



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

Docket No. DE 16-383

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities
Distribution Service Rate Case

**TESTIMONY
OF
STEVEN E. MULLEN**

May 10, 2018

THIS PAGE INTENTIONALLY LEFT BLANK

ATTACHMENTS

Attachment	Title
Attachment SEM-1	Pages 022 – 028 of DE 16-383 Settlement Agreement
Attachment SEM-2	Percentage Changes to Distribution Revenue and Distribution Rates, Calculation of Revenue Requirement, Typical Bill Impact

THIS PAGE INTENTIONALLY LEFT BLANK

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

2 A. My name is Steven E. Mullen. My business address is 15 Buttrick Road, Londonderry,
3 New Hampshire.

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

5 A. I am employed by Liberty Utilities Service Corp. (“Liberty”) as Senior Manager, Rates
6 and Regulatory Affairs. I am responsible for rates and regulatory affairs for Liberty
7 Utilities (Granite State Electric) Corp. (“Granite State” or “the Company”) and for
8 Liberty Utilities (EnergyNorth Natural Gas) Corp. (“EnergyNorth”).

9 **Q. On whose behalf are you testifying today?**

10 A. I am testifying on behalf of Granite State.

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

12 A. My testimony responds to a secretarial letter issued on May 7, 2018, which was issued in
13 response to a May 4, 2018, letter from Staff in which Staff alleged that Granite State’s
14 March 16, 2018, filing in this docket with respect to a step increase was deficient and
15 needed to be supplemented by additional information. The Commission’s secretarial
16 letter of May 7, 2018, adopted Staff’s recommendation, provided notice that the
17 Company’s filing was deficient,¹ and directed that the Company provide additional

¹ The legal basis for the Commission’s secretarial letter of May 7, 2018, is Puc 203.05(b), but Puc 203.05 only applies to “petitions and motions.” As the Company’s filing is to comply with the approved Settlement Agreement in this proceeding, it is neither a petition nor a motion.

1 information concerning the individual capital projects constructed as well as the specific
2 rate impacts of the adjustment as suggested in Staff's letter.

3 **Q. Were you involved in the preparation of the March 16, 2018, filing?**

4 A. Yes. The filing included a two-page letter with an explanatory narrative describing the
5 purpose and details of the filing and attachments that provided the percentage impact to
6 distribution rates, the calculation of a revenue requirement, and a copy of a Commission
7 Staff audit report on the subject of rate case expenses.

8 **Q. What is the origin of that filing?**

9 A. In this docket, which involved Granite State's request for an increase to its distribution
10 revenues, the Commission approved a comprehensive Settlement Agreement² that
11 included, among other things, agreement among the Company, Staff, and the Office of
12 the Consumer Advocate ("OCA") for a series of step increases to be effective May 1,
13 2017; May 1, 2018; and May 1, 2019. The May 1, 2018, step adjustment is the subject of
14 the Company's March 16, 2018, filing.³

² Exhibit 20.

³ In a letter dated March 30, 2018, the Company notified the Commission of its proposal, with the concurrence of Staff and the OCA, to delay the rate change until June 1, 2018. The proposal to delay the rate change was made to allow for coordination of the rate effect of this docket with the rate effects from tax reform and other dockets that had rate changes scheduled to occur on May 1, 2018, as well as provide sufficient time for Staff and the OCA to review the various filings and meet with the Company to review all the changes prior to hearing.

1 **Q. Did the Settlement Agreement specify what information needed to be filed in order**
2 **to implement the May 1, 2018, step adjustment?**

3 A. Yes. Specifically, Section II.B.3. of the Settlement Agreement contained the following
4 language:

5 To implement the second step increase, the Company shall meet with the
6 Staff and the OCA no later than May 31, 2017, to describe the plant
7 investments that it will be making during the remainder of 2017. The
8 Company shall make a filing by March 15, 2018, showing the plant
9 investments in service and used and useful by December 31, 2017, the cost
10 of the investments broken out between Pelham and Charlestown and a
11 calculation of the revenue requirement associated with the investments,
12 and shall propose an increase effective May 1, 2018, to recover the
13 revenue requirement, subject to the limitation described in Section II.B.2
14 above.

