

1 **STATE OF NEW HAMPSHIRE**2 **PUBLIC UTILITIES COMMISSION**3
4 **April 11, 2019** - 1:44 p.m.
5 Concord, New Hampshire6
7 RE: **DE 16-383**
8 **LIBERTY UTILITIES (GRANITE STATE**
9 **ELECTRIC) CORP. d/b/a LIBERTY**
10 **UTILITIES:**
11 **Request for Change in Rates.**
12 ***(Hearing on Step Adjustment)***13 **PRESENT:** Chairman Martin P. Honigberg, Presiding
14 Commissioner Kathryn M. Bailey
15 Commissioner Michael S. Giaimo

16 Sandy Deno, Clerk

17 **APPEARANCES:** **Reptg. Liberty Utilities (Granite**
18 **State Electric) Corp. d/b/a**
19 **Liberty Utilities:**
20 Michael J. Sheehan, Esq.21 **Reptg. Residential Ratepayers:**
22 D. Maurice Kreis, Esq., Consumer Adv.
23 Office of Consumer Advocate24 **Reptg. PUC Staff:**
 Paul B. Dexter, Esq.
 Jay Dudley, Electric Division

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

E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
28	Direct Testimony of Heather M. Tebbetts and Anthony Strabone, with attachments, and the Technical Statement of David B. Simek (03-12-19)	<i>premarked</i>
29	Liberty Utilities (Granite State Electric) d/b/a Liberty Utilities Docket No. DE 16-383 Step Adjustment, Attachment A Revised (Bates Page 011R), Attachment B Revised (Bates Page 012R), and Attachment E Revised (Bates Page 016R)	<i>premarked</i>
30	Response to Staff Data Request, Request No. Staff 13-1	<i>premarked</i>
31	Response to Staff Data Request, Request No. Staff 13-2	<i>premarked</i>
32	Response to Staff Data Request, Request No. Staff 13-5	<i>premarked</i>
33	RESERVED (Record request for a Pelham substation summary of costs)	38

P R O C E E D I N G

1
2 CHAIRMAN HONIGBERG: We are here
3 today in Docket DE 16-383, which is Liberty's
4 rate case, and we're here to consider a step
5 adjustment request.

6 Before we do anything else, let's
7 take appearances.

8 MR. SHEEHAN: Good afternoon,
9 Commissioners. Mike Sheehan for Liberty
10 Utilities (Granite State Electric). With me at
11 counsel's table are Adam Hall and Melissa
12 Samenfeld.

13 MR. KREIS: Good afternoon. I'm Don
14 Kreis, the Consumer Advocate. I'm here all by
15 myself.

16 MR. DEXTER: Paul Dexter, appearing
17 for the Commission Staff, joined by Jay Dudley
18 of the Electric Division.

19 CHAIRMAN HONIGBERG: What do we need
20 to do in the way of preliminary matters before
21 we get started?

22 Mr. Sheehan.

23 MR. SHEEHAN: Thank you. We need to
24 mark a few exhibits. The parties have agreed

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 to mark the filing as "Exhibit 28". In front
2 of you are a package of three pages, which are
3 corrected schedules that Ms. Tebbetts will
4 testify to, those three documents will be
5 called "Exhibit 29". And Staff has asked to
6 mark three data requests and responses as "30",
7 "31", and "32".

8 There are no confidential materials
9 at issue here. And we have the witnesses ready
10 to go.

11 CHAIRMAN HONIGBERG: All right. The
12 witnesses are in position. If there's nothing
13 else, Mr. Patnaude, would you swear the
14 witnesses in please.

15 (Whereupon *Heather M. Tebbetts*,
16 *Anthony Strabone*, and
17 *David B. Simek* were duly sworn
18 by the Court Reporter.)

19 CHAIRMAN HONIGBERG: Mr. Sheehan.

20 MR. SHEEHAN: Thank you.

21 **HEATHER M. TEBBETTS, SWORN**

22 **ANTHONY STRABONE, SWORN**

23 **DAVID B. SIMEK, SWORN**

24 **DIRECT EXAMINATION**

{DE 16-383} {04-11-19}

1 BY MR. SHEEHAN:

2 Q We'll start with you, Mr. Simek. Your name and
3 position with the Company please?

4 A (Simek) David Simek. And I'm a Manager of
5 Rates and Regulatory Affairs.

6 Q And in relation to this matter that brings us
7 here today, you are the author of a technical
8 statement that appears at Bates Page 025 of our
9 filing, which was marked as "Exhibit 28". Is
10 that correct?

11 A (Simek) Yes.

12 Q And do you have any corrections to make to your
13 technical statement?

14 A (Simek) I do not.

15 Q And can you just give us a sentence or two of
16 what is the intent of your technical statement?

17 A (Simek) Yes. The purpose of the technical
18 statement is to change the Rate D customer
19 charge designed to be flat effective May 1st,
20 2019.

21 Q And this is removing the blocked rates that
22 used to be in effect, is that correct?

23 A (Simek) Correct.

24 Q And the Commission approved the removal of the

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 blocked rates back with the original order two
2 years ago, is that right?

3 A (Simek) Correct. It was a phased-in approach.

4 Q And so, is it fair to say that the Commission
5 doesn't necessarily have to act on your
6 technical statement, it's simply carrying out
7 what the Commission had approved earlier?

8 A (Simek) Yes.

9 Q And certainly they could ask questions, if they
10 have them at this time. Thank you. Ms.
11 Tebbetts, your name and position with the
12 Company please?

