

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

April 17, 2019 - 1:43 p.m.
Concord, New Hampshire

NHPUC 3MAY19PM4:14

RE: DG 17-070
NORTHERN UTILITIES, INC.:
Request for Change in Rates.
(Hearing regarding a step adjustment)

PRESENT: Chairman Martin P. Honigberg, Presiding
Commissioner Kathryn M. Bailey
Commissioner Michael S. Giaimo

Sandy Deno, Clerk
Doreen Borden, Clerk (after 4:15 p.m.)

APPEARANCES: Reptg. Northern Utilities, Inc.:
Gary Epler, Esq.

Reptg. Residential Ratepayers:
Brian D. Buckley, Esq.
Office of Consumer Advocate

Reptg. PUC Staff:
Paul B. Dexter, Esq.
Stephen Frink, Dir./Gas & Water Div.
Bill Ruoff, Safety Division

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

CERTIFIED
ORIGINAL TRANSCRIPT

I N D E X

PAGE NO.

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CHRISTOPHER J. LeBLANC
KEVIN E. SPRAGUE
(as needed) CYNTHIA CARROLL
(as needed) TRESSA BICKFORD
(as needed) DANIEL NAWAZELSKI

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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.
9	Step 2 Distribution Rate Adjustment filing, including Tariff Pages, Affidavit of Todd Diggins, and Attachments 2 through 4	<i>premarked</i>
10	Joint Testimony of Todd R. Diggins, Christopher LeBlanc and Kevin Sprague, with attachments	<i>premarked</i>
11	Supplemental filing Step 2 Distribution Rate Adjustment, including Tariff Pages and Supp. Attachments 2 through 4	<i>premarked</i>
12	Company's response to Data Request Staff 4-2	<i>premarked</i>
13	Company's response to Data Request Staff 5-1	<i>premarked</i>
14	Company's response to Data Request Staff 5-2	<i>premarked</i>
15	Document entitled "N.H. PUC Report of Probable Violation of Underground Utility Regulations and/or Damage to Underground Facilities"	<i>premarked</i>
16	Two-page document entitled "Contract for Installation of Gas Service or Main or Relocation of Meter"	<i>premarked</i>
17	RESERVED (For Revised Supplemental Attachment 2)	13

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EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
18	RESERVED (Record request for Construction Work Order for the Repairs associated with damage that occurred on June 15, 2018)	60
19	Company response to Data Request Staff 5-3	62
20	Company's response to PUC Staff Information Data Request Set 4, Request Staff 4-4	62
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23	RESERVED (Record request for an explanation of percentage difference on winter and summer bills)	99

P R O C E E D I N G

CHAIRMAN HONIGBERG: We are here to resume in Docket DG 17-070, which is Northern's step adjustment. We did take appearances when we were here about a week ago. I don't think we need to do that again.

What do we need to know before we resume? Mr. Dexter.

MR. DEXTER: I think all three parties have marked some exhibits. Would it be helpful for us to summarize those in advance?

CHAIRMAN HONIGBERG: I think it probably would.

MR. DEXTER: Okay. Well, if you take them in numerical order, then Attorney Epler should go first to introduce the first three.

CHAIRMAN HONIGBERG: Don't stand on ceremony. Whoever can give me the list.

MR. EPLER: Okay. Thank you, Mr. Chairman, Commissioners. So, we're up to, in this docket, Exhibit Number 9. So, that would be the original filing that was made on February 27th, 2019.

And Exhibit Number 10 would be the

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1 testimony and exhibits that were filed on March
2 25th, 2019.

3 And Exhibit Number 11 --

4 CHAIRMAN HONIGBERG: Mr. Epler, the
5 cover letter on that one is dated "March 22nd",
6 is that right?

7 MR. EPLER: Yes. I was --

8 CHAIRMAN HONIGBERG: We have it
9 stamped in --

10 MR. EPLER: I was going off what is
11 in the virtual filing, the date.

12 CHAIRMAN HONIGBERG: It's the same
13 document. We've confirmed that.

14 MR. EPLER: Yes, I believe so. I'm
15 just checking the filing right now, just to
16 make sure. Yes. It's the same document.
17 Thank you.

18 And Exhibit Number 11 would be the
19 supplemental filing that was made on April 8th,
20 2019.

21 And I think I'll hand it to Attorney
22 Dexter.

23 MR. DEXTER: Thank you. Exhibit 12
24 is the Company's response to Staff Data Request

1 1-2. And I note that that was filed as "1-2",
2 but it actually should be labeled "Staff 4-2".
3 And I think I've corrected by hand all the
4 copies that you have.

5 Exhibit 13 is the Company's response
6 to Staff 5-1.

7 Exhibit 14 is the Company's response
8 to Data Request Staff 5-2.

9 Exhibit 15 is a one-page document
10 entitled "New Hampshire PUC Report of Probable
11 Violation of Underground Utility Regulations
12 and/or Damage to Underground Facilities".

13 Exhibit 16 is the Company's response
14 to Data Request 4-4. Although, it was
15 originally labeled "1-4", that should be
16 changed to "4-4".

17 No, I'm sorry. Could we strike that?
18 Exhibit 16 is actually an OCA exhibit. I'll
19 let Attorney Buckley describe that one.

20 MR. BUCKLEY: Thank you. Exhibit 16
21 is actually a response to Staff Data Request
22 5-4. It is a attachment, a portion of an
23 attachment to that response. And it identifies
24 part of the contract a customer would sign for

1 a contribution in aid of construction.

2 MR. DEXTER: Staff has two additional
3 exhibits that are still being assembled by Mr.
4 Frink, to my left. So, I will just introduce
5 those at the time that they're ready, if that's
6 all right?

7 CHAIRMAN HONIGBERG: Okay.

8 MR. DEXTER: Thank you.

9 CHAIRMAN HONIGBERG: Anything else we
10 need to do before the witnesses are sworn in?

11 MR. EPLER: Mr. Chairman, if it
12 pleases the Commission, and if there's no
13 objection from the OCA and the Staff, what I'd
14 like to do is, aside from the three witnesses
15 that are in the witness box, there are three
16 other individuals who may be able to be
17 responsive. And I thought I would offer to
18 have them sworn in now, so that we don't have
19 to interrupt the hearing, in case they are able
20 to respond to a question from either the Bench
21 or Staff or the OCA.

22 CHAIRMAN HONIGBERG: Is there any
23 objection from OCA or Staff?

24 MR. BUCKLEY: No.

[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 MR. DEXTER: No objection.

2 CHAIRMAN HONIGBERG: Fair enough.

3 Why don't we have that done. Mr. Patnaude can
4 swear everybody in at once.

5 Anything else then?

6 [No verbal response.]

7 CHAIRMAN HONIGBERG: Mr. Patnaude,
8 would you do the honors please.

9 (Whereupon **Todd R. Diggins,**
10 **Christopher J. LeBlanc,** and
11 **Kevin E. Sprague** were duly sworn
12 by the Court Reporter as a
13 witness panel; additionally,
14 **Cynthia Carroll, Tressa**
15 **Bickford,** and **Daniel Nawazelski**
16 were also duly sworn by the
17 Court Reporter, to be able to
18 respond, if necessary.)

19 CHAIRMAN HONIGBERG: Mr. Epler.

20 MR. EPLER: Okay. Thank you.

21 **TODD R. DIGGINS, SWORN**

22 **CHRISTOPHER J. LeBLANC, SWORN**

23 **KEVIN E. SPRAGUE, SWORN**

24 **CYNTHIA CARROLL, SWORN (as needed)**

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 **TRESSA BICKFORD, SWORN (as needed)**

2 **DANIEL NAWAZELSKI, SWORN (as needed)**

3 **DIRECT EXAMINATION**

4 BY MR. EPLER:

5 Q So, I will start out by introducing the
6 witnesses. Starting with the witnesses in the
7 witness box who's the farthest from me. Mr.
8 Diggins, would you please identify yourself and
9 the position you hold with the Company?

10 A (Diggins) My name is Todd Diggins. And I'm
11 Director of Finance for Unitil Service Corp.

12 Q Thank you.

13 A (LeBlanc) My name is Christopher LeBlanc. I'm
14 Vice President of Gas Operations for Unitil
15 Service Corp.

16 A (Sprague) My name is Kevin Sprague. I'm the
17 Vice President of Engineering for Unitil
18 Service Corp.

19 A (Carroll) My name is Cindy Carroll. I'm
20 Director of Customer -- pardon me. My name is
21 Cindy Carroll. I'm Director of Customer Energy
22 Solutions for Unitil Service Corp.

23 A (Nawazelski) My name is Daniel Nawazelski. I'm
24 Lead Financial Analyst for Unitil Service Corp.

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 A (Bickford) I'm Tressa Bickford, Manager of
2 Utility Accounting.

3 Q Thank you. Turning now to Witnesses Sprague,
4 LeBlanc and Diggins, and referring to the
5 exhibits that have been premarked as Exhibits
6 Number 9, the original filing; 10, the
7 testimony and exhibits; and 11, the
8 supplemental filing, were these three exhibits
9 prepared by you or under your direction?

10 A (Diggins) Yes, they were.

11 A (Sprague) Yes, they were.

12 A (LeBlanc) Yes, they were.

13 Q And, Mr. Diggins, can you please explain what
14 the differences are in comparing Exhibit 9 to
15 Exhibit 11? What is accomplished in
16 Exhibit 11?

17 A (Diggins) In Exhibit 11, all gas main extension
18 projects that are under \$30,000 were removed as
19 a plant addition. And also, there was a
20 customer contribution of approximately \$2,000
21 that was also removed, which this also did
22 reduce the plant additions to the filing.

23 Q And were those issues that had come out of the
24 Staff audit?

[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 A (Diggins) Yes, they were.

2 Q And so, the Company is correcting those, those
3 items, as a result of the Staff audit, is that
4 correct?

5 A (Diggins) Correct.

6 Q And that has the result of reducing the
7 request, the overall request of the Company, is
8 that correct?

9 A (Diggins) Yes, it does.

10 Q Thank you. And now, are there any changes or
11 corrections to any of these three exhibits?

12 A (Diggins) There is. When the revised filing
13 was done, on Attachment 2, Page 3, we
14 inadvertently did not adjust the plant
15 additions that are used to calculate
16 depreciation expense, for the removal of the
17 items I mentioned previously. So, we do have a
18 correction to that, which also reduces the
19 revenue requirement that we are requesting by
20 approximately \$4,700.

21 Q Okay. And will we be filing that correction?

22 A (Diggins) Yes, we will.

23 Q Okay.

24 CHAIRMAN HONIGBERG: So, do you want

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 to make that a separate exhibit?

2 MR. EPLER: Yes. For clarity sake, I
3 think that if we can hold that exhibit number
4 open.

5 CHAIRMAN HONIGBERG: Sure. The next
6 number is "17", right?

7 MS. DENO: Yes.

8 **(Exhibit 17 reserved)**

9 MR. EPLER: Thank you, Mr. Chairman.

10 CHAIRMAN HONIGBERG: And how --
11 describe 17, so we know what we're looking for.
12 It's going to be a corrected version of what?

13 MR. EPLER: Mr. Diggins, could you
14 describe that?

15 WITNESS DIGGINS: It would be a
16 corrected version of Attachment 2 to the
17 original filing.

18 CHAIRMAN HONIGBERG: Okay.

19 BY MR. EPLER:

20 Q And with that explanation and the correction
21 that will be filed, do the witnesses adopt
22 these exhibits and testimony as their testimony
23 and exhibits in this docket?

24 A (Diggins) Yes, I do.

[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 A (Sprague) Yes, I do.

2 A (LeBlanc) Yes, I do.

3 MR. EPLER: Thank you.

4 CHAIRMAN HONIGBERG: Mr. Buckley.

5 MR. BUCKLEY: Thank you, Mr.

6 Chairman.

7 So, I would preface my line of
8 questioning here just by noting that, from
9 participating in the tech sessions, I
10 understand that Staff has done quite a lot of
11 work to look into the step. So, I'm going to
12 keep my comments fairly high level and my
13 questions fairly high level for the witnesses.

14 **CROSS-EXAMINATION**

15 BY MR. BUCKLEY:

16 Q So, I'm going to start out by asking about the
17 filings itself, or themselves. The original
18 filing, is it correct that there wasn't
19 testimony included in the original request for
20 a step adjustment? And whoever feels most able
21 to answer can feel free to do so.

22 A (Diggins) Yes. That is correct.

23 Q And can you tell me why that was?

24 A (Diggins) We attempted to get all of the

[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 required information incorporated through a
2 cover letter. And then it was requested to
3 elaborate on, on the filing itself. So, we
4 thought testimony would be appropriate.

5 Q And just for future understanding of how such
6 step agreements or step adjustments might be
7 examined, does the Company intend to provide
8 testimony on step adjustments in the future?

9 A (Diggins) Yes, it does.

10 Q All right. So, I'm going to turn to the
11 Whitehouse Road project. Can you tell me just
12 a little bit about that project, at a high
13 level?

14 A (LeBlanc) That was a highway project where the
15 City of Rochester was doing roadway
16 construction. Our existing 6-inch steel gas
17 main was in conflict with what their proposed
18 work was, and we were required to relocate that
19 as part of the -- as part of the agreement with
20 the City. And at that point in time, we, from
21 an engineering analysis, to improve pressure
22 support to the City of Rochester, we replaced
23 it with 12-inch steel, rather than
24 like-for-like size replacement of 6-inch. And

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 the total length of the project was
2 approximately 6,700 feet.

3 Q And did that project experience cost overruns?

4 A (LeBlanc) Yes, it did.

5 Q Can you tell me why that project experienced
6 cost overruns?

7 A (LeBlanc) There are a variety of reasons. But
8 the primary or the largest cost increase in the
9 project was for ledge removal.

10 Q And does the Company take actions to better
11 understand the geology of where it's going to
12 be digging, to better understand, for example,
13 how much ledge there might be?

14 A (LeBlanc) On this project, we did do ground
15 borings to determine the extent of the ledge on
16 the project.

17 Q And you mentioned this was a 6,700 foot
18 distance project?

19 A (LeBlanc) That's correct.

20 Q How many ground borings were done?

21 A (LeBlanc) Twelve.

22 Q And what was the cost of those ground borings?

23 A (LeBlanc) The cost for the borings was split
24 between Unitil and the City of Rochester. We

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 picked up six of them and they paid for six.
2 Our cost was a little more than \$5,000. So,
3 probably roughly under a thousand dollars a
4 bore.

5 Q And can you tell me approximately how much the
6 cost overrun was for this project?

7 A (LeBlanc) Approximately, \$2.6 million.

8 Q And is it conceivable that, if the Company had
9 a better understanding of the amount of ledge
10 that they might have run into, is it
11 conceivable that those costs overruns could
12 have been reduced?

13 A (LeBlanc) If the results of the boring, the
14 borings indicating more ledge than we expected,
15 the original authorization would have been
16 updated to actually include additional costs
17 for the actual ledge removal.

