

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

April 11, 2017 - 10:38 a.m.
Concord, New Hampshire

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RE: DE 17-043
LIBERTY UTILITIES (GRANITE STATE
ELECTRIC) CORP. d/b/a LIBERTY
UTILITIES: *Reliability enhancement
Plan and Vegetation Management
Plan Report.*

PRESENT: Chairman Martin P. Honigberg, Presiding
Commissioner Robert R. Scott
Commissioner Kathryn M. Bailey

Sandy Deno, Clerk

APPEARANCES: Reptg. Liberty Utilities (Granite
State Electric) Corp. d/b/a
Liberty Utilities:
Michael J. Sheehan, Esq.

Reptg. Residential Ratepayers:
D. Maurice Kreis, Esq., Consumer Adv.
James Brennan, Finance Director
Office of Consumer Advocate

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Rich Chagnon, Electric Division

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

**CERTIFIED
ORIGINAL TRANSCRIPT**

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E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	Reliability Enhancement Plan and Vegetation Management Plan Report, with Appendix, Direct Testimony of Christian Brouillard & Jeffrey Carney, and Direct Testimony of Heather M. Tebbetts, including Schedules (03-15-17)	5
2	Revised Direct Testimony of Heather M. Tebbetts (04-10-17)	5

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P R O C E E D I N G

CHAIRMAN HONIGBERG: We're here in Docket DE 17-043, which is Liberty Utilities (Granite State Electric) Corp.'s Calendar Year 2016 Reliability Enhancement and Vegetation Management Plan Results and Reconciliation.

Let's go off the record.

[Off-the-record discussion ensued followed by a short pause.]

CHAIRMAN HONIGBERG: All right. Before we go any further, let's take appearances.

MR. SHEEHAN: Good morning, Commissioners. Mike Sheehan, for Liberty Utilities (Granite State Electric) Corp.

MR. KREIS: Good morning, Commissioners. I am D. Maurice Kreis, sometimes referred to colloquially as "Don Kreis", the Consumer Advocate. With me today is Jim Brennan, our Director of Finance. We are here on behalf of the residential customers of this fine utility.

MS. AMIDON: Good morning. Suzanne

1 Amidon, for Commission Staff. With me today is
2 Rich Chagnon, who's an analyst with the
3 Electric Division.

4 CHAIRMAN HONIGBERG: Are there any
5 preliminary matters we should deal with?

6 Mr. Sheehan.

7 MR. SHEEHAN: Yes, sir. Two
8 exhibits. The first is our initial filing. It
9 would be "Exhibit 1". The second is some
10 revised testimony filed last week of Heather
11 Tebbetts with a few corrections. That would be
12 "Exhibit 2". And the revised testimony has the
13 same page numbering denoted "R" as the
14 original.

15 CMSR. BAILEY: Thank you for that.

16 MR. SHEEHAN: You're welcome.

17 (The documents, as described,
18 were herewith marked as
19 **Exhibit 1** and **Exhibit 2**,
20 respectively, for
21 identification.)

22 CHAIRMAN HONIGBERG: Anything else?

23 *[No indication given.]*

24 CHAIRMAN HONIGBERG: I see witnesses

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 are already in place.

2 MR. SHEEHAN: Yes.

3 CHAIRMAN HONIGBERG: All right. So,
4 why don't we have the witnesses sworn in.

5 (Whereupon **Heather M. Tebbetts,**
6 **Joel Rivera,** and **Jeffrey Carney**
7 were duly sworn by the Court
8 Reporter.)

9 CHAIRMAN HONIGBERG: Mr. Sheehan.

10 MR. SHEEHAN: Thank you.

11 **HEATHER M. TEBBETTS, SWORN**

12 **JOEL RIVERA, SWORN**

13 **JEFFREY CARNEY, SWORN**

14 **DIRECT EXAMINATION**

15 BY MR. SHEEHAN:

16 Q. Ms. Tebbetts, your name and position with the
17 Company please.

18 A. (Tebbetts) My name is Heather Tebbetts. I work
19 for Liberty Utilities Service Corporation in
20 our Rates and Regulatory Group. And I'm
21 responsible for rate-related services for
22 Granite State Electric.

23 Q. And, Ms. Tebbetts, you filed testimony in this
24 matter?

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 A. (Tebbetts) Yes.

2 Q. And your original testimony appears at Page --
3 where did it go? -- 45 of Exhibit 1, is that
4 correct?

5 A. (Tebbetts) Yes.

6 Q. And you also filed revised testimony, which has
7 been marked as "Exhibit 2", is that correct?

8 A. (Tebbetts) Yes.

9 Q. With those changes to your revised testimony,
10 if I asked the questions in your written
11 testimony today would your answers be the same?

12 A. (Tebbetts) Yes.

13 Q. And do you adopt your written testimony as
14 revised?

15 A. (Tebbetts) Yes.

16 Q. Mr. Carney, your name and position with the
17 Company please.

18 A. (Carney) Jeff Carney. I'm employed by Liberty
19 Utilities Service Corp. as the Program Manager
20 of Inspections and Vegetation. In that
21 capacity, I support electric operations, plan
22 budget, and manage Granite State's inspection
23 of vegetation management programs, vendor
24 performance, storm support, and regulatory

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 support on distribution and sub transmission
2 assets.

3 Q. And, turning to Exhibit 1, the very first
4 document at Page 1 is the report, and there's
5 testimony that bears your name that begins on
6 31. Is that -- do you have any changes to your
7 testimony that begins at Page 31?

8 A. (Carney) No, I do not.

9 Q. And were you involved in preparing the report
10 that begins on Page 1?

11 A. (Carney) Yes.

12 Q. And, if I were to ask you the questions in your
13 testimony today, would your answers be the
14 same?

15 A. (Carney) Yes.

16 Q. And do you adopt that testimony?

17 A. (Carney) Yes, I do.

18 Q. And, Mr. Rivera, your name please and position
19 with the Company.

20 A. (Rivera) Hello. My name is Joel Rivera. I am
21 the Electric Planning Engineer for Liberty
22 Utilities Service Corporation. I was involved
23 in preparing the REP/VMP report, including a
24 summary of the capital spend and the

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 reliability results.

2 Q. And you did not file testimony, but you're here
3 today to adopt the testimony of Mr. Brouillard,
4 is that correct?

