



STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DOCKET NO. DE 16-383

IN THE MATTER OF: LIBERTY UTILITIES (GRANITE STATE ELECTRIC)
CORP. d/b/a LIBERTY UTILITIES

REQUEST FOR CHANGE IN RATES

DIRECT TESTIMONY

OF

Richard Chagnon
Utility Analyst

DECEMBER 16, 2016

1 **Introduction**

2 **Q. Please state your full name?**

3 A. My name is Richard Chagnon.

4 **Q. By whom are you employed and what is your business address?**

5 A. I am employed as a Utility Analyst in the Electric Division of the New Hampshire Public
6 Utilities Commission (Commission or PUC). My business address is 21 South Fruit
7 Street, Suite 10, Concord, NH 03301.

8 **Q. Please summarize your education and professional work experience.**

9 A. I started at the Commission in May of 2015 as a Utility Analyst in the Electric Division.
10 Before joining the Commission, I was employed at Public Service of New Hampshire
11 (PSNH) for 36 years. My most recent position at PSNH was Division Manager of the
12 Seacoast Northern Division for 4 years. In this position I was responsible for account
13 executives assigned to the largest commercial and industrial customers, community
14 relations manager assigned to towns and community outreach programs, operations
15 manager assigned to six area work centers throughout the division, and associated staff and
16 crews. My responsibilities also included budgets, goals, employee safety, environmental,
17 employee relations, customers, and company policies and procedures.
18 Prior to my position as Division Manager, I held the position of Manager of Human
19 Resources for 4 years. In this position, I was responsible for implementing company
20 policies, employee training, employee discipline/promotion, employee compensation,
21 staffing, and internal investigations for over 1,400 employees in New Hampshire. I also
22 oversaw labor relations and labor contracts.

1 Prior to my position as Manager of Human Relations, I held the position of Manager of
2 Customer Systems & Training in the Customer Services Division for 3 years. In this
3 position, I was responsible for directing the requirements of the customer information
4 system (CIS) for billing customer accounts, CIS analysts, large power billing system, and
5 the customer call center and credit department training team. The other positions I held
6 prior to this were Account Executive, Conservation & Load Program Administrator, Credit
7 & Collections Analyst, Credit & Collections Supervisor, Meter Reading Supervisor, Meter
8 Reading Foreman, Line Worker and Meter Reader.

9 I received a Bachelor of Science Degree from Franklin Pierce College in Marketing.

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

11 A. Yes. I presented testimony in DE 14-238, Public Service Company of New Hampshire -
12 Determination Regarding PSNH's Generation Assets. I also presented testimony recently
13 in DE 16-384 Unitil Energy Systems, Inc. – Request for Change of Rates.

14 **Q. What is the purpose of your testimony in this proceeding?**

15 A. The purpose of my testimony is to provide Staff's review of Liberty's lead/lag study and
16 Staff's recommendation for the number of net lead/lag days to be used for the purpose of
17 determining the Cash Working Capital (CWC) requirement. My testimony also includes
18 Staff's recommendation on Liberty's residential underground service policy.

19 **Q. Did you review the Company's lead/lag study?**

20 A. Yes. I reviewed the detailed lead/lag study sponsored by Joshua C. Nowak as presented in
21 his testimony along with Liberty's original filing on April 29, 2016. As Mr. Nowak
22 explains in his testimony, a lead/lag study "compares the net difference between the
23 revenue lag and the expense lag. The revenue lag represents the number of days between

1 the time customers receive their service and the time customer payments are made
2 available to the Company. The longer the revenue lag, the more cash the Company needs
3 to fund its day-to-day operations. The expense lag represents the number of days between
4 the time the Company receives goods and services used to provide service, and the time
5 payments are made for those goods and services, i.e., when those funds are no longer
6 available to the Company. The longer the expense lag, the less cash the Company needs to
7 fund its day-to-day operations. Together, the revenue lag and expense lag are used to
8 measure the net lead/lag to determine the CWC requirement, which becomes a component
9 of the Company's rate base."

10 **Q. What is the number of net lead/lag days determined by the Company's lead/lag**
11 **study?**

12 A. The results of Liberty's study included in its filing on April 29, 2016 determined a net lag
13 for CWC of 27.50 days. On July 22, 2016, in response to a data request Staff 3-53 shown
14 in Attachment RTC-1, the Company adjusted its net lag for CWC to 26.82 days.

15 **Q. Is Staff in agreement with the Company's adjusted net lag for CWC of 26.82 days?**

16 A. Yes, except for one item. Staff notes that Liberty's lead/lag study included depreciation
17 expense its calculation of net lag days. Staff believes that depreciation expense is a non-
18 cash item and should not be included within the lead/lag study. The test-year depreciation
19 expense of \$5,766,507 should be removed from the study.