13 A (Tebbetts) My name is Heather Tebbetts. And
14 I'm the Manager of Rates and Regulatory
15 Affairs.

16 Q And you authored, with the gentleman next to
17 you, testimony and exhibits that are at Bates
18 Pages 001 through 025 in this -- 024 in this
19 matter, is that correct?

20 A (Tebbetts) Yes.

21 Q And what was the purpose of your part of the
22 testimony?

23 A (Tebbetts) We're asking for cost recovery for
24 the revenue requirement associated with the

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 building of the Pelham substation projects.

2 Q And do you have any corrections to the parts of
3 the testimony or schedules that you are
4 involved with?

5 A (Tebbetts) I do.

6 Q And could you explain those for us please.

7 A (Tebbetts) Yes. So, if we could turn to Bates
8 Page 007, Line 11, you will see that the number
9 shown there of "\$673,627" should actually say
10 "\$638,627".

11 The next correction is on Bates Page 008,
12 Line 6, and that number of "\$185,044" should be
13 "\$183.432" -- "\$183,432". And what I did there
14 was we adjusted the base revenue amount on
15 Bates 011, Line 2, which is part of the
16 corrected Exhibit 30 through --

17 Q Twenty-nine.

18 A (Tebbetts) I'm sorry. I apologize, Exhibit 29.
19 That's part of Exhibit 29.

20 When we made the filing, we did not
21 account for the reduction from taxes for the
22 2018 step adjustment last year. We also made
23 an adjustment for the calculated tax rate. And
24 essentially, we had calculated a tax rate that

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 did not take into account the effective tax
2 rate. So, originally, the tax rate used in the
3 revenue requirement schedules was 6.59 percent,
4 and the effective tax rate is actually
5 6.45 percent. So, with that adjustment, the
6 revenue requirement changed from the \$185,044
7 to \$183,432. It did not change the percent
8 increase, and it did not change the resulting
9 rates.

10 The last correction I have is Bates Page
11 008, Line 18. And the overall bill impact to
12 residential customers, using 650 kilowatt-hours
13 a month, should actually say "0.16 percent",
14 instead of "0.11", or "20 cents", instead of
15 "11 cents". And essentially, the issue there
16 was we didn't accommodate the flattening of the
17 rates in the bill impact calculation. And so,
18 we have done that, and that is included on the
19 revised pages in Exhibit 29, on Bates Page 016.

20 Q And those revised pages carry the same Bates
21 numbers as the original filing with the letter
22 "R" after it?

23 A (Tebbetts) Yes.

24 Q So, they could be inserted into the original

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 filing at the appropriate place?

2 A (Tebbetts) Yes.

3 Q Thank you. Mr. Strabone, could you please
4 identify yourself and your position with the
5 Company?

6 A (Strabone) My name is Anthony Strabone. I am
7 the Manager of Electrical Engineering.

8 Q And what is your responsibilities as the
9 Manager of Electrical Engineering?

10 A (Strabone) I am responsible for the electrical
11 capital work plan for Granite State Electric.

12 Q There's a testimony that carries your name and
13 Ms. Tebbetts' name that again appears in the
14 first 25 pages of Exhibit 28. Did you
15 participate in the preparation of parts of that
16 testimony?

17 A (Strabone) Yes, I did.

18 Q And do you have any corrections to the parts
19 that were your responsibility?

20 A (Strabone) No, I do not.

21 Q Do you adopt that testimony here today under
22 oath?

23 A (Strabone) Yes, I do.

24 Q And, Ms. Tebbetts, I didn't ask you that formal

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 question. Do you adopt your testimony here
2 today under oath?

3 A (Tebbetts) Yes, I do.

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

6 CHAIRMAN HONIGBERG: Mr. Kreis.

7 MR. KREIS: Thank you, Mr. Chairman.

8 **CROSS-EXAMINATION**

9 BY MR. KREIS:

10 Q I think I really only have one question. And
11 it has to do with the correction that Ms.
12 Tebbetts made a minute ago to Bates Page 008 of
13 Exhibit 28. And she corrected the very last
14 line of that page to increase the overall bill
15 impact to a customer using 650 kilowatt-hours,
16 and she said that that change accounted for a
17 flattening of the rates.

18 And my question is, why would that change
19 the overall bill impact?

20 A (Tebbetts) No. It wasn't that it -- it's not
21 the actual flattening of the rates. When I
22 calculated the bill impact, I only calculated
23 the distribution amount at 250 kilowatt-hours
24 times the rate, versus 650, because it used to

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 have the block. So, we would calculate the
2 excess. And that was my mistake, where I
3 didn't accommodate the 650 instead of 250.

4 Q Oh, I see. So, you just made a mistake. It
5 wasn't that the change in the rate design made
6 a difference?

7 A (Tebbetts) That's correct.

8 MR. KREIS: Okay. That's my only
9 question.

10 CHAIRMAN HONIGBERG: Mr. Dexter.

11 MR. DEXTER: Thank you. Thank you,
12 Mr. Chairman.

13 BY MR. DEXTER:

14 Q On the same topic of corrections, Ms. Tebbetts,
15 on Bates 008, in Exhibit 28, would the numbers
16 on Line 8 change also, like the numbers on
17 Line 18 did?

18 A (Tebbetts) Yes. My apologies, they would. I
19 missed that when I was looking through this.
20 So, let me make that correction as well. On
21 Line 8, that should be "0.16 percent", and "20
22 cents".