15 **Q. What is the “limitation described in Section II.B.2” that is referenced in the quoted**
16 **language above?**

17 A. Section II.B.2. of the Settlement Agreement states as follows:

18 The Company shall be permitted to recover, through the second and third
19 step increases, only the revenue requirements associated with capital
20 additions related to the Pelham and Charlestown substations that are in
21 service and used and useful as of December 31, 2017, and December 31,
22 2018, respectively, as set forth in Attachment 2. The step increases shall
23 occur on May 1, 2018, and May 1, 2019, respectively, for Pelham and
24 Charlestown substation related plant placed in service by December 31,
25 2017, and December 31, 2018. The amount of capital additions to be
26 recovered shall be limited to the budgeted amounts shown in Attachment
27 2. If the actual cost of the capital additions is less than the budgeted
28 amounts, the actual amounts shall be used to calculate the step
29 adjustments. If the actual cost of the capital additions exceeds the
30 budgeted amounts, the Company may seek recovery of the excess in a
31 future distribution rate case. The revenue requirements recovered through
32 the second and third step adjustments shall exclude all expenditures that
33 were made solely to satisfy the planning criteria adopted by Liberty in
34 August 2016. The revenue requirement for the second and third step
35 adjustments will be calculated in a manner similar to that used in
36 Attachment 1.

1 **Q. Did the required meeting with Staff and the OCA take place?**

2 A. Yes. After dealing with scheduling issues, a meeting was held on June 2, 2017, at which
3 there were three representatives from Staff, two from the OCA, and four from the
4 Company.⁴ At that meeting, it was discussed that due to coordination with National Grid,
5 the owner of the transmission side of the Pelham substation, the work that was scheduled
6 for 2018 at that site was accelerated into 2017 and all Pelham work would be completed
7 by December 31, 2017. Despite that accelerated work schedule, the Company explained
8 that it fully understood the cost recovery limitations contained in the Settlement
9 Agreement⁵ and that recovery of the plant investments for the Pelham substation that
10 were originally to occur in 2018 would not begin to take place until May 1, 2019,
11 consistent with the schedule and cost recovery limitation for step increased laid out in the
12 Settlement Agreement as quoted above.

13 **Q. Were any of the plant investments contemplated by the Settlement Agreement**
14 **placed in service in Charlestown during 2017?**

15 A. Yes. The 40L3 circuit upgrade listed as the Charlestown 32Dline project in Attachment 2
16 was completed by December 31, 2017. The work was completed early to prepare for
17 National Grid work in 2018. However, since Attachment 2 to the Settlement Agreement
18 provides that the costs for the Charlestown 32 Dline are to be included in the May 1,
19 2019, step increase, only the 2017 investments at issue in this filing are those related to

⁴ Attendees at the June 2, 2017, meeting were as follows: Commission Staff: Suzanne Amidon, Paul Dexter, and Jay Dudley; OCA: Donald Kreis and Pradip Chattopadhyay; Granite State: Michael Sheehan, Christian Brouillard; Steven Mullen, and Heather Tebbetts.

⁵ Under the Settlement Agreement, capital cost recovery for the May 1, 2018, step increase was limited to \$2.4 million.

1 the Pelham substation. The Company will seek recovery of the Charlestown costs next
2 year.

3 **Q. Were any other costs included in the Company's March 16, 2018, step adjustment**
4 **filing?**

5 A. Yes. As explained in the narrative provided in that filing, the step adjustment also
6 included recovery of \$48,039 of additional rate case expenses pursuant to Section II.D. of
7 the Settlement Agreement. As stated in the Company's March 16, 2018, filing:

8 ...the Settlement provides that any difference between the actual rate case
9 expenses and the estimated amount will be included in rates and recovered
10 beginning May 1, 2018, through December 31, 2018. Actual rate case
11 expenses were \$48,039 higher than the estimated amount of \$444,700, as
12 verified through review by the Commission's Audit Staff. (March 16,
13 2018, filing at 2)

14 A copy of the Staff Audit Report for the \$48,039 of additional expenses was included in
15 that earlier filing. As also explained in that filing, because the additional \$48,039 will be
16 recovered over seven months,⁶ that amount was annualized in order to determine the
17 percentage increase to overall rate level that needs to be in effect for the months of June
18 through December 2018. The annualized amount equals \$82,353 and is shown on
19 Attachment SEM-2, page 1 of 3, line 4.

