are not here. And, my understanding is
12 that the Bench may have some questions relating to
13 Mr. Demmer and Mr. Saad's testimony. I have conferred
14 with Mr. Mullen and Mr. Hall, and they believe that they
15 can answer questions that relate to, in particular, the
16 REP/VMP aspect of the Settlement. But I will certainly
17 offer that, if you would like Mr. Demmer to be here, we
18 certainly will make every effort to be here. My guess is
19 that we'll be here easily for a few hours at this hearing,
20 and I can ask him to come, if that's what you would like.

21 CHAIRMAN IGNATIUS: Thank you. I had a
22 few questions I mentioned to Ms. Amidon this morning, so
23 no one was surprised. And, my guess is that will be
24 adequate, between Mr. Hall and Mr. Mullen. It's not to

[WITNESS PANEL: Hall~Siwinski~Mullen]

1 bore into great detail into any of the numbers or
2 anything, but a few sort of broader questions. So, I
3 think we're probably okay. Let's see how we go.

4 MS. KNOWLTON: And, certainly, if
5 there's something that's outside the scope of their
6 knowledge, and the Company needs to take a record request
7 to provide the Commission with more information, we're
8 glad to do that.

9 CHAIRMAN IGNATIUS: And, there may be
10 other areas as well that others raise, where it turns out
11 that we really don't have the information with who's here.
12 But, rather than make everyone come here on the off chance
13 that there might be a question, I think it's a good idea
14 to have told them not all to show up, and then we'll
15 just -- we'll deal with it, if we do have a need for
16 additional information. Thank you.

17 Are you ready to proceed?

18 MS. KNOWLTON: Yes, I am.

19 (Whereupon **Stephen R. Hall,**
20 **Grant W. Siwinski,** and **Steven E. Mullen**
21 were duly sworn by the Court Reporter.)

22 CHAIRMAN IGNATIUS: Oh, I'm sorry. One
23 other question. I assume that the entire stack of Company
24 testimony was marked as an exhibit in the temporary rate

1 phase?

2 MS. KNOWLTON: Yes. My recollection,
3 from reviewing the Exhibit List, is that we marked the
4 Company's entire -- all the testimony in the entire
5 filing, I believe, as "Exhibit 1" at the temporary rate
6 hearing.

7 CHAIRMAN IGNATIUS: All right. Thank
8 you.

9 MS. KNOWLTON: Good morning, Mr. Hall.

10 WITNESS HALL: Good morning.

11 BY MS. KNOWLTON:

12 Q. Please state your name for the record.

13 A. (Hall) My name is Stephen R. Hall.

14 Q. By whom are you employed?

15 A. (Hall) I'm employed by Liberty Energy Utilities New
16 Hampshire Corp.

17 Q. What is your position with the Company?

18 A. (Hall) I am Director of Regulatory and Government.

19 Q. Did you have any responsibilities for this Granite
20 State Electric rate case, which is pending before the
21 Commission today?

22 A. (Hall) Yes, I did. Following the commencement of my
23 employment with Liberty on September 1st of last year,
24 I was assigned overall responsibility for the rate

1 case.

2 Q. In what capacity were you employed prior to coming to
3 Liberty?

4 A. (Hall) I was employed by Public Service of New
5 Hampshire for a period of 34 years.

6 Q. In what capacity?

7 A. (Hall) Various capacities, all within the rates and
8 regulatory areas.

9 Q. Do you recall, on October 9th, 2013, filing Joint
10 Direct Testimony with Mr. Howard Gorman?

11 A. (Hall) Yes.

12 Q. Was that testimony prepared by you or under your
13 direction?

14 A. (Hall) It was prepared under my direction.

15 Q. Do you have any corrections to that testimony?

16 A. (Hall) Yes, I have one minor correction. On Page 1 of
17 Line 12, my title is listed incorrectly. My correct
18 title is "Director of Regulatory and Government".

19 Q. Subject to that correction, if I were to ask you the
20 questions in your testimony today, would your answers
21 be the same?

22 A. (Hall) Yes.

23 Q. Mr. Hall, I'm going to ask you to jump forward to what
24 we've marked for identification as "Exhibit 12".

1 A. (Hall) I have it.

2 Q. Okay. And, that's an October 16th, 2013 "Updated
3 Calculation of the Revenue Requirement for Granite
4 State Electric Company". Are you familiar with that
5 document?

6 A. (Hall) Generally, yes.

7 Q. Can you identify for the record what this document
8 achieves?

9 A. (Hall) Certainly. What this document is is an update
10 to the revenue requirement calculation that was
11 contained in the original Company submission back in
12 March of 2013. During the course of the proceeding,
13 and as a result of the discovery process, there were
14 several corrections and updates that needed to be made
15 to the filing. And, this document, this filing that
16 was done in October, was intended to incorporate those
17 corrections and updates to data, and, therefore, give a
18 more recent and more correct calculation of the revenue
19 requirement.

20 Q. The testimony that this was originally -- that the
21 prior version of this was originally filed with, is
22 that the testimony that you adopted pursuant to your
23 October testimony?

24 A. (Hall) Yes.

[WITNESS PANEL: Hall~Siwinski~Mullen]

1 Q. So, in effect, this Exhibit 12 is now part of your
2 testimony, correct?

3 A. (Hall) Yes, it is.

4 Q. Did you have any role in the preparation or oversight
5 of this Attachment 12 -- Exhibit 12?

6 A. (Hall) I had an oversight role.

7 Q. Did you participate in the development of the
8 Settlement Agreement in this case?

9 A. (Hall) Yes, I did. I was Liberty's chief negotiator of
10 the Settlement.

11 Q. Would you describe the process that was followed that
12 resulted in the Settlement Agreement?

13 A. (Hall) certainly. Following the filing of the
14 Company's rate case, we entered a period of lengthy and
15 detailed discovery from Staff, from OCA, and from
16 Dartmouth-Hitchcock. The Company responded to several
17 hundred data responses. There was an audit conducted
18 by the Staff of the Company's filing. Following that,
19 there was rebuttal testimony filed by Staff and
20 Dartmouth-Hitchcock. And, there was discovery
21 conducted thereon.

22 Once the discovery process was
23 completed, Liberty contacted the parties to determine
24 whether there was an interest in discussing a

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[WITNESS PANEL: Hall~Siwinski~Mullen]

1 settlement to the issues in the docket. And, Staff and
2 OCA and Dartmouth-Hitchcock were all amenable to such
3 settlement discussions. So, all of the parties met on
4 several occasions, all of the parties had the
5 opportunity to express their positions on various
6 issues. And, the culmination of that negotiation
7 process and all of those discussions is the Settlement
8 that is before the Commission today.

9 MS. KNOWLTON: Before we get into the
10 meat of the Settlement Agreement, would the Staff like to
11 authenticate the Staff testimony and qualify its
12 witnesses?

13 MS. AMIDON: Yes. Thank you. I'll
14 start with Mr. Siwinski. Good morning.

15 WITNESS SIWINSKI: Good morning.

16 BY MS. AMIDON:

17 Q. Did you file direct testimony -- pardon me. Would you
18 state your full name and your current position for the
19 record please.

20 A. (Siwinski) My name is Grant Siwinski. And, I'm
21 employed with the New Hampshire Public Utilities
22 Commission as a Utility Analyst in the Electric
23 Division.

24 Q. Have you previously testified before this Commission?

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[WITNESS PANEL: Hall~Siwinski~Mullen]

1 A. (Siwinski) Yes, I have.

2 Q. And, did you prepare and file direct testimony on
3 November 15th of 2013, which consists of your testimony
4 and attachments totaling in all 67 pages?

5 A. (Siwinski) I did.

6 Q. And, do you have any corrections or changes to that
7 testimony today?

8 A. (Siwinski) No.

9 Q. And, if you were asked the same questions under oath,
10 would your answers be the same?

11 A. (Siwinski) Yes, they would.

12 Q. And, further, with respect to the Settlement Agreement
13 that was reached between Staff and the Company and that
14 was filed on January 24th, did you participate in the
15 Settlement Agreement discussions?

16 A. (Siwinski) Yes, I did.

17 Q. And, so, you're familiar with the terms of the
18 Settlement Agreement, is that fair?

19 A. (Siwinski) Yes.

20 Q. Okay. Thank you. And, Mr. Mullen, good morning to
21 you. Would you please state your name and position
22 for the record.

23 A. (Mullen) My name is Steven Mullen. I'm the Assistant
24 Director of the Electric Division here at the New

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1 Hampshire Public Utilities Commission.

2 Q. And, have you previously testified before this
3 Commission?

4 A. (Mullen) Yes, I have.

5 Q. And, did you file testimony in this docket on
6 November 15th, 2013?

7 A. (Mullen) Yes, I did.

8 Q. And, it consists of your testimony, plus a single
9 attachment, is that correct? Thirteen pages of your
10 testimony, and, then, I believe the attachment is the
11 Final Audit Report of Staff regarding its audit of
12 Liberty Utilities.

13 A. (Mullen) I believe I had another attachment, a one-page
14 attachment.

15 Q. I stand corrected. You did have one data response, is
16 that correct?

17 A. (Mullen) Yes.

18 Q. Okay. Thank you. And, do you have any corrections or
19 changes to this testimony today?

20 A. (Mullen) No, I do not.

21 Q. And, if you were asked the same questions under oath,
22 would your responses be the same?

23 A. (Mullen) Yes.

24 Q. And, regarding the Settlement Agreement that was filed

[WITNESS PANEL: Hall~Siwinski~Mullen]

1 with the Commission on January 24th and signed by Staff
2 and the Company, are you familiar with that document?

3 A. (Mullen) Yes, I am.

4 Q. And, did you participate in the settlement discussions
5 that led to the development of that Agreement?

6 A. (Mullen) Yes, I did.

7 Q. Thank you. Now, in addition to your testimony, Mr.
8 Mullen, testimony of Messrs. Stachow, Cunningham, and
9 Iqbal were filed with the Commission on November 15th,
10 is that correct?

11 A. (Mullen) Yes, it is.

12 Q. And, did you -- was this testimony prepared under your
13 supervision -- general supervision, I should say?

14 A. (Mullen) Yes.

15 Q. And, are you willing to sponsor that testimony today?

16 A. (Mullen) Yes.

17 MS. AMIDON: Thank you. So, with that,
18 that constitutes the presentation of Exhibit 7. Thank
19 you.

20 CHAIRMAN IGNATIUS: Thank you.

21 BY MS. KNOWLTON:

22 Q. Mr. Hall, before we -- one more matter, before we get
23 into the discussion of the contents of the Settlement
24 Agreement. Would you give us a brief description of

[WITNESS PANEL: Hall~Siwinski~Mullen]

1 where things stand in this docket with regard to
2 temporary rates, just to frame the discussion of
3 permanent rates.

4 A. (Hall) Certainly. The temporary rate increase was, of
5 six and a half million dollars on an annual basis, was
6 authorized by the Commission and implemented on
7 July 1st, 2013. That temporary rate increase rate
8 level remains in effect today. I want to note that
9 this distribution rate increase that was granted on a
10 temporary basis was the first such rate increase for
11 Granite State Electric in nearly 20 years. So, it's
12 been a long time since this Company has sought a
13 general distribution rate increase.

14 And, I'd also note that, prior to the
15 implementation of the six and a half million dollar
16 annual temporary rate increase, the Company was
17 operating at a loss. And the Commission recognized
18 that and granted the temporary rate increase.

19 Q. Turning to the Settlement Agreement, which is marked as
20 "Exhibit 9", would you describe the revenue requirement
21 that was agreed to in the Settlement.

22 A. (Hall) Certainly. It may be easier to simply describe
23 the incremental amount of revenue requirement. I said
24 earlier that the Company had been granted a

[WITNESS PANEL: Hall~Siwinski~Mullen]

1 \$6.5 million annual temporary rate increase. This
2 Settlement provides for a \$9.76 million permanent
3 distribution rate increase, which is 3.26 million
4 annually in excess of the temporary rate level.

5 Q. Mr. Siwinski, there is attached to the Settlement
6 Agreement an Attachment A. Was that prepared by you or
7 under your direction?