23 Q Thank you. So, we have two issues here, as I
24 understand it. One is a step adjustment, the

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 other is the flattening of the Residential
2 rate. And I just want to talk very briefly
3 about the flattening of the Residential rate.
4 If I go to Bates Page 013 in the filing, is
5 that where that flattened rate is developed?
6 A (Simek) Yes, it is.
7 Q And if I look to Column (a), the last two
8 numbers in Column (a) are "\$0.04768" for both
9 blocks, is that correct?
10 A (Simek) Yes. It's "0.04678". Correct.
11 Q Okay. And will you still maintain the two
12 blocks on the customer's bill the way it's
13 listed here or --
14 A (Simek) No.
15 Q -- will it just be one block?
16 A (Simek) It will just be one block.
17 Q Okay. And that, as you stated, accomplishes
18 the provisions of the settlement with regard to
19 the flattening rate, correct?
20 A (Simek) Correct.
21 Q Thank you. Now, with regard to the step
22 adjustment, I wanted to start by turning to
23 Bates 011. That's now been updated. So, I
24 guess I'm going to go to Exhibit 29, Bates 011.

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[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 And this is where the percentage calculation of
2 the rate increase is set forth, correct?

3 A (Tebbetts) Yes.

4 Q And so, is it correct that the revenue
5 requirement associated with the plant that's
6 subject to the step adjustment is now 183,432?

7 A (Tebbetts) Yes.

8 Q And to get the percentage rate increase, you
9 divided it by Line 2, which is "Annual Base
10 Distribution Revenues", correct?

11 A (Tebbetts) Yes.

12 Q And that number was updated as well in your
13 introductions, correct?

14 A (Tebbetts) Yes.

15 Q Could you explain what that update was for?

16 A (Tebbetts) Yes. So, the base revenue amount
17 that was agreed upon in this docket, in our
18 Settlement Agreement, was revised with the step
19 adjustment filing in 2018, and it was
20 associated with the reduction in tax rates.

21 And so, when we made the filing -- when I made
22 the revision, I incorporated the amount in the
23 order to reduce the amount that was in our test
24 year billing determinants times the current

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 rates at the time to accommodate this. So,
2 that number reflects our billing determinants
3 from the rate case, in this docket, multiplied
4 by the current rates.

5 Q And the test year billing determinants would be
6 the same, if we went back and looked at the
7 rate case -- the original rate case filing, is
8 that correct?

9 A (Tebbetts) Yes.

10 Q So, the only thing that you needed to do there
11 was to update for current rates, is that right?

12 A (Tebbetts) Yes.

13 Q And as originally presented, it didn't account
14 for last year's step adjustment, is that the
15 case?

16 A (Tebbetts) It didn't account for the amount in
17 the order from the step adjustment and -- well,
18 it was a combination of multiple things. It
19 was a combination of the tax rate docket in
20 18-050, combination of REP in Docket 18-034,
21 and the step adjustment in this docket. So, it
22 was a combination of reductions to accommodate
23 an increase here and an increase in the REP,
24 which ended up as an overall reduction.

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 Q To get you up to current rates?

2 A (Tebbetts) Yes.

3 Q Okay. Thank you. And again, the revenue
4 requirement, the calculation, the detailed
5 calculation of the revenue requirement appears
6 on Bates 012, correct?

7 A (Tebbetts) Yes.

8 Q And that's been updated. So, I want to look at
9 the updated version for a moment. That's
10 Exhibit 29, Bates 012R. So, the top line in
11 the upper left-hand corner of the schedule says
12 "Capital Spending, a million 250", is that
13 right?

14 A (Tebbetts) Yes.

15 Q That's the amount of plant that is subject to
16 recovery under this step adjustment, is that
17 correct?

18 A (Tebbetts) Yes.

19 Q Okay. And that's -- that number was the
20 so-called "cap" that was laid out in the
21 settlement in the rate case, correct?

22 A (Tebbetts) For the 2019 step adjustment, yes.

23 Q All right. And that all relates to the work
24 that was done in Pelham at the substation, the

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 two projects that we'll get into, correct?

2 A (Tebbetts) Yes.

3 Q Okay. Now, again, you went through a revision
4 earlier, and I just want to make sure I
5 understand it. I believe it has to do with
6 Line 30. But if you could explain that again,
7 I'd appreciate it.

8 A (Tebbetts) Sure. So, on Line 30, you'll see a
9 Pre-Tax number of "6.45 percent". In the
10 original filing, that number was
11 "6.59 percent". And while the "6.95 percent"
12 [6.59 percent?] is not an incorrect calculation
13 of taxes, it did not take into account the
14 effective tax rate, which provides that we can
15 deduct state taxes from the federal taxes,
16 which then provides us with a lower overall tax
17 rate.

18 Q Right. When you said it "wasn't incorrect",
19 then what's the difference between what was
20 originally filed and what's here?

21 A (Tebbetts) Right. So, we did not calculate an
22 effective tax rate, which allows us to deduct
23 state taxes from the federal tax amount. And
24 so, that calculation is just a different

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 calculation.

2 Q Okay.

3 A (Tebbetts) And it accommodates that, it is a
4 lower, when you take the effective tax rate.

5 Q Okay. Thank you. Page 14 and 15 lay out the
6 new rates that are going to be charged, is that
7 right?

8 A (Tebbetts) Yes. Let me get there please. Yes,
9 I'm there.

10 Q And Column (b) I guess makes it pretty obvious
11 that this is a 0.44 percent across-the-board
12 increase, correct?

13 A (Tebbetts) Yes.

14 Q Okay. And then, likewise, turning to Bates
15 016, which has been revised, so we'll have to
16 go to Exhibit 29 for that one, the Customer
17 Charge, which is the first line, the new
18 customer charge would be 0.44 percent higher
19 than the existing Customer Charge, is that
20 right?

