

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

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Concord, New Hampshire

RE: DE 17-049
LIBERTY UTILITIES (GRANITE STATE
ELECTRIC) CORP. d/b/a LIBERTY
UTILITIES:
Annual Retail Rate Adjustment.

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. PUC Staff:
Paul B. Dexter, Esq.
Rich Chagnon, Electric Division

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

**CERTIFIED
ORIGINAL TRANSCRIPT**

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WITNESS PANEL: **HEATHER M. TEBBETTS**
 JOHN D. WARSHAW
 STEVEN E. MULLEN

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1	Annual Retail Rate Adjustment filing, comprised of the Direct Testimony of John D. Warshaw, with attachments; Direct Testimony of Heather M. Tebbetts, with attachments; and the Direct Testimony of Steven E. Mullen, with attachments (03-23-17)	5
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P R O C E E D I N G

CHAIRMAN HONIGBERG: We're here in Docket DE 17-049, which is Liberty Utilities (Granite State Electric) Corp. Annual Retail Rate Adjustment proceeding.

Before we do anything else on that, let's take appearances.

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

MR. DEXTER: Paul Dexter, on behalf of the Commission Staff. And joining me is Rich Chagnon from the Electric Division.

CHAIRMAN HONIGBERG: All right. Any preliminary matters we need to deal with?

MR. SHEEHAN: Thank you. We, Granite State, proposes marking three exhibits. "Exhibit Number 1" is the initial filing, Bates Page 001 through 070. We've had an informal tech session last week during which we discussed a couple issues, the results of which are two additional exhibits. We are marking as "Exhibit 2" revised Pages 42 and 43 of the filing, and they're so marked. And, as

1 "Exhibit 3", revised Pages 52 and 53. And
2 Ms. Tebbetts will explain what numbers have
3 changed in those exhibits.

4 That's what we have. I understand
5 Staff has additional exhibits.

6 (The documents, as described,
7 were herewith marked as
8 **Exhibit 1, Exhibit 2, and**
9 **Exhibit 3**, respectively, for
10 identification.)

11 CHAIRMAN HONIGBERG: Any other
12 preliminary matters?

13 MR. DEXTER: Staff has --

14 CHAIRMAN HONIGBERG: Mr. Dexter.
15 Sorry.

16 MR. DEXTER: Sorry. Staff has four
17 exhibits they would like to mark for
18 identification at this time, and they have been
19 distributed.

20 The first one is a couple of pages
21 from the Company's FERC Form 1 2015 -- 2016
22 results. Sorry, 2015 results. Which I've
23 marked as "Exhibit 4", labeled as "Exhibit 4".

24 The second is a couple of pages from

1 the Company's tariff. This is a tariff
2 submittal that was made in the recent rate
3 case. I understand it's still pending. But I
4 just wanted to use it as an aid in asking some
5 questions today. And the tariff pages have to
6 do with the rates that are at issue today in
7 the Stranded Cost Charge and in the
8 Transmission Charge. And I've marked that as
9 "Exhibit 5".

10 As "Exhibit 6", I brought in a couple
11 of pages from National Grid's CTC filing, which
12 is at issue in this case, just to bring in the
13 source document.

14 And "Exhibit 7" is a technical
15 statement from the rate case, has to do with
16 the lead/lag study that was done -- that was at
17 issue in the recent rate case. There's a
18 corresponding calculation in this case
19 regarding working capital on transmission
20 costs. And, so, I want to use that as a basis
21 for asking some questions, and that's marked as
22 "Exhibit 7".

23 (The documents, as described,
24 were herewith marked as

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 **Exhibit 4, Exhibit 5, Exhibit 6,**
2 and **Exhibit 7**, respectively, for
3 identification.)

4 CHAIRMAN HONIGBERG: All right.
5 Anything else?

6 MR. SHEEHAN: Otherwise, we propose
7 to put the three witnesses on the stand.

8 CHAIRMAN HONIGBERG: All right. Why
9 don't the three witnesses move toward the stand
10 then.

11 Mr. Patnaude.

12 (Whereupon **Heather M. Tebbetts,**
13 **John D. Warshaw,** and **Steven E.**
14 **Mullen** were duly sworn by the
15 Court Reporter.)

16 CHAIRMAN HONIGBERG: Mr. Sheehan.

17 MR. SHEEHAN: Thank you.

18 **HEATHER M. TEBBETTS, SWORN**

19 **JOHN D. WARSHAW, SWORN**

20 **STEVEN E. MULLEN, SWORN**

21 **DIRECT EXAMINATION**

22 BY MR. SHEEHAN:

23 Q. Mr. Warshaw your name and your position with
24 the can company.

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 A. (Warshaw) Yes. My name is John D. Warshaw.
2 And I am the Manager of Electric Supply for
3 Liberty Utilities Service Corp.

4 Q. And you filed testimony in this matter, which
5 has been marked that's Page 1 of "Exhibit 1",
6 is that correct?

7 A. (Warshaw) Yes.

8 Q. Do you have any corrections to your testimony?

9 A. (Warshaw) No.

10 Q. And if I were to ask you the same questions
11 today orally that are in your written
12 testimony, would your answers be the same?

13 A. (Warshaw) Yes.

14 Q. And do you adopt your testimony here today?

15 A. (Warshaw) Yes.

16 Q. Ms. Tebbetts, same question, your name and
17 position with the Company?

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

23 Q. And you also filed testimony in this matter?

24 A. (Tebbetts) Yes.

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[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 Q. And that appears at Page 25 of Exhibit 1?

2 A. (Tebbetts) Yes.

3 Q. Do you have any corrections to your testimony?

4 A. (Tebbetts) The only corrections I have are in
5 the Exhibit 2 and Exhibit 3, which have already
6 been described.

7 Q. Okay. We'll get to an explanation of those in
8 a minute. With those corrections, if I asked
9 you the questions in your testimony today,
10 would your answers be the same?

11 A. (Tebbetts) Yes.

12 Q. And do you adopt your testimony here today?

13 A. (Tebbetts) Yes.

14 Q. Mr. Mullen, the same question, your position
15 with the Company please?

16 A. (Mullen) My name is Steven Mullen. I am the
17 Manager of Rates and Regulatory for Liberty
18 Utilities Service Corp.

19 Q. And you also filed testimony in this matter
20 that appears at Page 55 of Exhibit 1?

21 A. (Mullen) That is correct.

22 Q. And do you have any changes or corrections to
23 your testimony?

24 A. (Mullen) I do not.

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[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 Q. And if I ask you the questions today that are
2 in your written testimony, would your answers
3 be the same?

4 A. (Mullen) Yes, they would.

5 Q. And do you adopt your testimony here today?

6 A. (Mullen) I do.

7 Q. Ms. Tebbetts, why don't you walk us briefly
8 through Exhibit 2 and Exhibit 3, and show where
9 the changes were and why.

10 A. (Tebbetts) Okay. So, if we start with Exhibit
11 2, which is Revised Bates Page 042, we found in
12 our discussions with Staff that, under Column
13 (a), from March 2016, there were formula errors
14 in the calculation for the beginning balance.
15 And, so, the beginning balance was updated from
16 "\$1,952" to "\$2,687". And, by making that
17 change, the cumulative over/under collection of
18 the CTC changed to "\$86,834".