⁶ The March 16, 2018, filing was based on an effective date for rates of May 1, 2018, so the annualized amount of additional rate case expenses calculated for the eight-month remaining recovery period in that filing was \$72,058.

1 **Q. Did the Company include all of the required information specified in the Settlement**
2 **Agreement with the March 16, 2018, submittal?**

3 A. Yes.

4 **Q. Was the Company's filing deficient?**

5 A. Absolutely not.

6 **Q. Despite that, what additional information did Staff state needed to be submitted?**

7 A. Staff stated that the following information was required pursuant Puc 1605.02: Pre-filed
8 testimony and typical bill impacts. In addition, although not specifically identified as a
9 deficiency, Staff's letter indicated that it would be "helpful" if information was included
10 regarding whether or how the requested rates reflected recent corporate income tax rate
11 reductions.

12 **Q. You stated earlier that the Commission approved the Settlement Agreement. What**
13 **did the Commission state in its Order regarding the terms and conditions of the**
14 **Settlement Agreement?**

15 A. The final paragraph of Section III, the "Commission Analysis" section of Order No.
16 26,005 (April 12, 2017) on page 16, reads as follows:

17 *To conclude, we find that the Settlement provides for a just and*
18 *reasonable resolution to this case that is in the public interest.*
19 *Accordingly, we approve the entire Settlement as presented and*
20 *incorporate its terms and conditions into this Order. To facilitate the*
21 *efficient administration of the Settlement, we authorize the signatories to*
22 *modify the Settlement so long as any modification is mutually agreed to*
23 *by all parties and is non-substantive, such as a clerical or ministerial*
24 *amendment that involves timing or scheduling. The signatories shall file*
25 *any such modification with the Commission and provide a copy to all*

1 parties on the service list. The Commission will approve such requests, if
2 appropriate, via secretarial letter without the need for notice or hearing.
3 (emphasis added)

4 **Q. How does the Company interpret the highlighted language?**

5 A. By approving the Settlement “as presented” and “incorporat[ing] its terms and conditions
6 into this Order,” the Commission acknowledged that the entire Settlement and,
7 specifically relevant here, the entirety of Section II.B contained just and reasonable terms
8 and conditions. Therefore, the Commission approved and dictated exactly what the
9 Company was required to file in order “to implement the second step” as set forth above,
10 and the Company provided all the required information. Nothing further was needed.

11 **Q. Given the language of Order No. 26,005, why are you submitting this testimony**
12 **rather than responding to Staff’s May 4, 2018, letter?**

13 A. While the Company considered filing a response to Staff’s letter, in the interest of time
14 and seeking to resolve this matter as efficiently as possible, the Company decided to
15 simply submit testimony and proceed to hearing. Additionally, the Commission’s May 7,
16 2018, secretarial letter was issued before the Company had an opportunity to respond to
17 Staff’s May 4, 2018, letter.

18 **Q. Referring to Staff’s May 4, 2018, letter, please respond to Staff’s statement that pre-**
19 **filed testimony was required and the purported reasons for such testimony.**

20 A. Staff’s letter included the following language to support its position:

21 Liberty filed a cover letter. However, in this case, where significant capital
22 investments have been made, testimony should be included in sufficient
23 detail to allow the Commission to determine that the investments were
24 prudently incurred and demonstrate that the resulting rates are just and

1 reasonable. In a similar step increase approved last year, Liberty provided
2 a multi-page spreadsheet detailing the capital investment made. Staff
3 believes that Liberty, at a minimum, should file a similar spreadsheet in
4 this case, along with explanatory testimony. *See* DE 16-383, Settlement of
5 March 15, 2017 at 22-26.

6 First, the letter filed by the Company served as more than a mere cover letter; it also
7 contained a detailed narrative referencing the various sections of the Settlement
8 Agreement and how those sections were incorporated into its filing, including an
9 explanation of the attachments to the filing.