21 A (Tebbetts) Yes. That is correct.

22 Q And the same for the Distribution rate,
23 correct?

24 A (Tebbetts) Yes. That is correct.

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 Q And all the other elements stay the same?

2 A (Tebbetts) Yes.

3 Q Okay. So, I wanted to spend some time talking
4 about the capital investments that are
5 underlying the step adjustment request. And as
6 I understand it, they're broken down into two
7 projects. And we got into this in discovery.
8 One of them is the Pelham substation, which has
9 its own project number, and the other is the
10 getaway feeder cables. Is that right?

11 A (Tebbetts) Yes.

12 Q And we'll talk about the substation first, I
13 guess. I guess I'd like a brief description,
14 and some of this was covered in the rate case,
15 but a brief description of what the purpose of
16 the rebuilding of the substation was, and what
17 problems, if any, it was being redone to
18 address?

19 A (Strabone) The purpose of the rebuilding of the
20 substation was to address asset conditions
21 inside the sub. The substation was built, I
22 believe, back in the 1970s. Due to area load
23 growth, the substation transformer was
24 approaching nameplate loading, which is a

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 concern. And the condition of the assets, of
2 the equipment, both for National Grid and
3 Liberty Utilities, were past their useful life.
4 So, we identified a project to go in and
5 rebuild the substation to address these asset
6 conditions.

7 Q And was the entire substation rebuilt or was it
8 parts of the substation? Would you call it a
9 "major overhaul" or how would you characterize
10 it?

11 A (Strabone) Major overhaul. The entire
12 substation was rebuilt.

13 Q And it was completed, as I understand from
14 Exhibit 27 in this case, I think there's an
15 in-service date of late 2017?

16 A (Strabone) That is correct.

17 Q Okay. And it's now then been operating for
18 over a year. Is the -- did the upgrade work?
19 Is it doing what you would hoped it would do?

20 A (Strabone) Yes, it has.

21 Q So, you mentioned "load growth in the area".
22 Does it allow you to serve load growth?

23 A (Strabone) Yes, it does.

24 Q Okay. And could you tell me over what period

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 of time the costs were spent on the substation?
2 A (Strabone) There was -- the costs started --
3 Q And I could direct your attention to
4 Exhibit 26, which was filed last year, and that
5 might help.
6 A (Strabone) For the substation, costs were spent
7 starting in 2014 to 2018.
8 Q 2018. And just the substation now, not the
9 feeder lines, which were a separate project,
10 could you tell me the total of just the
11 substation, the actual total?
12 A (Strabone) 4,375,826 -- excuse me,
13 \$4,375,862.36.
14 Q And does that show up in the filing somewhere?
15 A (Tebbetts) Let me just get to the filing. But
16 I do believe in the testimony, we -- if you go
17 to Bates Page 007, and you look at Line 10, you
18 will see the substation project for the 400 --
19 yes, if you look at Line 10, and that's
20 probably my mistake right there that I typed in
21 the wrong number in this testimony, it should
22 say "4,375,862".
23 Q Okay. Well, it's very close to what Mr.
24 Strabone said. And so, 4,375,862 is the total

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 for the substation.

2 Now, turning to Exhibit 26 from last time,
3 which only went through 2017, --

4 A (Tebbetts) Yes.

5 Q -- the total that I see is higher than that. I
6 see "4,394,672".

7 A (Tebbetts) Yes. And in the testimony, we
8 address that there were adjustments made. At
9 the time of the filing of Exhibit 26, the work
10 order was not closed, neither work order was
11 closed, at the time we still had invoices
12 coming in. And so, what we filed was what we
13 had for information, most up-to-date. Since
14 that filing, the work order has been closed,
15 and so we have final numbers.

16 I note in -- on Bates Page 007, Line 20,
17 that we had miscellaneous credits and cost of
18 removal associated with the project after that
19 filing of about \$88,000, and that contributes
20 to the lesser amount.

21 Q Okay. That's right. I do see that. Thanks.
22 Now, in several of the prior filings in this
23 case, and I think in this one, too, it's
24 indicated that the substation construction

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 schedule was accelerated. And I think it had
2 something to do with coordinating with National
3 Grid. Is that right?

4 A (Strabone) That is correct.

5 Q Could you explain that a little bit more. What
6 the acceleration was and why that took place?

7 A (Strabone) The acceleration for Liberty was to
8 do all of our construction in one year, which
9 was 2017. The need to do this was to
10 accommodate National Grid, as they needed to
11 install a mobile transformer to provide load to
12 the area during construction. National Grid
13 did not want to tie up the mobile substation
14 for over two years. And therefore, we
15 condensed our schedule to one to accommodate
16 them.

17 Q And that sounds very familiar from the last
18 phase of the case. And my question is, if the
19 construction schedule was compressed into one
20 year, how is it that we have costs spread out
21 over five years? I've always found that
22 confusing. I'm hoping you can explain that to
23 me.

24 A (Strabone) Sure. Starting in 2014, we do a

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 conceptual design, which you look into the
2 substation and identify areas of concerns, and
3 come up with a generic scope for the work;
4 2015, you start doing some detailed
5 engineering, where you start looking at your
6 scope and refining your entire project; 2016,
7 you continue work with your detailed
8 engineering, and complete all engineering
9 aspects and start ordering long lead item
10 materials; 2017 was construction, placing the
11 project in service; and in 2018, we had
12 associated costs due to removal of some
13 temporary equipment that was needed to provide
14 power to our area load to accommodate the
15 mobile substation.

16 Q And in one of the data requests in Exhibit -- I
17 seem to have misplaced my data requests. Hold
18 on just a second please.