19 Q. Is there any change to Page 43?

20 A. (Tebbetts) Yes. So, the "\$86,834" carries over
21 into Line [1].

22 Q. And was there -- go ahead.

23 A. (Tebbetts) And by dividing that value by the
24 forecasted kilowatt-hour deliveries, there was

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 actually no rate change for the adjustment
2 factor because it goes out to the fifth
3 decimal.

4 Q. And, as for Exhibit 3, which is Bates Page R052
5 and 053?

6 A. (Tebbetts) Yes. So, when we originally made
7 the filing, we had actually -- we had filed an
8 incorrect page. The information on the page
9 hasn't changed, with regards to the rates that
10 were shown on Bates Page 041, which is HMT-1,
11 Schedule HMT-1. But we had inserted the
12 incorrect page. So, this just substitutes the
13 correct page.

14 Q. But, as you said, the resulting calculations on
15 HMT-1, the rates, the impacts all stay the
16 same. This was simply the wrong page?

17 A. (Tebbetts) Yes. That's correct.

18 Q. And that's true for 052 and 053?

19 A. (Tebbetts) And that's correct as well. So,
20 when we had inserted Page 052 and 053, the
21 resulting Transmission Charge was showing the
22 incorrect rate. And, so, the calculation for
23 the residential bill was incorrect. So, we had
24 inserted the incorrect page on that. And,

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 again, HMT-1, Bates Page 041, those are the
2 correct rates. There are no changes to the
3 rates. We just provided the wrong page.

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

6 CHAIRMAN HONIGBERG: Mr. Dexter.

7 MR. DEXTER: Thank you.

8 **CROSS-EXAMINATION**

9 BY MR. DEXTER:

10 Q. Just looking at what's been marked as "Exhibit
11 2" for a moment please. It looks as though
12 some of the footnotes, which are the formulas
13 and the references, have been updated versus
14 the original Exhibit 2 -- the original exhibit
15 and what's now Exhibit 2. Is that true, some
16 of the footnotes have been updated?

17 A. (Tebbetts) Yes.

18 Q. So, I wanted to start by sort of putting the
19 rates at issue in perspective. And I'm looking
20 at Bates Page 041, which is Exhibit HMT-1. And
21 as I understand, in this case there's two rates
22 proposed for approval, Net Stranded Cost Charge
23 and a Net Transmission Charge, is that correct?

24 A. (Tebbetts) Yes.

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 Q. And the Net Stranded Cost Charge appears on
2 Column (c) and the Net Transmission Charge
3 appears in Column (g), is that right?

4 A. (Tebbetts) Yes.

5 Q. Okay. And, looking at the Net Stranded Cost
6 Charge, Column (a), the rate in Column (a)
7 intends to collect \$444,000, is that right?

8 A. (Tebbetts) I don't know where you're looking at
9 that "\$444,000".

10 Q. Well, what is the rate -- the stranded cost
11 rate intended to recovery in Column (a)?

12 A. (Tebbetts) So, Column (a) is a rate from Docket
13 DE 17-015, which is New England Power's filing
14 of their Contract Termination Charge, which
15 flows through to our customers.

16 Q. Okay. And I've handed out Exhibit C [6?] in
17 this case, which is the documents from that
18 case that you just mentioned. And, if you were
19 to turn to the third page in the exhibit, --

20 CMSR. BAILEY: Which exhibit?

21 CHAIRMAN HONIGBERG: I'm sorry. What
22 exhibit are you looking at, Mr. Dexter?

23 MR. DEXTER: Exhibit 6.

24 CHAIRMAN HONIGBERG: Six. Off the

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 record.

2 *[Brief off-the-record discussion*
3 *ensued.]*

4 CHAIRMAN HONIGBERG: All right. We
5 all have Exhibit 6 in front of us now.

6 MR. DEXTER: Thank you.

7 BY MR. DEXTER:

8 Q. So, if you turn to the third page in Exhibit 6,
9 can you find the number that the Stranded Cost
10 Charge is intended to collect?

11 A. (Tebbetts) Yes. Line (56).

12 Q. Line (56). And what's that amount?

13 A. (Tebbetts) It's "0.04 cents" per kilowatt-hour.

14 A. (Mullen) The dollars are "444,000".

15 Q. Okay. So, the rate that you just mentioned is
16 intended to collect \$444,000?

17 A. (Tebbetts) Yes. According to the schedule.

18 Q. Okay. And back on HMT-1, which is Bates 041,
19 the next rate is called the "Stranded Cost
20 Adjustment Factor". Is it correct that that's
21 intended to recover roughly \$86,000 that shows
22 up on Bates 042?

23 A. (Tebbetts) Yes.

24 Q. Okay. And moving to the Transmission Charge,

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[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 Column (d), is it correct that the transmission
2 rates that are proposed are intended to collect
3 roughly \$21 million that show up on HMT-3,
4 which is Bates 044?

5 A. (Tebbetts) Yes.

6 Q. And those figures are detailed in Mr. Warshaw's
7 testimony and exhibits, is that correct?

8 A. (Tebbetts) Yes.

9 Q. And the Transmission Adjustment Factor, which
10 is Column (e), is it correct that that's
11 intended to recover roughly \$3,940,000, which
12 shows up on HMT-3, Page 5, which is Bates 048?

13 A. (Tebbetts) Yes.

14 Q. And that actually has three components, is that
15 true?

16 A. (Tebbetts) Yes.

17 Q. And, finally, Column (f) is intended to
18 recover, I'll have to go to the revised exhibit
19 for that I believe, 1,304,000 of RGGI auction
20 proceeds, is that correct?

21 A. (Tebbetts) Yes.

22 Q. Okay. And I've submitted Exhibit 4, which is a
23 couple of pages from the Company's most recent
24 FERC Form 1. And I understand that this is not

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 from -- that this is from 2015. But, if I were
2 to turn to the last page in that exhibit, Line
3 198, it's actually Page 323. There's a figure
4 for Total O&M Expense of roughly \$84 million.
5 Do you see that?

6 A. (Mullen) Yes.

7 Q. And, so, is it correct that the rates at issue
8 in this case are roughly 25 percent of the
9 Company's expenses? And now I understand
10 there's a mismatch in the years here, but
11 generally speaking?

12 A. (Mullen) The rates in this case, you're talking
13 about the transmission and stranded costs?

14 Q. Yes, the rates -- yes. Well, no. I guess I'm
15 talking about the transmission costs, you're
16 correct.

17 A. (Mullen) Okay. And the transmission costs show
18 on what is shown as Page "321" of that handout.
19 Those are "\$19.6 million", on Line -- actually,
20 no, it's 19 -- yes, on Line 112, 19. -- almost
21 19.7. So, the percentage is 19.7 divided by
22 84. So, it's a little under 25 percent.

23 Q. A little under 25 percent. Okay. So, I wanted
24 to turn in detail now to the first charges

1 which are proposed, which is the Stranded
2 Cost -- the Net Stranded Cost Charge. And
3 that's composed of two components, is that
4 correct?

5 A. (Tebbetts) Yes.

6 Q. And the first one is called the "Stranded Cost
7 Charge", correct?

8 A. (Tebbetts) Yes.

9 Q. And the second one is called a "Stranded Cost
10 Adjustment Factor", is that right?

11 A. (Tebbetts) Yes.

12 Q. Now, I've handed out, as "Exhibit 5", some
13 tariffs that were proposed in the recent
14 Granite State rate case. Now, I understand
15 they're not approved, but they're pending. And
16 I don't think there's -- well, I'll just say
17 that, that they're pending.