5 A. (Rivera) Yes.

6 Q. Have you reviewed Mr. Brouillard's testimony
7 that appears in Exhibit 1?

8 A. (Rivera) Yes.

9 Q. And do you have any changes to make to that
10 testimony?

11 A. (Rivera) No.

12 Q. And, if I were to ask you the questions that
13 were asked in writing of Mr. Brouillard, will
14 your answers today be the same that Mr.
15 Brouillard gave in writing?

16 A. (Rivera) Yes.

17 Q. And do you hereby adopt Mr. Brouillard's
18 testimony?

19 A. (Rivera) Yes.

20 MR. SHEEHAN: Thank you. They're
21 available for cross-examination.

22 CHAIRMAN HONIGBERG: Welcome, Mr.
23 Rivera. Mr. Kreis.

24 MR. KREIS: Thank you. Good morning,

{DE 17-043} {04-11-17}

1 witnesses. I just have a few questions.

2 **CROSS-EXAMINATION**

3 BY MR. KREIS:

4 Q. Looking at, I guess, the VMP Report, which is
5 part of Exhibit 1. And I notice, on Bates Page
6 005, which is Page 3 of the Report, there is a
7 reference to billing FairPoint for its share of
8 the planned vegetation management work. How is
9 FairPoint's share of that work determined?

10 A. (Carney) The share that FairPoint contributes,
11 on average, 92 percent of our overhead assets
12 are jointly owned between the Company and
13 FairPoint. So, out of the total spend,
14 92 percent of it is split between the two
15 companies. And, for maintenance trimming
16 contained in the REP/VMP Plan FairPoint
17 contributes 20 percent of all related expenses,
18 trimming, traffic control, work planning, tree
19 removals. And, with respect to tree removals,
20 they contribute 50 percent of the total cost
21 for hazard tree removals.

22 Q. How did you -- how do you determine those
23 percentages?

24 A. (Carney) We have a database that indicates the

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 amount of joint ownership by circuit in terms
2 of the number of poles. And, on average, it's
3 92 percent. It's different for every circuit.
4 Almost every circuit we have does have some
5 joint ownership. And we only have one or two
6 small ones that are 100 percent Liberty
7 Utilities.

8 Q. How do electric customers know that FairPoint
9 is paying its fair share?

10 A. (Carney) I can't answer that question. I'm not
11 sure what knowledge they have.

12 Q. Well, maybe that was too glib a way of putting
13 it. What assurances can the Company provide to
14 the Commission and the public that these costs
15 are allocated properly?

16 A. (Carney) I'm sorry. Could you repeat that
17 question?

18 Q. How does the Commission know that FairPoint is
19 paying an appropriate share of the expenses for
20 keeping these jointly owned facilities free of
21 vegetation-related damage?

22 A. (Carney) We're carrying those costs, okay, that
23 we report through the REP/VMP process. And,
24 whether they pay them or not, we're still using

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 that credit. We assume that credit when we
2 make the filing. That, for 2016, their
3 contribution was going to be \$350,000. We
4 billed them \$70,000 midyear last year, which
5 they paid. And we billed them the remaining
6 \$280,000 in January of this year, which
7 currently remain unpaid.

8 Q. When will they be paying that \$280,000?

9 A. (Carney) I don't have an answer to that
10 question either. Sometimes we just have to
11 wait them out. I was recently asked if we sent
12 them, and we did. We demonstrated that to them
13 that we sent them in January. They were dated
14 January 21st. And we re-sent them to FairPoint
15 last week.

16 Q. But, in the event FairPoint doesn't pay, is
17 that something that you would recover from your
18 electric customers?

19 A. (Carney) Do you have an answer to that,
20 Heather?

21 A. (Tebbetts) Yes. So, we have included in the
22 rate the \$350,000 that we invoiced to
23 FairPoint. This has happened in the past where
24 they have been slow to pay. And, in that case,

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 we have worked offline with them to get them to
2 pay. And, so far, that issue has gone away.
3 If this issue comes back, we'll work offline to
4 try to get them to pay. And, if something
5 comes out of that, then we'll have to reassess
6 what's going on at the time. But, for now,
7 customers receive that credit that we expect
8 FairPoint to pay.

9 Q. Okay. Looking at Page 8 of the REP/VMP Report,
10 which is Bates Page 010, there is a discussion
11 of the fact that the bare conductor replacement
12 was something like half of the proposed budget
13 of \$1.2 million. And the report goes on to say
14 that that variance I just described was driven
15 primarily by the bid prices being much lower
16 than expected, which resulted in a lower than
17 forecasted investment. How is it possible for
18 the estimate and the bid prices to be so far
19 apart from each other?

20 A. (Rivera) Well, we've worked of historical data.
21 And, at the time, we assumed a certain amount
22 of capital costs per mile to replace bare
23 conductor. These estimates came from our
24 predecessor company, and that's basically what

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 we used to estimate these replacements.

2 Using four years' worth of data, we found
3 that it's actually a lot less to replace bare
4 conductor. And we've adjusted our estimates
5 accordingly. We had assumed that it was about
6 roughly 600,000 per mile to replace bare
7 conductor. But, in actuality, that cost is
8 closer to 320,000 per mile.

9 Q. So, basically, if I understood your answer
10 right, the previous owner was -- you're better
11 than the previous owner at estimating the cost
12 of bare conductor?

13 A. (Rivera) I think we are using more recent data.
14 And I can't speak to whether or not we're
15 better than our predecessor.

16 Q. On Page 11 of the REP/VMP Report, again, that's
17 Exhibit 1, and Page 11 is Bates Page 013,
18 there's a reference to "automatic transfer
19 schemes at substations". What's an "automatic
20 transfer scheme"?

21 A. (Rivera) So, a typical substation for Liberty
22 Utilities has two supplies. Half of the
23 substation is supplied by each of the supply
24 lines. So, in the middle of the substation,

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 there's a normally open air-break switch. So,
2 if you lose one of the two supplies coming into
3 the substation, there's a dead bus transfer
4 scheme at the substation that senses a loss of
5 power and sends a signal for one of the
6 air-breaks to open to isolate the substation,
7 so that tie air-break then can close in and
8 restore the half of the substation.