8 A. (Siwinski) Yes, it was.

9 Q. Can you walk the Commission through what the revenue
10 requirement as it's set forth in Attachment A?

11 A. (Siwinski) I can. If you take a look at the Settlement
12 Agreement on Page 3, in that first paragraph under
13 Section A, you see that there is a revenue
14 requirement -- annual distribution revenue requirement
15 of \$36,303,000. And, it's an increase of 9.76 million
16 to the test year level of \$26,543,000. That's an
17 overall rate of return of 7.92 percent, based on a cost
18 of equity of 9.55, cost of debt of 9.5 -- or, 5.95, and
19 a capital structure of 55 percent equity and 45 percent
20 debt.

21 If you take a look at the Attachment A
22 to the Settlement, it's Page 11, Bates stamp 11, you'll
23 see, on Line 4 -- or, Line 3, the rate of return that's
24 reflected in this first paragraph as "7.92 percent".

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[WITNESS PANEL: Hall~Siwinski~Mullen]

1 On Line 13, you'll see the revenue deficiency of
2 \$9,760,000. On Line 15, you'll see the operating
3 revenues of \$26,542,000. And, you'll see the revenue
4 requirement, as a result of the increase of
5 9.7 million, of \$36,303,000.

6 On Attachment A, Schedule 1B, you'll see
7 the capital structure, which shows the components that
8 are also listed in the first paragraph of the rate of
9 return. And, that's the 7.92 percent.

10 If you take a look at Attachment A
11 Schedule 3, and that's on Bates stamp Page 15, you'll
12 see the income statement. And, these -- my starting
13 point is the numbers in the Exhibit 12 for my -- and
14 you'll see that. It says "Schedule RR-2(CU)" on that
15 schedule, or Attachment A, Schedule 3, in the first
16 column. There were Settlement discussions and
17 agreements. And, you can see the adjustments we made
18 to distribution revenues was \$72,000. We made
19 adjustments to Administrative and General expenses of
20 \$714,000. And, we made adjustments, which were just a
21 fallout, to Federal and State Income Taxes of a
22 negative 595,000.

23 And, in the Administrative and
24 General -- oh, excuse me. And, there's one other. If

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[WITNESS PANEL: Hall~Siwinski~Mullen]

1 you take a look at Schedule 3A, in Attachment A, on
2 Bates stamp 16, there's also an adjustment to the
3 depreciation expense of \$715,852.

4 The permanent increase described above,
5 or in paragraph -- the first paragraph of Section A, is
6 reconcilable to the date of temporary rates in this
7 case, which was July 1st of 2013.

8 Did you want me to talk about the step
9 increase?

10 Q. Yes. But, before you do that, I have one question
11 about the permanent rate increase. Is that intended to
12 be a total liquidation of the request of revenue
13 requirement, the 9 -- excuse me, the revenue
14 requirement that was agreed to in the Settlement?

15 A. (Siwinski) Yes, it is.

16 Q. Okay. And, when would the permanent rate increase take
17 effect?

18 A. (Siwinski) April 1st of 2014.

19 Q. And, contemporaneous with that permanent rate increase,
20 does the Settlement also include a step increase to
21 take effect on that same date?

22 A. (Siwinski) Yes, it does. There's a step increase for
23 capital assets. And, they are the -- the assets are on
24 Schedule -- well, Bates stamped 18, Schedule 3 -- or,

[WITNESS PANEL: Hall~Siwinski~Mullen]

1 Schedule -- Attachment B. And, if you look at that
2 schedule, what you see is, across the top, on Line 2,
3 the "Capital Spending". And, it totals to, in the last
4 column, about \$7.5 million. What this sheet does is
5 develop a revenue requirement based on a rate base, and
6 it includes tax depreciation and straight-line
7 depreciation, based on the rates that are -- that Staff
8 has put into this case. And, so, if you take a look at
9 Line 16, it has the "Plant in Service", which is the
10 same as the "Capital Spending" on Line 2. And, then,
11 it has the "Depreciation Expense", which is Line 23,
12 which corresponds to the "Depreciation" expense on Line
13 10. And, it has a "Property Tax and Insurance at
14 2.51 percent" of the asset. And, that number is, if
15 you look down at the bottom of the page, you take a
16 look at Lines 54 through 55, what you see is the
17 development of those taxes and insurance costs, based
18 on the costs that are in the case and the rate base in
19 the case. And, that -- excuse me.

20 Q. I'm sorry. Continue.

21 A. (Siwinski) Okay. And, when we -- that revenue
22 requirement which is developed is \$1,115,000, which is
23 on Line 26, in the "Total" column. And, that
24 translates into a surcharge of 0.00121 cents -- or,

1 excuse me, 0.00121 per kilowatt-hour.

2 Q. Does the step increase cover capital additions that
3 were made during a different period of time than the
4 test year upon which the permanent rates are based?

5 A. (Siwinski) No. They correspond with the test year.
6 They were made before December 31st of 2013.

7 A. (Mullen) If I could just clarify that. The test year
8 was calendar year 2012. And, the step adjustment takes
9 into account capital investment for the period ending
10 December 31st, 2013. So, for the year following the
11 test year.

12 A. (Siwinski) Excuse me. That's correct. Thank you.

13 Q. And, is the purpose of allowing for the step increase
14 in this case to allow the Company to earn a return on
15 an investment that was made very shortly after the case
16 would have otherwise been concluded, in order to
17 hopefully keep the Company out from a rate case
18 immediately upon the conclusion of this case?

19 A. (Siwinski) That's correct.

20 Q. Does the Staff intend to audit the amount of the step
21 increase that's set forth in Attachment B to the
22 Settlement?

23 A. (Siwinski) Yes. The Staff would audit the plant
24 additions before this would go into effect.

[WITNESS PANEL: Hall~Siwinski~Mullen]

1 Q. So, between --

2 A. (Siwinski) Now and --

3 Q. Sometime between now and April 1st, --

4 A. (Siwinski) That's correct.

5 Q. -- there would be an audit?

6 A. (Siwinski) Yes.

7 Q. And, so, the exact dollar amount of the step increase
8 will be subject to the result of that audit?

9 A. (Siwinski) That's correct.

10 Q. Mr. Hall, just one question for you about the step
11 increase. To your knowledge, are all of the capital
12 additions that are set forth in Attachment B to the
13 Settlement used and useful as of December 31st, 2013?

14 A. (Hall) Yes, they are.

15 Q. Mr. Siwinski, how will the step increase be applied
16 across the rate classes?

17 A. (Siwinski) It will be applied equally.

18 Q. Mr. Hall, has the Company conducted any analysis of the
19 impact of the permanent rate increase, as well as the
20 step increase, on its customers?

21 A. (Hall) Yes, we have.

22 Q. Would you walk us through that analysis please.

23 A. (Hall) Certainly. The analysis that we performed is
24 contained in Exhibit 11. That shows the effect on an

[WITNESS PANEL: Hall~Siwinski~Mullen]

1 average monthly residential bill of the permanent and
2 step increase. And, what this exhibit does is it
3 compares the rates that are in effect as of January 1,
4 2014, and that remain in effect today, to the rates
5 that would be in effect on April 1, 2014, if this
6 Settlement is approved. And, the increase above the
7 temporary rate level, for an average residential
8 customer, is \$5.40 per month, or about a 4.7 percent
9 overall bill impact from today's bill level.

10 Q. Mr. Hall, there's one commercial and industrial
11 customer that's participated in this docket,
12 Dartmouth-Hitchcock. Has the Company prepared any
13 analysis of the impact of the proposed rate increase on
14 Dartmouth-Hitchcock?

15 A. (Hall) Yes, we did. We prepared three different
16 analyses at Dartmouth-Hitchcock's request. And, one of
17 which was an analysis where they sent us a spreadsheet
18 and asked us to complete it by inserting the missing
19 information, and we did so. And, what our analyses
20 showed is that bill amounts for Dartmouth-Hitchcock
21 will increase 3.4 to 3.7 percent on April 1st, as
22 compared to the temporary rate level that's in effect
23 today.

24 Q. Mr. Hall, although the settlement was a total

1 liquidation of the revenue requirement, does the
2 Settlement Agreement address any specific items
3 included in the Company's rate filing?

4 A. (Hall) Yes, it does. There were four different areas
5 addressed in the Settlement Agreement. The first of
6 which is depreciation expense. In the initial filing,
7 the Company had proposed one methodology for
8 depreciation. And, Staff provided rebuttal testimony.
9 As a result of the Settlement, we have adopted Staff's
10 recommendations for useful lives and salvage values by
11 asset class.

12 The second area is on pension expense.
13 And, it involves an amortization of what's called a
14 "pension deferred debit", and that's the excess of the
15 Company's pension obligation over the amount that it's
16 recorded in its financial statements related to former
17 Grid employees that were transferred to the Company
18 upon acquisition. And, this is a liability that would
19 have to be amortized and recovered regardless of
20 whether the acquisition occurred or not. That amount
21 will be amortized over 10.52 years, which is the
22 average remaining term of service for those employees.

23 The third area that the Settlement
24 addresses is various tariff changes. First of which is

[WITNESS PANEL: Hall~Siwinski~Mullen]

1 fees for various services, such as initiation and
2 termination of service. And, what the Company did is
3 it proposed fees based on the fees charged for the same
4 services performed by Unitil and PSNH. The Company
5 took a look at those fees and came up with a proposal.
6 There was not a specific cost analysis done for the
7 Company's fees. And, the reason for that is that the
8 test year, 2012, was somewhat unusual. Recall that the
9 acquisition of Granite State by Liberty Utilities
10 occurred midyear of 2012. So, there was a half a year
11 where Granite State was owned by National Grid, and the
12 second half of the year Granite State was owned by
13 Liberty Utilities. And, as a result of the different
14 systems and as a result of that acquisition, it made it
15 very difficult, if not impossible, to look at the test
16 year and calculate cost-based fees.

17 So, what the parties agreed to is to use
18 the interim fee -- the fees proposed by the Company on
19 an interim basis, and the Company has agreed that it
20 will track costs associated with providing these
21 various services, and it will develop cost-based fees
22 for the next rate case.

23 Next area is the area of line
24 extensions. The Company proposed and the parties

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[WITNESS PANEL: Hall~Siwinski~Mullen]

1 agreed on a change to the line extension policy. The
2 policy that is in effect now is administratively
3 cumbersome. And, beyond that, the amount charged for
4 line extensions under the existing policy doesn't
5 compensate for line extension costs. And, what that
6 does is that, to the extent that new customers are
7 added to the system and require a line extension, if
8 the policy doesn't fully recover the cost of the line
9 extension, it means all other customers have to
10 ultimately pay for that cost. So, the new policy not
11 only takes care of that shortfall, by properly
12 allocating costs to the customers who cause the costs,
13 but it also eliminates the administrative burden of
14 tracking various line extension agreements and payments
15 that customers would be making over time.

16 The last area that the parties agreed on
17 is rate design. The rate design that the Company
18 proposed was based on the marginal cost study that it
19 submitted in this docket. And, costs were allocated to
20 classes with various constraints placed on the amount
21 of increase that each class could receive, again, based
22 on the marginal cost study. So, the rates that are
23 included in the attachment to the Settlement,
24 Attachment E, Bates Page 39, incorporate the rate

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1 design that the parties agreed to.

2 A. (Mullen) If I could just add something to this section?
3 If you look on Page 6 of the Settlement, in Section H,
4 that's headed "Rate Design", the last sentence of that
5 section says "the Company's rate design shall be fully
6 reviewed in the Company's next distribution rate case."
7 What that means, you know, as Mr. Hall said earlier,
8 it's been a long time since the Company has had a
9 distribution rate increase, a general distribution rate
10 increase. And, there's certain things that have been
11 -- certain rate structures that have been in place at
12 Granite State for quite a long time. So, as part of
13 the -- between now and the next rate case, is to look
14 at a lot of the things that are there. Like, for
15 instance, there's a couple of rate classes that have
16 just a handful of customers in them. So, we want to
17 take a look at and see "well, does it make sense to
18 still have those or should there be something
19 different?" I think, if you look at -- Mr. Hall
20 referred to "Exhibit 11", when he was going through the
21 differences for a residential customer, compared to the
22 temporary rates. And, you'll see the first, right near
23 the top, there's two lines that say "Distribution
24 Charge". One says the "First 250 kilowatt-hours", and

1 the one below that says the "Excess 250". So, that
2 kind of inclining block structure set at 250, that's
3 the kind of things we want to take a look at and see
4 "well, does it still make sense to do that or maybe
5 there's another way to go about doing that?" So, that
6 one sentence at the end kind of encompasses a bit of a
7 review of the entire rate design, to see "is this the
8 right thing going forward?" And, once the Company has
9 a lot of information on its own, without National Grid
10 involved and all that, it will be a much cleaner
11 process, in terms of trying to go through that and
12 analyze that.