18 I don't believe the costs for removing
19 ledge would have gone down if we knew it in
20 advance, because we would have used the same
21 methodology, mechanical removal, for that ledge
22 removal process.

23 But, again, the overruns would have been
24 less, because we would have -- we would have

[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 updated the estimate and authorized more for
2 the project to begin with.

3 Q So, some of the overruns, from what I
4 understand, were associated with weekend work,
5 is that correct?

6 A (LeBlanc) That is correct.

7 Q And is that weekend work at all related to the
8 unanticipated amount of ledge or unforeseeable
9 amount of the ledge that was found?

10 A (LeBlanc) That is correct.

11 Q So, is it conceivable that, if the Company had
12 a better understand of just how much ledge they
13 might run into, they might have been able to
14 or it might have been able to avoid some of
15 this weekend work by, for example, placing more
16 crews on the project during the week?

17 A (LeBlanc) If there were more crews available.
18 The original project was estimated for 63 crew
19 days. So, we had assigned one crew to that
20 project. Over the course of the duration of
21 that project, we had five crews working on that
22 project. So, when we had availability to move
23 additional resources onto that project, we did
24 move them over there, when they were available.

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 Q So, let's return to the boring. You mentioned
2 that the Company paid about \$5,000 of boring
3 costs, is that correct?

4 A (LeBlanc) It's approximately correct. That's
5 correct.

6 Q And that's for about six holes?

7 A (LeBlanc) That is correct.

8 Q Is it conceivable that, if the Company had
9 chosen to bore more holes, it would have had a
10 better idea of the amount of ledge that could
11 have run into?

12 A (LeBlanc) That is possible. When you look at
13 the twelve holes over the 6,700 feet, we're
14 doing a boring approximately every 500-600
15 feet. So, that should give us an indication of
16 what the ledge profile was on that project.

17 Q Are you aware of any policies in neighboring
18 jurisdictions related to best practices, as far
19 as boring requirements meant to inform the
20 actual costs of a project?

21 A (LeBlanc) No. I am not.

22 Q Is it conceivable that the Company might adopt
23 a policy that would better enable it to
24 understand the likely costs associated with

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 ledge, for example, in a project it's planning?

2 A (LeBlanc) We are evaluating on projects when we
3 actually do formal boring samples. Typically,
4 what we do is our estimators walk the project.
5 They're looking for visible signs of ledge on
6 the project. And we use an allocation
7 methodology of percentage, based on knowledge
8 of working in that area before, as well as what
9 they're seeing on the street. And then when
10 there's significant -- if they significantly
11 think there's going to be ledge there, then
12 we'll do borings.

13 That is not an official policy. We are
14 doing an evaluation on whether we should
15 formalize a process for which projects should
16 get additional analysis for ledge
17 determination.

18 Q And if the Company were to adopt the formal
19 policy, is it possible that the cost of boring
20 that's associated, built into a project budget,
21 might be a little bit more?

22 A (LeBlanc) So, on this project, depending on the
23 spacing of the bore samples on this, so you
24 would reasonably expect that a bore every

[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 500 feet should give you a reasonable
2 expectation of what the ground conditions are
3 at that location.

4 So, there is a balance between how many
5 bores you do and cost. So, there is, you know,
6 there is a cost per bore. So, you're trying
7 to -- when you do a boring, you're trying to do
8 the minimal amount of bore samples that gives
9 you a confidence level that you're going to get
10 a pretty good profile of what the underground
11 excavating conditions are.

12 So, there is no right answer on what the
13 distance is. And this one, 500 feet we thought
14 was reasonable.

15 Q Just looking at those two numbers, the 5,000
16 for six bores, and the significant cost
17 overruns for this project, somewhat related to
18 the ledge, would you suggest that maybe there
19 is a efficiency that could be gained by
20 possibly adopting a policy that encourages the
21 Company to do a little bit more research or
22 boring?

23 A (LeBlanc) So, we are looking at a formal policy
24 of when we will bore. And we're just starting

[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 looking at that, because of the Whitehouse Road
2 project. But, again, I think the mechanical
3 removal of the ledge, the cost is going to be
4 the cost.

5 We would have been -- we would have done a
6 better job up front, when we updated the
7 estimate and authorized the project, that we
8 would have increased the overall cost up front
9 before we started the work, so you wouldn't
10 have seen the significant cost overruns. But
11 the mechanical removal of the ledge, that cost
12 is going to be, you know, regardless of whether
13 we knew about it or we did not know about it,
14 because the process is the same.

15 Q Okay. Now, I'm going to move on to questions
16 regarding contributions in aid of construction.
17 And we might refer in the discussion
18 interchangeably to that term via its
19 abbreviation "CIAC", which is C-I-A-C.

20 If I could ask you to turn to what I
21 believe you have before you is marked as
22 "Exhibit 16".

23 A (Sprague) We have that.

24 Q Now, can you just tell me, probably give me a

[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 quick explanation of what a "CIAC" is?

2 A (Sprague) So, a contribution in aid of
3 construction usually occurs when the
4 incremental project cost is compared to the
5 expected revenues that the customer will be
6 paying the Company over a given period of time.
7 And that is -- that is compared to the cost of
8 the project.

9 If the revenues exceed a certain
10 threshold, there is not a certain -- there is
11 not a customer contribution. If there's a
12 shortfall in that, then there's a customer
13 contribution up front to make up that
14 difference.

15 Q And would it be accurate to say that the
16 customer contribution is meant to limit the
17 shifting of costs associated with connecting
18 that customer, limiting that shifting to
19 existing ratepayers?

20 A (Sprague) I think it's meant to make sure that
21 the project is an economical project.

22 Q And does the Company have a calculation that it
23 performs to ensure that?

24 A (Sprague) There is a model that's used, an

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 Excel model.

2 Q And that model includes a internal rate of
3 return criteria, is that correct?

4 A (Sprague) That is correct.

5 Q Can you briefly describe that?

6 A (Diggins) Sure. It is, you know, based off of
7 the last rate case. The amount of return that
8 the Company is allowed to earn is the hurdle
9 rate that we use within the model.

10 Q So, I've seen a couple of discovery responses
11 as of late that suggests projects that are
12 associated with future load considerations
13 don't have to pass normal internal rate of
14 return criteria that regular system expansions
15 might. Can you explain that to me?

16 A (Sprague) So, what you're referring to is areas
17 of the system that are identified through
18 engineering analysis, that based upon general
19 load growth in the area, are going to or it's
20 expected that they could come up against
21 planning criteria, we would call them "planning
22 violations". And we -- if those system-type of
23 improvements are required to support not just
24 the given customer, but the area itself, then

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 those project costs are not charged against the
2 customer's contribution.

3 Q Okay. So, if I can ask you to turn to
4 Exhibit 16, Section 6, "Customer Covenants with
5 Respect to Use of Gas". In Subsection A, the
6 fourth line down, there's a sentence that
7 starts "Company reserves the right to". Can
8 you just read that over for a second, and I'm
9 going to ask you briefly about it?

10 MR. EPLER: And, Mr. Chairman, it may
11 be, depending upon where this cross-examination
12 goes, it may be that Ms. Cindy Carroll may be
13 able to help with responses here.

14 CHAIRMAN HONIGBERG: Okay.

15 MR. EPLER: I just wanted to
16 highlight that.

17 CHAIRMAN HONIGBERG: Okay. And just
18 to be clear, Mr. Buckley, I think the way you
19 put it may not be 100 percent accurate. On
20 line 4 of that Subsection A, the word "Company"
21 does not start the sentence. It starts that
22 line, but it doesn't start the sentence that
23 it's part of. If I'm looking at the same thing
24 you are?

[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 Just to be clear. What I see is a
2 sentence that starts on the third line: "If
3 the actual usage is less than 1,171
4 thousand cubic feet, the Company reserves the
5 right". That's where you started reading.

6 MR. BUCKLEY: That's exactly right.
7 Yes.

8 CHAIRMAN HONIGBERG: Okay. Just so
9 we're clear about where you're looking.

10 MR. BUCKLEY: Thank you for the
11 correction.

12 **BY THE WITNESS:**

13 A (Sprague) Okay.

14 BY MR. BUCKLEY:

15 Q So, this section appears to reserve the Company
16 the right to change the customer contribution,
17 is that correct?

18 MR. EPLER: Objection. Calls for a
19 legal conclusion. I'll let the witness answer,
20 to the extent he's familiar with that.

21 CHAIRMAN HONIGBERG: Okay. You can
22 answer.

23 **BY THE WITNESS:**

24 A (Sprague) So, in my words, what this section is

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 trying to do is there is a certain amount of
2 load that has been assumed in the contract, in
3 order for this to be considered, in my words,
4 an economical project. In this case, it was
5 1,171 thousand cubic feet.

6 If the load is substantially less than
7 that, then this section allows the Company to
8 rerun that rate of return criteria to determine
9 if an additional contribution should be
10 required.

11 BY MR. BUCKLEY:

12 Q And would it be fair to say that Section 9 of
13 this same exhibit is related to Section 6?

14 A (Sprague) So, Section 9 is kind of the other
15 part of the equation. One part is the load;
16 one part is the cost of the project. Section 9
17 is the cost of the project. So, if there are
18 unforeseeable circumstances that change the
19 project scope, then the Company reserves the
20 right to rerun the rate of return, to see if
21 additional customer contribution is required.

22 Q And so, if the customer has already paid its
23 contribution in aid of construction, and the
24 Company has already begun digging, but it finds

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1 out that the project pathway has quite a bit
2 more ledge than expected, can you explain to me
3 the process the Company goes through to try and
4 ensure that those cost overruns are recovered
5 from -- in an equitable manner?

6 A (Sprague) So, in general, the Company, this
7 usually would happen around the time that a
8 revised authorization is required, which is
9 anything above 15 percent of the authorized
10 cost. The Company would then reevaluate the
11 project, reevaluate the loads that were assumed
12 at the time. Is there better information for
13 that? Also, the project cost at the time, now
14 that there's new information. And at that
15 point in time, the Company would generally
16 review the rate of return calculation to see if
17 the customer contribution changes.

18 Q And if the customer contribution changes, but
19 the customer refuses to provide a higher
20 contribution, what happens?

21 A (Sprague) A couple different things could
22 happen, I mean, talking in theory. One, the
23 Company could then stop the project, walk away,
24 you know, fill the hole in, walk away from it.

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1 And the other is, we can look at the potential
2 load in the area, to see if we can connect
3 others to this project, which would ultimately
4 adding additional load, without adding a lot of
5 additional cost, would improve the overall
6 calculation.

7 Q And are there instances within this current
8 pending request for cost recovery where the
9 Company essentially was unable to make up for
10 either a lack in a requested increase in a
11 contribution in aid of construction or some
12 other similar shortfall?

13 A (Sprague) So, I think you're probably referring
14 to the project in North Hampton. That was a
15 project to the North Hampton school. So, we
16 were dealing with the Town of Hampton. The
17 project went through a warrant article. There
18 was a customer contribution. The project went
19 through a warrant article in the Town to
20 approve the customer contribution in that.

21 During the project, the Company, in
22 working with the DOT, and the alignment that
23 they expected us to have, ran into some
24 problems, some ledge, some

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 too-close-to-edge-of-pavement types of
2 problems, that increased the cost of the
3 project.

4 In that case, the project cost was not
5 rerun through the rate of return criteria.

6 Q And so, included within this rate recovery
7 request is the -- what would have been the
8 additional contribution in aid of construction?

9 A (Sprague) What's included in this is the -- is
10 the total cost of the project, minus the
11 portion of the contribution that they gave.

12 Q And why is it fair that, since we discussed the
13 contribution in aid of construction is meant
14 to, to some extent, ensure that there is
15 equitable recovery of costs between existing
16 and new customers, why is it fair that a
17 project that would have had a higher
18 contribution in aid of construction should be
19 eligible for full recovery from ratepayers,
20 rather than, for example, recovery from
21 ratepayers, plus maybe a shareholder
22 contribution?

23 A (Sprague) So, for any given project that is
24 customer-based like this, and either ultimately

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 has a contribution or does not have a
2 contribution, that there are -- there are
3 inevitably a project like this that -- I'm not
4 sure I have a good explanation as to why we
5 didn't rerun, and why we didn't go back to the
6 customer for this. But there are other
7 projects that have returns that are much
8 greater than the hurdle rate.

9 So, while there are projects like this
10 one, that you might say are harming the rest of
11 the customer base, there are the other projects
12 that are actually helping the rest of the
13 customer base.

14 Q And you had directed the line of questioning a
15 bit to the North Hampton project. Are there
16 other projects like this within this recovery
17 request? You don't have to name them. But I
18 am interested in hearing if there are others
19 that, as you put it, might harm existing
20 ratepayers?

21 A (Carroll) So, if I can jump in for a minute.

22 *[Court reporter interruption.]*

23 CHAIRMAN HONIGBERG: Hang on.

24 WITNESS CARROLL: Oh, I'm sorry.

BY THE WITNESS:

A (Carroll) So, in developing the response, I believe, to Staff 5-3, we identified two projects, the North Hampton -- based on the criteria that Staff was asking about in that question. We identified two projects, where the cost overrun would have, if included in the -- remodeled the rate of return, it would have resulted in a higher CIAC than was collected from the customer. So, at least we have identified those two projects that have that same situation.

But I would, you know, just emphasize what Kevin said, with regard to, you know, in general terms, if you look at the portfolio of expansion, by having every project required to either meet or exceed the hurdle rate, you're going to, by virtue of that requirement, have a portfolio of projects that actually benefit ratepayers. Because growth will benefit ratepayers, it will spread fixed costs over a bunch of customers.

So, you know, although we do our best to model these projects accurately, there will

[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 always be some projects who are better than the
2 economics look when we started the project, and
3 some that aren't as good as they looked when we
4 started the project.

5 It's important that we have the
6 flexibility to be able to, depending upon the
7 circumstances of any given project, to make a
8 judgment as to whether or not we should go back
9 to that customer and require an additional
10 CIAC. In some instances, we do that, and it
11 works out fine. And in other instances, we use
12 that judgment to say that we wouldn't go back,
13 and -- or maybe we go back and require a
14 partial contribution and negotiate something
15 with the customer that works for them and works
16 for us.

17 The modeling, I think, overall, is pretty
18 conservative, in terms of a line extension
19 policy. And again, in general terms, if you
20 look at the portfolio of growth, it benefits
21 customers, it benefits existing ratepayers.

22 If you pick out individual projects that
23 didn't turn out as well as we hoped, then you
24 could argue that those particular projects may

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 or may not have gone forward. But, depending
2 upon the circumstances, you know, again, that
3 flexibility is really important for us in terms
4 of our growth initiative.

5 BY MR. BUCKLEY:

6 Q And can you state with certainty that the
7 portfolio of projects requested for recovery
8 within this step specifically would provide
9 that net benefit to existing ratepayers you
10 mentioned?