9 So, the issue that we had, for example, at
10 our Lebanon Substation, we had an issue with
11 the motor operator. Internally, the mechanisms
12 were misaligned. So, when the relay sends the
13 signal to open, to isolate the bus, that
14 failed. It wouldn't open the bus. So, now,
15 the transform scheme fails and basically goes
16 to lock out, and you have customers out.

17 Since then, we have reviewed all our
18 transform schemes at all our -- all the
19 substations. And we've corrected any issues
20 with any transfer schemes. It's worth noting
21 that we had a recent outage at one of our
22 supplies from Wilder. And the transform
23 schemes worked correctly after-the-fact, that
24 we went in there and maintained the transform

{DE 17-043} {04-11-17}

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 schemes.

2 Q. One of your "supplies from Wilder", that's in
3 Vermont, isn't it?

4 A. (Rivera) Correct. It's a National Grid supply.

5 Q. This is probably a question for Ms. Tebbetts.
6 Could you remind me at least the extent to
7 which any of this reconciliation for
8 reliability enhancement and vegetation
9 management changes going forward, in light of
10 the Settlement Agreement that we reached in the
11 rate case we just concluded?

12 A. (Tebbetts) Yes. So, going forward would mean,
13 for 2017 spending year, which is not reflected
14 in this filing, I believe that the spending is
15 going to go up -- let me just look at my paper
16 for one moment please.

17 Okay. So, for the base spending level for
18 veg. management, I believe it's going to go up
19 to 1.5 million in base rates. And, then, the
20 other piece of this that will change is with
21 regards to calculating the revenue requirement.
22 Currently, we're using what has been approved
23 for our capital structure in Docket DE 13-063.
24 And, with the change of our capital structure

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 in Docket DE 16-383, we will be using the new
2 capital structure when we make our filing in
3 '18 for 2017 spending.

4 Q. And there's also a change in the tree trimming
5 periodicity.

6 A. (Tebbetts) Ah. Yes. The other item there is
7 we are going from a five-year trim cycle to a
8 four-year trim cycle.

9 Q. And we can expect some better reliability
10 results as a result of that?

11 A. (Tebbetts) I would say yes.

12 Q. Is there a point in the future where the
13 Company foresees reliability enhancement as a
14 program to be no longer necessary, because the
15 reliability of the Company has been adequately
16 enhanced, or is enhancement going to be a
17 permanent condition?

18 A. (Rivera) I think we always strive to improve
19 reliability. At the very least, for us, we
20 want to maintain a certain level of
21 reliability, and is why we use the five-year
22 average as our standard, our target. We may
23 not continue doing the same type of projects.
24 We might come to different mechanisms to

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 improve reliability in the future.

2 But, as far as bare wire replacement, we
3 expect that to continue for about another four
4 years. And the reclose -- single-phase
5 reclosers and the trip savers, there will come
6 a time where our system will be too saturated
7 with these units. So, we'll have to come up
8 with different mechanisms to either improve or
9 maintain our reliability.

10 Q. I would say it's really great that the Company
11 is interested in always improving its
12 reliability. But there does come a point, does
13 there not, where reliability can't -- shouldn't
14 be improved anymore, because it's not
15 cost-effective. Wouldn't that be a fair
16 statement?

17 A. (Tebbetts) So, if that happens, if that point
18 comes about, we would certainly reevaluate our
19 programs with Commission Staff and your office,
20 as needed in the future.

21 And, Mr. Kreis, I'd like to add one more
22 item that I forget when you asked what the
23 difference is between today and in the future
24 of this filing. And the other item is that

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 this filing actually is based -- is a cash
2 basis right now. And one of the items that
3 we've included will be an accrual basis for the
4 2018 filing for 2017 spend.

5 Q. That's what we'll be talking about a year from
6 now?

7 A. (Tebbetts) Yes.

8 MR. KREIS: Mr. Chairman, I think
9 those are all of my questions.

10 CHAIRMAN HONIGBERG: Ms. Amidon.

11 MS. AMIDON: Thank you. Good
12 morning.

13 BY MS. AMIDON:

14 Q. Just a question on FairPoint, and whoever knows
15 the answer to this, please feel free to
16 respond. Do you have a memorandum of
17 understanding with FairPoint, do you know?

18 A. (Carney) Yes, we do.

19 Q. Okay. And I'm assuming, and would you assume,
20 that the MOU might contain provisions on
21 recourse of the Company, in the event that
22 FairPoint did not pay its share of invoiced
23 costs?

24 A. (Carney) Yes, it does.

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 Q. Okay. Thank you. If we go to Page 10 of the
2 Report, I mean Bates stamp 010, I believe,
3 where you talk about bare conductor, and you
4 can let me know when you're there.

5 A. (Carney) Yes.

6 Q. Did, if I read this correctly, did the Company,
7 despite the fact that the costs came in under
8 budget, did you replace as much bare conductor
9 as what you planned or did you increase that?

10 A. (Rivera) We still replaced 2 miles of bare
11 conductor.

12 Q. And that was what was planned, correct?

13 A. (Rivera) Correct.

14 Q. Okay. And, so, in your -- in this report,
15 Bates 010, at Line 10, it says -- well, at
16 Line 11, you say "The REP Plan for 2017 was
17 adjusted to reflect lower bid prices and lower
18 estimates." So, what assumptions are you
19 making with the plan for bare conductor
20 replacement in 2017?

21 A. (Rivera) So, for 2017, we've used a different
22 estimate. We're no longer using the 600,000
23 per mile. We've changed that to approximately
24 380,000 per mile. So, that gives us more than

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 2 miles, I don't know the exact number, but I
2 can get you that.

3 Q. Oh, that's okay. I just wanted to -- I just
4 wanted to demonstrate for the record that the
5 Company is taking advantage of that lower cost
6 to do additional work for 2017?

7 A. (Rivera) Correct.

8 Q. Thank you. And, in connection with the bare --
9 I guess it's the bare conductor replacement,
10 you have some, on Page Bates 015, I'll wait
11 till you get there.

12 A. (Rivera) Okay.

13 Q. So, there are two tables which show "Calendar
14 Year Historical Reliability Performance". And
15 the one on the right says "REP Bare Conductor
16 Replacement". So, does this represent the
17 whole circus -- circuit or just the circuit
18 where you replace the bare conductor?

19 A. (Rivera) It represents the whole circuit.

20 Q. Okay. Thank you. Now, I'd like to go to
21 Appendix 3, I believe the Bates number is 021.
22 Let me know when you're there.