10 Second, the need for the underlying investments at the Pelham substation were fully
11 explained in testimony during the earlier part of this proceeding,⁷ carefully reviewed by
12 Staff's consultant, thoroughly vetted through discovery, technical sessions, and
13 settlement discussions, all of which culminated in the portions of the Settlement
14 Agreement that dealt with the specific investments to be made, namely Section II.B. and
15 Attachment 2. The Settlement Agreement stated that the "Company shall be permitted to
16 recover ... the revenue requirements associated with capital additions related to the
17 Pelham and Charlestown substations." There was nothing more to do except confirm the
18 costs and precise revenue requirement. And, as noted above, the Commission found the
19 Settlement, including its description of the step adjustments and the limitations on cost
20 recovery, to be a "just and reasonable resolution to this case." Any suggestion that the
21 resulting rates may not be just and reasonable is contrary to the Order and implicates a re-
22 litigation of the merits of the rate case.

⁷ See Exhibit 9, the prefiled direct testimony of Christian Brouillard and Stephen R. Hall at Bates 0367 - 0362.

1 Finally, Staff points to “a multi-page spreadsheet” attached to the Settlement Agreement
2 that was provided in support of the May 1, 2017, step adjustment, suggesting that a
3 similar spreadsheet should be filed here, but Staff does not acknowledge the significant
4 differences between the 2017 step adjustment and the one currently at issue.

5 **Q. Please describe that “multi-page spreadsheet” which Staff referenced at pages 22 –**
6 **26 of the Settlement Agreement.**

7 A. In Attachment SEM-1, I have included the pages Staff referenced along with two
8 additional pages because Staff’s citation is not entirely accurate. As shown in
9 Attachment SEM-1, Bates 022 of the Settlement Agreement (page 1 of SEM-1) is blank,
10 so it appears Staff intended to reference Bates 023 through Bates 027. In addition, I have
11 included Bates 028, which is “Attachment 2” to the Settlement Agreement referenced
12 earlier in my testimony. It appears that Staff’s letter was written without referring back
13 to the Settlement Agreement because what Staff fails to acknowledge is that the May 1,
14 2017, step increase was related to Granite State’s entire 2016 capital spending on projects
15 that were placed into service by the end of that calendar year, so the “multi-page
16 spreadsheet” included as Bates 024 – 027 of the Settlement Agreement (pages 3- 6 of
17 SEM-1) was necessary to encompass the 89 capital projects that were placed in service.
18 By comparison, this May 1, 2018, step adjustment was specifically limited to the two
19 capital projects in Pelham listed in Attachment 2, so a similar “multi-page spreadsheet” is
20 not necessary to provide the same information for this step increase, nor would such
21 information even be applicable. Rather, the final capital costs of the two projects
22 (\$4,464,414 for the Pelham Substation and \$446,562 for the two getaway cables at that

1 substation) were included in the body of the Company's March 16, 2018, filing letter (see
2 the paragraph that carries from page one to page two). Bates 023 of the Settlement
3 Agreement (page 2 of SEM-1) was a calculation of the revenue requirement associated
4 with the 89 projects undertaken in 2016. The similar calculation for the current step
5 adjustment is found in Attachment B to the Company's March 16, 2018, filing and
6 includes corresponding line numbers for ease of reference. Thus, the filing was not
7 deficient in that respect, either.

8 **Q. Does Attachment B to the March 16, 2018, filing also provide the information**
9 **sought in the Commission's May 7, 2018, secretarial letter?**

10 A. Yes. In that letter, the Commission required "additional information concerning the
11 individual capital projects." The Company believes that requirement was in response to
12 Staff's request for a "multi-page spreadsheet" discussed above. Attachment B to the
13 March 16, 2018, filing contains all of the information necessary to review the Company's
14 step increase calculation, especially in view of the fact that cost recovery is limited by the
15 \$2.4 million cap specified in the Settlement Agreement.