18 Now, if I go to Page 2 of Exhibit 5, the
19 heading under Paragraph 36 is called "Stranded
20 Cost Adjustment Factor", is that right?

21 A. (Tebbetts) Yes.

22 Q. Now, is it correct that the tariff describes
23 both the stranded cost charges that are set
24 forth on Page 041?

1 A. (Tebbetts) Yes.

2 Q. So, then, is it correct that the figures in
3 Column (c), which are called "Net Stranded Cost
4 Charge", are actually covered under this
5 "Stranded Cost Adjustment Factor" on the
6 proposed tariff?

7 A. (Tebbetts) Yes.

8 Q. Okay. So, looking at the Column (a) on HMT-1,
9 which is Bates 041, the "\$0.00040" charge
10 that's proposed is the same as last year's, is
11 that true?

12 A. (Tebbetts) Subject to check, I believe it is.

13 A. (Mullen) Yes. And that agrees with the CTC
14 filing.

15 Q. Okay. So, no change. So, now, if I go to your
16 testimony, Ms. Tebbetts' testimony, at Bates
17 030, on Lines 15 and 16, it says that there's a
18 proposed "increase" in the rate, and I'm
19 confused about which rate's going up, and I'm
20 confused by that statement, frankly, because I
21 think that rate is staying the same. But if
22 you could just read those Lines 15 and 16 and
23 just explain to me what was being discussed in
24 the testimony versus the fact that the CTC rate

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 is staying the same from last year.

2 A. (Tebbetts) So, I mean, maybe I could have been
3 a little more clear describing this, but the
4 rate is increasing -- the overall rate is
5 increasing, where the CTC itself has stayed the
6 same.

7 Q. So, the figure on Line 16 refers to what's in
8 HMT-1 as the Net Stranded Cost Charge, not the
9 Stranded Cost Charge?

10 A. (Mullen) Would you give us a second?

11 Q. Sure.

12 *[Witnesses conferring.]*

13 WITNESS TEBBETTS: Okay. Could you
14 please repeat the question.

15 BY MR. DEXTER:

16 Q. Sure. What does Line 15 and 16 refer to, in
17 your testimony, at Bates 030?

18 A. (Tebbetts) So, the uniform charge in 2016 was
19 actually \$0.0004, okay? There was no
20 adjustment factor portion for almost every
21 rate, other than municipal street lighting,
22 which was 0.00001, and it was a credit to those
23 customers. And, so, in describing what was
24 going on in 2016 with regards to reconciling

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 this rate, the CTC didn't change, but the
2 overall stranded cost rate did change. And I
3 guess that is what I was trying to describe
4 here.

5 Q. Okay.

6 A. (Mullen) And, so, to put those things -- to
7 put those words into more of a visual, if you
8 refer to Bates 041, which is HMT-1, the
9 "0.00049" rate that is referred to in
10 Ms. Tebbetts' testimony, is the combination of
11 the Stranded Cost Charge and the Stranded Cost
12 Adjustment Factor. Last year, the similar
13 combination had a zero where the 0.0009 is for
14 the Stranded Cost Adjustment Factor. So, that
15 follows right along with her testimony, in
16 terms of saying "the Stranded Cost Charge
17 increased".

18 Q. Okay. Now, looking at the Stranded Cost
19 Adjustment Factor for a moment. So, your
20 testimony at Page Bates 029 through 030, says
21 that the Stranded Cost Adjustment Factor is
22 class-specific. And, yet, Bates 041, the
23 Stranded Cost Adjustment Factor seems to be the
24 same for each class. So, could you explain

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[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 that?

2 A. (Mullen) I think that's just a fact -- a matter
3 of the fact that the Stranded Cost Charge has
4 been in effect for quite a while. The dollar
5 amounts used to be much higher. As you get to
6 smaller dollar amounts, you're not going to get
7 much variation between the classes. And that's
8 kind of where we are now with the Stranded Cost
9 Charge.

10 Q. So, did it work out this way mathematically
11 class by class or did you just combine it
12 for -- did you combine it?

13 A. (Tebbetts) So, I originally had it separated as
14 we used to do it, and then it ended up being
15 the same. And, so, I combined it to make the
16 schedules cleaner.

17 Q. Okay.

18 A. (Tebbetts) So, overall, class by class, that
19 was actually a zero for everybody. And you can
20 see that the beginning balance, which was
21 calculated, was only -- it was less than \$2,700
22 between all of the rate classes. Some classes
23 only had like a \$4.00 over/under recovery.
24 And, so, it didn't even move the decimal on

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1 some of these. So, --

2 Q. So, the proposal is then to do it on a combined
3 basis so that all classes have the same factor,
4 is that -- am I understanding that correctly?

5 A. (Tebbetts) Well, actually, all classes did have
6 the same factor. So, I combined it for
7 purposes of the schedules. It wasn't that each
8 class had a separate factor.

9 A. (Mullen) What we're trying to do is avoid
10 having a separate schedule for each rate class.
11 If the rate's not differentiating among the
12 classes, to have all these other schedules that
13 have like \$4.00 amounts and \$3.00 amounts in
14 them, to try and make it a little easier to
15 walk through these.

16 Q. Oh, I remember that from last year. So, next
17 year, if I understand Exhibit 2, the projected
18 over/under recovery for this is \$86,000. So,
19 will next year go back to -- do you expect that
20 there will be a different result class by class
21 next year or we'll just have to wait and see?

22 A. (Tebbetts) I think we'll just have to wait and
23 see.

24 Q. Okay.

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 A. (Mullen) Some of that is going to depend what
2 comes through the CTC charge.

3 Q. Right. Now, I'd like to refer to Ms. Tebbetts'
4 testimony at Bates 030, where it says, and I'm
5 paraphrasing, basically, that the CTC will
6 terminate in the year 2020. And I'd like to
7 also refer to Mr. Mullen's testimony at Bates
8 064, which talks about some uncertainties of
9 the CTC going forward, some litigation and
10 things like that. And, given those two --
11 given those uncertainties, my question to the
12 panel is, is there a possibility that the CTC
13 will extend beyond 2020?

14 A. (Mullen) Yes.

15 Q. And can you explain a little more in detail
16 why?

17 A. (Mullen) Sure. I went through that in my
18 testimony. I can go through that again, if
19 people would like. But the 2020 date comes
20 from, if you look at a CTC filing, and you see
21 the schedule of charges that are contained in
22 that filing for power contracts, residual power
23 contracts from New England Power. Those are
24 scheduled to terminate, the last one of those,

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 in the year 2020. So, if you look at a CTC
2 filing, that is the last year that you will see
3 rates forecast for the CTC.

4 However, there are other, as explained in
5 my testimony, there are other things that
6 related to the CTC obligation, the most
7 predominant of which is New England Power's
8 former ownership in some nuclear plants. And
9 there are some costs that could come up in the
10 future, and there's also refunds that could
11 come up in the future, related to that former
12 ownership obligation. That, to my knowledge,
13 does not have a termination date. So, any time
14 you see "2020", that's just been referred to
15 when people look at the schedules in the CTC.

16 But the overall obligation, related to
17 those plants, related to some other plants that
18 New England Power used to either have or buy
19 power from, that obligation -- those
20 obligations, as far as I'm concerned, and even
21 as I look in the CTC Settlement Agreements, do
22 not have specific termination dates.