13 Q. Mr. Mullen, does the Settlement Agreement address when
14 the Company would file it's next rate case?

15 A. (Mullen) It does. On Page 7, in Section J, it says
16 "The test year for the next general distribution rate
17 case shall be no earlier than calendar year 2015 and no
18 later than calendar year 2016." So, I guess,
19 specifically to your question about when it would be
20 filed, it doesn't specifically say that. But, if it
21 was -- if the test year was calendar year 2015, I
22 expect it would probably be filed sometime around mid
23 2016. Likewise, if the calendar year was 2016, then I
24 would say it would probably be mid 2017.

1 Q. Would you address the intent of this provision?

2 A. (Mullen) Yes. And, this goes to some information I had
3 in my prefiled testimony. As we've discussed, the test
4 year was a mix of National Grid and Liberty. And,
5 there's a lot of -- really need to have a lot of clean
6 information here. There's transition service
7 agreements that are currently in place, where National
8 Grid is continuing to provide some services. Some of
9 those have transferred over to Liberty and some of
10 those continue to transfer to Liberty.

11 At the same time, there's a computer
12 transition that's going on. That's a multiyear
13 process, depending on which systems you're looking at.
14 So, there's a lot of things that are going on. And, we
15 want to have a good picture of "okay, what are the
16 costs with just Liberty?" So, we want to have a clean
17 test year. But, at the same time, we didn't want to go
18 too far out and say "well, for whatever we set here,
19 since we don't have a clean year to really base it on,
20 we don't want things to get too far out-of-whack one
21 way or the other." So, this was kind of trying to
22 bridge the difference between getting something that
23 was clean, and also not going out too far into the
24 future before we take another look at it.

[WITNESS PANEL: Hall~Siwinski~Mullen]

1 Q. Mr. Hall, does the Settlement address recovery of rate
2 case expense?

3 A. (Hall) Yes, it does. The Settlement allows recovery of
4 \$390,000 of rate case expense over two years. And, the
5 reason two years was chosen was to minimize bill
6 impact. The amount of recovery of rate case expense is
7 limited as a result of a settlement in Docket DG
8 11-040, and the limit is \$390,000.

9 Q. What types of expenses did the Company incur for rate
10 case expense?

11 A. (Hall) It's primarily expenses for consultants, expert
12 witnesses, to provide services that the Company doesn't
13 have the in-house resources to perform; cost of
14 capital, the revenue requirement calculation,
15 depreciation study.

16 Q. And, did the Company hire a rate design witness as
17 well?

18 A. (Hall) Yes.

19 Q. Mr. Hall, are you aware that the Commission has very
20 recently promulgated rules governing the recovery of
21 rate case expense?

22 A. (Hall) Yes.

23 Q. And, has the Company addressed that here in the
24 Settlement Agreement?

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1 A. (Hall) Well, it wasn't addressed in the Settlement
2 Agreement, because that rule took effect, I believe,
3 within the last month or so. And, therefore, the rule
4 took effect after all of these expenses were incurred
5 by the Company. If I recall, the rule has various
6 requirements, including reporting requirements. So, we
7 were well down the road by the time that this rule took
8 effect.

9 Q. Would the Company follow that new rule for its next
10 rate case?

11 A. (Hall) Certainly.

12 Q. Did the Company competitively bid its rate case
13 expense?

14 A. (Hall) Yes.

15 Q. Will the Commission Staff audit that rate case expense?

16 A. (Hall) Yes.

17 Q. And, you referred to a "\$300,000" cap. To your
18 knowledge, is the Company within the cap?

19 A. (Hall) I believe we are, yes.

20 CHAIRMAN IGNATIUS: Just for the sake of
21 the record, you had said it was "390,000"?

22 WITNESS HALL: Three hundred -- it was
23 split into two pieces. \$90,000 was a limit placed on the
24 depreciation study, if I'm not mistaken. And, \$300,000

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[WITNESS PANEL: Hall~Siwinski~Mullen]

1 was the limit placed on all other consultants.

2 CHAIRMAN IGNATIUS: Thank you.

3 WITNESS HALL: So, together, it was 390.

4 CHAIRMAN IGNATIUS: Thank you. I

5 appreciate that.

6 BY MS. KNOWLTON:

7 Q. And, just to clarify further, Mr. Hall. The \$300,000
8 limit was established in the Settlement Agreement in
9 Docket DG 11-040, is that correct?

10 A. (Hall) Yes.

11 Q. And, that Settlement Agreement then allowed a separate
12 amount to be, and, actually, an unspecified amount, to
13 be recovered for the cost of the depreciation study,
14 pursuant to that same Settlement Agreement, is that --

15 A. (Hall) Yes.

16 Q. Mr. Hall, I believe you've heard Mr. Siwinski testify
17 that the permanent rate increase, as well as the step
18 increase, will take effect on April 1st, 2014. Would
19 you describe the Settlement provisions regarding the
20 recoupment of the difference between the temporary
21 rates in effect today and the permanent rates,
22 including the step increase, as proposed?

23 A. (Hall) Certainly. This is covered under Paragraph F of
24 the Settlement Agreement, on Bates Page 5. The amount

[WITNESS PANEL: Hall~Siwinski~Mullen]

1 of rate increase will include recoupment of the
2 difference between the permanent rate level of
3 \$9.76 million that Mr. Siwinski discussed, and the
4 \$6.5 million annual temporary rate level. It was
5 calculated by taking that, the difference between those
6 two amounts, and multiplying by nine-twelfths. And,
7 the reason for that is temporary rates will be in
8 effect for nine months as of April 1st.

9 That difference, 2.445 million, is then
10 being spread over two years. Again, to, as in the case
11 of rate case expense, to minimize the impact on bill
12 amounts. And, after two years, it will be removed from
13 the Company's distribution rates.

14 Q. Mr. Hall, the Settlement addresses the GreenUp Program
15 on Bates Page 6. Would you please describe what the
16 parties agreed to in that regard.

17 A. (Hall) Yes. The parties agreed to the Company's
18 proposal to terminate the GreenUp Program at the end of
19 a calendar quarter. The Company will notify customers
20 via a letter, the customers who are on GreenUp, the
21 GreenUp Program, via a letter as to when the Program
22 will terminate. The reason for the termination is that
23 there's only about 100 customers taking service under
24 that provision. And, there is a provision of law that

[WITNESS PANEL: Hall~Siwinski~Mullen]

1 allows a company to propose that renewable type --
2 renewable energy service provisions be eliminated if
3 there's insufficient interest by customers.

4 Beyond the participation rate, the
5 Company is going to be transitioning to a new billing
6 system sometime around Memorial Day. And, in order to
7 incorporate the GreenUp Program into the new billing
8 system, would require an increase to the cost of the
9 new billing system programming changes to accommodate
10 that change. So, as a result of the limited amount of
11 participation, and in an effort to reduce the costs
12 associated with the new billing system, the parties
13 have agreed to propose that the GreenUp Program be
14 eliminated.

15 Q. Mr. Hall, does the Company currently have in its tariff
16 a mechanism to recover the costs of the GreenUp Program
17 from customers?

18 A. (Hall) Yes, the administrative costs. The current
19 charge, if I recall, is at a level of zero. There is
20 no charge for administrative service costs. And,
21 that's because the Company hasn't been doing any
22 advertising or marketing or promotion of the rate.

23 Q. And, to clarify, in a manner that incurs costs,
24 correct?

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[WITNESS PANEL: Hall~Siwinski~Mullen]

1 A. (Hall) Correct.

2 Q. I mean, the Company has information on its website
3 about the GreenUp Program?

4 A. (Hall) Yes. I should have clarified by saying
5 "incremental costs".

6 Q. And, as a result of this change, then will the Company
7 have a need to maintain the GreenUp recovery adjustment
8 mechanism in its tariff?

9 A. (Hall) No. That mechanism would go away.

10 Q. And, based on the structure of the Granite State
11 GreenUp Program, whereby the customers enter into an
12 agreement with a provider of RECs directly, and the
13 Company merely bills the customers for those costs that
14 they incur, do you anticipate that this change, you
15 know, will be a difficult one for customers or should
16 it be seamless?

17 A. (Hall) No, I don't believe so. The Company will still
18 provide information on those suppliers who provide
19 renewable service. And, my understanding is that today
20 any customer can go online and purchase RECs on their
21 own. And, there really isn't the necessity of having a
22 utility provide renewable service. It can be done on
23 one's own.

24 Q. So, in the case of these 100 or so customers, if they

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[WITNESS PANEL: Hall~Siwinski~Mullen]

1 chose to continue a relationship with a provider of
2 RECs, they could do that. If this Settlement Agreement
3 is approved, they would just need to pay the REC
4 provider directly, instead of paying the utility?

5 A. (Hall) Yes.

6 Q. Which then pays the REC provider?

7 A. (Hall) Yes. They could purchase RECs on their own.
8 They could also purchase renewable energy service from
9 a competitive supplier. I know that there are
10 competitive suppliers who do offer a renewable option.

11 Q. The Settlement Agreement also addresses the Reliability
12 Enhancement Program and Vegetation Management Program.
13 I'm not sure whether Mr. Mullen or Mr. Hall would like
14 to describe the Settlement provisions with regard to
15 the REP and VMP?

16 A. (Mullen) Well, I'll go ahead. The REP and VMP have
17 been in place for Granite State for -- since I think
18 2007 is when they started. And, over time, each year,
19 the Company will come in and say "here's, in accordance
20 with the provisions of the programs, here's the
21 projects that we plan to do." They review that with
22 Staff. And, we'll either -- we'll have our comments,
23 and they will incorporate those, and go forward and do
24 projects each year. Once a year, the costs, whether

[WITNESS PANEL: Hall~Siwinski~Mullen]

1 they be O&M costs or capital costs, get reconciled, and
2 there's an adjustment to distribution rates related to
3 the REP/VMP.

4 The initial, when we first implemented
5 the REP/VMP, the idea at that time was Granite State's
6 reliability statistics were getting worse. And, so,
7 what we wanted to do was we wanted to kind of put the
8 brakes on that. And, we said "okay, we'll put some
9 money towards a provision for Reliability Enhancement
10 and Vegetation Management. The money has to be spent
11 just on that." And, the idea was to get the
12 reliability statistics back down to where they were
13 many years prior to that.

14 Now, we've actually gone beyond the end
15 of the five-year program that was initially set up.
16 We've extended it. And, we've seen the benefits that
17 the programs can do, in terms of reliability. And, so,
18 what we're doing here is we're continuing the program.
19 Unlike before, we had a five-year program. This is
20 just, basically, it's set up right now to keep going on
21 an annual basis.

22 There are provisions for certain levels
23 of O&M spending, and there's also a target for capital
24 spending. The provisions for O&M spending, the level

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[WITNESS PANEL: Hall~Siwinski~Mullen]

1 has continued to be the same as what was in the prior
2 program, \$1.36 million. Each year, when the Company
3 comes in with its plan, it can propose something that
4 differs from that number. And, if so, they will say
5 "Here's our reasons why." It could be they want to
6 maybe trim more lines or want to do some other
7 activities.

8 And, the same token for capital
9 projects. And, the capital spending projects are
10 listed on Page 40. And, this is in Attachment F.
11 Under Section II(a), you see "Spacer Cable", "Single
12 Phase Reclosers", and "Trip Saver Applications". So,
13 there's a certain amount of those that the Company has
14 planned to install to get their reliability statistics
15 to keep improving.

16 Along with the Vegetation Management
17 Program, you'll see there's a number of different
18 activities there. Those are similar to what's been
19 done in the past. And, it goes with keeping with the
20 cycle trimming and keeping -- trying to keep those --
21 even those momentary outages down, that get us getting
22 phone calls over here in Consumer Affairs.