11 A (Carroll) I haven't done that analysis.

12 MR. BUCKLEY: No further questions.

13 CHAIRMAN HONIGBERG: Mr. Dexter.

14 MR. DEXTER: Thank you.

15 BY MR. DEXTER:

16 Q So, I want to start with Exhibit 10 -- Exhibit
17 11, which was the Company's updated filing on
18 April 8th. And I'd like to turn to Bates 029.
19 This schedule shows the calculation of the rate
20 request in this proceeding, is that right?

21 CHAIRMAN HONIGBERG: Hang on. Mr.
22 Dexter, we're sorry. Up here. We are behind
23 you. Which document are we going to?

24 MR. DEXTER: It's the Company's

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 updated filing, dated "April 8th, 2019". I
2 have it marked as "Exhibit 11".

3 CHAIRMAN HONIGBERG: Okay.

4 MR. DEXTER: And I flipped to Bates
5 029.

6 BY MR. DEXTER:

7 Q And I just wanted to ask the witnesses to
8 confirm that this is the schedule where the
9 rate request -- revenue requirement request is
10 calculated?

11 A (Diggins) Yes, it is.

12 Q And is that on -- the result of that
13 calculation shown on Line 18?

14 A (Diggins) Yes, it is.

15 Q And prior to the correction that you mentioned
16 with Attorney Epler, the Company was seeking an
17 additional revenue requirement -- rates to
18 collect an additional revenue requirement of
19 essentially a million -- 1,400,000 rounded, is
20 that right?

21 A (Diggins) Correct.

22 Q Okay. And at the top of this page, there is a
23 figure for utility plant additions. The figure
24 is 9,137,000 rounded, is that right?

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 A (Diggins) Correct.

2 Q And those are the plant additions that resulted
3 in the revenue requirement, correct?

4 A (Diggins) Yes, they are.

5 Q And if we flip to the next page in this
6 exhibit, Bates 030, that will give us the
7 detail of all the projects we have been talking
8 about, is that right?

9 A (Diggins) Correct.

10 Q Now, in the original filing, this list on --
11 the equivalent list on Bates 030 was a lot
12 longer. And I believe you indicated that was
13 because the original list included projects
14 that were less than \$30,000 in total, is that
15 right?

16 A (Diggins) Correct.

17 Q And those were removed, because that's what the
18 Settlement -- that's exactly what the terms of
19 the Settlement that produced this step
20 adjustment require, is that right?

21 A (Diggins) Correct.

22 Q And the Settlement also requires that the cost
23 of services related to main extensions be
24 excluded, is that your understanding?

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 A (Diggins) Yes, it is.

2 Q And were the cost of services removed from both
3 the original filing and the updated filing?

4 A (Diggins) Yes, they were.

5 Q Okay. And as we had discussed, you've already
6 corrected the depreciation expense error that
7 was made in Exhibit 11?

8 A (Diggins) Yes. We will do that.

9 Q Okay. So, I wanted to pick up with some
10 questioning on the Whitehouse Road project as
11 well that the Attorney General *[sic]* had
12 mentioned.

13 And I'd like to direct the witnesses'
14 attention to Attachment 5 of Exhibit 10.
15 That's the large filing of various project
16 authorization and cost actuals. And I'd like
17 to turn to Page 172.

18 A (Sprague) Just to clarify what you're looking
19 at, because we don't have the Bates stamped
20 version. Are you looking at the Whitehouse
21 Road Construction Authorization, the original,
22 that has a net authorized cost of approximately
23 \$2.8 million?

24 Q No. I was looking at Page 172 of 268. And

[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 that has a final cost, it's called a "CWO
2 Total" of "5 million", and I think it says
3 "637,078" (5,637,078). It's dated "October 26,
4 2018".

5 So, it's not a Bates stamp. But up in the
6 right-hand corner, it says "Attachment 5 Page
7 172 of 268"?

8 MR. EPLER: Off the record for a
9 moment.

10 CHAIRMAN HONIGBERG: Sure.

11 *[Brief off-the-record discussion*
12 *ensued.]*

13 CHAIRMAN HONIGBERG: All right. Go
14 ahead, Mr. Dexter.

15 BY MR. DEXTER:

16 Q So, the figure called "CWO Total", in the
17 right-hand column in the middle of the page, is
18 I think 5,637,000 rounded, is that correct?

19 A (Sprague) That is correct.

20 Q And what does "CWO" stand for?

21 A (Sprague) "Construction Work Order".

22 Q Thank you. And this is the same project that's
23 depicted on Exhibit 11, Bates 030, correct?

24 One of the projects depicted on Exhibit 11,

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 Bates 030?

2 A (Sprague) That is correct.

3 Q And the project, in particular, is about --
4 it's the first project in the fourth grouping,
5 about 40 percent of the way down the page, is
6 that right? It's called "Whitehouse Road
7 Rochester New Hampshire"?

8 A (Sprague) That is correct.

9 Q And the figure on the step adjustment is about
10 \$200,000 lower, would you agree?

11 A (Sprague) That is correct.

12 Q Do you know what makes up that difference?

13 A (Sprague) So, what you're looking at here is,
14 on Page 173 of 268, that is a net -- it's the
15 net authorized cost, minus the cost of removal.
16 So, it's still an estimated number. Versus
17 what you see on Attachment -- the other
18 attachment, that's the actual spending.

19 Q Okay. Thanks.

20 A (Bickford) This is Tressa. The difference is
21 the cost of removal is not included in
22 Attachment 2, and the service has been removed.

23 Q And Attachment 2 being Bates Page 030 of
24 Exhibit 11?

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 A (Bickford) That is correct.

2 Q So, there was a discussion earlier about how
3 this project encountered ledge. I think it's a
4 -- is it a fair assessment that encountering
5 ledge slows down the project?

6 A (LeBlanc) That is correct.

7 Q And there is has been some decision -- or, I
8 wanted to ask some questions about how much
9 ledge was encountered. And I'd like to refer
10 to Exhibit 14. Now, that's the response to
11 Staff 5-2. Do you have that?

12 A (LeBlanc) Yes.

13 Q And the attachments to that response contain
14 ten reports from S.W. Cole for borings. And
15 the witness -- one of the witnesses had
16 testified earlier that there were 12 test
17 borings. My question is, are there two more
18 test boring reports that are out there that we
19 have not been provided?

20 A (LeBlanc) No. The twelve, that was incorrect
21 on my part. I thought there was twelve. And
22 the report is actually showing ten.

23 Q So, there were ten test borings done?

24 A (LeBlanc) That's correct.

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 Q Okay. And what was the general conclusion that
2 the Company drew from these ten test borings?
3 If there was a general conclusion?

4 A (LeBlanc) So, the test borings were done to a
5 depth of five feet. And in all of the test
6 borings, they did not encounter ledge. It was
7 mostly gravel. And there's boring reports as
8 part of that attachment that will indicate what
9 they found in each of the test bores.

10 Q I'm sorry, there are additional reports?

11 A (LeBlanc) No. Each test bore has an individual
12 report of what was found as part of the boring
13 as part of that exhibit.

14 Q Right. And I actually wanted to ask you about
15 that one. So, if you flip two pages in,
16 there's a Boring Log for Boring B-1. And in
17 the middle of the page, it indicates "Probable
18 boulder", and later on, just below that, it
19 indicates "Probable GLACIAL TILL or weathered
20 BEDROCK". Are either of those what we're
21 referring to as "ledge"?

22 A (LeBlanc) The bedrock is, and a boulder would
23 be just a large rock.

24 Q And did the presence of that notation "Probable

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 GLACIER TILL or weathered BEDROCK", how did
2 that impact your analysis that you wouldn't
3 encounter ledge during this project?

4 A (LeBlanc) Because the result of that boring is
5 at 6 feet. So, they encountered ledge at 6
6 feet, which should be below our excavation
7 depth.

8 Q And was that below your excavation depth, in
9 fact?

10 A (LeBlanc) So, a typical excavation on that
11 would be 54 inches, for a 12-inch steel pipe,
12 with 36 inches cover, plus sand batting, a
13 typical trench depth would be slightly over
14 5 feet. So, we wouldn't expect to be digging
15 at that 6 feet for normal trench installation.

16 Q And if I were to flip through all ten of these
17 reports, there are numerous instances where it
18 mentions "probable boulder" or "bedrock". Are
19 they all below the 5-foot depth?

20 A (LeBlanc) Yes. The --

21 *[Court reporter interruption.]*

22 **CONTINUED BY THE WITNESS:**

23 A (LeBlanc) The refusal is below 6 feet, in some
24 instances, as deep as 10 feet before they

[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 actually hit ledge.

2 BY MR. DEXTER:

3 Q And so, you would conclude from that that you
4 wouldn't expect to find ledge in the first
5 5 feet where you're drilling, is that right --
6 digging, is that right?

7 A (LeBlanc) That is correct.

8 Q Okay. So, with respect to wetness in the soil,
9 there's an indication on each one of these
10 reports about water depth level, up in the top
11 of the reports. And I can direct you in
12 particular to, again, Boring B-1, it's the
13 third page in. And there's a notation there
14 that there was "No free water observed". What
15 does that indicate to you?

16 A (LeBlanc) That they wouldn't encounter
17 groundwater conditions as part of the
18 excavation.

19 Q And flipping to the next report, two reports
20 further, this is now Report B-3, there's an
21 indication that "Soil appears saturated" -- I'm
22 sorry, "Soils appear saturated below 6 feet".
23 What does that indicate to you?

24 A (LeBlanc) That excavations below 6 feet would

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 be in the groundwater table.

2 Q And did that have any impact on your estimates
3 of time?

4 A (LeBlanc) No, it did not.

5 Q No. Because it was below six feet?

6 A (LeBlanc) We would be expected to be above
7 that.

8 Q Right. Jumping ahead to Boring B-102, there's
9 a notation that says "Water appears" -- I think
10 the word is "preched from three and a half to
11 four and a half feet". First of all, could you
12 tell me what -- is it "preached" or "preched"?

13 MR. DEXTER: Where is Mr. Kreis when
14 you need him?

15 **BY THE WITNESS:**

16 A (LeBlanc) I'm not familiar with that term. So,
17 I'm not sure if it's a typo.

18 BY MR. DEXTER:

19 Q Okay. Do you know what the notation is
20 intended to show?

21 A (LeBlanc) I'm not sure. But I would speculate
22 that we would expected to see some water
23 conditions in that area.

24 Q And is it fair to say then encountering water

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 while you're digging slows down a project as
2 well?

3 A (LeBlanc) Dependent on the volume, it can.

4 Q And was the conclusion drawn from the boring
5 reports with respect to water that you wouldn't
6 encounter water such that it would slow down
7 the project?

8 A (LeBlanc) That is correct.

9 Q Okay. So, Exhibit 12 is "Staff 1-2", it should
10 be "Staff 4-2". It's a six-page exhibit. Do
11 you have that in front of you?

12 A (LeBlanc) We found it.

13 Q And if you go to Page 3, it indicates that the
14 length of this trench that you were going to
15 dig was 6,700 feet. And I believe that
16 comports with your earlier testimony, is that
17 right?

18 A (LeBlanc) That's correct.

19 Q And it also indicates, about halfway down the
20 page, that the "Actual ledge removal was
21 approximately 75,000 cubic feet." Is that
22 right?

23 A (LeBlanc) That is correct.

24 Q And what was -- and you indicated that the

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 depth of the trench was 5 feet, I think you
2 said, correct?

3 A (LeBlanc) Approximately, yes.

4 Q And if we were to go to Response 5-2, which has
5 been marked as "Exhibit 14", there's a
6 statement that says "The Company's minimum
7 excavation was approximately 54 inches for
8 trench depth and would typically be increased
9 to 60 inches for bell hole welds and tie-ins."
10 Do you recall that statement?

11 A (LeBlanc) Yes. That is correct.

12 Q So, 54 inches is four and a half feet?

13 A (LeBlanc) Approximately, yes.

14 Q And 60 inches is 5 feet?

15 A (LeBlanc) That's correct.

16 Q So, for a trench depth, we could use 5 feet as
17 a --

18 A (LeBlanc) Yes.

19 Q Okay. And what was the width of the trench?

20 A (LeBlanc) It would have been a 24-inch width.

21 Q The trench was 24 inches?

22 A (LeBlanc) Two feet.

23 Q Two feet wide. So, if you were to do some math
24 for me, and calculate the total volume of the

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 trench, that would be helpful?

2 A (LeBlanc) Approximately 67,000 cubic feet.

3 Q That's what I get, too. And that's just simply
4 the width, the length, and the depth multiplied
5 by each other?

6 A (LeBlanc) That is correct.

7 Q Now, your response that we were looking at
8 earlier said that there was "75,000 feet of
9 ledge removed"?

10 A (LeBlanc) Approximately, yes.

11 Q So, does it -- how is that possible that you
12 would encounter 75,000 cubic feet of ledge in a
13 trench that only had 67,000 cubic feet of dirt
14 to begin with?

15 A (LeBlanc) Because when you're removing ledge in
16 mechanical means, you have to taper the trench
17 to get enough distance at the bottom and width.
18 So, when you hammer ledge, the sidewalls of the
19 trench aren't vertical. So, though it -- it
20 starts at the top of the trench wider than a
21 traditional two-foot trench, and it gets
22 tapered in during ledge removal, to make sure
23 you get adequate depth at the bottom, and
24 enough separation between the sidewalls of the

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 trench and the pipe that's going in.

2 Q Okay. So, the trench wasn't two feet wide
3 then, is that what you're saying?

4 A (LeBlanc) For ledge removal, no. The two-foot
5 wide would a typical trench width for good
6 digging conditions.

7 Q Right. No, I was talking about this particular
8 trench. So, how wide was this particular
9 trench?

10 A (LeBlanc) I don't have the actual, but anywhere
11 probably from, in some instances, six to feet
12 wide at the top. We had some pictures that we
13 provided as part of one of those exhibits.
14 Where I don't have an actual depth on that,
15 but, typically, we could be as wide as five or
16 six feet starting at the top of the trench to
17 get to our depth level. And it probably varies
18 dependent on the hardness of the ledge, and how
19 much they can pull with the machine, versus how
20 much they have to remove with a mechanical
21 hammer. So, it probably varies throughout the
22 length of the excavation on how wide it is at
23 the top.

24 Q So, I think, if I could distill that answer

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 down a little bit, the trench could have been
2 as narrow as two feet and as wide as eight
3 feet. Is that right?

4 A (Sprague) Yes. Approximately.

5 Q Right. Approximately. And what would be your
6 estimate of the average width?

7 A (LeBlanc) In ledge conditions, it would be on
8 the higher end, in like somewhere between the
9 four to eight feet range, depending on what the
10 rock conditions were like. The more solid the
11 rock, the wider we would want to be. The more
12 rock you could pull with a bucket, versus
13 having to hammer it, you can narrow the trench
14 width down. So, it's going to vary throughout
15 the job.

16 But the rule of thumb is going to be
17 you're going to be much wider removing ledge
18 than you would be in good digging conditions
19 where you have a 24-inch width trench.