23 So, there are no particular rates forecast
24 for years beyond 2020 in the CTC filing. Those

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 are going to have to be depending on whatever
2 flows through from New England Power in those
3 years, whether they be charges or credits.
4 And, so, we won't know those until they happen.

5 Q. And they, to the extent those charges and
6 credits materialize after 2020, they would be
7 presented to the Commission on schedules
8 similar to what's presented here, is that true?

9 A. (Mullen) Yes. And also in the annual CTC
10 filing by New England Power.

11 Q. All right. Okay. Thank you. I think that's
12 all I had on stranded costs. So, I'd like to
13 move to the transmission charges.

14 So, again, I want to start on Bates 041,
15 which is HMT-1. And I think we've established
16 that there are three elements to the net --
17 what's called the "Net Transmission Charge" in
18 Column (g), is that correct?

19 A. (Tebbetts) Yes.

20 Q. And, again, I want to move to the tariff for a
21 minute, which I marked as "Exhibit 5". And the
22 paragraph in the tariff that I think is
23 relevant here is Paragraph 39, and it's called
24 a "Transmission Service Cost Adjustment". Is

1 that true?

2 A. (Tebbetts) Yes.

3 Q. And is it correct that the Transmission Service
4 Cost Adjustment, as laid out in the Company's
5 tariff, is designed to collect all three of
6 these factors that are laid out on Bates 041?

7 A. (Tebbetts) The Transmission Service Cost
8 Adjustment is to recover Columns (d) and (e).
9 The RGGI auction proceeds refund is included in
10 this, because it is the -- it's a fully
11 reconciling rate. And, so, we needed a place
12 to provide customers with that credit. And
13 transmission is the one that made the most
14 sense at the time we started receiving these
15 proceeds.

16 A. (Mullen) And that was all -- and the decision
17 on the RGGI proceeds was the subject of an
18 earlier Commission proceeding.

19 Q. So, then, if I go to Bates Page 032, which is
20 Ms. Tebbetts' testimony, at Line 19, it says
21 "The Company is proposing an average TSCA
22 credit of 0.00414 per kWh". And, again, I'm
23 just trying to straighten out the terminology
24 here. That number appears in Column (e),

1 correct?

2 A. (Tebbetts) Yes.

3 Q. And Column (e) is labeled "Transmission
4 Adjustment Factor", correct?

5 A. (Tebbetts) Yes.

6 Q. And the testimony refers to a "TSCA", which we
7 just established, according to the tariff, is
8 actually the sum of Columns (d) and (e), is
9 that right?

10 A. (Tebbetts) Yes.

11 Q. Okay. Then, if I flip to Page 033 of the
12 testimony, at Line 16, we talk about a
13 "transmission service adjustment reconciliation
14 factor". Now, what numbers does that refer to
15 on Bates 041?

16 A. (Tebbetts) Well, that amount is a
17 reconciliation piece. So, there's components
18 that are -- that's one specific component of
19 the reconciliation, I guess is what I was
20 trying to get at. And that's noted on HMT-3,
21 Page 3, which is a component. There is three
22 components to the Transmission Adjustment
23 Factor, which is a credit. That's just one
24 component.

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 Q. And what are the three components that you
2 referenced?

3 A. (Tebbetts) I'll have to get that page, I'm
4 sorry, in my schedules. Let's see. If you
5 look at Bates Page 048, Line 1, there are two
6 components to the \$4 million. There is the
7 over/under collection as shown on Bates Page
8 046, the 3.3 million. And then you have the
9 remaining refund for the over/under collection
10 for the reconciliation portion, which is a
11 refund due to customers from the previous
12 period, which was Bates Page 047.

13 Q. Okay. So, I want to move now to some of
14 Mr. Warshaw's schedules. So, I'm looking at
15 Bates 020. And could you describe the charges
16 just briefly that are being recovered through
17 Bates 020.

18 A. (Warshaw) Excuse me. The charges that are
19 being recovered range from the -- in
20 Column (2), it's the RNS rates that are in the
21 Open Access Transmission Tariff. Column (3)
22 and (4) are also Scheduling Charges and System
23 Restoration or Black Start Charges that are
24 also incurred through the OATT schedule. And

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1 Column (5) is Reactive Supply that is used to
2 meet the various variations in load by our
3 customers. And, then, let's see. And, then,
4 Column (6) is just the sum of Columns (2)
5 through (5). And, then, Column (7), we move
6 over to the Scheduling and Dispatch Services,
7 which is part of the ISO-New England schedule
8 for recovering their costs, dispatch service,
9 and then the NESCOE budget.

10 Q. Thank you. And this schedule recovers roughly
11 17 million of the \$21 million in transmission
12 costs that we were talking about at the outset,
13 correct?

14 A. (Warshaw) Correct.

15 Q. And most of the charges that flow into -- or,
16 all of the charges that flow into the
17 17 million, the way this schedule works, as I
18 understand it, is you start with the load
19 forecast in Column (1), and then you apply
20 various rates that are outlined in the
21 footnotes and in succeeding schedules. Is that
22 true?

23 A. (Warshaw) That is correct.

24 Q. And could you explain where the load forecast

1 in Column (1) comes from?

2 A. (Warshaw) The load forecast in Column (1) -- I
3 have to apologize, I didn't adjust the footnote
4 for Line -- for Column (1). The footnote
5 should say that it's the "Monthly regional
6 network load during 2016", as opposed to
7 choosing the highest of two years.

8 Q. So, that's footnote -- the very first footnote?

9 A. (Warshaw) Yup. Yes.

10 Q. So, we can cross out the "2014-2015" and
11 substitute "2016"?

12 A. (Warshaw) Yes. And that is consistent with the
13 order in the previous retail rate docket.

14 Q. Okay. So that basically what you're saying I
15 think is, the forecast for 2017 is the actuals
16 of 2016?

17 A. (Warshaw) Yes.

18 Q. Okay. Did you make any adjustments to those in
19 coming up with these loads?

20 A. (Warshaw) No.

21 Q. Do you have actual figures available for
22 January and February at this point? The
23 "actual 2017", I should say.

24 A. (Warshaw) I have January, not with me, but I

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 do, and February will be coming out next
2 month -- I mean, this month, on Monday.

3 Q. Okay. So, at the time of the filing, these
4 were the latest -- this was the latest
5 information available, is that true?

6 A. (Warshaw) Correct.

7 Q. Okay. Now, at your testimony -- Mr. Warshaw,
8 your testimony at Page 6, you talk about a
9 pending case at the FERC regarding RNS and LNS
10 calculations?

11 A. (Warshaw) Yes.

12 Q. Are those -- do those two charges, RNS and LNS,
13 amount to about 20 million of the \$21 million
14 that we're talking about today?

15 A. (Warshaw) Yes, they do.

16 Q. Yes. And can you give us an update on the FERC
17 case?

18 A. (Warshaw) The last update that I saw, they are
19 still working on developing an actual formula
20 for the RNS portion of the rate. They have not
21 yet settled on a specific formula. The problem
22 that was identified in this case is that the
23 ISO's tariff, instead of having a formula with
24 specific, you know, formulaic values, it just

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 had words. And the FERC said "By having just
2 words, that was open, you know, to
3 interpretation." And the FERC said "Come up
4 with a specific formula that everyone can
5 follow." And that's what's in process of being
6 developed and settled between all of the
7 parties -- many parties that are involved in
8 this docket.