23 But, you know, so, as I say, this one --
24 this Attachment F does not have a set time period, like

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[WITNESS PANEL: Hall~Siwinski~Mullen]

1 five years. This is just "Okay, we're going to keep
2 this going on an annual basis, and each year we'll see
3 what the activities are going to be." At the end of
4 this, you'll see that there's still a provision for an
5 annual report. And, there's some changes, slight
6 changes to the reliability reporting, all in a manner
7 of trying to improve the information that we have, in
8 terms of reporting reliability statistics, both with
9 and without certain events. Whether they be major
10 storms, whether it be transmission outages outside of
11 the Liberty system that they don't have control over,
12 but yet still impact their customers. And, all of
13 those items that the Company will be reporting the
14 statistics with and without on are listed on Page 42,
15 in Section VII(b).

16 Q. Mr. Mullen, based on, I'm looking at Bates Page 40
17 Section I of the REP/VMP Program, based on that
18 provision, will the Company and the Staff and other
19 parties in the docket re-examine the REP Program's
20 continuation in the next distribution rate case,
21 whenever that occurs?

22 A. (Mullen) Yes.

23 Q. Is the timing of the REP rate mechanism changing under
24 the Settlement Agreement, based on what the Company did

1 under National Grid ownership?

2 A. (Mullen) Yes. It's changing slightly. And, that's
3 consistent with the change from the prior fiscal year
4 filing that National Grid had to the calendar year
5 filing that Liberty will be doing.

6 Q. Looking at Bates Page 42, VII, Section (b), pertains to
7 the reporting of the SAIDI and SAIFI results. At the
8 very end of that section, I note that the reporting
9 must also be "consistent with the PUC's 300 rules". To
10 the extent that the 300 rules change, would the Company
11 be obligated to report whatever metrics were required
12 by those rules as well?

13 A. (Mullen) Yes. This by no means is any replacement or
14 instead of. This is, if anything, in addition to
15 what's required in the 300 rules.

16 Q. Mr. Siwinski, I'm going to turn to you now and ask
17 about the last substantive provision in the Settlement
18 Agreement, which relates to storms. Which is on Bates
19 Page 7. It's Section L. Do you have that before you?

20 A. (Siwinski) I do.

21 Q. Would you please describe what this provision requires.

22 A. (Siwinski) Yes. The Company has asked for, in base
23 rates, a Storm Reserve. And, they asked for
24 \$1.6 million. There was already \$120,000 in base rates

[WITNESS PANEL: Hall~Siwinski~Mullen]

1 for this Reserve. And, what this Settlement Agreement
2 allows for is an increase of 1.5 million -- no, excuse
3 me, an increase of 1.38 million, for a total of
4 1.5 million. I'm not sure what else would be important
5 to know.

6 Q. If you could just walk us through or, you know, Mr.
7 Hall can jump in as well, however you would like to
8 respond, what types of costs are charged against that
9 Storm Fund amount, that \$1.5 million?

10 A. (Siwinski) It's the -- the costs associated with the
11 storms are allowed to be recovered.

12 Q. And, are those defined in the Agreement as "major
13 storms"?

14 A. (Siwinski) Well, let's see. "The activities for which
15 the Company may seek recovery include pre-staging of
16 crews, standby arrangements with external contractors,
17 incremental compensation of employees, and other costs
18 that may be incurred to prepare for a qualifying major
19 storm."

20 Q. And, Mr. Hall, are you familiar with -- the Settlement
21 refers to a "Schneider Electric Event Index (EII)".
22 Are you familiar with the Settlement provisions that
23 govern this index and it's trigger?

24 A. (Hall) Yes.

1 Q. Would you walk us through what the EII is and how it
2 relates to the recovery of storm costs.

3 A. (Hall) Certainly. The Schneider Electric Event Index
4 is an index that's currently used by two other
5 utilities, PSNH and Unitil. And, Granite State, under
6 this Settlement, would be allowed to use the same index
7 for the purpose of determining whether it could recover
8 pre-staging costs associated with a potential storm
9 event, in the event that the storm didn't materialize
10 into a major storm.

11 Once a storm materializes into a major
12 storm, as defined in the Settlement, those costs
13 then -- all of those costs then get deferred for future
14 recovery. What the EII level is, is it's a measure of
15 the anticipated severity of an upcoming storm. And,
16 what the Settlement says is that, if there is a weather
17 forecast that shows an EII level of 3 or greater with a
18 high probability of occurrence, and the Company
19 pre-stages in anticipation of that storm, conducts
20 pre-staging activities, i.e., getting contractors ready
21 and available and in a location where they can go out
22 and perform restoration, then, the Company would be
23 allowed to recover those costs in the event that the
24 storm never did materialize to a major storm.

1 Absent this provision, there is a
2 significant disincentive for a company -- a utility to
3 pre-stage, because, if the storm never materializes,
4 the utility could never recover the costs between rate
5 cases. Those costs would flow right to the Company's
6 bottom line. So, the Commission has approved this
7 recovery of pre-staging costs for both PSNH and Unitil.
8 And, this Settlement is proposing that the identical
9 process be applied with respect to Granite State.

10 Q. This Section L relates to the Storm Fund, which, as I
11 understand this, only applies to what's defined as a
12 "major storm", is that correct?

13 A. (Hall) Yes.

14 Q. The Company must experience storms that are not major?

15 A. (Hall) Yes.

16 Q. What happens to those costs?

17 A. (Hall) Those costs are handled like any other expense
18 in the ordinary course of business. There is no rate
19 change or rate impact in between rate cases. And, to
20 the extent that any such storms are part of a test
21 year, they're, in theory, included in distribution
22 rates pursuant to the next rate case. So, those costs,
23 for storms that aren't major, are treated like any
24 other business expense.

[WITNESS PANEL: Hall~Siwinski~Mullen]

1 Q. Mr. Hall, based on this Settlement and the revenue
2 requirement established in it, do you believe that the
3 rates that are proposed here are just and reasonable?

4 A. (Hall) Yes.

5 Q. Mr. Mullen, would you agree with that as well?

6 A. (Mullen) Yes.

7 Q. Mr. Siwinski, do you agree with that statement as well?

8 A. (Siwinski) Yes.

9 MS. KNOWLTON: The Company has no
10 further questions for the panel.

11 CHAIRMAN IGNATIUS: Thank you.

12 Ms. Amidon, do you have any other direct?

13 MS. AMIDON: Yes. I just have a couple
14 of questions.

15 BY MS. AMIDON:

16 Q. One of them, Mr. Hall, relates to the change in tariff
17 on line extensions.

18 A. (Hall) Okay.

19 Q. As I understand it, this constitutes an increase for
20 customers who are asking for a line extension. Is that
21 fair to say?

22 A. (Hall) Yes. As compared to today, this would require
23 customers, new customers who request a line extension,
24 who will need a line extension, to pay for more of the

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[WITNESS PANEL: Hall~Siwinski~Mullen]

1 costs up front, as compared to today.

2 Q. And, say you had a customer who inquired today --

3 A. (Hall) Okay. Uh-huh.

4 Q. -- that they were going to, you know, requesting a cost
5 estimate on a line extension. What would the Company
6 do? How would you calculate the estimate, for example?

7 A. (Hall) If a customer inquired today, what we would do
8 is we would explain to the customer that we have a new
9 policy that's been proposed and that is pending
10 approval from the Commission. However, for any
11 customers who have applied for line extensions during
12 the course of this proceeding, and to whom we've made a
13 commitment under the old line extension policy, we will
14 honor that commitment.

15 Q. Now, it's possible that you would have a customer like
16 that who may defer actual installation or actual
17 construction for a period of time, say, you know, eight
18 months.

19 A. (Hall) Yes.

20 Q. In that instance, do you hold the estimates for that
21 period of time or do you have any outward boundary of
22 time where you would hold an estimate?

23 A. (Hall) There is a time limit, I believe, on commitments
24 made to customers. I don't recall what it is offhand.

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[WITNESS PANEL: Hall~Siwinski~Mullen]

1 But, certainly, if we made a commitment to a customer,
2 you know, nine months ago, last year at some point, and
3 the customer decided not to proceed with the line
4 extension, but they came to us today and said "gee,
5 remember that line extension that I wanted last year,
6 well, I'd like you to build it now." That's not the
7 kind of thing that the commitment we made, you know,
8 eight or nine months ago would apply. We probably
9 would not honor that. But, again, it would depend on
10 what type of commitment, if any, had been made to the
11 customer.

12 Q. But, where a commitment had been made, say, perhaps
13 four months ago, the Company would not apply the new
14 line extension policy, but would apply the estimate
15 that you have previously worked out with the customer,
16 is that fair to say?

17 A. (Hall) Yes. My understanding is that the number of any
18 such commitments is very low, and there may be none.

19 Q. Okay. Thank you. Mr. Mullen, or Mr. Siwinski, I'm
20 looking at Page 7 of the Settlement Agreement, that
21 Paragraph L that talks about "Storm-Related Issues".
22 And, if you look at the end of the first sentence in
23 that section, it says that the costs are "reconciled
24 through the Storm Recovery Adjustment Factor." For the

[WITNESS PANEL: Hall~Siwinski~Mullen]

1 record, would one of you please explain what the "Storm
2 Recovery Adjustment Factor" is?

3 A. (Mullen) Sure. That's a separate component of
4 distribution rates, and it's dealt with in separate
5 proceedings. I believe we had one sometime last year.
6 That deals with -- right now, that's dealing with a
7 deficit that was in the Company's Storm Recovery Fund.

8 Q. And, this mechanism is intended to, I don't want to say
9 "to accelerate", but to recover costs associated with a
10 major storm in a more timely manner for the Company.
11 Is that fair to say?

12 A. (Mullen) Yes. I mean, having a Storm Fund is to (a)
13 make it so there's some funds available when these
14 storms come up. And, it does, you know, having the
15 mechanism does allow for a more timely recovery of
16 those costs.

17 Q. And that reduces the carrying costs for customers, is
18 that fair to say?

19 A. (Mullen) Yes.

20 Q. Do other utilities, such as Public Service Company of
21 New Hampshire and Unitil Energy Services, also use the
22 Storm Recovery Adjustment Factor?

23 A. (Mullen) Yes.

24 Q. Thank you.

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[WITNESS PANEL: Hall~Siwinski~Mullen]

1 A. (Mullen) Well, they have storm funds. PSNH does not
2 have a separate factor.

3 Q. Okay. Thank you. But, to your knowledge, Unitil does?

4 A. (Mullen) Yes.

5 Q. Okay. Thank you. And, I apologize if this repeats a
6 question that Attorney Knowlton asked. But, with
7 respect to the Schneider Electric Event Index, Mr.
8 Hall, is that something that's used by all three
9 utilities? You may have said that, but I just wanted
10 to understand if that was a uniform standard?

11 A. (Hall) Yes, it is.

12 Q. Okay. Thank you. And, one other question, Mr. Hall.
13 To your knowledge, regarding the GreenUp Program, is it
14 fair to say that the Commission has approved the
15 termination of the renewable energy option for both
16 PSNH and Unitil Energy Services? If you can't answer,
17 maybe --

18 A. (Hall) Yes. I'm sure they approved it for PSNH,
19 because I was employed by PSNH at the time that
20 occurred. Unitil, I'm not so sure.

21 Q. Mr. Mullen or Mr. Siwinski?

22 A. (Siwinski) Yes. It's been approved for Unitil also.

23 MS. AMIDON: Okay. Thank you. That's
24 all I have. Thank you.

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[WITNESS PANEL: Hall~Siwinski~Mullen]

1 CHAIRMAN IGNATIUS: Thank you.

2 Ms. Chamberlin, as a signatory to the Settlement
3 Agreement, do you have any questioning of the panel?

4 MS. CHAMBERLIN: I have a clarifying
5 question.

6 CHAIRMAN IGNATIUS: Please.

7 **CROSS-EXAMINATION**

8 BY MS. CHAMBERLIN:

9 Q. This is for Mr. Hall. On Page 7, the storm-related
10 issues that you were just discussing. Is there a
11 separate weather forecast for each of the Liberty
12 service territories that are in different parts of the
13 state?