20 **Q. Did Liberty explain why the Company included depreciation expense in its lead/lag**
21 **study?**

22 A. Yes. In response to data request Staff 10-26, shown in Attachment RTC-2, "Depreciation
23 expense was included in the computation of Lead/Lag Days on Attachment JCN-2, and

1 therefore was included in the computation of Cash Working Capital on Schedule RR-5-3.
2 On Attachment JCN-2, zero days were assigned to depreciation. If Depreciation expense
3 had been excluded, the Lead / Lag days would have been 33.94 and the Cash Working
4 Capital (applied to Distribution expense excluding Depreciation) computed on Schedule
5 RR-5-3 would have been \$3,961,158, which is greater than the amount in the revenue
6 requirement.”

7 **Q. Does the Liberty lead/lag study review any transmission charges or payments?**

8 A. No. Staff asked Liberty in data request Staff 3-49 to supply the financial and accounting
9 data used to prepare the lead/lag study, the sample of invoices used to determine expense
10 lags, and any other supporting documents. The Company’s response did not include any
11 information which demonstrates that the expense lag associated with transmission costs
12 was studied and or factored into the net lag days resulting from the study.

13 **Q. What is Staff’s recommended net lead/lag for the purpose of calculating CWC?**

14 A. As shown in Attachment RTC-3, by removing the depreciation expense of \$5,766,507 from
15 the test-year, staff calculates a net lag of 33.10 days for CWC, which Staff believes is
16 reasonable. Staff Witness, Donna H. Mullinax, uses this net lag day figure in her
17 calculation of CWC.

18 **Q. Please explain Liberty’s residential underground service policy and Staff’s
19 recommendation for new residential underground services.**

20 A. In Docket IR 14-190 – Investigation into Line Extension Policies, Staff identified Liberty
21 as the only electric distribution company in New Hampshire that does not take ownership
22 of residential underground service lines. On April 2, 2015, Staff recommended that the
23 Commission require Liberty to own and maintain new underground service lines for all

1 residential customers to be consistent with the practices of Eversource and Unitil. In its
2 April 8, 2016 memorandum in the proceeding, Staff reiterated its recommendation to
3 change Liberty's line extension policy for new underground residential services to reflect a
4 policy similar to the other utilities. Staff recommended the Commission require Liberty to
5 address this issue in its upcoming 2016 distribution rate case. On July 26, 2016, the
6 Commission issued Order No. 26,926, stating that "Staff shall work with Liberty in
7 Liberty's 2016 distribution rate case, currently under review, on the issue of the
8 responsibility for owning, constructing, and maintaining single-phase underground
9 extensions to residential homes."

10 **Q. Did Liberty submit testimony in its rate case to address the ownership, construction**
11 **and maintenance of single-phase underground extensions to residential homes?**

12 A. Yes. Christian P. Brouillard's testimony, beginning on Bates page 0191, addresses the
13 Company's costs and concerns associated with changing its long-standing policy of
14 residential customers owning, constructing, and maintaining single-phase underground
15 extensions to their homes, to a policy of Liberty ownership, construction, and maintenance.
16 Liberty quantified the total cost associated with such a change as approximately \$215,000.
17 The total includes the cost of a full-time trench inspector (\$80,000) and an additional line-
18 worker (\$85,000), as well as increases to inventory of wires and materials (\$50,000).
19 Liberty's estimate did not include any costs associated with the design of the underground
20 services.

21 **Q. Does Liberty currently own, construct, or maintain any underground extensions to**
22 **residential customers?**

1 A. Yes. As listed on page 50 of Liberty’s Specifications for Electrical Installations Electric
2 Service Bulletin No. 750, and shown in Attachment RTC-4, “Liberty will provide
3 underground distribution to a residential multiple occupancy building and the Customer
4 will provide the necessary facilities for the padmounted transformer installation.” The
5 underground lines installed to serve these buildings are considered by Liberty to be
6 underground residential or commercial distribution extensions.

7 **Q. Does Staff recommend that Liberty change its policy to own, construct, and maintain**
8 **new single-phase underground extensions to residential customers?**

9 A. Yes, that is Staff’s recommendation. As described above, in Docket IR 14-190, Staff
10 worked with the electric utilities to have consistent line extension policies for residential
11 customers. Liberty’s policy on underground extensions to residential customers is not
12 consistent with the policies at the other two regulated electric distribution companies in
13 New Hampshire.

14 **Q. Why does Staff believe that all three electric utilities should have a consistent policy**
15 **for new single-phase underground extensions to residential customers?**

16 A. Many communities within New Hampshire are served by more than one electric utility.
17 Having a consistent policy will improve public understanding of the policy, and will ensure
18 that residential customers are treated in a consistent manner going forward. Further, the
19 electric utilities are the experts, and are in the best position to effectively and efficiently
20 own and maintain underground service lines to residential customers. Requiring Liberty to
21 own, construct, and maintain new single-phase underground extensions to residential
22 customers going forward, will achieve a consistent policy and public understanding for all
23 three electric utilities.

1 Q. Does this conclude your testimony?

2 A. Yes.