19 Yes. I think it would be Exhibit 32,
20 Response 13-5. We asked if the four-year
21 timeframe -- construction timeframe would be
22 typical, and the question went to the
23 getaway project. But the answer said that a
24 "four way [year?] timeframe is not typical of a

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 getaway project, but that it followed the
2 schedule of the substation." Is that
3 essentially what that response says?

4 A (Strabone) That is correct.

5 Q So, I guess I should have asked "is the
6 four-year schedule for a substation
7 construction typical?"

8 A (Strabone) Yes.

9 Q Oh, it is?

10 A (Strabone) Yes. At least -- excuse me,
11 especially in a complexity of this substation,
12 where you do a complete rebuild, it is typical.

13 Q Okay. Now, moving on to the getaway feeder
14 cable project, as I understand, it was
15 originally a plan to be two of these cables, is
16 that right?

17 A (Strabone) For the getaway? The getaway
18 project itself is for all feeders coming out of
19 the substation. I believe you're referencing
20 the 14L4 and 14L5?

21 Q Yes.

22 A (Strabone) Yes.

23 Q So, what's the difference between the 14L4 and
24 the 14L5?

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 A (Strabone) That would just be another -- the
2 difference is just another circuit coming out
3 of the substation.

4 Q Okay. And I believe we have a data response
5 that says that the 14L5 was not built, correct?

6 A (Strabone) That is correct.

7 Q And can you confirm that there are no dollars
8 in this requested step adjustment for the 14L5?

9 A (Tebbetts) Yes.

10 Q Okay. Now, last year, in Exhibit 26, there
11 had been \$39,740, this is on Bates 003 of
12 Exhibit 6 [26?] labeled "Planning Criteria
13 Exclusion" under the substation project. Do
14 you see that?

15 A (Tebbetts) Yes.

16 Q Could you tell me what that was for?

17 A (Strabone) That is for material that was
18 purchased and installed inside the substation,
19 which included the circuit breaker, disconnect
20 switches, the labor associated with the install
21 of the circuit breaker and disconnect switches
22 and a relay cabinet inside the control house.

23 Q And was that all related to the cable 14L5 that
24 wasn't built?

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 A (Strabone) Correct.

2 Q Okay. Okay, but all of the -- well, let me ask
3 you this. Is all of the figures on Exhibit 26
4 for the project ending in 5101, called
5 "Addition of Getaway Cables", is that all for
6 the 14L4 or is that a combination of those two?

7 A (Strabone) Yes. That's associated with the
8 14L4.

9 Q Okay. Only?

10 A (Witness Strabone nodding in the affirmative).

11 Q Okay.

12 A (Strabone) Yes.

13 Q All right. So again, a couple of questions
14 about that cable. Could you explain for the
15 Commission what that cable does?

16 A (Strabone) Yup. That cable, it's an
17 underground cable. It's suitable to be
18 installed in a manhole convert system. And it
19 connects our substation to our overhead
20 distribution lines.

21 Q And was the equipment that was being replaced
22 of similar vintage to the substation?

23 A (Strabone) That is correct.

24 Q And would you classify this as a complete

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 overall, the way you did the substation?

2 A (Strabone) Yes.

3 Q And is it serving the purpose that was laid out
4 in the testimony in the rate case that it was
5 intended to serve?

6 A (Strabone) Yes, it is.

7 Q Okay. Now, there's a statement in the
8 testimony that says that the -- this is on
9 Bates 007, Page -- I'm sorry, Bates Page 007,
10 Line 10. It says "The total cost of the
11 substation and the getaway cables" -- no, I'm
12 sorry, I'm reading the wrong sentence. I
13 skipped a line. It says "The Pelham substation
14 project", at Line 9, "came in under budget by
15 \$445,510, or 9 percent." Is that under budget
16 the two projects combined or is it the
17 substation project?

18 A (Tebbetts) It's the two projects combined.

19 Q Oh. Okay. So, I wanted to break those out,
20 because I'm having a hard time figuring out
21 that number. So, could you break that down for
22 me into the two projects, starting with the
23 substation?

24 A (Tebbetts) Yes. Give me one moment.

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 Q And maybe I should break down the question a
2 little bit.

3 From reading the materials, is it correct
4 that the budget for the substation piece was
5 3,800,000?

6 A (Tebbetts) Let me -- I'm looking for my other
7 paper. Give me one moment please.

8 Okay. All right. So, I'm sorry. Could
9 you repeat the question please?

10 Q Yes. My understanding, and I can find you a
11 reference, if necessary, is that the budget for
12 the substation, just the substation piece, was
13 \$3,800,000, and it was broken down between 2016
14 of 600,000, and 2017, 3,200,000. And I believe
15 that's Data Request 13-2, which would be
16 Exhibit 31, but I could double-check that.

17 A (Tebbetts) So, as we filed, on Bates 019 and
18 Bates 022 provides our E-22 filings. And I'm
19 seeing, in 2016, we budgeted \$600,000 for the
20 substation, and, in 2017, we budgeted
21 3,600,000, which would provide us with a total
22 budget of 4,200,000 for the substation.

23 Q That's right. Thank you. I had added those
24 two numbers incorrectly; 600,000 and 3

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 million six (3,600,000) comes to 4 million
2 two (4,200,000). And the total as we have
3 established is 4,376,000, rounded, correct?

4 A (Tebbetts) Yes.

5 Q So, that piece of the project would be over
6 budget. Agreed?

7 A (Tebbetts) That piece of the project would be
8 considered over budget.

9 Q Okay. So, now going to the getaway cable, and
10 again, we're only deal with the 14L4. Could
11 you tell me what the 2016 and '17 budgeted
12 numbers for that were?