23 A. (Rivera) Okay. I'm there.

24 Q. Thank you. Now, just briefly explain what this

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 table is intended to depict.

2 A. (Rivera) So, this table shows the REP projects
3 for 2015, which are Lines 1 through 12. And
4 the REP projects that were part of the 2016
5 Plan, which are Lines 13 through 24. The
6 reason we included the 2015 projects, it's so
7 that we can show how much was carried over into
8 2016. So, \$97,621 were carried over from 2015
9 into 2016, and that's why we showed these
10 projects under Lines 1 through 12.

11 Q. And this is -- is this based on the cash
12 accounting that Ms. Tebbetts referred to?

13 A. (Tebbetts) Yes. This is all part of the --
14 when we look at the revenue requirement
15 calculation, yes.

16 Q. Okay. Thank you. Now, Lines 3 and 5 show no
17 entries in terms of the various columns there.
18 Is that because there were no additional
19 carryover costs?

20 A. (Rivera) Correct.

21 Q. But they were potentially identified as having
22 carryover effect?

23 A. (Rivera) Yes. We listed every single project
24 from the previous plan.

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 Q. Okay. I see now. Okay. And, then, Line 4,
2 there is, and I'm taking that to be a negative
3 number, "691"?

4 A. (Rivera) Correct.

5 Q. So, could you explain what happened there?

6 A. (Rivera) Can I get back to you on that one?

7 Q. Oh. Sure.

8 MS. AMIDON: I mean, that's not
9 essential for the completion of this hearing,
10 Mr. Chairman. It was just a question that I
11 had.

12 CHAIRMAN HONIGBERG: Were you looking
13 for the details about what happened in the
14 construction or were you just -- you just
15 wanted to confirm the fact --

16 MS. AMIDON: Just confirm--

17 CHAIRMAN HONIGBERG: -- the fact that
18 the number in brackets means that that one
19 probably cost more than they expected, so there
20 was a negative carryforward?

21 MS. AMIDON: That's exactly right. I
22 just wanted to confirm the nature of the entry,
23 and not to understand the underlying --

24 CHAIRMAN HONIGBERG: All right. So,

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 why don't -- I don't think the witness was
2 necessarily on the same page as you.

3 MS. AMIDON: Thank you.

4 WITNESS RIVERA: I do believe it to
5 be an accounting transfer.

6 MS. AMIDON: Thank you. That's all I
7 wanted to know, because it just stood out.

8 BY MS. AMIDON:

9 Q. On this same page, on Line, I guess it's 14 and
10 15, there appear to be an additional budgeted
11 investment for 2016. And, then, if we look at
12 Column (f), these amounts are -- one amount is
13 somewhat less, that would be Line 14, and then
14 another amount on Line 15 is closer to the
15 budgeted amount. Do you see what I'm pointing
16 to?

17 A. (Rivera) Yes.

18 Q. So, are these two projects likely to have
19 carryover for the final year?

20 A. (Rivera) Correct.

21 Q. Okay.

22 A. (Rivera) The project on Line 14 did not have a
23 recloser material charged to it, and that will
24 be picked up in the 2017 Plan.

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 Q. Thank you. And do you know if the same thing
2 is true for 15 or is this a different issue?

3 A. (Rivera) The costs that you see for Line 15 is
4 accurate.

5 Q. Okay. Thank you very much. And, then, I think
6 the remainder of my questions are for
7 Ms. Tebbetts.

8 So, first of all, would you please
9 explain, I'm looking at Exhibit 2, which is
10 your testimony that you filed last Friday.
11 Could you just explain briefly why you -- what
12 corrections are contained in, or
13 clarifications, if you will, are contained in
14 that filing?

15 A. (Tebbetts) Yes. So, nothing changed with
16 regards to the information in the filing. The
17 numbers stayed the same. After some discussion
18 with Staff, it was -- it was noticed that we
19 had, when I filed Bates Page 048, Line 10,
20 which is Page 2 of my testimony, I noted we're
21 looking to refund the \$76,000 of O&M costs.
22 Rather than combining the costs for O&M in the
23 recovery from the previous period, which was
24 only \$31,000, I just noted the 76,000. So, it

{DE 17-043} {04-11-17}

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 was a little unclear as to what exactly was
2 being refunded to customers. And, so, we
3 just -- I've revised some of this just to
4 include, make it more clearer.

5 Q. So, looking at Line 16, the net result of that
6 calculation is a refund of "\$44,620"?

7 A. (Tebbetts) Yes.

8 Q. Thank you. I believe all your exhibits are
9 still in Exhibit 1, all of your attachments?

10 A. (Tebbetts) Yes.

11 Q. So, if we -- I'd like you to go to Bates stamp
12 Page 057 please.

13 A. (Tebbetts) Okay. I'm there.

14 Q. Okay. And, so, if we look at Line 52, it says
15 "Pre-Tax ROR". Do you see where I am?

16 A. (Tebbetts) Yes.

17 Q. And, so, will this change, assuming that we get
18 approval of the Settlement Agreement in the
19 rate case, would this number change?

20 A. (Tebbetts) So, assuming we get approval on the
21 rate case for a new capital structure, this
22 value of "11.36 percent" won't change for 2016.
23 But, when we make the filing for 2017, we will
24 use the new capital structure approved.

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 Q. Right. Okay. So, what you've used in this
2 filing, and I'm just confirming it, are all the
3 existing requirements that came out of the
4 13-063 rate case?

5 A. (Tebbetts) Yes.

6 Q. Is that right?

7 A. (Tebbetts) Yes.

8 Q. Okay. Thank you. And, finally, Bates stamp
9 073, let me know when you're there.

10 A. (Tebbetts) I'm there.

11 Q. So, is this the -- what we see here on this
12 page, is this the rate change associated with
13 this filing?

14 A. (Tebbetts) Yes. This is the rate change
15 associated with only the REP/VMP filing. It
16 does not include the transmission, stranded
17 cost, or the rate case rate changes.

18 Q. Okay. So, at this point, for purposes of this
19 filing, you just restricted your analysis to
20 this particular rate impact of the REP/VMP
21 Programs?

22 A. (Tebbetts) Yes.

23 MS. AMIDON: Okay. Thank you.

24 That's all I have. Thank you.

{DE 17-043} {04-11-17}

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 CHAIRMAN HONIGBERG: Commissioner
2 Scott.