9 They have not yet turned to the LNS, or
10 the Local Network Service section portion of
11 the docket.

12 Q. Do you have any idea on when this case might
13 wrap up?

14 A. (Warshaw) No, I do not.

15 Q. It's been going on for a while, is that
16 correct?

17 A. (Warshaw) It's been going on for a while.

18 Q. Okay. And I think you state in your testimony
19 that, if there are any adjustments to these,
20 these adjustments would be applied on a
21 prospective basis, is that true?

22 A. (Warshaw) That's correct.

23 Q. Okay. So, there's not going to be any need to,
24 if this FERC case finishes, to come back in and

1 adjust the numbers that are presented here, is
2 that true?

3 A. (Warshaw) That's correct. We would just -- any
4 adjustments would show up in the next --
5 hopefully, in the next filing, as part of the
6 reconciliation of the actual costs.

7 Q. Okay. So, I wanted to go back to Bates 020
8 again, which is the schedule we were just
9 talking about. And I was hoping you could
10 explain for me the difference between Columns
11 (3) and (7), because the titles are very
12 similar. They seem to be collecting similar
13 costs.

14 A. (Warshaw) This also confuses me, because they
15 also do sound similar. But the Column (3) is
16 in the Open Access Transmission Tariff Schedule
17 1, while Column (7) is from the ISO-New England
18 Schedule 1 costs. So, they're similar, but
19 they're collected in two separate costs and two
20 separate rates.

21 Q. Those are services provided by different people
22 or different entities?

23 A. (Warshaw) My understanding it's not by
24 different people, it's just that where the

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 portion of the costs ended up, in either the
2 Open Access Tariff or ISO-New England's Tariff
3 as part of administrating the Open Access
4 Transmission Tariff, and the markets.

5 Q. And the underlying rates for both of those
6 columns are approved by FERC, is that true?

7 A. (Warshaw) That's correct.

8 Q. Could we just flip one page forward to Bates
9 021 please. And Column (1) has some load
10 figures as well. Could you explain where those
11 come from?

12 A. (Warshaw) Those are the same load figures that
13 was used to forecast the transmission costs for
14 2017 based on the load in 2016, and it has the
15 correct footnote.

16 Q. So, those are based on 2016 actuals?

17 A. (Warshaw) Yes.

18 Q. Okay. And then jumping ahead to Bates 023,
19 which is a different set of load figures. This
20 is Column (1) on the schedule that's designed
21 to correct the NEP charges. Could you explain
22 where those demand charges come from?

23 A. (Warshaw) The demand charges are simply the
24 monthly average of the 2016 charges by NEP

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 divided by 12, the sum of those divided by 12.
2 And, if you look on Column -- the note for
3 Column (1), it's cut off. It should say the
4 "period ending December 2016".

5 Q. So, that footnote should end with
6 "December 2016", and, again, these are actual
7 figures, and then just divided up by 12?

8 A. (Warshaw) Correct.

9 Q. Okay. Now, these were significantly less than
10 last year's, is that true?

11 A. (Warshaw) That is true.

12 Q. And could you explain why that is?

13 A. (Warshaw) It's -- I can't explain exactly why
14 the NEP charges that came through were less in
15 2016 than in 2015. The issue is that some of
16 the way the NEP Local Network and Regional
17 Network tariff charges are calculated, some of
18 the revenue is allocated from the RNS, which is
19 a single postage stamp rate across all of New
20 England, and then NEP gets to adjust its
21 collection at the Local Network Service rate,
22 depending upon how much of the RNS revenue
23 covered or was above or below what was
24 authorized for them to recover in their revenue

1 requirement.

2 There are times when we get, in their
3 calculation, it ends up with a credit from the
4 RNS revenue, and there are times when there's a
5 charge that's added on from the RNS revenue.
6 And it's fairly -- it fluctuates.

7 Q. So, I want to jump for a minute to HMT-3, which
8 is Bates 044. And this is the schedule, as I
9 understand it, that allocates the \$21 million
10 that we've been talking about to the various
11 classes. Could you explain how that allocation
12 takes place?

13 A. (Tebbetts) Yes. So, what I -- I receive, for
14 Line [1], the estimated expense for
15 transmission for 2017. I am provided the
16 coincident peak data by our Load Data Services
17 Group, which is what you see on Line [2]. We
18 allocate using the information on HMT-3,
19 Page 2, which is Line [2]'s information. We
20 have -- we allocate that amount between rate
21 classes. Then allocate the transmission
22 expense in Line [1], use forecasted
23 kilowatt-hour sales to come up with a rate.

24 Q. And the term "coincident peak", can you explain

1 that for us?

2 A. (Warshaw) "Coincident peak" is the peak that
3 Liberty Utilities experienced at the same time
4 as all of New England peaked.

5 Q. And you have that by rate class? Do you know
6 when each rate class peaks coincident with New
7 England?

8 A. (Warshaw) That we -- my understanding is,
9 that's done based on a load allocation
10 simulation program that is run by the Load Data
11 Services folks.

12 Q. So, I think the last thing I wanted to ask
13 about is some of the details on what's labeled
14 on Bates 041 as the "Transmission Adjustment
15 Factor", which, as we said earlier, is designed
16 to recover roughly \$4 million. And I believe
17 the \$4 million we're talking about is detailed
18 on Bates 046, 047, and 048, is that right?

19 A. (Tebbetts) Yes.

20 Q. Okay. So, last year, if I remember, at this
21 time there was roughly a \$10 million over
22 recovery. Do you recall that?

23 A. (Tebbetts) Yes.

24 Q. And this year we're talking about an over

1 recovery projected of \$3 million.

2 A. (Tebbetts) Yes.

3 Q. And can you explain that difference?

4 A. (Tebbetts) So, in the months of February,
5 March, and April, which I provide on HMT-3,
6 Bates 046, we had higher than normal, I'll say,
7 transmission rates. And the reason was, it
8 goes back to a previous docket that we had
9 extended the period for which we reconciled
10 rates, went from a 12-month period to a
11 16-month period, to move us onto a May 1
12 transmission reconciliation period. And, so,
13 for the first February, March, and April, you
14 will see that our revenues are significantly
15 higher than our expense, and that's due to the
16 fact that we were collecting more from
17 customers in those months based on higher rates
18 in effect at the time.

19 Q. Okay. And something we talked about at the
20 tech session, I was thinking this schedule
21 might get updated, but there are some
22 parentheses that are confusing in the headings
23 here for over and under recovery. Could you
24 explain that or confirm that, that some of

1 these are not correct?

2 A. (Tebbetts) I do see, in Column (e), that the
3 parentheses should be around the word "over",
4 rather than the word "under". And I'll make
5 that correction for our next filing.

6 Q. Okay. So, the overs are in parentheses for all
7 three of the columns that mention "over" or
8 "under"?

9 A. (Tebbetts) Yes.

10 Q. Okay. Good. Could you explain why this
11 schedule on Bates 046 starts with a zero figure
12 for February?

13 A. (Tebbetts) Yup. This schedule only provides
14 expenses. So -- and revenues associated, of
15 course, but for the invoices we receive from
16 New England Power or ISO-New England and the
17 RNS/LNS pieces. This doesn't include any
18 over/under recovery, which is what you will see
19 on Bates Page 047. So, we don't start out with
20 a beginning balance of invoices due. The
21 beginning balance is zero, and we receive these
22 invoices monthly.