13 A (Tebbetts) \$1,350,000.

14 Q And 350,000 was in 2016, correct?

15 A (Tebbetts) Yes.

16 Q And the 1 million was in 2017?

17 A (Tebbetts) Yes.

18 Q Okay. Now, in --

19 MR. DEXTER: Excuse me, Mr. Chairman,
20 I just want to go off the record for a second.

21 CHAIRMAN HONIGBERG: Sure.

22 *[Brief off-the-record discussion*
23 *ensued.]*

24 CHAIRMAN HONIGBERG: Go ahead, Mr.

1 Dexter.

2 MR. DEXTER: Thank you.

3 BY MR. DEXTER:

4 Q So, I was looking at Exhibit 30. It's a
5 two-page data response. And it's Page 2 of 2.
6 There's a sentence at the bottom that I'm going
7 to paraphrase. It says essentially that the
8 budget of this project originally was \$400,000,
9 and that that budget was updated to a million
10 dollars. And this is related to the 14L4 cable
11 in 2017. Is that a fair statement?

12 A (Tebbetts) Yes.

13 Q So, could you tell me what led to the revised
14 budget increase from 400,000 to a million
15 dollars?

16 A (Tebbetts) It's just the cost of the project
17 was revised. It was never included in the
18 documentation we provided during the Settlement
19 Agreement discussions.

20 Q Sure. But do you know why, what costs went up
21 or what circumstances changed that led to the
22 budget revision?

23 A (Strabone) The original 400,000, it was for the
24 feeder, it was originally for -- just a

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 placeholder for the feeder to come out, and the
2 scope was not defined. During the engineering
3 the conceptual design, the detailed design,
4 going out and getting bids, the cost was
5 revised.

6 Q And when was the revision made, do you know?

7 A (Tebbetts) Are you looking for an exact date?

8 I don't --

9 Q Sure, if you have it. And if you don't, an
10 approximation.

11 A I don't. Sure. An approximation, it was
12 sometime in late 2016, early 2017, because that
13 was when we were certainly moving through the
14 rate case at the time.

15 Q Okay. So, the final budget then, 1,350,000,
16 how does that compare to the final actual
17 number? I think you just updated the final
18 actual number in your preliminary comments.

19 A (Tebbetts) Yes. The final number was
20 approximately \$638,000, or about 711,000 less
21 than we budgeted for on that project.

22 Q And so, the net of those two numbers, I didn't
23 bring my calculator, but that would get me
24 close or to the number that you came in under

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 budgetwise on Line 9, 445,000?

2 A (Tebbetts) That's correct. Both projects were
3 intertwined, and so we found that it was, you
4 know, looking at both projects in the same
5 light would be appropriate, as we felt was why
6 it's in the Settlement Agreement in the manner
7 that it's in.

8 Q Sure. And now, a question I don't get to ask
9 very often. Could you tell me why that project
10 came in so far under budget?

11 A (Strabone) Because --

12 Q And that was not directed at Liberty Utilities.
13 I'm working on a lot of other cases where this
14 issue has come up.

15 A (Strabone) We carried a significant contingent
16 to accommodate pole sets, in the event that
17 Consolidated Communications could not set the
18 poles for us. In Pelham, it's their set area,
19 so they set poles for any distribution projects
20 that Liberty requires. However, in the event,
21 we carry a large contingent with our contractor
22 to accommodate this work, if needed.

23 Q But I thought you said it was an underground
24 cable?

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 A (Strabone) There are poles associated -- there
2 is poles associated with, you come up
3 underground you have to rise up to the
4 circuits. And as part of this, there's pole
5 sets that are required, which I didn't explain
6 properly earlier. So, my apologies.

7 Q Okay. So, I'm not sure I followed all that,
8 but it sounds like you were able to handle the
9 pole attachments with less money than you had
10 planned for?

11 A (Strabone) That is correct.

12 Q Because you did it or because Consolidated did
13 it for less than you thought they would?

14 A (Strabone) Consolidated did it. If they did
15 not, we would have to burden the cost of that
16 work.

17 Q Oh, I see. So, they did it, so it cost you
18 less?

19 A (Strabone) That is correct.

20 Q Okay.

21 A (Strabone) And to also clarify, there is a
22 contingent also in that as well with the
23 underground contractor, in the event that they
24 incur ledge or other obstacles that need to be

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 addressed as well.

2 Q Okay. Thank you. I have one last line of
3 questions about the cost of the project, and it
4 has to do with -- I mean, it's best referenced
5 by looking at Bates 003 of Exhibit 26. There's
6 a column, three or four columns in, called
7 "Overheads" for both projects. Could you
8 describe briefly how overheads are calculated?

9 A (Tebbetts) Just one minute while I find -- what
10 page was that?

11 Q It's Exhibit 26, from the last phase of the
12 docket, Bates 003, the one with the actual
13 costs.

14 A (Tebbetts) Yes. Just give me a minute please.
15 So, as provided in the audit report for the
16 Pelham substation that was done by the
17 Commission's Audit Staff, I'm just going to
18 give an over -- high-level information about
19 how burdens are calculated. And in the audit
20 report, it notes that there's a stated rate for
21 burden allocation, depending on the eligible
22 burden charges in a job, and that total
23 population to be allocated and the amount to be
24 allocated will determine the amount of burden

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 each individual job receives. The burden
2 process is based on actual charges, and could
3 fluctuate from month-to-month, depending on the
4 level of construction.

5 Q So, in this instance, I did a little math. And
6 I saw that, for the substation project, the
7 overheads were about 30 percent of the total
8 cost. This is as of 2017, with the numbers on
9 this schedule. Does that sound like a
10 reasonable percentage of overheads?