20 Q So, if we were to assume, just for example
21 purposes, that the average width of the trench
22 was four feet, I could take the number that you
23 gave me of 67,000 cubic feet, and multiply it
24 by two, and get 134,000 cubic feet, is that

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 right?

2 A (LeBlanc) That sounds correct.

3 Q And when I compare that to the amount of ledge
4 removed of 75,000 cubic feet, I get a
5 percentage of about 55 percent. Does that
6 sound right?

7 A (LeBlanc) That sounds correct.

8 Q Is that -- does that sound feasible to you,
9 that over 50 percent of the trench that you dug
10 on this project was ledge?

11 A (LeBlanc) We hit a significant amount of ledge
12 on that. So, I would say yes. We didn't do an
13 actual calculation of excavated materials, but
14 that number sounds reasonable.

15 Q Well, your response says that you actually
16 removed "75,000 cubic feet". So, is that
17 not --

18 A (LeBlanc) The ledge is accurate. We didn't
19 calculate the total excavated material on the
20 job. So, the 75,000 cubic feet of ledge is an
21 accurate amount that was removed. But total
22 excavated material on the trench to compare
23 that to, we didn't measure that or do that
24 calculation.

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 Q And this is not the first job you've been
2 involved in in your career, I imagine?

3 A (LeBlanc) No, it is not.

4 Q Is this an unusual amount of ledge that you hit
5 here?

6 A (LeBlanc) Yes, especially with the results of
7 the boring samples. I mean, we've hit jobs
8 with a significant amount of ledge on it
9 before. But this is the first one in memory
10 where we did boring samples that had certain
11 results, and what we saw when we were digging
12 were much different than what the boring
13 samples indicated.

14 Q Do you ever, in your experience, recall hitting
15 a trench -- digging a trench that was over
16 50 percent ledge?

17 A (LeBlanc) Yes.

18 Q You do? Okay. Okay. I want to move on to
19 working on Saturdays and Sundays. Is it fair
20 to say that the ledge that you encountered
21 caused delays that caused the project to be
22 worked on on Saturdays and Sundays?

23 A (LeBlanc) That is correct.

24 Q Okay. So, I wanted to explore the cost of

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 that. And we have asked a data response on
2 that. It's Staff 5-2. And I'll see if I can
3 get you the exhibit number. 5-1, actually.
4 Sorry. And it's Exhibit 13.

5 A (LeBlanc) We have it.

6 MR. DEXTER: Now, I apologize for
7 doing math on the witness stand, Mr. Chairman.
8 But a lot of these responses came in within the
9 last day, or over the last few days, and some
10 came in as recently as this morning, and
11 including the attachments to this one. So, --

12 CHAIRMAN HONIGBERG: Math is fun.

13 MR. DEXTER: So, if you will bear
14 with me.

15 BY MR. DEXTER:

16 Q The first paragraph says that the "Saturday
17 work and incremental cost per hour is \$233".
18 Is that right?

19 A (LeBlanc) For Saturday work, that was the
20 original calculation. That is correct.

21 Q No. The original calculation was "\$211" it
22 says here. And then you've corrected it to
23 "\$233". Correct?

24 A (LeBlanc) That is correct.

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 Q Okay. So, that's the incremental, that's the
2 extra time that it cost to work on a Saturday
3 on this project?

4 A (LeBlanc) That was one of the methodologies we
5 used to try to determine that number. After
6 that filing, we were able to do a better
7 analysis, and actually pull the actual costs
8 out for the Saturday work on that and get a
9 more accurate number.

10 Q Is that what's depicted in the next paragraph?

11 A (LeBlanc) That is correct.

12 Q So, is it fair to say that the next paragraph
13 is specific to this project?

14 A (LeBlanc) That is correct.

15 Q And the number above is a more general number?

16 A (LeBlanc) It was we used the crew -- the first
17 number, we tried to calculate that number by
18 using the typical crew configuration of that
19 day, and then doing a calculation of the
20 increased cost for that crew configuration for
21 the incremental increase in overtime. So, it
22 was based -- it was based on a higher level.

23 The bottom numbers, we were actually able
24 to go into all of the pay items for our

[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 Saturday/Sunday work, and then actually remove
2 all of the extra costs that were associated
3 with those days. So, the bottom numbers are
4 more accurate, we believe, than the initial
5 methodology we used to make the calculation.

6 Q So, looking at the Sunday work, this would
7 indicate that you worked about three or four
8 Sundays, is that right?

9 A (LeBlanc) There was three Sundays for Sunday
10 work.

11 Q And that would simply be the "4,707" number
12 times three?

13 A (LeBlanc) That is correct.

14 Q And what's the same number if you do that for
15 Saturdays?

16 A (LeBlanc) Twenty-seven (27).

17 Q So, this project had work done on 27 Saturdays?

18 A (LeBlanc) That is correct.

19 Q Which is more than half the year. When did
20 that stretch from?

21 A (LeBlanc) They started -- so, the initial
22 project started in April. We had tentatively
23 had a completion date for early to late June
24 timeframe, to give the City of Rochester time

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 to complete their project during that
2 construction season. Almost immediately on
3 that project we started hitting ledge, and we
4 began falling behind on our productivity rates
5 to meet that initial deadline. So, we started
6 working Saturdays by towards the end of April,
7 beginning of May.

8 Q And continued until when?

9 A (LeBlanc) Till the project was over.

10 Q And when was that?

11 A (LeBlanc) October 1st timeframe.

12 Q Okay. Now, I handed out, as "Exhibit 15", a
13 report with a long name. Is there a shorthand
14 that I can refer this to? Is this an incident
15 report?

16 A (LeBlanc) That is correct.

17 Q Okay. So, I'll call it the "incident report".
18 Does this incident report relate to the project
19 that we've been talking about, the Whitehouse
20 Road project?

21 A (LeBlanc) That is correct.

22 Q Okay. And could you describe the incident for
23 us please?

24 A (LeBlanc) Our contractor, while he was

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 excavating and removing ledge on the project,
2 hit a 4-inch stub off the existing gas main,
3 causing a third party damage and a release of
4 gas.

5 Q What's a "third party damage"?

6 A (LeBlanc) It would be second party damage.
7 That's our contractor. "First party damage"
8 would be if our own crews hit it. "Second
9 party damage" would be if one of our
10 contractors hit the facility. And the "third
11 party" would be an external contractor. So,
12 this would be a second party damage.

13 Q And what happened when the contractor hit the
14 "stub", you called it?

15 A (LeBlanc) There was a release of gas.

16 Q And then what happened?

17 A (LeBlanc) We had to initiate a shutdown and a
18 repair of that facility.

19 Q And this was -- this was the existing line,
20 that the new line, that hasn't been put in yet
21 when this happened, right?

22 A (LeBlanc) That is correct.

23 Q This happened June 15th, is that right,
24 according to the incident report?

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 A (LeBlanc) That is correct.

2 Q And I think earlier in the testimony there was
3 an indication that there's a 6-inch main in
4 place, to be replaced with a 12-inch main. So,
5 this would have impacted the 6-inch main, is
6 that right?

7 A (LeBlanc) That is correct.

8 Q So, did you have to shut down the 6-inch main?

9 A (LeBlanc) We did not.

10 Q So, no customers lost service?

11 A (LeBlanc) No customers lost service.

12 Q Was there any property damage or loss of life
13 or injury, personal injury, as a result of this
14 incident?

15 A (LeBlanc) There was not.

16 Q Okay. Did it have any impact on the progress
17 of the trench for the 12-inch main?

18 A (LeBlanc) For that day, while the repairs were
19 taking place.

20 Q So, could you describe that? What happened --
21 what happened as to the progress?

22 A (LeBlanc) It stopped for the duration of the
23 repairs.

24 Q And so, according to the incident report, this

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 happened around noon?

2 A (LeBlanc) That is correct.

3 Q And then, when did progress begin on the
4 12-inch main again?

5 A (LeBlanc) That would be the next construction
6 day. So, work was terminated on that project
7 for the remainder of that day, and would have
8 resumed at the completion of the repairs at the
9 next -- the next construction day.

10 Q So, do you know, was that -- when that was?

11 A (LeBlanc) June 15th was a Friday. So, I'm not
12 sure if they worked that Saturday. But, at the
13 latest, it would have been the following
14 Monday.

15 They did not that work that Saturday. So,
16 it was the following Monday.

17 Q Now, there was -- would have been, I imagine, a
18 cost to repair the existing line that was
19 damaged, is that right?

20 A (LeBlanc) That is correct.

21 Q And would that be a in-house cost or a
22 contractor cost, or both?

23 A (LeBlanc) Probably both.

24 Q Do you know what the amount of that cost was?

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 A (LeBlanc) No, I do not.

2 Q Do you know if that amount was included in the
3 project that's at issue in this case?

4 A (LeBlanc) No. They pulled a different
5 Construction Work Order for those repairs.

6 Q Would the -- would the incident have required
7 additional police on the premises?

8 A (LeBlanc) Yes.

9 Q And where were the cost of -- where was the
10 cost of that charged?

11 A (LeBlanc) I would assume it was in the new
12 Construction Work Order, but I'm not sure.

13 Q Do you have an idea how much that would be?

14 A (LeBlanc) I do not.

15 Q Were there any other costs that resulted as a
16 result of the -- I'm sorry. Were there any
17 other costs as a result of the incident that
18 you can think of?

19 A (LeBlanc) No. Just the repair costs.

20 Q Okay. Now, in the various questions we had
21 asked about delay in the project throughout the
22 course of the case, this wasn't mentioned.

23 Could you tell me why that was?

24 A (LeBlanc) Because these -- the costs for this

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 repair was assumed in the, you know, in a
2 different Construction Work Order.

3 Q And I know we use these terms, is a Work Order
4 similar to an authorization, like we were
5 looking at earlier for this project?

6 A (LeBlanc) A Construction Work Order, a CWO, is
7 part of an authorization.

8 Q Is that something you could provide, so we
9 could see what the cost was and an indication
10 of where that was charged?

11 A (LeBlanc) Yes.

12 MR. DEXTER: Could we make that a
13 record request, Mr. Chairman?

14 CHAIRMAN HONIGBERG: Sure.
15 Mr. Epler, you understand the request?

16 MR. EPLER: Yes, I do. And we have
17 no objection.

18 CHAIRMAN HONIGBERG: And that will be
19 "Exhibit 18".

20 **(Exhibit 18 reserved)**

21 MR. DEXTER: And in case that's not
22 on the Work Order, what Staff would like to
23 see, in particular, the total costs related to
24 the incident, and an indication of where those

[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 costs were accounted.

2 WITNESS LeBLANC: Okay.

3 CHAIRMAN HONIGBERG: All right,
4 Mr. Epler has written all of that down, I
5 believe.

6 MR. EPLER: Yes. Thank you.

7 MR. DEXTER: If I could take a moment
8 to consult with my colleagues?

9 *[Atty. Dexter conferring with*
10 *Staff representatives.]*

11 BY MR. DEXTER:

12 Q Okay. So, I wanted to ask some questions about
13 the topic of contributions in aid of
14 construction, which the Consumer Advocate asked
15 about earlier. And I wanted to talk about two
16 projects.

17 MR. DEXTER: I have two exhibits that
18 weren't ready for distribution at the outset of
19 the hearing, but I'd like to distribute them
20 now if I could.

21 The first one has to do with the
22 project that's been labeled "201 Atlantic
23 Avenue, in North Hampton". There was some
24 testimony about that earlier.

[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 CHAIRMAN HONIGBERG: This is going to
2 be "Exhibit 19".

3 (The document, as described, was
4 herewith marked as **Exhibit 19**
5 for identification.)

6 *[Atty. Dexter distributing*
7 *documents.]*

8 MR. DEXTER: And the second item I
9 wanted to hand out is the Company's response to
10 Information Request Staff 4-4. And I would ask
11 that this be marked as "Exhibit 20".

12 CHAIRMAN HONIGBERG: That's fine.

13 (The document, as described, was
14 herewith marked as **Exhibit 20**
15 for identification.)

16 CHAIRMAN HONIGBERG: You didn't
17 really say much about 19. But it looks like
18 it's the response to Staff 5-3, is that right?

19 MR. DEXTER: That is correct.

20 *[Atty. Dexter Distributing*
21 *documents.]*

22 CHAIRMAN HONIGBERG: Whenever you're
23 ready, Mr. Dexter.

24 MR. DEXTER: Yes, I'm sorry. I'm

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 just getting the exhibits straight.

2 BY MR. DEXTER:

3 Q So, I wanted to direct the witness's attention
4 to Exhibit 20, and the long attachment that's
5 behind it. And I would like the witness to
6 point out for me the customer contribution that
7 was developed as a result of this analysis?

8 A (Diggins) Yes. The calculated contribution was
9 \$45,950.

10 Q I think I might have confused things. I'm
11 looking at the unstabled exhibit, which is
12 number 20. It's the response to 4-4. And I
13 thought the answer was going to be \$214,000?

14 A (Diggins) That would be correct in that case,
15 yes.

16 Q And that number appears in the upper left-hand
17 corner of the long spreadsheet, correct?

18 A (Diggins) Yes, it does.

19 Q And the number right below it is the project
20 cost, correct, 423,000?

21 A (Diggins) I believe the total project cost was
22 \$474,000, if you sum up those three numbers.

23 Q And what's the sum of those please?

24 A (Diggins) \$474,135.

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 Q Thanks. And if we were to go back to the
2 Company's testimony, Attachment 5, Page 21,
3 which is the construction authorization for
4 this project, there was an original and a
5 revised. And one of them is lower than that
6 number of 474,000 and one of them is higher
7 than that number of 474,000.

8 So, I guess, and my question is, was the
9 contribution calculated -- well, let me break
10 this up. That's a compound question. I'd like
11 to withdraw it and start again.

12 So, let's go to Page 23 of Attachment 5.

13 A (Diggins) I'm there.

14 Q And the contribution indicated on this schedule
15 is 110,000, correct?

16 A (Diggins) That is correct.

17 Q And that's based on a project cost of 391,000,
18 correct?

19 A (Diggins) Correct.

20 Q And if I go back to Page 21, the project cost
21 is now 573,000, correct?

22 A (Diggins) That is correct.

23 Q And the 573,000 figure was done -- this
24 analysis was done in October, versus the prior

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[WITNESS PANEL: Diggins|LeBlanc|Sprague]

1 one was done in April of 2018, correct?

2 A (Diggins) Correct.

3 Q So, this is a more up-to-date -- an updated
4 analysis?

5 A (Diggins) Yes, it is.

6 Q Now, this has a project cost of \$573,000,
7 correct?

8 A (Diggins) That is correct.

9 Q So, I'm confused about the different cost
10 figures in Attachment 5 and contribution
11 figures, versus what's shown on Exhibit 20.
12 Can you -- maybe we can jump to the bottom line
13 here and you can help clear up my confusion
14 please.

15 A (Diggins) Could we just have one minute please?

16 Q Sure.

17 MR. EPLER: Can I -- Mr. Chairman,
18 can one of the witnesses here approach the
19 witness bench?

20 CHAIRMAN HONIGBERG: Sure. We see
21 her name on this exhibit. So, go ahead.

22 *[Off-the-record discussion*
23 *ensued.]*

24 CHAIRMAN HONIGBERG: So, we'll take a

[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 ten-minute break.