16 **Q. Do you have any further comments regarding Staff's May 4, 2016, letter?**

17 A. Yes. As stated earlier, Staff's letter indicates that pre-filed testimony and bill impacts are
18 required elements that were missing from the Company's filing. However, neither the
19 Commission-approved Settlement Agreement nor Puc 1605.02 require filing of testimony
20 nor bill impacts. Regarding testimony, Puc 1605.02(a)(3) requires a "supportive
21 narrative, testimony or technical statement" for a "service or tariff change." The
22 Company provided a supporting narrative. Regarding typical bill impacts, the only

1 portion of Puc 1605.02 that deals with rates is Puc 1605.02(a)(1). That subsection
2 requires "...where applicable, percentage change in existing rate and revenue effect."
3 Both of those items were included in Attachment A to the Company's March 16, 2018,
4 filing, which also provides the information required by the May 7, 2018, secretarial letter
5 with respect to specific rate impacts. There is no requirement for filing "bill impacts" in
6 Puc 1605.02.

7 **Q. Despite the lack of a requirement for bill impacts in either the Settlement**
8 **Agreement or in Puc 1605.02 and the Commission's prior finding that recovery of**
9 **the revenue requirement of a maximum \$2.4 million capital cost related to the**
10 **projects was just and reasonable, have you included with your testimony an**
11 **attachment demonstrating the typical bill impact to a residential customer?**

12 A. Yes. As additional information, Attachment SEM-2, page 3 of 3, provides that
13 information. Attachment SEM-2 also includes a slightly revised calculation of the
14 revenue requirement to take into account the impact of tax reform (see page 2 of 3). This
15 calculation is the same as the one provided in Docket No. DE 18-050 in Attachment 2 to
16 the April 13, 2018, Technical Statement filed in that proceeding. As shown on
17 Attachment SEM-2, page 3 of 3, the bill impact to a residential customer using 650
18 kilowatt-hours per month would be \$0.40 per month as compared to rates in effect June
19 1, 2018, without the impact of the other pending rate changes. However, taking into
20 account the Company's proposal in DE 18-050 that would entirely offset the revenue
21 requirement calculated for this step adjustment, the actual impact to customers would be
22 \$0.

1 **Q. Were the recent corporate tax rate reductions reflected in the Company's filing?**

2 A. No, but at the time of the filing the Company had planned to address that topic in its
3 required filing in Docket No. DE 18-050 rather than deal with the impact of tax reform
4 piecemeal in the various pending rate filings. The impact of tax reform on this step
5 adjustment filing was specifically addressed in the Company's April 13, 2018, filing in
6 Docket No. DE 18-050, resulting in a slight reduction of \$25,056 to the revenue
7 requirement amount (from \$314,404 to \$289,348)⁸ due to a reduction of the gross-up.
8 Tax reform was also discussed with Staff and the OCA during a multi-docket technical
9 session that was held on April 16, 2018. The Company left that meeting with the
10 understanding that the attendees fully understood the tax treatment and how it was being
11 handled. That technical session is discussed later in this testimony.

12 **Q. Is there a portion of Order No. 26,005 that you would like to highlight?**

13 A. Yes. The portion of the order reproduced earlier in my testimony included the following
14 sentence:

15 To facilitate the efficient administration of the Settlement, we authorize
16 the signatories to modify the Settlement so long as any modification is
17 mutually agreed to by all parties and is non-substantive, such as a clerical
18 or ministerial amendment that involves timing or scheduling.

19 This sentence underscores the Commission's interest in the "efficient administration of
20 the Settlement." The Company certainly supports the view that any settlement agreement
21 should be efficiently administered as efficiency is one of the driving factors for entering

⁸ See page 2 of the April 13, 2018, Technical Statement of Steven E. Mullen in Docket No. DE 18-050, as well as Attachment 2, lines 38 – 40 and Attachment 3 to that Technical Statement.

1 into a settlement agreement. To that end, and in the interest of streamlining the review
2 and hearing processes, the Company has taken the following actions to uphold its end of
3 the efficiency bargain:

- 4 • The Company met with the Staff and OCA, as required by the Settlement
5 Agreement, to review the plant investments to be installed during 2017;⁹
- 6 • The Company filed all required components for the step adjustment,
7 consistent with the Settlement Agreement;
- 8 • The Company took into account other pending filings by Granite State
9 and, recognizing the workloads and full calendars of the Commission,
10 Staff, the OCA, and the Company, voluntarily offered to postpone the rate
11 effective dates and, therefore, the hearings in those dockets to provide for
12 a more efficient review process;
- 13 • In further consideration of the number of pending dockets for Granite
14 State, the Company suggested that a technical session be held at which
15 any questions regarding the pending dockets could be raised and addressed
16 prior to hearing; and
- 17 • For the purpose of administrative efficiency and to avoid versions of
18 documents that could become irrelevant, the Company clearly
19 communicated that it would submit tariff pages along with a sheet
20 showing combined bill impacts *after* determining if Staff and OCA had
21 any substantive questions that could significantly alter any potential
22 outcomes.