11 A (Tebbetts) Yes.

12 Q And on the getaway cables, the number was
13 closer to 22 percent. Does that sound like a
14 reasonable number of overheads on a project
15 like that?

16 A (Tebbetts) Yes.

17 Q Okay. And I read that same audit report, and
18 I'll note that the -- I don't believe the Audit
19 Department had taken any exception with the
20 overhead calculations.

21 A (Tebbetts) They did not.

22 Q Okay. So, is it correct that the amounts for
23 these two projects that are not recovered
24 through the step adjustments that have been

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 implemented or presumably will be implemented
2 through this case, that the difference will end
3 up in rate base in the Company's next base rate
4 case?

5 A (Tebbetts) Yes. The request for recovery in
6 this docket was limited, but doesn't preclude
7 us from requesting cost recovery for the rest
8 of the projects in our next rate case.

9 Q And I think everyone's understanding is that
10 that case is under preparation. So, there's no
11 reason for us to expect that those amounts
12 won't be included in the proposed rate base,
13 true?

14 A (Tebbetts) That is correct.

15 MR. DEXTER: Okay. And I would like
16 to ask a request. I don't know that it's
17 necessary for the decision in this case. But
18 Exhibit 26, Bates 003, gets us about 98 percent
19 of the way to the project, with a fairly
20 detailed breakdown of the actual costs of these
21 two projects. I would like to ask the Company
22 to update this for the final numbers. And that
23 way we will know what we're starting with as a
24 total amount when the rate case comes in. And

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 we'll know what was already collected through
2 the step adjustments. And we'll know exactly
3 what's at issue in the rate case.

4 CHAIRMAN HONIGBERG: Does that seem
5 like a reasonable request, Mr. Sheehan?

6 MR. SHEEHAN: It does. We assumed
7 we'd provide it in discovery then. But I'm
8 sure we could provide it here, if he wants.

9 CHAIRMAN HONIGBERG: To just get a
10 head start. So, we'll reserve 33 for that.

11 *(Exhibit 33 reserved)*

12 MR. DEXTER: Thank you very much.
13 And I don't have any further questions.

14 CHAIRMAN HONIGBERG: Commissioner
15 Bailey.

16 CMSR. BAILEY: Thank you. I just
17 have a few follow-ups.

18 BY CMSR. BAILEY:

19 Q Why did you not built the 14L5 getaway?

20 A (Strabone) We did not build it because it was
21 removed from our scope of work due to budget
22 concerns.

23 Q Can you look at Bates Page 017 of Exhibit 28?

24 A (Tebbetts) Yes.

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 Q So, this had the budget for the L4 and the L5?

2 A (Tebbetts) Yes.

3 Q And how does that compare with what you just
4 went through for the budget for L4 of
5 \$1.35 million?

6 A (Tebbetts) So, the 14L5 was actually excluded
7 from the planning, as planning criteria, so it
8 wouldn't have been included in the step
9 adjustment. And we also ran into budget
10 constraints, so we didn't build it. It would
11 not have been requested as recovery through the
12 step adjustment though.

13 Q But, in approving the budget that we approved
14 for the step adjustment, the L5 was not
15 included in that because it was excluded by the
16 planning criteria?

17 A (Tebbetts) That's correct. In the notes, it
18 says "2018 reflects the exclusion of the 14L5
19 planning criteria feeder position from the
20 substation spend". And as well, it would have
21 precluded -- excluded the building of the line
22 itself.

23 Q Okay. Back to Mr. Strabone, is that how you
24 say your name?

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 A (Strabone) Yes. Perfect.

2 Q Okay. You said that this was a "major
3 overhaul" of existing assets. Were there two
4 getaway cables that were in place?

5 A (Strabone) There's actually three circuits
6 coming out of there.

7 Q And you replaced them all with one?

8 A (Strabone) They were all replaced in-kind.

9 Q Okay. Yes, I don't understand either. So, you
10 were going to build 14L4 and 14L5. You had
11 three.

12 A (Strabone) We had an existing 1, 2, and 3.

13 Q Okay. And what did 14L4 replace?

14 A (Strabone) It was a new feeder.

15 Q Oh. So, you were originally going to replace
16 the three that were existing and add two more?

17 A (Strabone) That is correct.

18 Q And you only added one more?

19 A (Strabone) That is correct.

20 Q And is the reliability of the system impacted
21 by that decision at all? Will you need to
22 build the fifth getaway cable eventually?

23 A (Strabone) I would say, eventually, but our
24 Manager of Planning will determine when that

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 project needs to come to light.

2 CMSR. BAILEY: Okay. Thank you.

3 CHAIRMAN HONIGBERG: Commissioner
4 Giaimo.

5 BY CMSR. GIAIMO:

6 Q Following up on that question, how long before
7 you would expect this substation needs the next
8 upgrade? Forty years? Thirty years?

9 A (Strabone) The substation itself? Hopefully,
10 40 years.

11 Q You mentioned a "relay cabinet". Can you
12 explain what that is?

13 A (Strabone) Sure. It's inside the control
14 house. And it has all the equipment necessary.
15 That is basically the brains of the breaker
16 position. So, it has a relay in it, control
17 handles, and a bunch of other miscellaneous
18 equipment. And what that provides, it monitors
19 voltage, current, and other things on the
20 system. And when needed, due to set
21 parameters, it will send a open signal to the
22 breaker to de-energize the feeder.

23 Q And I remember reading somewhere in this docket
24 that you needed to increase the size of the

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 house. Was that to allow for more relay
2 cabinets?