14 A. (Hall) Yes. The weather forecast we get provides
15 forecasts for at least four, possibly more, different
16 areas. And, that's because, you know, different parts
17 of the state can experience different types of weather
18 events.

19 MS. CHAMBERLIN: Okay. Thank you.
20 That's all I have.

21 CHAIRMAN IGNATIUS: Okay. Mr. Deschenes
22 any questions?

23 MR. DESCHENES: Briefly, yes, please.

24 BY MR. DESCHENES:

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1 Q. My question is for Mr. Hall.

2 A. (Hall) Yes, sir.

3 Q. Mr. Hall, in your direct testimony, you referenced the
4 fact that Liberty had performed some analysis for
5 Dartmouth-Hitchcock?

6 A. (Hall) Yes.

7 Q. And, I would like to acknowledge that, and thank
8 Liberty for, and particularly Attorney Knowlton, for
9 working with us on that. If I noted your direct
10 testimony correctly, you referenced that there would be
11 a 3 to 4 percent impact to Dartmouth-Hitchcock, is that
12 correct?

13 A. (Hall) As compared to the rates in effect today.

14 Q. Okay. And, in fact, you performed additional analysis
15 for Dartmouth-Hitchcock with respect to the increase of
16 the proposed Settlement, as compared to what the rates
17 were in 2012, did you not?

18 A. (Hall) Yes. And, that was pursuant to a specific
19 request from Dartmouth-Hitchcock.

20 Q. Okay. And, did you calculate the percentage increase,
21 assuming that Dartmouth's electricity usage in 2012
22 remained constant through 2014, did you calculate the
23 percent increase in that timeframe?

24 A. (Hall) Yes, we did. We had to make various

[WITNESS PANEL: Hall~Siwinski~Mullen]

1 assumptions, not the least of which is the cost of
2 energy, because Dartmouth-Hitchcock purchases energy
3 from a competitive supplier. So, coming up with an
4 assumed amount of the cost of energy, I believe we used
5 something like 7.7 cents, we took Dartmouth-Hitchcock's
6 2012 billing determinants and calculated total bill
7 amounts for 2012. We then used that same energy price,
8 same billing determinants, and calculated a bill amount
9 for Dartmouth-Hitchcock using the Settlement rates.
10 And, the difference between the two was about a
11 6.8 percent increase, as compared to a period from
12 2012.

13 Q. And, I think you pointed out in your commentary that
14 the Liberty -- Liberty Utilities represents only a
15 portion of Dartmouth's overall electric bill, correct?

16 A. (Hall) Yes. I didn't say that in my direct, I don't
17 recall. But --

18 Q. No. As part of your explanation just now.

19 A. (Hall) But I agree with it.

20 Q. Okay. And, would you agree with me that, based upon
21 the various constructs that you just identified, it was
22 estimated that the average -- the estimated increase to
23 Dartmouth's overall electric bill would be
24 approximately \$381,000?

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1 A. (Hall) Yes.

2 Q. Okay.

3 A. (Hall) On an annual basis.

4 Q. On an annual basis. Did you perform that type of
5 analysis for commercial rate classes generally?

6 A. (Hall) Not that specifically. But we do have -- I
7 believe we do have overall average impacts for the
8 distribution portion.

9 Q. We mentioned, obviously, that you estimated a \$381,000
10 yearly increase to Dartmouth-Hitchcock. But, by
11 percentage, would that relative increase percentage for
12 Dartmouth-Hitchcock be approximately consistent with
13 other consumers in the G-1 rate class?

14 A. (Hall) Yes.

15 Q. Thank you. And, I apologize if this is duplicative.
16 You did testify as to the component of the Settlement
17 Agreement, J, which was entitled "Next Distribute Rate
18 Class" [Case?]. Do you remember that, sir? And,
19 that's with respect to "the Company's next general
20 distribution rate case shall be no earlier than 2015
21 and no later than 2016"?

22 A. (Hall) Yes, sir.

23 Q. But I think you'd probably agree with me that waiting
24 18 years is not in anyone's best interest?

[WITNESS PANEL: Hall~Siwinski~Mullen]

1 A. (Hall) You'll get no disagreement from me on that one.

2 Q. Okay. Can you, to the extent you haven't already, can
3 you expand on why you believe it's important for
4 Liberty to have the ability to come in again in
5 possibly as early as two years with respect to another
6 rate class -- another rate case?

7 A. (Hall) Sure. Liberty is really a new company. With
8 the acquisition of Granite State by Liberty Utilities
9 from National Grid, there are all kinds of changes
10 being made, not the least of which is modifications of
11 billing systems and accounting systems and HR systems
12 and various procedures. In that sense, Liberty is
13 almost like a start-up company.

14 With that in mind, it is difficult to
15 determine whether we're in a situation where costs are
16 going to be stable, whether they're going to be
17 increasing or whether they're going to be decreasing.
18 And, in view of that, it's important, from a company
19 perspective, to ensure that the next rate change, next
20 rate case, doesn't occur too far out into the future.
21 Because, if costs were increasing, due to events that
22 are beyond the control of the Company, and that we
23 can't anticipate today, and we were precluded from
24 coming in for a general rate increase, it would impair

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[WITNESS PANEL: Hall~Siwinski~Mullen]

1 the Company's ability to provide safe and reliable
2 service to customers. And, as a result, from the
3 Company's perspective, while we -- we were agreeing
4 that the next test year could be 2015, but no later
5 than 2016, in order to ensure against the possibility
6 of higher costs that we don't know about today.

7 A. (Mullen) If I could just add to that. And, it might
8 not just be higher costs. I mean, where there's
9 certain categories of costs, whether it be in the
10 management structure, whether it be related to computer
11 systems, whether it be costs that end up being
12 different for Liberty to provide services, compared to
13 National Grid, either higher or lower, I think that's
14 why we wanted to take another look at things to see
15 where we are. Hopefully, when we get to this next rate
16 case, we won't have much of an increase, but time will
17 tell.

18 But, considering all the things that are
19 up in the air, Liberty's parent has done some other
20 acquisitions, too, so, you have to kind of look at the
21 allocations that come down. There's all sorts of
22 things that really should be reviewed again. And,
23 that's why we wanted to have a little bit of a
24 shake-out period, but then have them come back in.

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1 Q. Mr. Hall, are you familiar with the overall concept of
2 "rate shock"?

3 A. (Hall) Yes, sir. I am.

4 Q. And, what do you understand that term to refer to?

5 A. (Hall) "Rate shock" is a term of art that was coined
6 many years ago. And, what it means is a dramatic
7 change, dramatic and unanticipated change in a
8 customer's bill amount as a result of a change to
9 rates.

10 Q. And, I assume, as someone who serves customers, that is
11 a concern to Liberty?

12 A. (Hall) Yes.

13 Q. And, in seeking this rate increase, did Liberty perform
14 any analysis with respect to the amount -- the amount
15 customers could bear with respect to rate shock?

16 A. (Hall) We didn't perform any analysis on "bearable
17 rates", which is another term of art that I came to
18 know over many years. But, rather, we performed a
19 subjective analysis of the overall results, of this
20 rate case and the impact on total bill amounts. It's
21 one thing to look at a distribution rate change and say
22 "gee, distribution rates are going up 30 percent, as
23 compared to what they were in 2012." But one really
24 needs to put that kind of change into perspective.

[WITNESS PANEL: Hall~Siwinski~Mullen]

1 Number one, as you said, if rates haven't changed over
2 a significant period of time, one would expect, with
3 cost increases and inflationary pressures being what
4 they are, including the impact of refurbishing and
5 replacing the Company's distribution system, that there
6 would be a significant increase in the distribution
7 component of customers' rates, in view of the 18 to 20
8 year timeframe since the last such increase. But,
9 then, one has to take into account or put that into the
10 perspective of the overall bill amount.

11 Today, unlike 18 years ago, the lion's
12 share of a customer's bill is the cost of energy.
13 Whether the customer is purchasing it from its
14 distribution utility under default service or whether
15 the customer is purchasing it from a competitive
16 supplier, the cost of energy far and away overshadows
17 the cost of any other rate component.

18 In the case of larger customers, the
19 cost of energy is even more significant. And, that's
20 because larger customers have higher load factors, and,
21 therefore, on a relative basis, use proportionally more
22 kilowatt-hours than smaller customers or residential
23 customers. And, to cite an example, the cost of energy
24 for your client, Dartmouth-Hitchcock, is over

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1 60 percent of their total bill amount.

2 So, yes. We did, we do consider the
3 impact of a distribution rate change, but we also
4 temper that by looking at the overall result and
5 overall impact on a customer's bill amount.

6 Q. Thank you. And, certainly, the yearly impact at
7 Dartmouth-Hitchcock would be something far greater than
8 your average consumer. But my question, I believe, is
9 more on a general level, about what or if Liberty did
10 anything to look at the current economic conditions in
11 New Hampshire, with respect to, let's stay, average
12 annual income or unemployment rates, those things that
13 directly affect the consumers, and build that analysis
14 in to its eventual request?

15 A. (Hall) To my knowledge, that specific type of analysis
16 wasn't performed in this case. Keep in mind that any
17 time a utility comes in for a rate increase, there are
18 going to be customers that are impacted, whether it's
19 large customers, who consume a whole lot of energy, or
20 whether it's smaller customers, who are struggling to
21 make ends meet. There is never a good time for a rate
22 increase. No question about it.

23 We don't like coming in for a rate
24 increase. And, if it could be avoided, we wouldn't

[WITNESS PANEL: Hall~Siwinski~Mullen]

1 come in here again. But, from a practical perspective,
2 that's probably highly unlikely. So, you know, we
3 recognize economic conditions and the impact it has on
4 customers. We have to temper that with the need for
5 cost recovery, and, therefore, the ability to maintain
6 the utility system and provide safe and reliable
7 service. If we experience cost increases, and never
8 came in for a rate case because of economic conditions,
9 we could get into a situation where now it's impairing
10 the provision of quality service to customers. That
11 could have an even more detrimental impact to
12 customers.

13 Q. With respect to Section G, you testified briefly as to
14 rate case expense. My only question to that at this
15 point is, I think we all understand it's been a long
16 time since Liberty or its predecessors were here for a
17 rate increase. Did the length of time between rate
18 cases cause increased expense to the Company in
19 prosecuting this rate case?

20 A. (Hall) No. No. In fact, the level of rate case
21 expense under that acquisition settlement, the \$300,000
22 level, that's pretty low. In my years of experience,
23 from what I've seen from the cost of consultants,
24 that's a bargain. And, we were able to find experts to

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[WITNESS PANEL: Hall~Siwinski~Mullen]

1 perform the work within the boundaries. And, you know,
2 I don't think that the 18-year timeframe had any effect
3 on driving that cost up.

4 MR. DESCHENES: I have no further
5 questions. Thank you.

6 CHAIRMAN IGNATIUS: Thank you. Let's go
7 off the record for a moment.

8 (Brief off-the-record discussion
9 ensued.)

10 CHAIRMAN IGNATIUS: All right. We're on
11 the record. All right. We are going to take a brief
12 break, give everybody a chance to stretch, move around.
13 And, we will resume by 12:10. Thank you.

14 (Recess taken at 11:57 a.m. and the
15 hearing resumed at 12:16 p.m.)

16 CHAIRMAN IGNATIUS: All right. We're
17 back after a short break. And, time for questions from
18 Commissioners. Commissioner Scott, do you have questions?

19 CMSR. SCOTT: Thank you. Are we all
20 set? Good afternoon. I'd love to say "good morning", but
21 I can't.

22 BY CMSR. SCOTT:

23 Q. I'll start where the questioning left off, I think,
24 with Dartmouth, a question to Mr. Hall. Has the

[WITNESS PANEL: Hall~Siwinski~Mullen]

1 utility worked with the hospital, to ensure that the
2 hospital is aware of the energy efficiency and
3 conservation programs that you offer?

4 A. (Hall) Yes. And, my understanding is
5 Dartmouth-Hitchcock has taken advantage of energy
6 efficiency programs that have been offered. And, I
7 believe, on more than one occasion, they have done so.
8 The Company will continue to work with
9 Dartmouth-Hitchcock as well.