23 **Q. Did the technical session mentioned in the fourth bullet above occur?**

24 A. Yes. A technical session was held on April 16, 2018,¹⁰ at which the following dockets
25 were open for discussion:

- 26 • Docket No. DE 16-383 – step adjustment to distribution rates

⁹ The Settlement Agreement also contains a requirement that the Company meet with Staff and the OCA in the fall of 2017 “to provide an overview of the plant investments that are scheduled to be completed in 2018.” As the 2018 projects were accelerated into 2017 and were included in the earlier discussion of the 2017 projects, the Company, Staff, and the OCA mutually agreed that another meeting was not necessary.

¹⁰ Attendees at the April 16, 2018, technical session were as follows: Commission Staff: Suzanne Amidon, Paul Dexter, Jay Dudley, and Richard Chagnon; OCA: Brian Buckley, Pradip Chattopadhyay, and James Brennan; Granite State: Michael Sheehan, Steven Mullen, David Simek, and Jaime Urban.

- 1 • Docket No. DE 18-034 – Reliability Enhancement Program/Vegetation
- 2 Management Program
- 3 • Docket No. DE 18-050 – Impact of Tax Reform
- 4 • Docket No. DE 18-051 – Annual Retail Rate Filing

5 **Q. During that technical session, did Staff or the OCA raise any substantive questions**
6 **regarding this step adjustment filing?**

7 A. No.

8 **Q. Were any comments made with respect to the deficiencies in the filing now alleged**
9 **by Staff?**

10 A. No.

11 **Q. Did the Company receive any discovery questions, either written or oral, from the**
12 **Staff or the OCA in this docket or in any of the other above dockets following that**
13 **technical session?**

14 A. The Company only received questions from Staff in Docket No. DE 18-051. Those
15 questions were received near the end of the day on Thursday, April 26, and the responses
16 were provided to Staff and the OCA on Tuesday, May 1. No discovery questions were
17 received by the Company in any of the other dockets, including this DE 16-383 step
18 adjustment filing. The lack of any questions or expressed concerns regarding the step
19 adjustment filing makes Staff's May 4 letter and the allegation of deficiencies all that
20 much more perplexing.

1 **Q. Do you have any final comments?**

2 A. Yes. It is unfortunate that with the heavy workload currently being experienced by the
3 Commission, Staff, the OCA, and the Company, that the Company was required to file
4 these 16 pages of testimony, which offer no additional substantive information supporting
5 the step adjustment because the Company's initial filing was not deficient in the first
6 instance, and there is no additional information to share. Rather, this testimony was
7 necessary to explain: (i) the Company's adherence to the terms and conditions of the
8 Settlement Agreement, as approved by the Commission, (ii) the lack of deficiencies in
9 the Company's March 16, 2018, filing, and (iii) the measures taken by the Company to
10 try to ensure an efficient review and hearing process for all involved.

11 Noting the references to Puc 203.05(b) and Puc 1605.02 and their mention of notifying a
12 utility about deficiencies in a filing, they clearly contemplate such notice being given
13 promptly after filing so the error can be cured. *See* Puc 203.05(b) ("The commission
14 shall notify in writing a petitioner filing a petition when such petition is deficient in any
15 respect and any such deficient petition shall not be deemed to have been filed until the
16 deficiency is corrected"). Here, the Company received a letter from Staff alleging
17 deficiencies only five calendar days before a scheduled hearing, and a Commission notice
18 of alleged deficiencies two calendar days before a scheduled hearing, when the filing in
19 question had been made forty-nine calendar days earlier, with no substantive questions or
20 concerns previously communicated to the Company. This unfairly casts the Company in
21 an unfavorable light, and the Company takes exception to the allegations that its filing
22 was deficient. This testimony demonstrates that the filing was not deficient.

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

2 **A. Yes, it does.**