3 A (Strabone) That is correct.

4 Q Okay. So, there is \$445,000 under budget. And
5 if I heard you right, it was mostly due to
6 there being fewer costs -- less costs with
7 respect to poles?

8 A (Strabone) Yes. And one other part was also we
9 carried a contingent for underground
10 construction as well, due to any unforeseen
11 issues that we may have discovered while
12 installing the getaways.

13 Q So, there was no ledge found?

14 A (Strabone) Inside the substation, there was,
15 but not outside.

16 Q Which allowed you to do it at a lower cost than
17 expected?

18 A (Strabone) That is correct.

19 Q Or the contingency was not correct?

20 A (Strabone) That's correct.

21 Q Was there any savings associated or did the
22 Company do an analysis as to how much money was
23 saved by accelerating it?

24 A (Strabone) There was savings. I,

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 unfortunately, do not have that number in front
2 of me. But by going out, doing it with
3 National Grid, we did save on the same
4 contractor. Some of the savings that we
5 realized were mobilization/demobilization of
6 the contractors, site safety, and a few other
7 miscellaneous substation -- overall
8 improvements to the substation.

9 Q I guess my final question is, the mobile
10 substation, does that have the same reliability
11 as the in-service substation?

12 A (Strabone) The mobile was just a temporary.
13 And it had the same reliability as the existing
14 sub, but not our completed major overall of the
15 substation, which is more reliable than just
16 the mobile substation.

17 Q Which would give you an additional reason to
18 get the new one in, as opposed to having the
19 mobile or you're existing?

20 A (Strabone) That is correct.

21 CMSR. GIAIMO: Thank you.

22 BY CHAIRMAN HONIGBERG:

23 Q Just regarding the savings, you said you didn't
24 have the -- you don't have the information

[WITNESS PANEL: Tebbetts|Strabone|Simek]

1 directly in front of you. What's the order of
2 magnitude of how much you saved? Is it the
3 kind of thing you'd say \$10,000? \$100,000?
4 \$500,000.

5 A (Strabone) No. The first number of \$10,000,
6 that would be the order of magnitude.

7 CHAIRMAN HONIGBERG: All right.
8 Thank you. I don't have any other questions.

9 Mr. Sheehan, do you have any
10 follow-up for your witnesses?

11 MR. SHEEHAN: I do not. Thank you.

12 CHAIRMAN HONIGBERG: All right.
13 There are no other witnesses we're going to be
14 hearing from, I think the three of you can
15 probably stay where you are.

16 Without objection, we'll strike ID on
17 Exhibits 28, 29, 30, 31, and 32. We will hold
18 open 33 for the record request. Although, it's
19 my understanding that everyone agrees it's not
20 necessary for resolution of what we have in
21 front of us.

22 If there's nothing else, we will have
23 the parties sum up. Mr. Kreis, why don't you
24 start us off.

1 MR. KREIS: Thank you, Mr. Chairman.
2 This has been a very interesting hearing. And
3 I learned a little bit about this particular
4 substation, and what it's -- how it's
5 constructed, how it's relaced, how the Company
6 plans, how it deploys its capital, why they
7 take so long.

8 But, in the end, I think the record
9 amply demonstrates that the step increase that
10 the Company proposes to implement, consistent
11 or as agreed to and approved in the Settlement
12 Agreement, is all in order. And I think,
13 therefore, that the Commission should approve
14 what the Company is requesting.

15 Thank you.

16 CHAIRMAN HONIGBERG: Thank you, Mr.
17 Kreis. Mr. Dexter.

18 MR. DEXTER: Thank you. I agree with
19 Mr. Kreis, I learned a bit about this project
20 in this hearing as well.

21 And I appreciate the fact that the
22 Company took the Commission's directive from
23 the order in this last year seriously, and
24 allowed us to conduct a thorough review of the

1 project, by allowing us to go into some of the
2 details of the project.

3 That being said, I believe the
4 request was properly calculated, with the
5 corrections that were made. And Staff would
6 recommend approval of the percentage increase
7 as presented.

8 CHAIRMAN HONIGBERG: Thank you, Mr.
9 Dexter. Mr. Sheehan.

10 MR. SHEEHAN: Thank you. Today we're
11 seeking approval for the recovery of the last
12 1.25 million from the step adjustment. As you
13 heard, this mostly wraps up the recovery of the
14 Pelham substation and related equipment. It
15 was an important project for the Company. It
16 was an important project for customers. And
17 Anthony and his team did a great job of
18 bringing it in timely, as you heard, to work
19 with National Grid, and under budget for the
20 reasons you heard.

21 This last step brings to a close the
22 recovery in the 2016 rate case. We did, just
23 to say out loud, part of the step did provide
24 for work in Charlestown. We have done that

1 work, it's in service. But, for the reasons
2 we've stated in the filing, we did not include
3 it here, more out of simplicity, the Staff
4 hasn't been through it yet. It will be part of
5 the rate case. So, we opted just to hold back
6 until we file the rate case.

7 And the last, just the repeat of what
8 Mr. Simek said, the Company intends to put into
9 effect the last step of removing the block
10 rates. Again, I don't think that's something
11 the Commission needs to act on. It's already
12 been approved. And we will do it May 1st with
13 whatever comes out of this order as well.

14 So, we do ask that you approve the
15 requested recovery effective May 1.

16 Thank you.

17 CHAIRMAN HONIGBERG: Thank you,
18 Mr. Sheehan.

19 I think there's nothing else. We
20 will take the matter under advisement, hold the
21 record open for 33, issue an order as quickly
22 as we can. Thank you all.

23 ***(Whereupon the hearing was***
24 ***adjourned at 2:35 p.m.)***