10 Q. Okay. Thank you. I assumed that, but I didn't --
11 never want to assume, obviously. On the GreenUp
12 Program, again, probably for Mr. Hall, you mentioned,
13 in your response to some of the earlier questions, that
14 your understanding is customers could go directly to
15 those selling RECs and purchase them directly. And,
16 you also implied that there were opportunities
17 available with some of the competitive electric
18 suppliers for green-type programs, is that correct?

19 A. (Hall) Yes. I've received such offers at my house.

20 Q. So, with that, you mentioned you're moving forward,
21 assuming this is -- the Settlement is approved, that
22 your website will provide some information to those who
23 currently subscribe to green programs. Will that also
24 include directing them towards these CEPSS? Or, can

[WITNESS PANEL: Hall~Siwinski~Mullen]

1 you elaborate more on what kind of information would be
2 available for those wanting to participate in programs?

3 A. (Hall) I'm not sure exactly of the type of information,
4 but it will certainly make customers aware that there
5 are -- excuse me -- renewable options, renewable energy
6 service options available to them from various CEPSSs.
7 I don't know if it's going to direct them to any
8 particular supplier or not.

9 Q. Okay. And, if this was in the documents, I apologize.
10 This is for Mr. Hall again. I just wanted to hear from
11 you, does this filing comport with the latest and
12 approved Least Cost Integrated Resource Plan that the
13 Company has filed?

14 A. (Hall) It does.

15 Q. Thank you. And, probably for Mr. Hall, but, again, any
16 of these questions, if others feel they could add,
17 certainly, I welcome that. Mr. Mullen, in your
18 testimony as well, well, basically, throughout
19 Exhibit 7, there was a lot of discussion in writing
20 about the audit issues related to the audit?

21 A. (Mullen) Yes.

22 Q. I was curious, some of the language used to
23 characterize that gave me a little bit of pause. Is it
24 fair to say that some of the audit, at least getting it

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[WITNESS PANEL: Hall~Siwinski~Mullen]

1 -- going through it was a little bit messy, is that --
2 I don't want it to be an unfair characterization,
3 but --

4 A. (Mullen) I think the word I used was a "challenge",
5 yes.

6 Q. Okay.

7 A. (Mullen) Certain aspects of it.

8 Q. And, have those issues been properly resolved, in your
9 estimation -- estimization -- estimation? It's easy
10 for me to say.

11 A. (Mullen) Well, it's hard for me to speak to every
12 specific example. But, I can say, in a general sense,
13 that we've certainly seen a lot of improvement. And,
14 we're certainly not seeing, even in the reports that we
15 get or anything like that, the same level of issues
16 that we had before. So, there's certainly been a
17 marked measure of improvement there. And, we see that
18 going forward.

19 Q. Okay. And, you've kind of gone towards my next
20 question. So, how should I feel comfortable that
21 moving forward we won't see more of these types of
22 issues? I mean, obviously, nothing is perfect, and I
23 understand that. But --

24 A. (Mullen) Well, the Company continues to send a variety

[WITNESS PANEL: Hall~Siwinski~Mullen]

1 of reports to us on a number of things that we
2 continually review. We have conversations and meetings
3 on a number of issues. We continue to meet with, on a
4 quarterly basis, with the upper management of Liberty.
5 So, we keep in constant contact. And, we have a lot of
6 discussions. And, if there's issues, we're not afraid
7 to bring them up.

8 A. (Hall) I would like to add to that.

9 Q. Please.

10 A. (Hall) As the person of Liberty who is response -- has
11 overall responsibility for regulatory relations, my
12 philosophy toward regulatory relations is open and
13 forthright communication. If any Staff member is
14 experiencing an issue, all they need to do is e-mail or
15 call me, and we will deal with it. I view the
16 Commission Staff as my primary client. And, I intend
17 to provide them outstanding service.

18 Q. That's good to hear. Thank you. So, again, whoever
19 would like to answer, but probably Mr. Mullen. So, am
20 I correct, based on the Settlement, you don't feel
21 there's additional guidance needed from the Commission
22 to prevent these type of issues from reoccurring?

23 A. (Mullen) No, I don't.

24 Q. Okay. Thank you. And, again, Mr. Mullen, the

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[WITNESS PANEL: Hall~Siwinski~Mullen]

1 storm-related issues, I certainly understand and
2 support having a utility leap forward for storms. I'm
3 curious, are there limits to what pre-staging costs
4 would be brought forth? And, again, I'm not trying to
5 suggest that the Company would do this. But, you know,
6 if they were to pre-stage for a coming storm three
7 times the number of realistically needed crews, you
8 know, is there some limit on that? And, having said
9 that, I guess we'd be happy to have that problem, given
10 the resource problems sometimes in the past.

11 A. (Mullen) Well, in the event of pre-staging for either
12 -- excuse me -- a storm that materializes or one that
13 doesn't, costs that get charged to the Major Storm
14 Reserve all get reviewed here. So, to the extent that
15 we were to look at a particular event and say "Well,
16 okay, you had three times as many crews as you had the
17 last around. Why did you need to do that?" I mean,
18 that certainly is something that we would take a look
19 at. You know, because, again, we review all these
20 costs, and we look at what they do and when they did
21 it, and, you know, when did they pull the trigger, and
22 all that kind of information. So, that certainly is
23 not something that would go unnoticed.

24 Q. So, to paraphrase, despite the language, there's

[WITNESS PANEL: Hall~Siwinski~Mullen]

1 explicit language in the Settlement Agreement, but we
2 have a broader purview than that and these things will
3 be looked at, correct?

4 A. (Mullen) Yes.

5 CMSR. SCOTT: Okay. Thank you. And, I
6 think that's all I have. Thank you.

7 CHAIRMAN IGNATIUS: Thank you.
8 Commissioner Honigberg.

9 BY CMSR. HONIGBERG:

10 Q. About being back here again in two or three years, this
11 is not a cheap process. Are there things the Company
12 could do or things that we can do to try and keep the
13 costs down in having to do this again?

14 A. (Hall) The Company continues to look for ways to
15 operate as efficiently as possible, through cost
16 controls, through limiting budgets. We're not in a
17 situation where the sky's the limit when it comes to
18 spending money. The primary driver is system integrity
19 and refurbishment. Distribution systems tend to be
20 relatively old, and Granite State is no exception.
21 And, over time, they wear out and need fixing, and that
22 required additional capital. But we strive to ensure
23 that anything that we do is done in a least cost
24 manner.

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1 With regard to what the Commission could
2 do, I believe that it's things like ensuring that the
3 Commission doesn't issue orders or pass rules that
4 result in significant difficulty for the Company to
5 comply with and/or would result in significant cost
6 increases for the Company in its day-to-day operations.
7 So, that would be my advice from that perspective.

8 A. (Mullen) Well, can I just add? With respect to rate
9 cases, some of it goes to approaches taken by
10 companies. I mean, I've been here quite a while, and
11 I've seen a lot of cases, and I've seen some that have
12 been -- makes \$390,000 seem like nothing. So, and, you
13 know, when you start getting into the use of outside
14 experts and bidding that out, which the Company did,
15 you'll see they don't have external counsel here. We
16 were able to work out some issues that a lot of times
17 highly controversial, such as return on equity and all
18 that.

19 So, in terms of looking at mitigating
20 the costs, and I think, you know, there was a good
21 approach taken here, and I would expect that going
22 forward. And, we try to work with the companies on
23 that, because, you know, nobody likes to have all these
24 rate case costs come in. And, so, you know, I think

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1 that, between what Mr. Hall just said and adding to
2 what I just said, I think there's ways that the costs
3 can be mitigated.

4 CMSR. HONIGBERG: Thank you. That's all
5 I have.

6 CHAIRMAN IGNATIUS: Just a couple more
7 questions. And, I guess, whoever would like to answer it
8 on any of these is fine with me.

9 BY CHAIRMAN IGNATIUS:

10 Q. On the line extension policy that's contained in the
11 Settlement Agreement, could somebody tell me how that
12 interrelates with the docket we recently had here on
13 line extension for the Company?

14 A. (Hall) You mean the docket in which PSNH was involved?

15 Q. We had one of PSNH. But we also had one with Liberty,
16 have we not? And, I may be losing my mind, so feel
17 free to tell me that.

18 MS. KNOWLTON: I believe you're
19 referring to DG 13-198, if I have the correct docket
20 number. That's EnergyNorth's docket.

21 CHAIRMAN IGNATIUS: You're right. It
22 was only on gas. Okay, thank you.

23 BY CHAIRMAN IGNATIUS:

24 Q. A couple of questions about the Reliability and

1 Vegetation Management Programs. In the Company's
2 testimony from Mr. Demmer and Mr. Saad, and I know
3 they're not here, but these, hopefully, are questions
4 that one of you can address. Looking at Page 7 of
5 their testimony, and if you don't have it with you, I
6 can just tell what it says, what my questions are. It
7 describes some of the things that the Company really
8 hopes to build on, and talks about "evaluating new
9 programs and tools to improve the model" and have
10 greater success, some "inspection programs", "improve
11 system planning". Can you give me any kind of
12 background on why -- how the planning function is
13 different? What led to the decision to expand that
14 kind of getting-out-ahead and inspecting and more
15 planning on the system?

16 A. (Hall) I'm sorry, could you repeat the last part?

17 Q. What led to the decision to sort of change some of the
18 focus and look for some of these new tools that talk
19 about identifying "inspection programs" and more
20 "system planning", to identify risky areas, I assume,
21 is what you're talking about here?

22 A. (Hall) I would be speculating if I were to answer that.
23 I don't know what was driving that.

24 Q. All right.

[WITNESS PANEL: Hall~Siwinski~Mullen]

1 A. (Hall) I'm sorry for that.

2 Q. Is there any -- and, Mr. Mullen, you may have more
3 knowledge on that, before I move on?

4 A. (Mullen) Yes. I just want to make sure that I had the
5 proper reference first. There's "Page 7 of 20" at the
6 top, and there's also an "8" at the bottom. Is that
7 the --

8 Q. Oh, I was looking at the Bates page, the very bottom of
9 6, and then the top of 7.

10 A. (Mullen) Okay. Some of this relates to the change in
11 ownership. Where, under National Grid's ownership,
12 there was more of a centralized approach to maintenance
13 of the system. Liberty now will be focused solely on
14 Liberty. Whereas, National Grid, with its centralized
15 approach, kind of said "okay, here's how we're going to
16 do things", and kind of use that, use those policies
17 and apply them to their various utilities in different
18 states. This is a more focused approach on the local
19 distribution. And, so, I think, based on my
20 discussions with Company personnel, their approach is
21 to try and say "okay, how can we best now address these
22 New Hampshire specific items, compared to how the --
23 the prior approach?"

24 Q. And, are you aware of any analysis afterwards to

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1 determine if the new efforts to get out ahead and make
2 these changes or enhance pruning, whatever it may be,
3 whether they're effective? Whether we're seeing the
4 benefits down the road?

5 A. (Mullen) Well, I think some of these are still in
6 progress. I was actually flipping through information
7 today and I saw some discovery on this, but I don't
8 happen to have it with me. But, in terms of hiring
9 additional line workers and evaluating some of these
10 new programs and tools, my understanding is, like I
11 say, some of these new programs and tools are still
12 being assessed, and they haven't been fully implemented
13 yet. So, I think it's a little still early in the
14 process to see exactly how they're working. And,
15 they're still going through determining what's the best
16 approach.

17 Q. Is it your sense that the Company will be evaluating
18 the success of the programs that they have in place,
19 metrics or tools, to track whether these various
20 efforts are actually paying off?

21 A. (Mullen) Yes. Yes. And, you can do that in one way by
22 looking at the reliability statistics. Also, through
23 our periodic meetings and discussions on the REP and
24 VMP, these items will undoubtedly come up, and we'll be

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1 following up on them, to say "Okay, how is this going?
2 What about these programs you wanted to take a look at?
3 How are they working?"

4 Q. Good. And, then, why don't we -- why don't we talk a
5 little bit about some of those reliability
6 measurements. And, I'm looking at the Bates Pages
7 bottom of 14 and the top of 15 in Mr. Demmer and Mr.
8 Saad's direct testimony. It appears that there have
9 been improvements in those measures, compared to
10 looking back in 2005, in the 2005 timeframe, correct?