2 (Recess taken at 3:13 p.m.
3 and the hearing resumed at
4 3:36 p.m.)

5 CHAIRMAN HONIGBERG: All right.
6 Where were we?

7 MR. DEXTER: There was a question
8 pending to the witnesses concerning the
9 differing numbers in Exhibit 19 versus
10 Attachment 5, concerning the Atlantic Ave.
11 project.

12 CHAIRMAN HONIGBERG: And I see that
13 Ms. Carroll has beamed herself from her prior
14 location to her current location.

15 All right. So, who's going to take a
16 crack at that answer?

17 WITNESS CARROLL: So, that's the
18 purpose for my moving, was to take a crack at
19 that answer.

20 **BY THE WITNESS:**

21 A (Carroll) So, let me just understand what
22 you're comparing. You're comparing Attachment
23 5, which is the authorization, the construction
24 authorization?

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[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 BY MR. DEXTER:

2 Q Correct. Page 21.

3 A (Carroll) Page 21. To the rate of return
4 modeling?

5 Q Correct.

6 A (Carroll) And could you repeat the question?

7 Q Sure. I was going to do it step-by-step, but I
8 thought I'd speed it up with sort of a global
9 question. So, I'll try to paraphrase the global
10 question.

11 The authorization sheet, which is Page 21,
12 and Page 23, had two different project cost
13 figures, and had the same customer contribution
14 figure. The customer contribution figure was
15 110,000. The rate of return model, which is
16 Exhibit 19, had a different project cost, and
17 it -- I'm sorry, it's Exhibit 20. It had a
18 different project cost from the two that were
19 in the other exhibit, and it had a different
20 customer contribution as well. In this case,
21 the customer contribution was 214,000. And so,
22 in order to shortcut things, I just asked the
23 witnesses if they could clear up these apparent
24 discrepancies?

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[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 A (Carroll) So, for the purpose of rate of return
2 modeling, we use incremental project costs, not
3 project costs that's fully loaded with
4 overheads. So, certain fixed overheads are
5 removed before we model for CIACs from total
6 project costs.

7 So, in the authorization, you're seeing
8 fully loaded total project costs. And in the
9 rate of return calculation, the modeling,
10 you're seeing incremental project costs.

11 Q Okay. So, can I conclude from that, since the
12 422,000 is higher than the 391,000 on Page 23
13 of Attachment 5, but lower than the 573,000 on
14 Page 21 of Attachment 5, can I conclude that
15 the apples-to-apples comparison is Page 21,
16 versus the rate of return analysis, and the
17 difference would be the absence of overheads on
18 Exhibit 20?

19 A (Carroll) That's correct.

20 Q Okay. So, what I'm trying to just get at is
21 that this rate of return analysis was done on
22 the final numbers?

23 A (Carroll) It was done on the final numbers, for
24 the construction completed in 2018. But the

[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 modeling still includes additional costs for
2 potential services in year two and -- pardon
3 me, in year one and two of the modeling.

4 Q Was the main to the school put in service in
5 2018?

6 A (Carroll) Yes, it was.

7 Q Okay. So, now I'd like to go to the back of
8 the big worksheet in Exhibit 20, and go down
9 about three quarters of the way down the page,
10 to a line that's labeled "NPV", and a number of
11 "[66,094]". Could you tell me what that number
12 is?

13 A (Diggins) Okay. We're there. I'm sorry, could
14 you repeat the question?

15 Q Sure. Could you tell me what the bracketed
16 number represents, it's "66,094"? I assume
17 it's a negative number, because it's in
18 brackets?

19 A (Diggins) Correct. That is the calculated net
20 present value calculation for a ten-year
21 project life, that came out a negative.

22 Q So, can I conclude from that that over ten
23 years this would have a negative net present
24 value of this project?

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[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 A (Diggins) That is correct.

2 Q And would that result in a higher customer
3 contribution?

4 A (Diggins) Yes, it would.

5 Q So, the \$214,000 that's calculated on the front
6 of the big worksheet should be higher then,
7 correct?

8 A (Carroll) In this particular case, we used the
9 20-year rate of return. We have residential
10 customers along the route, and for municipal
11 customers, we typically use a 20-year rate of
12 return. Recognizing that schools are going to
13 be there longer than ten years. Typically, we
14 reserve ten years for commercial and industrial
15 customers.

16 Q And if I were to jump down about five lines,
17 under the next line that says "NPV (0)", that's
18 the 20-year net present value, is that right?

19 A (Diggins) Yes, it is.

20 Q So, you're saying that the Company's policy is
21 to use a 20-year analysis for schools, is that
22 right?

23 A (Carroll) For, typically, municipal buildings.

24 Q How about schools?

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[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 A (Carroll) Yes.

2 Q Okay. And that's applied uniformly across the
3 service territory?

4 A (Carroll) To the best of my understanding, yes.

5 Q Is that what's provided for in the tariff? I
6 believe the rate of return policy is in the
7 tariff.

8 A (Carroll) I don't believe the tariff speaks
9 directly to municipals. It talks about
10 commercial/industrial customers and residential
11 customers.

12 Q And over what period are commercial/industrial
13 customers evaluated?

14 A (Carroll) It's a dynamic ten-year period.

15 Q Is the load associated with a school more
16 closely aligned with a typical residential
17 customer or a typical commercial customer?

18 A (Carroll) The load will be on a commercial
19 rate, if that's what you're asking.

20 Q And if I go back to Page -- back to Attachment
21 5 in the Company's -- attached to the Company's
22 testimony. And if I flip to Page 26, I see a
23 figure of "110,481" labeled as "Sundry
24 Revenue". Do you see that?

[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 A (Diggins) Yes. I see that.

2 Q Is that the CIAC that was actually collected
3 from the customer?

4 A (Diggins) Yes, it is.

5 Q Okay. So, I wanted to turn now to Exhibit 19,
6 and at the same time look at Attachment 5,
7 Page 33. This has to do with the project at 10
8 Hampshire Road, in Salem.

9 A (Diggins) Okay. We're there.

10 Q And I think I said "Exhibit 20", but I meant
11 "Exhibit 19". I apologize if I said
12 "Exhibit 20".

13 Is it correct that, on Exhibit 19, in the
14 upper left-hand corner of the long calculation
15 sheet, it indicates that there was a customer
16 contribution of "\$45,950"?

17 A (Carroll) In the revised calculation that we
18 provided in response to Staff 5-3, that's what
19 you're referring to?

20 Q I believe that's what I'm referring to, yes.

21 A (Carroll) Yes. That's correct.

22 Q Okay. And that was on a project cost of
23 79,000, correct?

24 A (Carroll) A revised project cost, yes, of

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[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 "79,452".

2 Q And would that be a final cost?

3 A (Carroll) I believe that's the final cost.

4 Q And if I go back to Attachment 5, Page 33, is
5 that the final revised Work Order cost there of
6 "97,675"?

7 A (Diggins) That is the amount of the
8 authorized -- the authorized cost in the
9 authorization.

10 Q And that had been revised several times,
11 correct? If you were to flip forward to
12 Page 37, Page 35 and Page 37 of Attachment 5,
13 you'd see two prior estimates, correct?

14 A (Diggins) Correct.

15 Q And on all of those authorizations, it
16 indicates there's no customer contribution,
17 correct?

18 A (Diggins) That is correct.

19 Q And if I look at Pages 38 and 39, I don't see
20 any "Sundry Revenues" that we saw when I was
21 asking you about the Atlantic Ave. project.
22 And so, that would be consistent with the
23 conclusion that there was no customer
24 contribution, correct?

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[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 A (Diggins) That is correct.

2 Q And was this -- over what time period was this
3 project evaluated, back on the rate of return
4 analysis?

5 A (Carroll) This was evaluated on the ten-year.

6 Q So, if I jump to the last page of Exhibit 19,
7 it doesn't have a page number, but it's the
8 last page of the big spreadsheet, I see a
9 bracketed number of "66,094". Is that right?

10 A (Carroll) I think you may be on the previous.

11 Q That sounds very familiar.

12 CHAIRMAN HONIGBERG: Yes, Mr. Dexter.
13 If you look at what is the last page of
14 Exhibit 19 and the last page of Exhibit 20,
15 they appear to be identical.

16 I think maybe what we've got on
17 Exhibit 19 is an extra page.

18 MR. DEXTER: I think that's right.
19 My apologies.

20 CHAIRMAN HONIGBERG: So then, what
21 we're going to do is we're just going to detach
22 the last page of what has been marked as
23 "Exhibit 19", and put it aside.

24 MR. DEXTER: Thank you. I apologize

[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 for that confusion.

2 BY MR. DEXTER:

3 Q So, if I were to flip to the end of the rate of
4 return analysis on Exhibit 19, I see a zero net
5 present value after ten years, correct?

6 A (Carroll) We're back to the model for the Salem
7 project?

8 Q Right.

9 A (Carroll) We evaluated this project, both
10 initially and in the revision, on a ten-year
11 term.

12 Q And when you go to the last page of that
13 analysis, which I guess is the second page, the
14 net present value under the ten-year analysis
15 comes in at zero, correct?

16 A (Carroll) Correct.

17 Q So, I'd like to direct your attention now to
18 Attachment 5, Pages 50 through 52. This has to
19 do with 13 Newfields Road, in Exeter.

20 A (Diggins) Okay, we're there.

21 Q Page 50 shows a project estimated cost of
22 "60,205", correct?

23 A (Diggins) That is correct.

24 Q With a customer contribution of "2,588",

[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 correct?

2 A (Diggins) Correct.

3 Q And Page -- I'm sorry, Page 50 for the same
4 project shows an original project cost of
5 "40,752", correct?

6 A (Diggins) Correct.

7 Q And it also showed a customer contribution of
8 "2,588", correct?

9 A (Diggins) Correct.

10 Q So, this project increased about 30 plus
11 percent, would you -- 45 percent, would you
12 agree, there's a difference between 40,000 and
13 60,000?

14 A (Diggins) Did you say "increased" or
15 "decreased"?

16 Q Would you agree that the estimate increased
17 more than 30 percent?

18 A (Diggins) That is correct.

19 Q And when we issued Staff Data Request 5-3, we
20 asked the Company to provide details on the
21 projects that were included in the step
22 adjustment, where the actual costs were
23 30 percent more than the original budgeted
24 cost, is that true?

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[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 CHAIRMAN HONIGBERG: Hang on, Mr.
2 Dexter. Mr. Epler.

3 MR. EPLER: Yes. Just a point of
4 information. This project is no longer in the
5 request. This project was backed out of the
6 request when we filed the supplemental filing
7 on April 8th. This was one of those projects
8 that were taken out. So, we're not asking for
9 inclusion in this step increase request.

10 That might help.

11 MR. DEXTER: That would end my
12 questions on this project. I'm confused,
13 though, because I don't understand why it was
14 taken out. I'd like to just look quickly at --

15 CHAIRMAN HONIGBERG: Maybe they
16 anticipated your incisive cross-examination was
17 going to expose myriad problems, or maybe not.

18 **BY THE WITNESS:**

19 A (Sprague) If I could? I think when we
20 originally filed, this was one of those
21 projects that had an installation cost of less
22 than 30,000. So. It was pulled off the list.
23 And probably the difference is the services.
24 Once you pull the services out of this, it

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[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 drops below 30,000. So, it fell off the list.

2 MR. DEXTER: Fair enough. That would
3 end my questioning on that project.

4 BY MR. DEXTER:

5 Q So then, the last project I wanted to talk
6 about was listed on our response to 5-3. It's
7 121 Corporate Drive, in Portsmouth. And I'd
8 like to go to Attachment 5, Page 42.

9 A (Diggins) Okay, we're there.

10 Q Attachment 5, Page 42, shows a project cost of
11 \$57,000, correct?

12 A (Diggins) Approximately, yes.

13 Q Sure. Rounded. And it shows no customer
14 contribution, correct?

15 A (Diggins) Correct.

16 Q And this figure was updated to 154,000, is that
17 right, as indicated in the Response 5-3?

18 Well, maybe it wasn't indicated in the
19 Response 5-3. But, in the step adjustment
20 request, this project has requested recovery at
21 122,000. And that's on Bates 030 of
22 Exhibit 11, is that right?

23 A (Diggins) That is correct.

24 Q Was that as the result of a cost revision, that

[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 difference between Page 42 of Attachment 5 and
2 the step adjustment detail request?

3 A (Bickford) Excuse me. This is Tressa Bickford.
4 In Attachment 5, we inadvertently missed the
5 revision for this authorization. And that
6 revised authorized amount is \$160,840 for a
7 total project cost.

8 Q And what was the contribution on that revised
9 authorization?

10 A (Bickford) There wasn't a customer contribution
11 on the revised authorization.

12 Q Was there a rate of return analysis done on
13 this project?

14 A (Carroll) There was, with the initial project
15 cost. And it returned as no customer
16 contribution required.

17 Q And was it rerun on the revised cost of
18 160,000?

19 A (Carroll) No, it was not.

20 Q Why was that?

21 A (Sprague) So, this is one of those projects,
22 like we talked about earlier, where engineering
23 analysis showed that, in order to serve this
24 customer, the pipe to serve that customer would

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[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 be a 4-inch. Through engineering analysis and
2 future load in the area, Engineering
3 recommended the installation of an 8-inch pipe.

4 So, it's our practice that if -- if there
5 are, like I had mentioned earlier, if the
6 project is being done is going to benefit more
7 than just the one customer, that the entire
8 cost of that part of the project doesn't get
9 attached to that one customer when determining
10 the customer contribution.

11 Q How much of the revised cost, from 57,000 to
12 161,000, was attributable to the increase in
13 the main size?

14 A (Sprague) I don't think we have that in front
15 of us.

16 Q Could you make an estimate of a general rule of
17 thumb of going from a 4-inch main to an 8-inch
18 main?

19 A (LeBlanc) The cost would increase. But, by a
20 percentage, I would have to look at that. I'm
21 not sure.

22 Q In the 56,000 that was originally costed, how
23 much of that was related to the cost of the
24 pipe?

[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 A (LeBlanc) I don't have the detailed cost
2 estimate with me.

3 Q Do you have a reasonable estimate of what that
4 might be?

5 A (LeBlanc) I would say the majority of it, of
6 the cost is going to be associated with the
7 main extension. But I don't have a breakdown
8 between -- ratio between the main extension and
9 the two services that were installed as part of
10 that project.

11 Q Well, is it your testimony that the majority of
12 the 56,000 would be the actual cost of the
13 main, or would that be the labor associated
14 with that and the digging for all that?

15 A (LeBlanc) Oh. So, the material cost would be
16 less --

17 Q Right.

18 A (LeBlanc) -- would be less than the labor cost
19 for the installation.

20 Q Right. So, less -- so, the cost of the pipe
21 would be less than half of the 56,000. Can we
22 establish that?

23 A (LeBlanc) That would be accurate.

24 Q And this is 1,100 feet of 4-inch pipe, correct?

[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 A (LeBlanc) That is correct.