3 CMSR. SCOTT: Thank you. And good
4 morning. My usual caveat, whoever feels
5 most -- who would like to answer my questions
6 is fine with me.

7 BY CMSR. SCOTT:

8 Q. I'll start with going back to the FairPoint
9 reimbursement discussion. Is there any --
10 other than the fact that you've not received
11 reimbursement yet, is there any indication that
12 there's an issue there going on?

13 A. (Carney) Not to my knowledge.

14 Q. Okay. Good. Thank you. On Bates 007, which
15 is the Report, there's some discussion, which
16 is Exhibit 1, there's some discussion about,
17 the top of the page, Line 3, "The Company spent
18 more than anticipated on clearing right-of-way
19 floor." I was curious what was behind that.
20 Is it -- was there a lot of competition for
21 people doing that type of work?

22 A. (Carney) This work was being done by the
23 incumbent vendor at the time. And they gave us
24 an estimate for doing the floor work. And they

{DE 17-043} {04-11-17}

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 fell a little bit short, plus I found some
2 extra work for them to do on the same
3 right-of-way. And, because that particular
4 line is a substation supply line, I felt it
5 best to complete the work. Couldn't very well
6 walk away from it. So, we spent a little bit
7 more money than we had planned on that.

8 Q. Okay. That makes sense. So, it wasn't that
9 they were charging you more than you
10 anticipated necessarily, it was that --

11 A. (Carney) Correct.

12 Q. -- it was more work for them. Okay. So, on
13 vegetation management, and I've asked this
14 question before, so, one of the things I've
15 always struggled with since I've come to the
16 Commission is why vegetation management would
17 be treated differently. It's -- not to be
18 flip, but, you know, it's not a surprise that
19 trees and vegetation grow every year. This is
20 not a unique surprise that this is happening,
21 right? So, it's something that could be
22 reasonably anticipated. It's always going to
23 go on. So, it's counterintuitive to me to have
24 a separate program by which we would be

{DE 17-043} {04-11-17}

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 reimbursing and having these discussions.

2 Though, I'm warming to it.

3 So, I was curious if you could help me
4 with the benefits of doing this separately.
5 You already talked a little bit about the
6 coming rate case and going with a different
7 trimming cycle. But can you help me with the
8 benefits of doing this type of approach, rather
9 than just have it in every rate case and that's
10 the only time we deal with it?

11 A. (Carney) We've basically done this since 2007,
12 the REP/VEG [VMP?] Program. So, the Veg.
13 Management Plan has always been a separate
14 component as the O&M portion, versus the REP,
15 which is the capital portion. Basically, it
16 allows us to keep a fully functioned and fully
17 funded Vegetation Management Program in place,
18 so that, you know, we don't find ourselves in a
19 position where we're getting budget cuts or
20 being forced into some situation where we may
21 have to defer maintenance, if it's really sort
22 of in with everything else. It doesn't
23 really -- I mean, in the absence of any capital
24 work, it's a stand-alone program. So, it has

{DE 17-043} {04-11-17}

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 its own budget, it's own work plan, it's own
2 set of expectations, it's own schedule, and bid
3 pricing, and whatnot.

4 Q. So, to elaborate, so, would I be correct in
5 that it provides both the Commission, the OCA,
6 the public, and the Company, by having it stand
7 alone, so to speak, for want of a better word,
8 it provides more transparency?

9 A. (Carney) Yes, I would say, in answer to that
10 question. But it also, when the question was
11 asked about enhancement, you know, "at what
12 point is enhancement no longer necessary?" You
13 know, the Vegetation Management Program, over
14 the next four years, will reach a level of
15 diminishing returns. It will be funded at an
16 appropriate level. The costs will stay
17 somewhat static, unless there is some reason
18 for us to engage in developing a special
19 program directed at an unforeseen problem that
20 costs a lot of money to deal with. It also,
21 the capital side, there shouldn't be an
22 overreliance on vegetation management.
23 Because, at some point, we will just have
24 reached the point of diminishing returns. And

{DE 17-043} {04-11-17}

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 it's always about bare wire replacement, all
2 about reliability enhancements, devices,
3 reclosers, so on and so forth. The two work
4 together, not totally independent of each
5 other.

6 Q. So, it sounds like you do see, at some point in
7 the future, if I heard you correctly, perhaps
8 they don't need to be stand-alone programs. Is
9 that what you just said?

10 A. (Carney) I don't particularly look at it that
11 way.

12 Q. Okay.

13 A. (Carney) I mean, I think we'll still include
14 it, if the REP/VEG [VMP?] Program is in place
15 four years from now, which I assume it will be,
16 I would assume that we would make the filing
17 the same way. And the two parts of the program
18 basically are joined together through that
19 filing.

20 Q. Okay. Again, whoever feels best to answer. I
21 was curious your thoughts on the REP Program --
22 are you familiar with the Grid Mod docket going
23 on?

24 A. (Tebbetts) Yes.

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 Q. The Grid Modification docket. Do you see any
2 tie-ins that the smart grid docket, that there
3 would be tie-ins to the Reliability Enhancement
4 Program or are there nexuses there or are they
5 a totally separate thing?

6 A. (Tebbetts) So, for right now, I don't see any
7 tie-ins. And the reason is that the focus of
8 our current REP Program is to replace bare wire
9 and really what I'll say is clean up old
10 technology to bring it into even the 20th
11 century, I'm not even sure we're at the 21st
12 century with the REP Program.

13 And, so, with regards to the Grid Mod
14 Program, I think that's then taking those
15 things that we've cleaned up, like bare
16 conductor, and bringing it into the 21st
17 century, I'm going to say not with wire, but
18 with over ideas, you know, metering, etcetera.

19 And, so, at this time, with the way that
20 we're making our filing for REP, I don't see a
21 connection at this time.

22 Q. Okay. Thank you. And regarding SAIDI/SAIFI
23 numbers, I think I know the answer to this, but
24 there does -- in some of the charts, I'm not

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 going to open it up and point you to a
2 particular one, there does seem to be, in some
3 cases, a slight uptick compared to last year.
4 And am I correct, that's just within the normal
5 variability within statistics or is there -- is
6 there a different answer? Weather? I know
7 weather, storms, have an impact, obviously.