11 A. (Mullen) Yes.

12 Q. Although, the most recent measurements for 2013 were
13 not as good as they might have been. Is it your --
14 well, do you have an explanation for why, why they
15 exceeded the SAIDI target of 126 minutes in 2013?

16 A. (Mullen) Some of it, and I'm going on recollection
17 here, but I think that there was like a major issue
18 with supply in the Enfield area, and that created some
19 extended outage time. That's a program that -- that's
20 one of the projects I think that is being addressed as
21 part of the step increase.

22 A. (Hall) Uh-huh.

23 A. (Mullen) So, sometimes you can have a large issue come
24 up like that that can severely impact the minutes for

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1 SAIDI or SAIFI.

2 Q. And, if I'm reading this correctly, the 2012 records --
3 numbers showed that the SAIDI number was actually quite
4 a bit lower, it was 106.7, compared to the target of
5 126 minutes. And, yet, the target remains, in the
6 Settlement Agreement, am I correct, the target remains
7 "126 minutes"? Is that -- are we not being ambitious
8 enough in our targets, if the Company, in 2012, was
9 able to get well below that?

10 A. (Mullen) Well, again, 126 was the target. It's always
11 great when you can beat the target. And, one of the
12 things that we, of course, continue to look at, when we
13 look at reliability statistics, is the trends in those
14 statistics. If we see things starting to creep back
15 up, there are certainly going to be questions as to why
16 that is. The purpose of the REP/VMP, when we first
17 entered into it, in DG 06-107, was to try to get things
18 down to around the pre-2005 level. And, that's where
19 the "126" came from. And, I don't think, by any means,
20 we're taking a step back. We're saying "okay, sure.
21 It went below that in 2012, and that's great." But
22 we're not saying going back up to 126, you know, in the
23 next year, is the right thing to do either. But we're
24 also trying to say "what's a reasonable level? What's

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1 a good target?" The main thing to look at is the
2 trends, and say "which way are things going?" And,
3 through continued reliability enhancement measures and
4 vegetation management measures, you know, we don't
5 expect there's going to be certain increases like that.
6 But, again, say, an issue like the Enfield supply issue
7 comes up again, or something like that, there can be
8 reasons for that.

9 Q. Go ahead.

10 A. (Mullen) I will say, with PSNH and Unitil, I don't
11 believe we have specific targets. And, what we do is
12 we follow the trends. So, looking at this, we said
13 "well, okay, we had targets before. There's no --
14 we're not really getting -- we're not getting rid of
15 them." But, following the same way that we analyze
16 PSNH's statistics and Unitil's statistics, we look to
17 see where they're headed.

18 Q. Similarly, on the SAIFI test, if the target was 1.8,
19 and the 2012 performance was quite a bit better, was
20 1.16, you know, again, we're setting a target of 1.8,
21 but we know the Company has been able to do better, --

22 A. (Mullen) Right.

23 Q. -- I assume it's the same answer as what you said
24 before?

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1 A. Well, yes. And, looking at the reliability statistics,
2 and being in a lot of these meetings, when you go
3 through and you look at all the various causes of
4 interruptions, whether it's trees, whether it's
5 animals, whether it's something on the transmission
6 system, when you start looking at all that, you really,
7 when you're setting a target for looking at how things
8 are going, you have to get a very good understanding of
9 the underlying causes that happen each year. I can
10 picture in my head all these multi-colored bar graphs,
11 that show all the -- from year-to-year, on the various
12 circuits, and from the various service areas.

13 So, it's hard to say, just generally
14 speaking, what might have caused things in 2012 to be
15 so good, compared to other years. But I think the main
16 thing I can tell you is that the reliability
17 statistics, from Staff's perspective, as well as I
18 think I can speak for the Company here, nobody wants to
19 see those get any worse.

20 Q. Clearly. But, if we're putting an awful lot of money
21 into these Reliability and Vegetation Management
22 Programs, and continually putting more emphasis into
23 it, one would hope that, not only that it would not get
24 worse, but the numbers would get better. So, that's

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1 why I'm curious about why we continue to have the same
2 targets, even after many years of building up those
3 Storm Funds and increasing, you know, the expenditures
4 on pruning, shortening up the times for the cycles, all
5 of that, those sorts of measures, that you would think
6 would be paying off with better statistics.

7 A. (Mullen) And, I think they have paid off with better
8 statistics.

9 Q. A couple of questions about the rate design and rate
10 impacts. Mr. Mullen, you said that -- pointed out that
11 there was a declining block structure, I think that's
12 Exhibit 11 is useful to look at. That the first block
13 is lower -- I'm sorry, not "declining", an increasing
14 block structure. No, I'm sorry. It's going the other
15 way around. I'm sorry. So that the first -- I'm just
16 wrong. I'm just reading this wrong. I take it all
17 back.

18 A. (Mullen) I can't address that question.

19 Q. Well, you're very polite.

20 A. (Hall) It's an inverted block rate.

21 Q. I got everything going in a circle. I apologize.
22 Forget that. Also looking at Exhibit 11, though, let's
23 stick with that, the rate impact here shows
24 "January 2014" versus "April 2014". I assume the

[WITNESS PANEL: Hall~Siwinski~Mullen]

1 January rate is the existing rate, plus the temporary
2 rates on top?

3 A. (Hall) Yes.

4 Q. And, then, April would be the full rates that have been
5 proposed, if approved.

6 A. (Witness Hall nodding in the affirmative.)

7 Q. Does this also include the recoupment, to pick up the
8 difference between the temporary rate level and the
9 permanent rate level?

10 A. (Hall) Yes.

11 Q. Okay. And, does it also include the extra charge to
12 pick up the rate case expenses?

13 A. (Hall) Yes.

14 Q. Good. So, this is an all-in rate. How about the step
15 increase?

16 A. (Hall) Yes.

17 Q. The reason for having everything effective April 1st is
18 what?

19 A. (Hall) No particular reason, other than the timing of
20 the -- other than the timing of the procedural
21 schedule. When the parties reached agreement in
22 negotiation, one of things that we talked about is
23 "when would it become effective?" And, with hearings
24 in late January, we figured that the best time to

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1 implement the rate change would be on April 1st, which
2 provides the Commission, you know, a reasonably
3 sufficient amount of time to issue an order, to conduct
4 the deliberations and issue an order, and then for the
5 Company to proceed and implement it.

6 A. (Mullen) If I could add something on the rate case
7 expense and recoupment?

8 Q. Yes.

9 A. (Mullen) Something that's a little different in this
10 case than you typically see is that both of those items
11 are going to be recovered over a two-year period. That
12 is, commonly, that's done over a shorter period,
13 whether it be one year or something shorter than two
14 years. So, that was in a way to try to also mitigate
15 the rate impact.

16 Q. And, the way that those amounts are being recovered
17 isn't through a surcharge on the bill that we often
18 see, it's actually building it into the distribution
19 rate for a period of time, is that correct?

20 A. (Hall) Correct.

21 CHAIRMAN IGNATIUS: That's all the
22 questions I had. Anything else? Commissioner Scott.

23 CMSR. SCOTT: Thank you. Thank you for
24 allowing me to follow up.

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1 BY CMSR. SCOTT:

2 Q. On the Settlement Agreement regarding residential line
3 extensions, and I can point you to Bates 23, though,
4 I'm not sure you need to go there. One thing that
5 stuck out to me was the clause regarding adding
6 additional customers after the initial construction.
7 And, in other dockets with other utilities, which I
8 don't need you to comment on, it's been suggested that
9 going back five years in time could present issues with
10 tracking and logistical issues, if you will. I was
11 curious, what's your view on that? Obviously, it's in
12 the Settlement Agreement, so, I know you agreed to it.
13 But is that an issue, going back five years, and trying
14 to find out property transfers and who's who?

15 A. (Hall) It adds a complication. But this provision is
16 that it's at the original customer's request, rather
17 than an automatic provision, which is the situation
18 we're in right now, which is very administratively
19 cumbersome. Because, like you said, just figuring out
20 who's who is very difficult at times. So, you know,
21 based on that, we put in language suggesting that, at
22 the original customer's request, we'd perform this
23 analysis. They will probably be few and far between.
24 They probably won't be all that frequent, and,

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1 therefore, will somewhat ameliorate the administrative
2 burden.

3 Q. So, again, these are my words, obviously, not yours.
4 But inherent in this is, for this to be triggered, a
5 customer needs to remember that "five years ago I saw
6 some language that perhaps I could get some money back,
7 if somebody else comes in."

8 A. (Hall) Yes.

9 Q. And, perhaps not everybody is going to remember that?

10 A. (Hall) Effectively, yes.

11 CMSR. SCOTT: Okay. Thank you.

12 CHAIRMAN IGNATIUS: Ms. Knowlton, any
13 redirect?

14 MS. KNOWLTON: Yes. Thank you. I have
15 a few questions.

16 **REDIRECT EXAMINATION**

17 BY MS. KNOWLTON:

18 Q. Starting with you, Mr. Hall. The Company, I believe,
19 filed its permanent rate request on March 29th, 2013?

20 A. (Hall) Yes.

21 Q. Are you aware of any statutory obligation in New
22 Hampshire to conclude a general rate increase within a
23 certain period of time?

24 A. (Hall) Yes. It's 12 months.

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1 Q. Would that get you roughly to, from the -- if you look
2 at the date that the Commission suspended the Company's
3 tariff, which was I believe issued on, suspending the
4 proposed tariff, on April 11, 2013. Does that roughly
5 get you to the April 1st effective date?

6 A. (Hall) Close enough.

7 Q. I want to ask you some questions to follow up on a line
8 of inquiry from Commissioner Ignatius. She was asking
9 about some of the changes that were going on on the
10 operational side of the Company, from the National Grid
11 approach that had been in place. Do you know whether
12 all of the transition services on the electric side
13 have been cut over?

14 A. (Hall) They have not yet been completely cut over.

15 Q. And, is it possible that some of the transition
16 services within the Operations and Engineering Group
17 have not been cut over yet?

18 A. (Hall) Yes.

19 Q. And, is it possible that that could impact the timing
20 of when these process changes would occur?

21 A. (Hall) Yes.

22 Q. Now, Mr. Hall, following up on the question from
23 Commissioner Honigberg about the next rate case. Are
24 you familiar with the Settlement Agreement that the

[WITNESS PANEL: Hall~Siwinski~Mullen]

1 Company entered into in DG 11-040, which was the docket
2 involving the sale of Granite State and EnergyNorth to
3 Liberty Utilities from National Grid?

4 A. (Hall) Generally, but not intimately familiar with it.

5 Q. And, based on your general understanding of that
6 Agreement, do you anticipate that Granite State
7 Electric Company will be seeking to recover certain
8 information technology expense in association with its
9 cutover to its own systems as a result of the
10 acquisition?

11 A. (Hall) Yes.

12 Q. And, will those IT expenses drive, in part, the need
13 for a reconsideration of Granite State's rates in the
14 near future?

15 A. (Hall) Yes.

16 Q. So, is it fair to say that the next rate case won't
17 just be about changes in the Company's operational
18 costs, as far as whether certain expense items have
19 gone up or down, but it's going to be a review of these
20 expenses that the Company has incurred, for example,
21 for its billing system?

22 A. (Hall) Yes. Yes. As well as other systems. I
23 testified earlier that the Company is, in effect, like
24 a start-up company, and we're implementing new systems.

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1 But the billing system is one of the key components of
2 that.

3 Q. Mr. Mullen, I wanted to ask you a question. Would it
4 have been possible for Granite State Electric Company
5 to file for a general distribution rate increase prior
6 to the December 2012 test year?

7 A. (Mullen) In accordance with an agreement in DG 06-107,
8 there was a five-year stay-out. So, no.

9 Q. Mr. Mullen, another question for you, and this is --
10 I'm switching topics now to the REP/VMP attachment to
11 the Settlement Agreement. Does the Settlement
12 establish a target that must be met by the Company?