2 Q And so, I know I've asked you, but I just want
3 to ask you again. You don't have a ballpark
4 estimate of what the actual cost of that pipe
5 would be?

6 A (LeBlanc) From the actual cost of the
7 materials, from 4-inch to 8-inch, I do not. It
8 would be more expensive. But I don't have a
9 breakdown on a cost per foot basis on the
10 materials perspective.

11 Q Okay. All right. Could you review for me
12 again the principal differences between the
13 160,000 final project cost and the 56,000
14 original project cost?

15 A (Sprague) So, the reason for the increased cost
16 is related to engineering analysis for load in
17 the area and projected load in the area.
18 Again, the customer, in order to serve the
19 customer, a 4-inch main is what was required to
20 serve just that customer. Based upon the
21 engineering analysis, since we're installing
22 the pipe, it makes sense to install the pipe
23 based upon the engineering analysis. So, it
24 was recommended that an 8-inch main, instead of

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[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 the 4-inch main, be installed.

2 Q So, I can conclude from that answer then that
3 the entire 100,000 difference is the difference
4 in the size of the pipe, is that correct?

5 A (Sprague) What I was looking for is I was
6 looking for the revised authorization that
7 isn't part of this package, just to review, to
8 verify that, if the entire amount was
9 associated with the increase in the size of the
10 pipe.

11 Q Could we go to Page 43 for a moment of
12 Exhibit -- Attachment 5 to the witnesses'
13 testimony.

14 A (Sprague) I'm there.

15 Q I see at the top of that page a figure of
16 \$19,728 for materials and supplies. Would that
17 include the cost of the pipe for the project?

18 A (LeBlanc) That is correct.

19 Q And if I went down to three-quarters of the way
20 down the page, there's a block of costs labeled
21 "Materials and Supplies Stores Expense", 3,800.
22 Would that be the cost of the pipe also?

23 A (LeBlanc) Yes.

24 Q Is that a loading or is that the actual cost of

[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 the pipe?

2 A (Bickford) This is Tressa Bickford. That would
3 be loading.

4 Q How about "Exempt Stock Expense", would that be
5 the cost of the pipe?

6 A (Bickford) That's loading for the pipe as well.

7 Q And how about below that, "Exempt Stock Stores
8 Expense", would that be the cost of the pipe?

9 A (Bickford) That's included as a loading to the
10 pipe as well.

11 Q Do you agree with the prior witness's testimony
12 that the 19,728 is the cost of the pipe?

13 A (Bickford) That is the cost of the pipe issued
14 from our stock room, yes.

15 Q Is it possible that this cost of the pipe
16 included under vouchers from NEUCO as well?

17 A (LeBlanc) No.

18 Q Are there any other of the detailed costs on
19 these pages that would relate to the cost of
20 the pipe? I'm talking about Pages 43, 44, and
21 45?

22 A (Bickford) On the last page, there is "Issue
23 Reversal", which would be materials returned
24 from the job back to the stock room. The

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[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 amount is "negative 5,268".

2 Q So, we can conclude from that that the cost of
3 the pipe for this project is about \$15,000, is
4 that fair?

5 A (Sprague) Subject to check, yes.

6 Q And this would be the 8-inch pipe, correct?

7 A (Sprague) That's what would have been charged
8 to this, yes.

9 Q So, the cost of the 4-inch pipe would be less
10 than this, less than the 15,000?

11 A (Sprague) Correct.

12 Q Okay. And so, I will ask again then, why did
13 the Company not rerun the CIAC calculation when
14 the cost increased? It can't be the difference
15 between the cost and the pipe, because we've
16 established that the cost of the pipe is fairly
17 insubstantial?

18 A (LeBlanc) There's also additional labor costs.
19 It costs more to install an 8-inch pipe than a
20 4-inch pipe. So, there's labor costs, there's
21 a cost difference between not just the material
22 itself, but there's also cost increases for
23 installation costs for labor and equipment
24 that's associated with that as well.

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[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 Q Why would that be?

2 A (LeBlanc) Because, on that project, it would
3 have been a unit price, and we pay one unit
4 price per installed foot for 4-inch, and we pay
5 a different price for 6- to 8-inch pipe.
6 Trench width is different, it is larger for
7 8-inch pipe, which would, if there was paving
8 associated with that project, that would
9 increase. There would be more sand and gravel
10 associated with a larger trench width and
11 depth.

12 So, there's a variety of costs on the
13 labor side of the house that would increase the
14 cost of 8-inch installation versus 4-inch
15 installation.

16 Q And they would show up under the vouchers,
17 because this is all done by NEUCO, correct?

18 A (LeBlanc) That would be in the voucher package,
19 that is correct.

20 Q So, the \$92,000 figure would have been lower,
21 it's your testimony, if you were doing the
22 4-inch pipe?

23 A (LeBlanc) Subject to check, yes.

24 Q Do you know how much lower?

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[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 A (LeBlanc) I do not.

2 MR. DEXTER: I'd like to make a
3 record request, Mr. Chairman.

4 CHAIRMAN HONIGBERG: Yes, Mr. Dexter.

5 MR. DEXTER: And that would be for
6 the Company to rerun the rate of return
7 analysis for this project, using the actual
8 costs that were -- that were spent, and the
9 actual revenues that they project to receive,
10 to see if a customer contribution would be
11 indicated.

12 CHAIRMAN HONIGBERG: And this project
13 in this instance is the one called "121
14 Corporate Drive", just so we're all on the same
15 page?

16 MR. DEXTER: That's correct.

17 CHAIRMAN HONIGBERG: That's
18 Exhibit 21.

19 MS. DENO: Yes.

20 **(Exhibit 21 reserved)**

21 MR. DEXTER: And that -- and
22 consistent with the witness's prior testimony
23 that, let me just ask the witness, that would
24 show the incremental cost, correct?

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[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 WITNESS DIGGINS: That is correct.

2 MR. DEXTER: Okay.

3 CHAIRMAN HONIGBERG: Mr. Epler, do
4 you understand the request?

5 MR. EPLER: Yes. Thank you.

6 BY MR. DEXTER:

7 Q That's all the questions I had on customer
8 contributions. I wanted to return just very
9 briefly to the Whitehouse Road project. There
10 was one request I wanted to make that I didn't.

11 And it has to do with the costs associated
12 with the stoppage of the work as a result of
13 the contractor hitting the customer's -- the
14 Company's pipe. I believe the witness's
15 testimony was that work on the project stopped
16 at 12 noon, and resumed on Monday, the work on
17 the Whitehouse Road project.

18 Could you tell me whether there were any
19 costs associated with that work stoppage?

20 A (LeBlanc) I would have to check on that.

21 MR. DEXTER: Could you check on that?
22 Could I make that a record request, that the
23 Company report back? And by "extra costs", I
24 guess I would envision things like any fees

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[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 that the contractor charged them for not
2 working or charged them as though they were
3 working, but they weren't, things along those
4 lines.

5 CHAIRMAN HONIGBERG: And you want to
6 know if there were extra costs that are
7 included in this request? If there were extra
8 costs, but they're not included, you want to
9 know that, right?

10 MR. DEXTER: Yes. And I guess, then
11 I would ask, like I did for the other costs, to
12 indicate how they were accounted for.

13 CHAIRMAN HONIGBERG: Right. Okay.
14 Mr. Epler, you got that one?

15 MR. EPLER: I'm getting that one.

16 CHAIRMAN HONIGBERG: That's going to
17 be Exhibit 22 when we all get it.

18 MR. EPLER: Okay thank you.

19 **(Exhibit 22 reserved)**

20 MR. DEXTER: That's all the questions
21 Staff has.

22 CHAIRMAN HONIGBERG: Commissioner
23 Bailey.

24 CMSR. BAILEY: Good afternoon.

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[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 WITNESS LeBLANC: Good afternoon.

2 WITNESS SPRAGUE: Good afternoon.

3 BY CMSR. BAILEY:

4 Q I think one of the first questions that
5 Mr. Buckley asked you, I'm sorry, you are?

6 A (Diggins) Todd Diggins.

7 Q Mr. Diggins, thank you. Was "how much cost
8 increase over the original budget was the
9 Whitehouse Road project?" And I think your
10 answer was "\$2.4 million".

11 Oh, it wasn't Mr. Diggins? Oh, you're
12 right. Yes.

13 A (LeBlanc) It was approximately 2.6 million.

14 Q Okay. But, in the testimony, on Page 17 and
15 18, it looks like there were two revisions.
16 And so, the total cost difference was more than
17 2.6 million, it looks like to me. Can you
18 explain if I am misunderstanding that?

19 So, on Page 17, at Line 10, the project
20 was originally authorized at 2.3 million. And
21 then it was revised to 4.3 million, on Line 14.
22 And then, on the next page, it was revised
23 again to 6.9 million.

24 A (Sprague) So, when we responded to that, we

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[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 were comparing the total project cost to the
2 original net authorized cost, to come up with
3 the 2.6 million.

4 Q Was the original net authorized cost something
5 greater than \$2.28 million, on Line 10,
6 Page 17?

7 A (Sprague) The file that I'm looking at, which I
8 believe is -- I think it would be Staff 4-2,
9 Attachment 2.

10 Q Okay. I need an exhibit number for that, or
11 give me a second. That's Exhibit 12, is Staff
12 4-2.

13 A (Sprague) Yes.

14 Q So, where are you looking at?

15 A (Sprague) If I have the correct version of it
16 in front of me, let me just double check that
17 I'm not leading you astray.

18 So, 4-2, Attachment 2, if you -- about
19 halfway down, where it says "Gas Highway
20 Project City/State".

21 Q I don't think I have -- I mean, I have
22 something that looks like Staff 4-2, but --

23 A (Sprague) I don't think you're looking at the
24 attachments.

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[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 Q I don't think I have the attachments.

2 CHAIRMAN HONIGBERG: It doesn't look
3 like we have the attachments.

4 WITNESS SPRAGUE: Okay.

5 CHAIRMAN HONIGBERG: We, as a general
6 rule, we don't get discovery unless someone
7 puts it in front of us. So, I think what we
8 have is the text of 4.2 -- or, 4-2. I don't
9 think we have attachments.

10 CMSR. BAILEY: But we do have the
11 testimony. That's the facts that we have in
12 the record.

13 CHAIRMAN HONIGBERG: Yes. I mean,
14 Mr. Sprague, are you able to pull up the
15 testimony quickly on Page 17? Where the
16 question asked on Line 9 says "What was the
17 original project estimate for this project?"
18 And the answer says "This project was
19 originally authorized for 2,280,239", and then
20 there's a reference page to Attachment 5.

21 WITNESS SPRAGUE: Yes. I see where
22 it says that.

23 CHAIRMAN HONIGBERG: And is it your
24 testimony now that something in one of the data

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[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 responses changes that number?

2 WITNESS SPRAGUE: Okay. So, I was
3 comparing the actual project cost.

4 CHAIRMAN HONIGBERG: Which is what?

5 WITNESS SPRAGUE: \$5.4 million, which
6 is the amount that we are -- that is in -- that
7 we're asking for as part of this, to the net
8 authorized cost on that Page 176, which is 2.7,
9 rounded to \$2.8 million. The \$2.2 million is
10 the net authorized cost, minus about \$500,000
11 for cost of removal.

12 BY CMSR. BAILEY:

13 Q Okay. Is the cost of removal included in the
14 rate base?

15 A (Diggins) Yes, it is.

16 Q And is the cost of the excess ledge removal
17 included in the rate base?

18 A (Diggins) Yes, it is.

19 Q Did you ever ask the person who did the boring
20 test why it was so completely wrong?

21 A (LeBlanc) We did. We did reach out to them,
22 and they basically stood by their, you know,
23 the borings that they did were accurate. We
24 can speculate the difference between actual

[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 versus estimate. And so, we are -- the side of
2 the road that we were required to put our pipe
3 on was the same side as the existing gas main.
4 And that gas main was off the edge of pavement,
5 and it varied between probably two and
6 four feet from the edge of pavement. So, when
7 they did their boring -- did their borings,
8 they did it probably at the edge of pavement,
9 because they wanted to keep a safety buffer
10 between the existing gas main and where they
11 bore. So, they were right on the edge of the
12 road.

13 When we did our new pipe, we were in
14 between the bore hole and the existing pipe.
15 So, we speculate that where they were doing
16 bores, they were doing the -- they were hitting
17 existing road -- existing road surface. And
18 when we moved further out into the shoulder,
19 that's where the ledge was.

20 Q If you had known that the ledge was where it
21 was, could you have relocated the pipe?

22 A (LeBlanc) No. The City tells us where our pipe
23 needs to be.

24 BY CHAIRMAN HONIGBERG:

[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 Q If you had gone to the City and said "You have
2 no idea how expensive this is going to be. Is
3 there something else we can do with the
4 location of this pipe?" Is that something that
5 can happen?

6 A (LeBlanc) So, typically, we would try to work
7 with them. Typically, when they give us a line
8 assignment, where they want our main, it's for
9 a purpose, because they're doing drainage or
10 they're doing some other type of the work
11 there, and they want our pipe, typically, away
12 from that type of work, outside the
13 right-of-way.

14 So, in some instances, in some cities and
15 towns, we've been able to work with them. But
16 some of them basically say "this is your
17 corridor and this where you need to put your
18 pipe."

19 BY CMSR. BAILEY:

20 Q Did you ask -- did you ask this municipality or
21 did you just put the pipe where they told you
22 to put it?

23 A (LeBlanc) We work closely with this
24 municipality on ledge, because they -- that

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[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 project for the City was delayed a year. They
2 originally wanted this project to be done in
3 2017. We worked -- they delayed a year, so we
4 would have a chance to budget for that and
5 schedule crews for that. So, repeatedly
6 through that project, they wanted us out as
7 soon as possible, because they needed to
8 complete their work in the 2018 construction
9 season. So, we were meeting with them
10 regularly. And they knew the -- they knew the
11 ledge conditions that we were experiencing,
12 which was causing delays in our work, which was
13 subsequently causing delays in their work.

14 I'm not sure if they specifically asked if
15 we can move to a different location. But I do
16 know that they did not want us under the paved
17 portion of the pavement.

18 Q Can you look at Attachment 4, Bates Page 036?
19 I'm looking at Exhibit 11. This is the bill
20 impacts. Are you there?

21 A (Diggins) I believe so, yes.

22 Q So, it's the "Proposed Rates with Step
23 Adjustment versus Presents Rates, as filed" for
24 the winter period?

[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 A (Diggins) Correct.

2 Q Can you explain to me what "Cumulative
3 Percentage of Bills" means? Oh. Now that I
4 look at and ask the question, I think I know,
5 but go ahead and answer.