8 A. (Rivera) In 2015, we had our best reliability
9 year on record. So, it is expected that we
10 wouldn't be able to stay at that level.
11 However, we did meet the five-year average goal
12 for both SAIDI and SAIFI. And the reliability
13 performance is still an improving trend.

14 Q. And am I correct, the Winter of 2015 was one of
15 the mildest on record. Is that a correct
16 assessment?

17 A. (Tebbetts) I don't know. Maybe you're correct.

18 MR. SHEEHAN: Yes.

19 BY CMSR. SCOTT:

20 Q. Your attorney says "yes".

21 A. (Tebbetts) We don't do gas. So, I don't know.

22 Q. My point is, you had less storms less year,
23 which makes your numbers look better, is that
24 correct?

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 A. (Rivera) Yes.

2 CMSR. SCOTT: Thank you. That's all
3 I have, Mr. Chair, before I choke. Excuse me.

4 CHAIRMAN HONIGBERG: Commissioner
5 Bailey.

6 CMSR. BAILEY: Thank you.

7 BY CMSR. BAILEY:

8 Q. Do you conduct regularly scheduled tests on
9 your automatic transfer schemes or did you do
10 it once, when you identified the problem and
11 don't anticipate doing it again?

12 A. (Rivera) When we had the issues --

13 *[Court reporter interruption.]*

14 **BY THE WITNESS:**

15 A. (Rivera) When we had the issue, we had not been
16 doing it regularly. And, when I say
17 "regularly", I mean "yearly". But, from now
18 on, we're reviewing every single transfer
19 scheme every year.

20 Q. Okay. Thank you. You said that the SAIDI and
21 SAIFI targets -- not SAIDI, SAIFI specifically,
22 but you're always attempting to improve
23 reliability. And, so, my question is, do you
24 set new SAIDI and SAIFI targets every year?

{DE 17-043} {04-11-17}

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 A. (Rivera) Yes.

2 Q. So, in this filing, the targets were 1.33 for
3 SAIFI and 131.02 minutes for SAIDI. What are
4 the targets for next year?

5 A. (Rivera) So, that information is provided in
6 two different places in here. The first is on
7 Bates Page 013. So, the target for 2016 --
8 excuse me -- the target for 2017 is your
9 five-year average for the previous year, in
10 this case, 2016. So, it's not labeled in here,
11 but, for 2017, the target for SAIFI is 1.35.

12 Q. Higher than last year's target?

13 A. (Rivera) It is higher than last year's target.
14 Yes, it is. So, the target for 2016 was 1.33.
15 The target for 2017 is 1.35. So, it is higher.

16 Q. But that's not improving your reliability?

17 A. (Rivera) Those are not the actuals, though, the
18 actual results. These are just the averages
19 from the last five years.

20 Q. Right. But your performance this year was
21 1.31.

22 A. (Rivera) It has to do with the average of the
23 five years. As one year falls off, that target
24 may come up or down, depending on what year

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 falls off.

2 Q. I understand what you're saying, and I'm not
3 sure I agree with it, but -- so, how about for
4 SAIDI? What's your target for SAIDI next year?

5 A. (Rivera) Our target for SAIDI next year is
6 130.73. And that is also provided on Bates
7 Page 26.

8 Q. So, can you explain, I thought you were talking
9 about the five-year average, which is 128.86
10 for 2017?

11 A. (Rivera) Yes. So, for 2017, our SAIDI target
12 is 130.73, which is the five-year averages from
13 2012 through 2016.

14 Q. So, the "5-Year Average" column that's "128.86"
15 is the -- includes the 2017 target of 130 in
16 the average?

17 A. (Rivera) That would be the projection for 2017.

18 Q. For the 2017 target?

19 A. (Rivera) For the actual.

20 Q. The actual. So, the target is 130, but you
21 expect to get to 128?

22 A. (Rivera) Correct.

23 Q. Okay. Thank you.

24 A. (Rivera) And this is -- this is not up to our

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 recent performance. So, from the beginning of
2 the year to now isn't accounted into this
3 projection.

4 Q. But, again, last year you were at 118.14?

5 A. (Rivera) Correct.

6 Q. Can you look at Bates Page 015? And this may
7 be -- you maybe just answered this question,
8 but I want to make sure I totally understand
9 it. What do you expect the impact to be from
10 moving from a five-year to a four-year trim
11 cycle?

12 A. (Carney) The idea behind shortening the cycle
13 is the majority of our tree-related
14 interruptions under non-storm conditions, if
15 you will, are from small diameter, dead broken
16 limbs, typically where we have bare wire as the
17 conductor in place. By being there a year
18 early, there's certain tree species, oak,
19 maple, pine, and a few others, are good natural
20 self-pruners. So, they will always generate
21 dead limbs annually. We're going to be there
22 one year sooner. There is some expectation
23 that we would be able to, especially on some of
24 the larger rural feeders, minimize the impact

{DE 17-043} {04-11-17}

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 that it has on reliability. We'll never get
2 them all. But it is -- it's not revolutionary,
3 it's evolutionary, if you will.

4 And we've also changed our clearance
5 specifications, not just to be more in line
6 with what the Puc rule is, but we've
7 implemented what's referred to as "branch
8 reduction pruning". Where we're reducing the
9 overhang and changing the critical fracture
10 zone of live limbs, generally, that tend to
11 have heavy foliage. Either falling live limbs
12 that have been reduced, in terms of volume,
13 length, or other characteristics, would either
14 fall short of the conductor, but they would
15 still look like trees in the field, which
16 everybody appreciates. Or, the impetus in
17 which they strike the conductor, mostly covered
18 conductor, would probably have little or no
19 impact on reliability. So, we're sort of
20 changing the dynamics of the trees themselves.

21 Q. So, by changing the dynamics of the trees
22 themselves, you should improve the reliability?

23 A. (Carney) That's the expectation, yes.

24 Q. But you don't have any -- you haven't changed

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 the target. The target's still based on the
2 five-year average from the five-year trim
3 cycle. So, how will we know if the cost is
4 worth the benefit?