23 Q. So, then, what's the difference between Bates
24 046 and Bates 047?

1 A. (Tebbetts) So, Bates 046 is for purely to
2 provide what is it that we collected from
3 customers versus what the expense was for
4 transmission costs, solely the invoices,
5 basically, that we are paying every month.

6 Schedule HMT-3, Page 4, on Bates 047,
7 takes that beginning balance, whether it was an
8 over or under from the previous period, and
9 asks the question, you know, "what did we
10 provide customers, either for a refund in this
11 case, based on sales, and what is that ending
12 balance? So, did we provide customers in this
13 case their full refund based on the sales that
14 we received?" And the answer in this case is
15 "no", the sales were lower than projected. So,
16 customers did not receive all of their refund.
17 And, so, the \$653,000 will then be incorporated
18 into the 2017 filing rate calculation so that
19 they can receive the rest of that refund.

20 Q. Thank you. So, I wanted to turn to Page 050,
21 this is the last area I wanted to question
22 about, and this has to do with the working
23 capital calculation that's included in this
24 filing.

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 Let me back up a little bit. This is a
2 new element in this case. It wasn't here last
3 year, is that correct?

4 A. (Tebbetts) Yes.

5 Q. Could you explain why it's included in this
6 filing?

7 A. (Tebbetts) So, originally, in our rate case,
8 Docket DE 16-383, we included transmission
9 costs. And, as part of our settlement, we
10 agreed to take out those transmission costs,
11 and to include those costs in our -- the
12 lead/lag of costs associated with transmission
13 in our transmission filing instead.

14 Q. Very good. So, this is consistent with the
15 settlement in the rate case?

16 A. (Tebbetts) Yes.

17 Q. Okay. So, now, I wanted to turn to Page 50 for
18 a minute. And I wanted to ask about, just for
19 example purposes, Line [20]. And, as I
20 understand this, this schedule is designed to
21 compare the period of time for which you
22 receive an expense -- for which Liberty
23 receives an expense and the period of time for
24 which they pay an expense. Is that what this

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1 schedule is supposed to do?

2 A. (Tebbetts) Yes.

3 Q. Okay. So, --

4 A. (Mullen) If I could just --

5 Q. Sure.

6 A. (Mullen) We receive the service, rather than
7 receive the --

8 Q. Receive the service.

9 *[Court reporter interruption.]*

10 **BY THE WITNESS:**

11 A. (Mullen) We receive the service, rather than
12 receive the expense.

13 BY MR. DEXTER:

14 Q. So, I was trying to match up Column (a) and
15 Column (d). And I was looking at Line [20],
16 for example. And, as I understand this
17 schedule, it says that -- well, maybe you could
18 explain to me what Column (a) is and what
19 Column (d) is?

20 A. (Tebbetts) So, Column (a) is the month for
21 which we receive the invoice. And Column (d)
22 is the month for which we receive the service.
23 So, if you look at Column (a) versus (d),
24 you'll notice we have an October date in Column

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[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 (a) versus an August date. And that is because
2 ISO-New England bills us two months after we
3 receive service.

4 Q. So, for Line [20], if I understand, the service
5 was provided in August, but the invoice was
6 provided in October. Is that right?

7 A. (Tebbetts) Yes.

8 Q. Okay.

9 A. (Tebbetts) Yes. And, so, probably it maybe
10 should be more clear that it should say
11 "Invoice Period", rather than "Service Period"
12 at the top of Column (a), in the header.

13 Q. Or you could even put a specific date in there
14 for an invoice, wouldn't that be possible?
15 Invoice date?

16 A. (Tebbetts) Yes.

17 Q. Because you would have to have the invoice date
18 in order to calculate -- no, I guess you --
19 well, never mind. I'll withdraw that question.

20 So, I wanted to go back one page, to
21 Page 49. And I wanted to compare the results
22 of this sheet to a document from the rate, case
23 which is from the Company's Lead/Lag Study from
24 the rate case. I have marked that as "Exhibit

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[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 7". And I'd like to just flip to the second
2 page in Exhibit 7. It's got a stamp on the
3 bottom of "067". So, if you have that in front
4 of you, in this case it appears that -- I'm
5 sorry, I actually want to look at Page 51 of
6 Exhibit 1, not Page 49. And it appears to me
7 that, in this case, as part of the lead/lag
8 calculation, we've got a service lag of "15.21"
9 days in each of the studies. Is that correct?

10 A. (Tebbetts) Yes.

11 Q. And we have a billing lag of "2.92" days on
12 both of these exhibits. Is that correct?

13 A. (Tebbetts) Yes.

14 Q. And then we have a collection lag in the rate
15 case of "45.3" days, and a collection lag in
16 this case of "49.04" days. Is that right?

17 A. (Tebbetts) Yes.

18 Q. So, that's about a four-day difference in
19 collections. Could you explain the difference
20 between those two figures?

21 A. (Tebbetts) So, the first difference is, the
22 rate case provided test year data, which is for
23 2015, and the filing in front of you is for a
24 period of 2016. So, the information for

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 monthly sales and accounts receivables are
2 different.

3 The second reason that you see these
4 differences is the rates in effect between
5 those two periods were also very different.

6 Q. Were the rates higher in 2015 or lower?

7 A. (Tebbetts) The energy service rate for large
8 customers and small customers in the first four
9 months of 2015 were significantly higher.
10 Energy service rates were at 15 cents, for
11 small customers, and energy service rates for
12 large customers were over 21 cents, for
13 January, February, and March of 2015.

14 And, then, when you look at May through
15 December of 2015, that's when the
16 higher-than-normal, as I described earlier,
17 transmission rates were in effect. So, you had
18 these anomalies in rates which increased the
19 monthly sales figures.

20 When you look at 2016, the energy service
21 rate was much lower, for all customers, and the
22 transmission rate that was very high ended in
23 May of 2016, where we then provided customers
24 with that \$10 million refund over the next

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1 eight months. So, you're seeing an anomaly
2 between the two because of the
3 higher-than-normal rates.

4 Q. Right. So, basically, I think, if I understand
5 what you're saying, is the rates were lower in
6 2016 than in 2015?

7 A. (Tebbetts) Yes.

8 Q. Now, if I look at Bates 051, which is the
9 schedule that you calculated the 49-day
10 collection lag, and if I look at the last page
11 of Exhibit 7, it's got a Bates stamp of "068",
12 I apologize -- it's the third page in the
13 exhibit. I apologize for not Bates stamping
14 this short exhibit.

15 If you compare the monthly revenue figures
16 and the monthly receivable figures versus one
17 schedule versus the other, it's clear that
18 there's a pretty dramatic drop in the numbers
19 presented for this case versus the rate case.
20 Would you agree with that?

21 A. (Tebbetts) Yes.

22 Q. Okay. So, it seems to me, and I don't know if
23 we'll be able to figure this out, that, if
24 rates are going down, I have a hard time

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 understanding why it would take longer for
2 customers to pay their bill. I would think it
3 would make it easier for them to pay their
4 bill. Do you have any ideas as to why that
5 might not be the case?