6 Does it mean that 10 percent of the bills
7 have an average monthly usage of 8.26 therms?

8 A (Diggins) Oh. Correct.

9 Q Okay. So, hmm, 8.26 or less, I guess. Because
10 when you get to 100 percent, it's "243.66
11 therms"?

12 A (Diggins) Correct.

13 Q Can you tell me what the average residential
14 customer usage is?

15 A (Carroll) Are you talking about a
16 residential -- we have it by rate class. So,
17 an average heating customer, I mean, our R rate
18 class?

19 Q Yes. Because that's what we're looking at on
20 this page, right?

21 A (Carroll) Yes. Okay. For modeling purposes,
22 we use the historical average billed therms of
23 500 -- pardon me, 759.

24 Q That's a year?

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[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 A (Carroll) That's annual.

2 Q Okay. And this chart shows us by month, right?

3 A (Diggins) Correct.

4 Q So, can you tell me about where a typical
5 Residential Heating customer would be during
6 the winter on this chart?

7 A (Diggins) We do provide a line that is the
8 "average". Is that what you're looking for?

9 Q Oh, yes. Okay. Thank you. Well, okay.
10 That's -- I didn't see that. Thank you. All
11 right.

12 Now, the proposed rates for winter, for
13 the winter period, increase because of this
14 step by 2.65 cents per therm, right? I would
15 take the difference between 0.6925, at the
16 bottom of the page, and 0.6660 for the
17 distribution charge?

18 A (Diggins) That is correct.

19 Q So, it's a 2.65 cents per therm increase?

20 A (Diggins) Correct.

21 Q Okay. Now, if you go to the next page, this is
22 the summer rates, and you look at the same part
23 of the chart down at the bottom. And it looks
24 like the distribution charge increase is 2.34

[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 cents per therm?

2 A (Diggins) That is correct.

3 Q Why is there a difference?

4 A (Diggins) I'm not sure. I could take a record
5 request on that, so I can answer.

6 Q Okay. And does it make sense to make the
7 increase greater in the wintertime, when people
8 have higher bills than it does in the
9 summertime?

10 A (Diggins) I am not a rate design expert. So, I
11 apologize.

12 Q Okay.

13 CHAIRMAN HONIGBERG: Do you want a
14 record request?

15 CMSR. BAILEY: Yes. I think I do.

16 CHAIRMAN HONIGBERG: Mr. Epler,
17 that's turned into a record request, which is
18 going to be Exhibit 23.

19 **(Exhibit 23 reserved)**

20 BY CMSR. BAILEY:

21 Q So, looking at the "Average" line, and maybe
22 this has something to do with the answer,
23 looking at "Average" line, a Residential
24 Heating customer would experience a 2 percent

[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 bill increase in the wintertime and a 3 percent
2 increase in the summertime?

3 A (Diggins) That is correct.

4 Q Does that seem counterintuitive that the rate
5 is less of a rate increase?

6 A (Diggins) Well, I'm assuming, I mean, in the
7 winter you're using more usage. So, --

8 Q So, a greater percentage of the bill is based
9 on usage. But the increase is greater on the
10 usage as well. So, I mean, if you could
11 explain all of that in the record request, --

12 A (Diggins) Sure.

13 Q -- that would be helpful.

14 A (Diggins) Yes.

15 CMSR. BAILEY: I think that's all I
16 have.

17 CHAIRMAN HONIGBERG: Commissioner
18 Giaimo.

19 CMSR. GIAIMO: Good afternoon.

20 WITNESS CARROLL: Good afternoon.

21 WITNESS LeBLANC: Good afternoon.

22 CMSR. GIAIMO: I only have a couple
23 of questions.

24 BY CMSR. GIAIMO:

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[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 Q So, I'm in Exhibit -- I'm on Exhibit 10, and
2 it's the Diggins, LeBlanc, and Sprague
3 testimony, and Page 11 of 28. Starting on
4 Line 4, "The Project Supervisor is expected to
5 submit a revised authorization reflecting the
6 revised scope, including cost, before
7 proceeding with the project." I'm guessing
8 it's not "expected", it should read "shall" or
9 "must", is that right?

10 A (Sprague) That is correct.

11 Q Okay. I thought as much. And moving down to
12 Line 13, you talk about "Invariably a small
13 number of projects will overrun the original
14 estimate". What's a "small number" in your
15 mind?

16 A (Sprague) So, we have, in the goals of these
17 individuals, we have the goals to minimize the
18 number of revisions and minimize the number of
19 supplemental projects. So, I'm not sure that
20 we have percentages, whether it's 10 percent,
21 15 percent, 20 percent. But it would be in
22 that range of all the projects that they do
23 throughout the year, I would guess.

24 A (LeBlanc) When we write those, it's non-scope

[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 change revisions is what we're looking for.

2 Q Okay.

3 A (LeBlanc) So, for these types of revisions,
4 where it's unforeseen scope from a ledge
5 perspective. But, when we put performance
6 goals for our supervisors and managers, is
7 we're really looking at is non-scope change
8 revisions, where the estimating -- where you
9 can point to the estimating being inaccurate.
10 But some of these unforeseen circumstances,
11 significant changes in scope, it's difficult
12 from that perspective.

13 Q So, I understand the distinction. Thank you
14 for making that.

15 There's one project that jumped off the
16 page for the opposite of what we've talked
17 about, and I think it's the Tuscan Village.
18 Did that come in 50 percent under budget?

19 A (Sprague) So, I know you don't probably have
20 this in front of you, but if we rewind a year
21 to this discussion. In 2017, there was 455,000
22 that was included, --

23 Q Already in play?

24 A (Sprague) Already in play.

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[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 Q Got it.

2 A (Sprague) And then the extra in 2018, for a
3 total of I believe it was about 960,000.

4 Q Okay. So, we're still 40, 50,000 under budget?

5 A (Sprague) Correct.

6 Q But not --

7 A (Sprague) But not, yes, not a half a million.
8 Yes.

9 Q Okay. Thanks. I'm sure there was a reasonable
10 answer, and there it was.

11 I don't want to belabor, there's already
12 been questions, but I want to make sure I
13 understand it. So, what I thought I heard from
14 questions asked by the Commissioners to my left
15 is, if you knew of the ledge in Rochester,
16 would you have -- the question was "would you
17 have selected a different route?" And what I
18 think I heard you say was your hands were tied,
19 the City of Rochester gave you no other
20 alternative?

21 A (LeBlanc) Yes. They assigned the line
22 assignment of where they expected us to install
23 our pipe.

24 Q Okay. And the boring tests, there was nothing

[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 in the boring test that indicated that that
2 route was going to be problematic. So, you
3 didn't push back on the City?

4 A (LeBlanc) That is correct. And we did, even
5 with those boring tests, our original estimate
6 did have a line item for ledge and boulder-type
7 removal. So, it's not like we didn't include
8 some dollars in the original estimate for
9 incidental, you know, if we came across it on
10 the job.

11 Q And what I thought I heard you say was, for you
12 to actually have found that, to do the due
13 diligence necessary, you would have needed to
14 have done bore tests in the middle of the road?

15 A (LeBlanc) No. I mean, the existing bore tests
16 that we did were right on edge of pavement.
17 And our line assignment, they were trying to
18 keep a safety buffer between our existing gas
19 main and where they did the bore holes. So,
20 they were doing their bore holes right on the
21 edge of pavement, which kept a safety buffer of
22 anywhere between probably two and four feet
23 with our existing gas main on that.

24 And then our line assignment was, they

[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 wanted us as close as practical to our existing
2 gas line that was there.

3 So, what we're speculating is, where they
4 did the bore holes, it was where there has been
5 existing rock removal as part of previous road
6 reconstruction. And as soon as we moved over,
7 we were, you know, the digging conditions
8 changed. So, additional bore holes would have
9 had to have been closer to the gas -- to the
10 existing gas main, and they wouldn't have been
11 able to maintain their safety buffer that they
12 were really looking for.

13 Q So, the addition of, instead of having ten bore
14 holes, even if you run on the same line, you
15 still would not have --

16 A (LeBlanc) I don't believe so. We would have
17 had to bore closer to the existing gas main to
18 get a better indication of where that was. And
19 they try to keep a significant safety buffer
20 from all those drills, because we do not want
21 to be inadvertently hitting our gas main with
22 one of those drills.

23 Q Okay.

24 A (Sprague) Could I just add something? I'm

[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 afraid we're leaving you with the impression
2 that we never push back on the state or the
3 towns. And that's not the case. We have a
4 project going on right now, the project that
5 recently got approved, going to Kingston. It's
6 a state project. The state gave us our line
7 assignment, which added a tremendous amount of
8 cost to that project. We went back to them and
9 essentially negotiated each of the -- each of
10 the areas that really increased the cost for
11 us, which is essentially around their culvert
12 areas, and we were able to bring that project
13 cost back down. So, they were -- they were
14 willing to concede in areas and meet us
15 halfway, or, in our case, I think we did better
16 than that.

17 But we don't blindly just take our line
18 assignment and, you know, no matter what the
19 cost is.

20 Q That's important, thank you, to know.

21 A (Sprague) Yes.

22 Q How long did you -- what was your estimate to
23 the town as to how long you thought the project
24 would take?

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[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 A (LeBlanc) So, initially, we thought, for a
2 single crew, it was approximately 63 working
3 days. So, our original estimate to them is we
4 would be out mid to end June timeframe, which
5 would give them significant -- the rest of the
6 construction season to do their road
7 reconstruction.

8 Q And it went twice as long?

9 A (LeBlanc) It went to, they gave us a drop-dead
10 date of October 1st, and I think we went a
11 couple days past that.

12 Q Okay. So, the Town was equally frustrated in
13 this, I'm sure it caused delays for them as
14 well?

15 A (LeBlanc) "Frustrated" is a good term, yes.

16 CMSR. GIAIMO: Okay. I think that's
17 all I have. Thank you.

18 WITNESS LeBLANC: Thanks.

19 BY CHAIRMAN HONIGBERG:

20 Q I'd like some help understanding how the net
21 present value spreadsheets that are Exhibit
22 19 -- Exhibits 19 and 20 work with, if at all,
23 the forms that are in Attachment 5.

24 Here's what I think I understood. That

[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 the net present value calculations assume a
2 CIAC that is spelled out in the upper left-hand
3 corner of Page 1, and that all the calculations
4 done in the remainder of the spreadsheet assume
5 those numbers that start at the upper left.
6 And in each instance, both Exhibits 19 and 20
7 show a CIAC figure. Those CIAC figures are
8 different from what's in the attachments that
9 are part of -- I'm sorry, the documents that
10 are part of Attachment 5. And in one instance,
11 there's no CIAC shown in Attachment 5, but
12 there is a CIAC shown in the net present value
13 spreadsheet.

14 What's going on here? That's the
15 question.

16 A (Carroll) So, in Attachment 5, those are the
17 authorizations for the projects. And they
18 contain fully-loaded project costs, so fully
19 loaded with the Company's overheads.

20 When we model CIACs for customers, we use
21 a project estimate that we call "incremental
22 project costs". So, it's the same estimate of
23 costs, but we remove the engineering,
24 operations, and general overheads, because

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[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 those are fixed overheads. So, whether we do
2 the project or not, they exist. So, we remove
3 them for the purposes of calculating the CIAC.

4 So, that's why the numbers for project
5 costs or estimates in those authorizations
6 don't exactly match what's in the modeled rate
7 of returns.

8 The whole purpose of the model is to
9 calculate the CIAC, to calculate the NPV to see
10 if there's a CIAC required. And if the NPV
11 comes back, the rate of return comes back below
12 the benchmark, there's a macro calculation,
13 whoever's operating the model can push a button
14 and it calculates the CIAC for them.

15 So, you're seeing the model pages. But
16 there's a summary page and an input page on the
17 front of the spreadsheet that the operators
18 work in. And they enter project costs, the
19 number of customers that they're going to add,
20 and over what period of time, what rate class
21 those customers are in, and then what the
22 estimated loads are. They push the macro
23 buttons, calculate first a 10- or 20-year rate
24 of return without a CIAC. It produces a result

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[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 that either exceeds the benchmark, thus no CIAC
2 required, or you have to push another button to
3 calculate the CIAC that will make up that
4 difference.

5 Q And so, on both Exhibits 19 and 20, they show
6 that a CIAC is required?

7 A (Carroll) No. So, I think, in the
8 authorizations, that's from the original
9 estimates and the original modeling. What
10 you're seeing on those pages are a result of
11 Staff Request 5-3, that we recalculate two of
12 those projects based on actual project costs.
13 So, they returned a different CIAC result.

14 Q So, the original calculations that are in
15 the -- that go with the authorizations, those
16 spreadsheets, they would show a zero or
17 positive net present value without any CIAC?

18 A (Carroll) For -- one of the projects had a CIAC
19 originally, and the other one did not. That is
20 correct.

21 Q And so, when you get the actual costs, do you
22 go back to that customer and say "hey, we need
23 more"?

24 A (Carroll) If, during the construction, or

[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 before, we have -- we realize that there's
2 either a change in scope for the project, as a
3 result of new information from the customer,
4 they may change what they want us to do, or
5 there are unforeseen excavation requirements
6 that increase the estimated costs, we have the
7 option, under our contract that we have a
8 customer sign, to go back to them, tell them
9 what's going on, and tell them that an
10 additional CIAC is required for us to complete
11 the project.

12 CHAIRMAN HONIGBERG: All right. That
13 loops back to answers that you -- that some,
14 not you, but someone had given, I think, in
15 response to Mr. Buckley. Helpful. Thank you
16 very much for doing that.

17 That's all I had. Mr. Epler, do you
18 have any follow-up for your witnesses?

19 MR. EPLER: Yes. I have a couple of
20 things. And I'm going to jump around a little
21 bit.

22 **REDIRECT EXAMINATION**

23 BY MR. EPLER:

24 Q Ms. Carroll, there was some discussion about

[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 the school being on a commercial rate. And
2 when you model for CIAC purposes, whether you
3 should be using 10 years or 20 years. Would
4 you agree that the reason you're using,
5 although the school is on a commercial rate,
6 the reason you're using the 20-year period is
7 because the expected term of use or the
8 expected usage of that customer over time is
9 more closely similar to a residential customer?
10 You expect them to be there longer. Whereas,
11 for a commercial customer, you would expect, at
12 least the reason you're using the 10 years, is
13 because you anticipate a shorter term.

14 A (Carroll) Yes. That is correct.

15 Q Do you agree with that?

16 A (Carroll) Yes. I agree with that.

17 CHAIRMAN HONIGBERG: Off the record.

18 *[Brief off-the-record discussion*
19 *ensued.]*

20 BY MR. EPLER:

21 Q And I have a question I'd like to direct to Mr.
22 Sprague and Mr. LeBlanc, you can decide which
23 one of you want to tackle this.

24 In terms of our budgeting process, is

[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 there an incentive to try to get project
2 estimates as close as possible?

3 A (Sprague) Yes. The guidance that our -- that
4 we give to our supervisors and those that are
5 writing authorizations is kind of -- is a
6 90/10. That's the level of accuracy that we
7 want, because we want to get that -- we want to
8 get that estimate as close as possible, because
9 we have a certain funding within our capital
10 budget. If we add too much of a cushion or too
11 much of a conservatism to one project, it will
12 ultimately push other projects out of the
13 budget.