5 A. (Carney) Well, we don't really have any
6 reliability statistics for a circuit that's
7 been on a four-year cycle. So, I really have
8 nothing to compare a four to a five. I mean,
9 it's a small incremental improvement. We do
10 have some circuits that we've done on a shorter
11 cycle simply by choice, because they're
12 residential areas where we don't get a
13 tremendous amount of clearance, and we've seen
14 mixed results. We've seen circuits that have
15 had no tree-related interruptions in the last
16 four years, and we see circuits that have had
17 more than they did the previous five, on a
18 four- or a five-year circuit. So, it's really
19 not something that has a level of certainty or
20 predictability. And the incremental cost, this
21 really goes with doing an extra 25 miles a
22 year, which is roughly \$250,000 a year. So, it
23 wasn't a huge incremental increase in costs of
24 the program to shorten the cycle.

{DE 17-043} {04-11-17}

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 Q. Okay. Ms. Tebbetts, you talked about the
2 problem with the March 15th FERC Form 1, or
3 this filing being due on March 15th and the
4 FERC Form 1, which I think we heard, is due
5 April 18th, and the mismatch in the
6 information, so you're sort of required to use
7 last year or 2015 data, rather than 2016 data.
8 Is there a reason why you need to file this on
9 March 15th for effect on May 1st? Could you
10 file it on April 18th, for effect on June 1st?
11 Why don't you just change that?

12 A. (Tebbetts) So, the filing date goes back to DG
13 06 -- it goes to a docket back in 2006, I do
14 believe, where the date for which we would file
15 was determined at that point.

16 Q. So, do you think it's worth revisiting that
17 now?

18 A. (Tebbetts) Well, we possibly could have
19 revisited it during our rate case, and we
20 didn't. At some point in the future, we could
21 revisit it. Nothing prevents us from doing
22 that, I guess, other than we need to go through
23 the process of that change.

24 Q. And that change can't be made in this docket?

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 A. (Tebbetts) Well, we didn't file for that in
2 this docket. We filed for rates effective
3 May 1st, consistent with the Settlement
4 Agreement in that docket from 2006.

5 Q. No, I understand that. But, I mean, can we
6 change the date -- well, let me ask you this.
7 You, in your testimony, were not asking to
8 change that problem or to resolve that problem,
9 you were just noting it?

10 A. (Tebbetts) Yes. That's correct. I was noting
11 it, because last year we had an issue with
12 regards to the notice to the public. And, so,
13 we postponed the date for which the hearing
14 happened to May, which meant for January 1
15 rates. And, so, we filed an update with the
16 new FERC Form 1 data, and we provided
17 customers, you know, with a rate for January --
18 for June 1, effective through April 30th, 2017.
19 But, at that time, we had not anticipated
20 making any changes to the filing period.

21 Q. And would it make sense for us to tell you to
22 make those changes or do you -- would you
23 rather not do that?

24 A. (Tebbetts) I'm neutral to when the rate, you

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 know, change happens. I mean, the process will
2 still be the same. We'll be looking at our
3 previous calendar year. Certainly, we have a
4 lag now of four months between the time that
5 the period ends and when we start collecting
6 from customers for four months. So, that lag
7 would just turn into a longer lag. But I
8 personally don't have an issue making a filing
9 at a different time.

10 Q. It would turn into a longer lag because the
11 rates wouldn't go into effect until June 1st?

12 A. (Tebbetts) Yes.

13 Q. So, that would change your cash working capital
14 calculation?

15 A. (Tebbetts) That would change -- well, give me
16 one moment please. I just want to look at my
17 schedules here. Primarily, what we are looking
18 at it would change is the estimated
19 kilowatt-hour deliveries period, because we
20 have a period of May 1 through April 30th. You
21 know, how much that changes, I don't know. And
22 our tax calculation is based on a calendar
23 year. So, you know, that's not going to change
24 as well. Well, like I said, the only thing

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 that's going to change is next year we're going
2 to go to an accrual basis, as part of the
3 Settlement in our rate case. And, so, there
4 will be an interest calculation associated with
5 it, and I guess the interest associated would
6 be more, considering it would be a five-month
7 lag, instead of a four-month lag. I think
8 that, off the top of my head, that's all I can
9 think of.

10 CMSR. BAILEY: Okay. Thank you.

11 That's all I have.

12 BY CHAIRMAN HONIGBERG:

13 Q. Ms. Tebbetts, what other rates change on what
14 dates for you guys right now?

15 A. (Tebbetts) So, our distribution rates are going
16 to change, well, we've proposed distribution
17 rates to change for the rate case docket, DE
18 16-383, for May 1st. We've requested to change
19 rates with regards to the REP/VMP Program,
20 which affects distribution rates as well, but
21 separately calculated, for May 1st. We have
22 requested the annual retail rates for
23 transmission and stranded costs change for
24 May 1st as well.

{DE 17-043} {04-11-17}

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 Q. And a year from now, there's some step
2 adjustments in the rate case, are there not?

3 A. (Tebbetts) Yes.

4 Q. And those would go -- or, if it goes as
5 expected, in effect for May 1?

6 A. (Tebbetts) Yes.

7 Q. Mr. Carney, I think this is for you.
8 Commissioner Bailey was asking you about the
9 change in the trim cycle from five to four
10 years, and whether that would have any effect
11 on how you develop target numbers. Do you tie
12 those two together? I sensed from your answer
13 that you don't link the two events, that
14 development of the target isn't tied to the
15 trim schedule. Am I correct?

16 A. (Carney) What are you defining as "the target"?

17 Q. I'm actually picking up language from Mr.
18 Rivera. And I'm actually interested in the
19 idea that the target that you developed, Mr.
20 Rivera, is different from the number you then
21 project, which seems very strange to me. I'll
22 get to that in a minute.

23 A. (Carney) Meaning in terms of SAIDI and SAIFI
24 improvement?

{DE 17-043} {04-11-17}

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 Q. Yes.

2 A. (Carney) Well, my only experience on SAIDI and
3 SAIFI, and let me just say that vegetation
4 management is all about having a positive
5 impact on the frequency, meaning if we can
6 prevent the interruption from occurring in the
7 first place, which is really what vegetation
8 management delivers through its program. You
9 can argue that the duration, based on the
10 amount of damage, the length of repair, the
11 complexity of repairs to get service back to
12 customers, you know, is another part of the
13 discussion. But the focus is on the frequency.
14 And the rolling five-year average for our tree
15 frequency, just like the rolling five-year
16 average, and this is embedded in that rolling
17 five-year average, is the tree SAIFI has a
18 rolling average of about 0.6, and our
19 performance has been around 0.53. So, we are
20 below our rolling five-year average for tree
21 reliability.