6 A. (Mullen) That's a function of the calculation,
7 where you take the average daily revenues and
8 you divide by the average monthly customer
9 accounts receivable. So, to the extent that
10 the average daily revenues are lower, and to
11 the extent that those are lower by a percentage
12 that's more than the change in the average
13 accounts receivable, you're going to get a
14 different number. It's going to --

15 Q. Go ahead. I'm sorry.

16 A. (Mullen) That's just a mathematical function.

17 Q. And the average daily receivable -- the monthly
18 receivable balances are also lower, 2016 versus
19 '15, is that true?

20 A. (Tebbetts) Yes.

21 Q. Okay. So, based on the mathematical
22 calculation that Mr. Mullen just referenced,
23 the revenue figure is -- well, and I guess it's
24 obvious that the revenue figure drives the

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 collection lag. That's basically what you
2 said, right?

3 A. (Mullen) Well, it's a function of that and the
4 accounts receivable.

5 Q. Accounts receivable. Now, have you had an
6 opportunity to verify the monthly revenue
7 figures in Column (b), of Bates 051, with this
8 year's FERC Form 1? I know it's not filed yet
9 at the Commission. So, I wasn't able to do it.
10 But have you had an opportunity to do that?

11 A. (Mullen) It's not filed yet. It has not been
12 prepared. It is not due until April 18th. But
13 I did, just as I was -- before I walked up to
14 the stand here, I e-mailed back to the office
15 and I asked them for -- to give me a number for
16 the total revenues. Now, granted, I don't
17 know -- I haven't been able to verify it, but
18 it's roughly -- it's just under \$89 million.
19 And I think, if you add the numbers in Column
20 (b), on Bates 051, you get a number that's
21 somewhere around \$88 million, give or take.
22 So, whether, you know, one includes unbilled or
23 anything like that, but, you know, for purposes
24 of doing a quick check before we got on the

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1 stand, I have been able to at least temporarily
2 verify that.

3 Q. Okay. Well, I appreciate that. So, when the
4 FERC Form 1 comes in, we should expect to see a
5 revenue figure somewhat consistent with Bates
6 051?

7 A. (Mullen) Yes.

8 Q. Okay. Thank you. Thank you very much. Now,
9 the last thing I wanted to ask about, I've said
10 that three times before, it's a subtopic of the
11 subtopic of the subtopic. So, on Bates 051,
12 there's one element that's included in this
13 Lead/Lag Study that was not included in the
14 rate case Lead/Lag Study, and that is called
15 "Payment Processing and Bank Float Lag" of one
16 day. Could you explain why that number is
17 included here in this case, but was not
18 included in the rate case?

19 A. (Tebbetts) So, when I designed this Lead/Lag
20 Study, I took it directly from our Energy
21 Service filing. And, in our Energy Service
22 filing, we have a "Payment Processing and Bank
23 Float Lag" as well, based on an old docket,
24 DE 09-010.

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[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 Q. But you would agree that that figure was not
2 included in the rate case Lead/Lag Study,
3 wouldn't you?

4 A. (Tebbetts) Yes.

5 Q. Okay. Is there any reason why we shouldn't use
6 the rate case methodology, which is more recent
7 than the footnote indicates that this method
8 comes back from 2009?

9 A. (Mullen) You're saying "remove the one day"?

10 Q. Yes. Essentially, that's the sum total of it.
11 But we just went through a rate case, we had a
12 lead/lag study presented by an expert witness.
13 And it would seem appropriate to me or Staff
14 that we take the methodology from that study
15 and apply it to this filing, and perhaps the
16 Energy Service filing which is coming in.

17 A. (Mullen) We could certainly do that going
18 forward. While I was sitting up here, I did
19 some quick calculations to see what the impact
20 of taking that one day out would be, and that
21 would change the working capital impact from
22 77,144, which is calculated on Bates 049, to
23 69,673. Which is a decrease of 7,740 --
24 \$7,471, which, when I figure the rate impact,

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[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 I've got zeros going out to six decimals. So,
2 it would not impact any rates in this case.
3 But I think we could do it going forward.

4 Q. Okay. And the next filing that would include
5 that would be the Energy Services filing, is
6 that right?

7 A. (Tebbetts) Yes.

8 Q. Okay.

9 A. (Mullen) I'd have to see what that Settlement
10 in the 09-010 case, how that was worded in
11 there. And, you know, rather than just
12 changing what came out of that Settlement
13 Agreement, we'd have to just take a look at
14 that to be sure.

15 Q. So, the 09-010 footnote that you reference is a
16 prior Energy Services docket?

17 A. (Mullen) I believe so, yes.

18 Q. Okay. So, I understand what you're saying. If
19 there was a settlement, you can't just
20 unilaterally change that settlement?

21 A. (Mullen) Correct.

22 Q. But it's something that the Company will look
23 into, it sounds like?

24 A. (Mullen) Yes.

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[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 MR. DEXTER: That's all I have.

2 Thank you.

3 CHAIRMAN HONIGBERG: Commissioner
4 Scott.

5 CMSR. SCOTT: Thank you. Good
6 morning.

7 WITNESS MULLEN: Good morning.

8 WITNESS WARSHAW: Good morning.

9 WITNESS TEBBETTS: Good morning.

10 BY CMSR. SCOTT:

11 Q. I think I will start with Ms. Tebbetts. I want
12 to go back to Exhibit 1, Bates 050, just to
13 help me understand that chart, and really it's
14 the headers. So, I know you discussed this a
15 little bit with Attorney Dexter. So, the
16 Column (d), it's labeled "Mid-Point Period".
17 So, can you explain to me what "Mid-Point
18 Period" means again? Because that confused me
19 when I read it the first time.

20 A. (Tebbetts) We just use the midpoint of the
21 month for that period, with regards to when we
22 receive service.

23 A. (Mullen) For example, if I refer you back to
24 Line [20] that we were talking about earlier.

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1 Q. Yes.

2 A. (Mullen) That has a mid-point period of
3 "August 16th, 2016". And, as Ms. Tebbetts
4 explained, we get billed by ISO two months in
5 arrears. So that would be for the month of
6 August. So that would be the midpoint of that
7 month. That would be the midpoint of that
8 service period.

9 Q. So, that's what I was getting at. So, you're
10 trying to -- are you trying to illustrate when
11 ISO bills you or just the midpoint? I mean,
12 what's the import of that column to us?

13 A. (Mullen) We're trying to say -- the import of
14 having the midpoint is saying we received
15 service over a 30-day period -- over a month
16 period. So, we're trying to pick the midpoint,
17 because it's not just the beginning of the
18 month and it's not just the end of the month,
19 it's sometime in -- you know, we're taking the
20 average to figure the lag.

21 Q. Thank you. That's a help. And, Mr. Mullen,
22 while you're talking, we'll continue with you
23 then. So, much earlier with Attorney Dexter
24 you talked about the CTC, the potential

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 expiration at 2020, but perhaps not at 2020,
2 depending on things like the former nuclear
3 plant ownership, those issues. Do you recall
4 that?

5 A. (Mullen) I wouldn't even call it "potential
6 expiration". I would say that the 2020 only
7 relates to the power contracts. The other
8 factors can live on beyond that.

9 Q. Okay. And are those uncertainties moving
10 forward you outlined, in some of your written
11 testimony, negotiations with National Grid on a
12 potential buyout of that obligation. Are those
13 the reasons that uncertainty is -- is that at
14 the crux of why National Grid is reluctant to
15 negotiate that?

16 A. (Mullen) Yes.

17 Q. And, so, in your crystal ball, so, when does
18 the obligation actually end? You know, does
19 the nuclear plant have to close and the full
20 decommissioning go full term or does this ever
21 end?