13 A. (Mullen) I assume you're referring to SAIDI and SAIFI?

14 Q. Thank you. That's correct.

15 A. (Mullen) You are correct. It does not.

16 Q. And, would the Staff anticipate discussing an
17 appropriate performance level by the Company as part of
18 its review of the proposed plan each year?

19 A. (Mullen) Yes.

20 MS. KNOWLTON: Thank you. I have no
21 further questions.

22 CHAIRMAN IGNATIUS: Thank you. Then,
23 the witnesses are excused. I appreciate your testimony
24 this morning.

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1 My expectation is we'll have oral
2 closing statements, correct? Good. Then, why don't you
3 head back to your seats. And, we will take it in this
4 order: Mr. Deschenes, then the Consumer Advocate's
5 Office, and the Staff, and then the Company.

6 And, actually, before we begin with
7 closings, let me ask, is there any objection to striking
8 identification and making all of the exhibits full
9 exhibits to the file?

10 (No verbal response)

11 CHAIRMAN IGNATIUS: All right. Seeing
12 none, we'll do that. Anything else to take up
13 administratively before closings?

14 (No verbal response)

15 CHAIRMAN IGNATIUS: All right. Then,
16 Mr. Deschenes.

17 MR. DESCHENES: Thank you. First,
18 Dartmouth would like to thank the Commission for granting
19 its Motion to Intervene. The only member of the business
20 or commercial community present, it gave us an opportunity
21 to have a seat at the table. And, we were suitably and
22 fully impressed by the professionalism and dedication of
23 Staff in working through this, as well as OCA and Liberty.
24 So, I'd like to acknowledge that on the record.

1 I have submitted, and what has been
2 accepted now as "Exhibit 8", is the Testimony of Gail
3 Dahlstrom, from Dartmouth-Hitchcock. And, the reason that
4 was, just to put that in perspective as it's now a full
5 exhibit, is that was developed to give the Commission a
6 sense of the reality of this particular hospital.
7 Dartmouth-Hitchcock is a nationally recognized institution
8 that is well run. As mentioned in the testimony, it
9 serves a combined almost a million patients a year, and
10 has over 9,000 employees in the State of New Hampshire,
11 making it one of the larger employers. And, you can see,
12 if you go through Ms. Dahlstrom's testimony, the
13 absolutely extraordinary pressures that have developed
14 over a number of years on the healthcare industry, where
15 they get their money. And, the fact of the matter is, you
16 know, that the times aren't a changing, they have changed
17 in healthcare, they have changed for other non-profits.
18 And, I think, as her testimony adequately demonstrates,
19 there is no ability, given where their payment sources
20 are, to pass these costs on. \$375,000 or thereabouts is
21 not a number that can be simply passed on to any patients,
22 even if that was their goal.

23 I would suggest to the Commission that a
24 number of other businesses, and I know we've had letters

1 from Dartmouth College, as well as another hospital in the
2 Upper Valley Region, that they're all in a similar
3 situation at this point. And, I suspect, people in this
4 room are fortunate to have good-paying jobs, but I would
5 suspect that a number of the individuals in New Hampshire
6 are also in a tough spot right now.

7 The fact of the matter is, and I don't
8 mean to be glib, but I'd say one definition of "rate
9 shock" could be if the rates are shocking. And, I can
10 certainly affirm that, at Dartmouth-Hitchcock, they are
11 just that. I would suggest, and our objection to this
12 Settlement is that there was a phrase used earlier of
13 "bearable rates". I believe there is a necessity to have
14 a "bearable rate" analysis, given what the current
15 economic situation is. We fully appreciate the fact that
16 Liberty hasn't been in for a rate increase for 18 years.
17 And, we fully appreciate and acknowledge, even in our
18 direct testimony, that rates have to go up.

19 But, the fact of the matter is, you
20 know, if there was a competitive market truly for these
21 services, if people had the choice, would the competitive
22 market bear this kind of increase? And, certainly, would
23 the customers choose to go with it? That would not be the
24 case here.

1 I would like to also point out to the
2 Commission, I reviewed a recent case that came out of
3 Minnesota that was just issued in September. It's
4 entitled "In the Matter of the Application of Minnesota
5 Power Authority", the citation is 838 Northwest 2nd 747.
6 Again, that's Minnesota 2013. That case involved a ruling
7 on temporary rates of Minnesota Power. And, the Minnesota
8 statute states that "in awarding" -- or, "in evaluating
9 interim rates, they have to follow a very strict formula,
10 unless there are exigent circumstances present." So, I
11 acknowledge it's not the exact same scenario we have here
12 or the exact same statute. But I thought what was
13 particularly interesting about that decision, and I
14 suspect we're going to see this more throughout the
15 country, is that, in that case, the Commission determined
16 that the exigent circumstances that allowed them to
17 deviate from the formula, so to speak, was, and I'll read
18 it here, "the size of the proposed rate increase, and the
19 worst economic downturn in the last 60 years", and it says
20 "when the factors were considered together, the Commission
21 found that these factors clearly carry serious potential
22 for rate shock and even outright hardship for Minnesota
23 Power's customers." And, again, that's a Fall of 2013
24 decision.

1 The Minnesota PUC's consideration of
2 that factor was upheld by the Minnesota Supreme Court in
3 its decision. Again, I'm not suggesting that it's
4 precedential on the Commission. I just want to point out,
5 I think that general comment in it's decision reflects
6 Dartmouth-Hitchcock's real concern, which is that of
7 itself and that of its employees and patients. And that,
8 while Liberty is certainly entitled to make it's -- to
9 increase its rate over time, this particular rate increase
10 is shocking. And, there should be a more moderate
11 increase over time. Thank you for your time.

12 CHAIRMAN IGNATIUS: Could you give us
13 the cite to that again?

14 MR. DESCHENES: Yes. It's 838
15 Northwest, NW, 2nd 747. And, it was a decision in
16 Minnesota, 2013. And, it was issued on September 18th,
17 2013.

18 CHAIRMAN IGNATIUS: Thank you.
19 Ms. Chamberlin.

20 MS. CHAMBERLIN: Thank you. I would
21 also like to add that all the parties negotiated in good
22 faith on this case. There were challenges in having a
23 split test year with National Grid and Liberty. And,
24 also, the sheer number of items within a rate case all

1 needing attention, due to the fact that it has been so
2 long since there's been a rate case. So, all of that
3 created a lot of data to analyze and a lot of issues to
4 consider. And, we all worked through them to the best of
5 our abilities.

6 I appreciate the testimony on behalf of
7 Dartmouth-Hitchcock. I, too, have concerns. We believe
8 that this is a solid step forward to get the Company
9 operating as it should, as Liberty, no longer part of
10 National Grid. We looked at the overall rate impact on
11 residential customers as being under 5 percent.

12 To the extent that we have concerns
13 about rate design and customer charges, we will be looking
14 at those in the next case.

15 So, with those compromises, we support
16 the Settlement Agreement.

17 CHAIRMAN IGNATIUS: Thank you.

18 Ms. Amidon.

19 MS. AMIDON: Thank you. Pursuant to the
20 Commission rules, and I may have this wrong, but I think
21 it's Puc 203.23, that the Commission may approve a
22 settlement agreement if the settlement agreement fairly
23 resolves the areas of disagreement in a case, and results
24 in just and reasonable rates. Staff believes that this

1 Settlement Agreement, taken in its entirety, does resolve
2 all the issues in dispute. And, we believe it's a fair
3 resolution of the issues in this distribution rate case.

4 We recognize that there are rate
5 increases associated with this. But, given the fact that
6 it's been 18 years since Granite State Electric Company
7 has come in for a distribution rate increase, and given
8 the fact that they were underearning, and given their
9 responsibility to provide safe and reliable electric
10 service to their customers, we feel it's appropriate to --
11 and the allocation of money and the efforts they're going
12 to undertake pursuant to the Settlement Agreement, that
13 it's appropriate, and that the rates are indeed just and
14 reasonable. And, on all those bases, we ask the
15 Commission to approve the Settlement Agreement.

16 As a final note, I want to -- I want to
17 say that, contrary to the beginning of the temporary rate
18 case in this docket, the level of cooperation by Liberty,
19 particularly Mr. Hall and Ms. Knowlton, as we approached
20 the permanent rate case discussions in this proceeding,
21 has been very much appreciated by Staff. And, we hope and
22 look forward to further cooperation as we look at these
23 issues in the next distribution rate case.

24 CHAIRMAN IGNATIUS: Thank you.

1 Ms. Knowlton.

2 MS. KNOWLTON: Thank you. I echo the
3 sentiments of my co-counsel. The Company did take on a
4 lot in this case. It's been a long time, and we did load
5 a lot of things into this case. And, we appreciate that
6 everyone was willing to stick it out and get through not
7 only all of the challenges of a rate case and a rate case
8 with a split test year, a rate case that, you know, hasn't
9 happened since, you know, 18 years ago, and a rate case
10 that also had a lot of other features in it, GreenUp, you
11 know, REP/VMP, storms. It's a little bit of everything,
12 and we really appreciate what it took to get through it.

13 As was addressed in the Settlement
14 Agreement, there are still more issues and more
15 examination to come in the future. Rate design was one
16 area that, you know, it was just too much to put into this
17 case. But I think it's definitely a subject matter that
18 requires the kind of scrutiny that Mr. Mullen indicated on
19 the stand for the next filing, as we start to continue the
20 evolution of this Company, from a National Grid-owned
21 company to a Liberty Utilities company. We really do look
22 forward to the opportunity to see whether there are ways
23 that we can change rate design and other features that
24 make more sense, given today's world.

1 The Company, though, by nature, I want
2 to just speak a little bit to Dartmouth's concerns, and we
3 very much appreciate the situation that
4 Dartmouth-Hitchcock is in. This Company, though, is a
5 very different kind of company, by definition, than
6 Dartmouth-Hitchcock, and, frankly, most companies in the
7 state. And, what it makes it different is that it's a
8 regulated monopoly. As a monopoly, the Company is
9 entitled to a reasonable opportunity to earn its return on
10 its investment used to serve customers.

11 And, as Mr. Hall testified, at the time
12 that the Company filed this case, the Company's allowed
13 return was 8.61 percent. It was earning a negative
14 0.75 percent return. So, it was -- it's absolutely
15 critical that the Company be granted this permanent rate
16 increase.

17 The Company, as indicated in the
18 prefiled testimony in this case, has increased the net
19 plant in service since its last rate case by
20 \$33.7 million. During that same period, property taxes
21 have increased 91 percent. I mean, there's been a lot
22 that's happened over that 18 years.

23 We understand the concerns about rate
24 shock, and feel that the approval of temporary rates in

1 this docket was one way to help mitigate the impact of the
2 rate increase on customers, so that they would experience
3 some of it in the Summer of 2012 -- excuse me, 2013,
4 July of 2013, and that the permanent rate increase would
5 come later, in April of this year, to step customers into
6 these increased rates. But we do understand that it does
7 have an impact on businesses and on people.

8 And, we certainly welcome all of our
9 customers to participate in our energy efficiency
10 programs. I know that Dartmouth-Hitchcock has
11 participated many times in the past, and we hope they will
12 continue to participate.

13 We welcome the opportunity to sit down
14 with any of our customers and talk about creative
15 solutions. If there's things that we can do differently,
16 if there's programs that we can implement, projects that
17 we can put in place to serve them better, we absolutely
18 welcome that opportunity.

19 The Company, as Mr. Hall and Mr. Mullen
20 have both testified, have worked really hard to mitigate
21 rate case expense, which already was, you know, had a low
22 cap of \$300,000, plus the cost of the depreciation study.
23 I do think, by comparison to many other -- if you look at
24 rate case expense from many other rate cases, you will see

1 that this is significantly lower.

2 All of the witnesses have testified that
3 the proposed rates are just and reasonable that are set
4 forth in the Settlement Agreement. And, based on that
5 testimony, I would ask that you approve the Settlement
6 Agreement in its entirety and without any changes. Thank
7 you.

8 CHAIRMAN IGNATIUS: Thank you. We will
9 take all of that under advisement. And, appreciate
10 everyone's work in getting through this ahead of schedule,
11 which doesn't happen very often. So, thank you for that.
12 And, we're adjourned.

13 **(Whereupon the hearing was adjourned at**
14 **1:04 p.m.)**