22 Do we expect to significantly improve
23 that, by going from a five-year cycle to a
24 four-year cycle? Not significantly.

{DE 17-043} {04-11-17}

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 Q. But the point of this question is, you don't
2 see any sense in changing the number of years
3 in the cycle for your -- for the development of
4 your target based on the different trimming
5 schedule that you're on?

6 A. (Carney) I had asked that question internally
7 when we started to talk about going from a
8 five-year to a four-year cycle, "should we
9 change the rolling average from a five-year
10 average to a four-year average?" We never
11 really got around to discussing what the
12 appropriate approach would be. I could go
13 either way. If we're on a four-year cycle, we
14 should have a rolling four-year average for
15 tree-related SAIFI.

16 I think that, as the department head and
17 the manager of the Program, I guess that's my
18 decision to implement ultimately.

19 Q. So, let me move then to the use of the
20 five-year rolling average as the -- I think the
21 word you guys are using is "target". But then
22 you project something different. And I think
23 that's in your table, Mr. Rivera. I don't
24 remember what page it's on, maybe Page 26. And

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 I don't -- I guess I don't understand what that
2 means. What is the projection?

3 A. (Carney) Can I just make a point of
4 clarification on part of that?

5 Q. Sure.

6 A. (Carney) The vegetation management performance
7 is, in fact, embedded in those numbers, but we
8 don't specifically set a target for tree
9 performance. We just simply make sure that it
10 never goes above the rolling five-year average,
11 to the extent that we exercise some degree of
12 control over that. Okay? It's just a
13 subcomponent of the projections that are being
14 made through Mr. Rivera. You know, so, he
15 knows what those numbers are. So, --

16 A. (Rivera) So, looking at the table on Bates Page
17 026, the projection for 2017 is 1.35, which is
18 our target for 2017, which is also 1.35.
19 Assuming that we do reach a SAIFI of 1.35,
20 that's going to make our 2018 target of 1.28.
21 So, in essence, our projection, at the time
22 when this was put together, which was at the
23 beginning of the year, for 2017, matches our
24 target.

{DE 17-043} {04-11-17}

[WITNESS PANEL: Tebbetts~Rivera~Carney]

1 CHAIRMAN HONIGBERG: I think I didn't
2 understand how this table worked until you just
3 said that. But now I think I understand how
4 the table works. And that's all I had.

5 Mr. Sheehan, do you have any further
6 questions for your witnesses?

7 MR. SHEEHAN: No. Thank you.

8 CHAIRMAN HONIGBERG: All right. Is
9 there anything else we need to do, besides
10 strike ID on Exhibits 1 and 2?

11 *[No indicating given.]*

12 CHAIRMAN HONIGBERG: All right.
13 We'll strike ID on Exhibits 1 and 2.

14 Mr. Kreis, why don't you go first.

15 MR. KREIS: Thank you, Mr. Chairman.
16 In general, I think that the OCA is supportive
17 of the reconciliation filing that is before us
18 this morning.

19 I do, with respect to the colloquy
20 that Commissioner Bailey had about changing the
21 timing of this filing so that there isn't that
22 problem of using outdated FERC Form 1 data, it
23 does seem to me that that's something that we
24 ought to do. And we ought to be able to do it

{DE 17-043} {04-11-17}

1 in a fashion that doesn't mean that there's
2 another month of lag, though. And, so, I'm
3 kind of hoping that maybe the Commission could
4 tell the Company and Staff to work with each
5 other to work that out, because it seems like
6 it ought to be a somewhat easily solved
7 problem.

8 And, beyond that, I hope FairPoint
9 pays its bill. That's all I have. Thank you.

10 CHAIRMAN HONIGBERG: Ms. Amidon.

11 MS. AMIDON: Thank you. Staff has
12 reviewed the filing and has concluded that the
13 Company has appropriately calculated the
14 reconciliation and as the Commission has
15 ordered, and consistent with prior similar
16 filings.

17 And we recommend the Commission
18 approve the Petition.

19 CHAIRMAN HONIGBERG: Mr. Sheehan.

20 MR. SHEEHAN: Thank you. On the
21 FairPoint issue, there were a number of years
22 where FairPoint fell behind, and before my
23 arrival. I think -- I don't know if the
24 Company actually requested to recover the

1 FairPoint nonpayment. But the Commission
2 orders clearly said don't -- didn't approve
3 that, and said "keep trying to get the money
4 from FairPoint."

5 So, as it stands now, we have
6 agreements that allow us to get the money from
7 FairPoint. We fully expect not to ask the
8 customers to pay for the FairPoint nonpayment.
9 We did resolve all the old issues last spring,
10 and everything was a baseline. So, everything
11 is good, and except for this existing bill,
12 and, again, we have no reason to believe
13 there's trouble. So, that's the FairPoint
14 issue.

15 On the timing, as Ms. Tebbetts said,
16 there's no mechanical reason not to do it.
17 But, as Mr. Kreis mentioned, there's a lot of
18 moving pieces, and as the Chairman asked in his
19 questions, other rates that go into effect the
20 same time. So, I would just ask that you not
21 change the date yet. Let us talk about it.
22 Maybe we can work something out that makes more
23 sense. There's just a lot of moving pieces
24 with the other rate changes.

1 And, finally, on Commissioner Scott's
2 questions about the need for a special
3 Vegetation Management Program, again, review of
4 the orders shows that, historically, I think
5 the program was set up as both a carrot to the
6 Company to do it, to do the veg. management,
7 and a protection of that money. If it's not
8 segregated the way it is, and I think Mr.
9 Carney mentioned this, there's more of a risk
10 that budgets can get chipped away. So now we
11 have earmarked this money that will go to VMP
12 and we account for it every year here. So,
13 we're, in effect, protecting that money from
14 other priorities. So, those are the reasons.

15 Will those reasons change as years go
16 on? Perhaps. But that's why we're here with
17 this current process.

18 So, on the merits of this filing, we
19 do ask that you approve the rates as requested,
20 with the support of the other parties, we
21 appreciate that. And we look forward to the
22 Commission's order. Thank you.

23 CHAIRMAN HONIGBERG: All right.
24 Thank you all. We'll take this matter under

1 advisement and issue an order as quickly as we
2 can. And we're adjourned.

3 *(Whereupon the hearing was*
4 *adjourned at 11:43 a.m.)*

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