22 A. (Mullen) Well, and that's a good question. You
23 know, I'd say that a similar thing I might
24 relay it to is similar to requirements we have

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[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 with EnergyNorth for cleanup of former
2 manufactured gas sites. Those go until any
3 liabilities are done. The same thing could
4 very well be with the nuclear -- former nuclear
5 facilities, as well as other generating sites.
6 Each one has its own environmental aspects.

7 Also, as I outlined in my testimony, to
8 the extent that there's ongoing litigation with
9 the Department of Energy for not having
10 off-site storage of spent nuclear fuel and
11 nuclear waste, to the extent we try to buy out
12 of that, we could actually -- our customers
13 could actually be harmed by that, because who
14 knows how long those -- that litigation may go
15 on in different phases and what proceeds we may
16 get from that.

17 Q. And do you know how many -- how many former
18 facilities we're talking?

19 A. (Mullen) In terms of nuclear and non-nuclear?
20 Off the top of my head, I don't know.

21 Q. Okay. So, we'll be discussing this for some
22 time, it sounds like?

23 A. (Mullen) That's right.

24 Q. Okay. Thanks for that. And I wouldn't want to

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 forget Mr. Warshaw. So, my reading of your
2 testimony was, and generally speaking, RNS is
3 up and LNS is down, is that a fair
4 characterization?

5 A. (Warshaw) Yes. The RNS has gone up a little
6 bit, but -- and then my estimate of what the
7 LNS would be, instead of making an adjustment
8 based on what we saw from one year to the next,
9 which, as a result of doing that, I saw that I
10 was wrong every time. So, I'll just use last
11 year's as a plug for this year.

12 Q. Okay. But you did forecast lower LNS charges,
13 correct?

14 A. (Warshaw) Yes. I did forecast a little lower
15 LNS, because there are a couple of charges that
16 come through on the LNS bill that you can't
17 forecast. And, also, there were two months
18 where they inadvertently included charges that
19 they then backed out in 2017.

20 Q. Okay. So, that's where I was going. I was
21 trying to understand why you thought they would
22 be lower, I guess. And, as part of that, the
23 lowering of LNS, the credit, for want of a
24 better word, that you get from National Grid

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[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 for use of lines from the generation
2 facilities, is that correct, too?

3 A. (Warshaw) It's that. There's also part of
4 what -- when we get an adjustment is, if there
5 was any large correction in the ISO
6 reconciliation, when they do their 90-day
7 adjustment, I can't forecast that.

8 But the biggest difference was that, in
9 November and December, they included a \$40,000
10 charge that should not have been there, and
11 they gave us a credit in January for that
12 amount. So, I decided not to include that in
13 2017.

14 Q. And, historically, RNS, that's been -- am I
15 correct, historically, that seems to be
16 climbing every year, is that a correct
17 statement?

18 A. (Warshaw) That is correct.

19 CMSR. SCOTT: Okay. That's all I
20 have. Thank you.

21 CHAIRMAN HONIGBERG: Commissioner
22 Bailey.

23 CMSR. BAILEY: I have no questions.
24 Thank you.

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1 BY CHAIRMAN HONIGBERG:

2 Q. Ms. Tebbetts, the revised page, this is 042,
3 043, how many decimal points out would we have
4 to go before we saw a change in the figure? I
5 mean, is it another two, three decimal points?

6 A. (Tebbetts) Yes. Pretty much, yes.

7 Q. You had an exchange with Attorney Dexter about
8 the calculation of a rate that, by its terms,
9 is supposed to be different for each or at
10 least calculated differently for each of the
11 classes. You recall that?

12 A. (Tebbetts) Yes.

13 Q. I just want to make sure I understand what it
14 is you ultimately did. Am I correct that you
15 did each of the individual calculations, then
16 saw that they came out the same, and so just
17 prepared one schedule to reflect that result?

18 A. (Tebbetts) Yes.

19 CHAIRMAN HONIGBERG: Okay. That's
20 all I had.

21 Mr. Sheehan, do you have any further
22 questions for your witnesses?

23 MR. SHEEHAN: I do not.

24 CHAIRMAN HONIGBERG: All right. I

1 assume there's no objection to striking ID on
2 Exhibits 1 through 7?

3 MR. SHEEHAN: No objection.

4 MR. DEXTER: No objection.

5 CHAIRMAN HONIGBERG: All right.
6 Seeing none, we'll strike ID. Those are full
7 exhibits.

8 Anything else we need to do before
9 the parties sum up?

10 *[No indication given.]*

11 CHAIRMAN HONIGBERG: Mr. Dexter, why
12 don't you go first.

13 MR. DEXTER: Thank you. Well, Staff
14 has gone through the filing in detail. And we
15 do recommend approval as submitted. We would
16 recommend, in future filings, that the Company
17 match the terminology that they put forth in
18 the filing with the terminology that's in the
19 tariffs to make things clearer. To extent if
20 that's possible, I think that would make the
21 filing easier to file **[follow?]**.

22 We'd also recommend that the issue of
23 buying down or buying out stranded costs not be
24 carried forward. We found Mr. Mullen's

1 testimony on that issue to be complete. And,
2 in Staff's opinion, that testimony answered the
3 Commission's directive from the last two cases.

4 And, as I said, with that, we
5 recommend approval of the proposed rates.

6 CHAIRMAN HONIGBERG: Mr. Dexter, with
7 respect to the terminology, as an alternative,
8 if the Company concludes that it should reword
9 the tariff to match what it wants to do with
10 the schedules, that would also be consistent
11 with your view, am I right?

12 MR. DEXTER: I guess it would. Yes.
13 I'm not sure which is, you know, which is
14 easier. I would imagine it's easier to change
15 a schedule than a tariff, but I would leave
16 that up to the Company.

17 CHAIRMAN HONIGBERG: Yes.

18 MR. DEXTER: But I just find it --
19 it's confusing, if a term is used in the
20 tariff, and then that same term shows up in a
21 schedule, but it means something different.

22 CHAIRMAN HONIGBERG: Oh, trust me, we
23 see it in other contexts as well. Those who
24 work on gas cases see it with LDAC, which means

1 different things to different companies and
2 different tariffs -- it's used differently in
3 different tariffs. And we're trying to get
4 some uniformity there. But it's a recurring
5 problem in other contexts. And, so, I think
6 everybody understands your concern.

7 Mr. Sheehan.

8 MR. SHEEHAN: Briefly. As you know,
9 this case involves us taking rates determined
10 by either this Commission in other proceedings
11 or by the FERC, and is simply a way to pass
12 these through to our customers. The only
13 decisions the Company makes are forecasting
14 decisions, which can be reconciled from year to
15 year.

16 And we submit that the manner in
17 which we've done the calculations and proposed
18 the rates is just and reasonable. And we ask
19 that you approve them. Thank you.

20 CHAIRMAN HONIGBERG: And you heard
21 the discussion about terminology?

22 MR. SHEEHAN: Yes. We will certainly
23 take a look at that issue.

24 CHAIRMAN HONIGBERG: All right.

1 Thank you all. Then, we will adjourn this
2 hearing, take the matter under advisement, and
3 issue an order as quickly as we can. And we're
4 off the record.

5 *(Whereupon the hearing was*
6 *adjourned at 10:23 a.m.)*