14 So, with all of our -- with all of our
15 authorizations and when we're putting together
16 our budget, we're trying to make sure that
17 those estimates are as close as possible, based
18 upon what we have for information.

19 Q So, you've indicated what happens if you're too
20 conservative. But, if you're too liberal, what
21 happens?

22 A (Sprague) Right. Ultimately, if we are -- if
23 we're overspending on projects, that has the
24 same effect of pushing projects out of the

[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 budget. We need to make adjustments, you know,
2 as the year goes on, if we have projects like
3 Whitehouse Road, there are other projects that
4 are going to have to come out of the budget.

5 Q Okay. Now, when you're dealing with relocation
6 projects due to either town, city or state
7 requirements, is it correct that we are -- that
8 our pipe is in right-of-way at the sufferance
9 of that town, city or state, is that correct?

10 A (Sprague) That is correct.

11 Q And so, they can tell us -- they can tell us
12 when to move and they can tell us where to
13 locate our project, is that correct?

14 A (Sprague) That is correct.

15 Q So, we have little discretion, in terms of both
16 the timing and the location of where we put our
17 pipe?

18 A (Sprague) Correct.

19 Q Okay. We have more discretion if we're doing a
20 line extension, in terms of working with the
21 customer?

22 A (Sprague) We have more discretion on a
23 customer's property where we install. But, if
24 we're doing a line extension within the city

[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 right-of-way or the state right-of-way, they're
2 still going to give us the pipe assignment.

3 Q Okay. And, ultimately, and I think, Mr.
4 LeBlanc, you may have indicated this, when
5 you're doing a project relocation, whether or
6 not you have to go -- whether you get the
7 estimate right the first time or whether you
8 get -- have to go through several
9 reauthorizations, the project cost is going to
10 be what the project cost is, is that correct?

11 A (LeBlanc) That is correct.

12 Q There may be some marginal difference if, as
13 you're talking about in the Whitehouse Road
14 project, where, if you could have avoided some
15 of the Saturday or Sunday work initially, that
16 there's some marginal savings there. But,
17 ultimately, in terms of the overall cost of the
18 project, it's going to be roughly the same,
19 whether you got it right the first time or had
20 to get reauthorizations, is that correct?

21 A (LeBlanc) We could have cut out Saturdays and
22 Sundays if we added crews to that project. But
23 we did move crews in when they were available.
24 So, yes.

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[WITNESS PANEL: Diggins|LeBlanc|Sprague|Carroll]

1 The original project was estimated for one
2 crew for 63 days. The project went
3 significantly longer than that. And we
4 actually had five crews working on that, not
5 all at once, but we moved five crews in there.
6 So, to eliminate -- to eliminate Saturdays and
7 Sundays, we had to provide additional crews to
8 do that work. And that would be subject to if
9 they were available. There is not an infinite
10 number of crews that we have at our disposal in
11 a construction season.

12 Q And is it correct that you pretty quickly added
13 a second crew on to that project?

14 A (LeBlanc) We did. And then we moved other
15 crews in, when they were available, to perform
16 additional work there, to try to speed up the
17 project timeline on that.

18 MR. EPLER: That's all I have. Thank
19 you.

20 CHAIRMAN HONIGBERG: All right.
21 There are no more witnesses, correct?

22 MR. DEXTER: Correct.

23 CHAIRMAN HONIGBERG: All right. So,
24 I think the witnesses can probably stay where

1 they are, because it shouldn't be long from
2 here.

3 Without objection, we'll strike ID on
4 Exhibits 9, 10, 11, 12, 13, 14, 15, 16, 19, and
5 20. We will hold open the record requests that
6 are Exhibits 17, 18, 21, 22, and 23.

7 Does that match up with everybody
8 else's numbers? I'm seeing nodding heads.
9 That's always encouraging.

10 All right. If there's nothing else,
11 we'll have the parties sum up. Mr. Buckley,
12 why don't you start us off.

13 MR. BUCKLEY: Thank you, Mr.
14 Chairman.

15 Starting off on a positive note. The
16 Office of the Consumer Advocate is pleased to
17 hear from the witnesses on the stand today that
18 going forward the Company plans to submit
19 testimony detailing the projects it requests
20 for recovery in a step adjustment in its
21 initial requests, rather than a supplemental
22 filed within just days of a planned hearing.

23 As I think may have been somewhat
24 evident today, the compressed timeline that

1 resulted from this lack of testimony in the
2 initial filing is to the advantage of no one.
3 And we are pleased to hear the shortcoming will
4 not be duplicated in future step adjustment
5 proceedings.

6 Moving to the substance of the
7 filing, the OCA is somewhat concerned about the
8 cost overruns associated with several of the
9 projects the Company has requested recovery for
10 in this step adjustment. Including those in
11 the Whitehouse Road project, which were
12 attributed to the nature of the geology in the
13 area, including ledge and perched water tables.

14 While we are pleased to hear that the
15 Company is considering a policy that would
16 encourage greater preconstruction exploration
17 via an increased level of boring, particularly
18 since the cost of these borings is far smaller
19 than possible project cost overruns associated
20 with the weekend work necessitated by the
21 addition of an extensive -- by the addition of
22 an extensive amount of ledge removal to a fixed
23 project timeline.

24 In particular, the Commission should

1 consider disallowing the incremental cost of
2 approximately \$90,000 or so, associated with
3 the weekend work identified in Exhibit 13. As
4 this weekend work represents a cost that could
5 have been avoided had the Company been better
6 informed about the ledge ahead of time, and
7 been able to plan to devote more crews to the
8 project from the beginning, and prior to the
9 need for weekend work arising.

10 This would provide the Company with
11 the right price signal, as it considers
12 adoption of a new exploratory boring policy.
13 The Commission should also consider directing
14 the Company to file the contemplated
15 exploratory boring policy within 60 days for
16 review and approval by the parties to this
17 proceeding.

18 Additionally, we await the record
19 request responses to determine the costs
20 actually associated with the "stub" incident
21 described in Exhibit 15. And suggest the
22 Commission should consider disallowing those
23 costs, as they were incurred based on the
24 likely imprudence of the Company or its

1 contractors.

2 Now, finally, the OCA is concerned by
3 the Company's explanation relative to the
4 contributions in aid of construction that do
5 not increase when an overall project cost
6 increases. The contribution in aid of
7 construction is the mechanism intended to
8 ensure costs of connecting a new customer to
9 the system are recovered equitably, and not
10 unreasonably shifted to the Company's existing
11 ratepayers.

12 In response to questioning, the
13 Company had suggested that the CIAC
14 shortcomings in certain projects are made up
15 for by other projects in the portfolio that
16 provide an overall net benefit to existing
17 ratepayers.

18 But the Company has not provided any
19 analysis relative to the portfolio of projects
20 they request recovery of today to prove this
21 assertion. The Company should consider
22 providing such an analysis directly in its
23 testimony justifying future requests for rate
24 recovery, and the Commission should consider

1 requiring the Company to do so, including those
2 projects which the Company defined as
3 associated with "future load growth".
4 Particularly, since we have heard here today
5 that the vast majority of costs increased
6 associated with at least one such project were
7 actually not associated with the future load
8 growth.

9 Make no mistake, this "future load
10 growth" loophole to the mechanism that is meant
11 to protect existing ratepayers from an
12 unreasonable cost shift is a source of great
13 concern for the OCA.

14 While we await any future filings,
15 however, we suggest that the CIAC shortcomings
16 identified by Staff at today's hearing, and
17 which will be informed by the response to
18 Staff's record requests, should not be
19 recovered from the Company's existing
20 customers, but rather from the Company's
21 shareholders in the form of a disallowance.

22 Thank you.

23 CHAIRMAN HONIGBERG: Mr. Dexter.

24 MR. DEXTER: Thank you. Staff has

1 found this case difficult, we will be frank.
2 It was difficult that there was no testimony
3 submitted with the original filing, despite the
4 Commission's clear order to Liberty Utilities
5 in Order 26,141, which happened about a year
6 ago.

7 We found it difficult that, when the
8 filing came in, there were projects included
9 that were under \$30,000. And clearly, the
10 Settlement called for those projects to be
11 excluded. We don't believe there was any need
12 for them ever to have been in here in the first
13 place, and it shouldn't have taken a Staff
14 audit from the Audit Division to have those
15 removed.

16 We find it difficult that the
17 depreciation figure was not calculated
18 correctly, and, in fact, it's still not, there
19 is still not an accurate calculation on the
20 record. We had a ballpark impact of \$4,700,
21 despite the fact that Staff raised that
22 depreciation issue with the Company in the
23 technical session, which was held when the
24 first hearing didn't go forward.

1 And we find it troubling that, in the
2 myriad of questions we asked about the reasons
3 for the delay of the Whitehouse Road project,
4 that not once did the Company mention that
5 there was an incident involving them hitting
6 their own gas line, or their contractor hitting
7 the gas line, and causing a delay of somewhere
8 between one and three days. So, we found it
9 difficult in this case to get information. And
10 so, I'll leave my comments at that.

11 In terms of where Staff recommends
12 the Commission go on the recommended revenue
13 requirement, we recommend that no costs
14 associated with the Company's contractor
15 hitting the Company's gas line be included in
16 this step adjustment. The record request that
17 we asked will quantify what, if any, costs were
18 incurred as a result of the delay from the
19 project being put on hold for between one and
20 three days, and whether or not those costs are
21 in this request. If they are, we strongly urge
22 the Commission not to allow recovery.

23 With respect to the CIACs, we believe
24 that the Company is under the obligation to

1 recover from the customer the CIAC that's
2 called for in the rate of return analysis.
3 We've uncovered at least two instances where,
4 in this case, an inadequate CIAC was collected.
5 The Company had mentioned that they should have
6 flexibility in where they set their CIAC. And
7 we don't believe the flexibility should be at
8 the expense of the other existing ratepayers.

9 So, in the case of the Atlantic Ave.
10 project, where the Company's internal rate of
11 return analysis showed that, based on actual
12 cost, a CIAC of \$214,000 was warranted, but
13 only 110,000 was collected. We recommend that
14 that difference not be allowed to be passed on
15 to other customers, either in this step
16 adjustment or in a subsequent rate case. That
17 needs to be a permanent disallowance.

18 With respect to the Salem road
19 project, where no CIAC was collected, but the
20 internal revenue -- rate of return analysis
21 showed a \$46,000 CIAC was warranted, we believe
22 that that also, the 46,000, should also be
23 permanently disallowed, both in this case and
24 in any future rate case.

1 With respect to the Newfields Road
2 project, where we asked the record request, we
3 want to wait until we see the response to the
4 record request. But we've asked the Company to
5 rerun that based on final costs, and to check
6 their assertion that no CIAC was required,
7 because all the cost increases were related to
8 the increased cost of the pipe in that case.

9 The answers to those questions were
10 difficult to accept on face value. And that's
11 why we made the record request. So, we will
12 look to see what the Company provides for a
13 recalculated CIAC on the Newfields Road
14 project.

15 So, that is Staff's recommendation in
16 this case at this time, pending the outcome of
17 the record responses. Thank you.

18 CHAIRMAN HONIGBERG: Mr. Dexter, do
19 we have sufficient information to set
20 appropriate rates, if we were to agree with
21 you?

22 MR. DEXTER: No. No. Actually, we
23 don't have sufficient information to set
24 appropriate rates now, because we don't have a

1 corrected depreciation number. So, as I
2 understand it, in any event, there's going to
3 have to be a corrected Exhibit -- I forget the
4 number, but we have to have a corrected revenue
5 requirements calculation, because we know the
6 depreciation number is not right. And
7 therefore, we don't have the correct rates to
8 go with them.

9 CHAIRMAN HONIGBERG: Mr. Epler.

10 MR. EPLER: Thank you, Mr. Chairman
11 and Commissioners.

12 So, let me start with addressing the
13 cost overruns on the Whitehouse Road project.
14 Clearly, this was a difficult project for the
15 Company. But I think that there is testimony
16 that shows that the Company does try to get its
17 original estimates as accurate as possible. It
18 has no incentive not to do that. And that we
19 had taken steps in this -- in that particular
20 case to try to verify that our estimates were
21 as accurate as possible. We did engage a
22 boring company and had ten test bores done.
23 The results are there. There's no showing that
24 they were done inaccurately. There's no

1 showing that there was any problem with those
2 boring results.

3 So, clearly, the Company had taken
4 steps other than relying on its knowledge of
5 work in that area. A walk-through of the
6 project to see where there was ledge exposed.
7 So, clearly, I think the evidence that's before
8 you shows that the Company acted prudently, in
9 terms of trying to get to an estimate.

10 We were under, as indicated also in
11 the testimony, we're under the direction of the
12 City of Rochester, in terms of the location of
13 the pipe, and the timing. And in order to meet
14 their schedules, we had to undertake the type
15 of crew configurations and the work on the
16 weekends that were necessary in order to get
17 that project completed.

18 Again, there is -- we have no
19 incentive whatsoever to miss our estimation or
20 to charge more for a project, because that
21 inhibits us in terms of our other work. If
22 we've got to take crews away from other
23 projects, because we misestimated how many
24 crews would be involved, that means that those

1 other projects don't get done. So, there is
2 every incentive on the Company to try to do
3 accurate work, both in estimating and in
4 completions of the project.

5 The issue with the Notice of Proposed
6 Violation, and the hitting of the 4-inch stub
7 by the contractor, the reason that didn't come
8 up is because, in the context, I mean, there
9 was no nefarious reason behind not raising
10 that. The reason that didn't come up is,
11 because in the context of looking at the
12 overall delay -- or, not "delay", the overall
13 length of the project compared to what was
14 originally estimated, a change of one day was
15 not significant. And so, we were looking to
16 provide the Staff and the OCA what we thought
17 we were answering, in terms of their questions,
18 what were the reasons for the delays. So, we
19 didn't go down to a day-by-day analysis. And
20 so, that was inadvertently left out.

21 Certainly, we are not looking to
22 recover costs of that incident in this
23 proceeding. How that will -- where we will
24 seek, if we will seek to recover it and where

1 we will seek to recover it will be something
2 subsequent. But we will make sure that, in
3 this request, we are not looking to get
4 recovery of any of the costs of that incident.
5 And we'll bear that out in the responses to the
6 record requests.

7 CHAIRMAN HONIGBERG: Just before you
8 continue, Mr. Epler. I will note that there
9 definitely were parts of this office, largely
10 the Pipeline Safety Division and the
11 Commissioners' Office, that were aware of the
12 incident in Rochester when it happened. So,
13 it's not like it was ever hidden from the
14 Commission. It was reported as any incident
15 was, and that one was a significant enough
16 incident that, when it happened, there were
17 people up in the front office who were alerted
18 to what had taken place.

19 MR. EPLER: Yes. I'm just indicating
20 that, in terms of trying to explain the length
21 of the project, that was why it didn't arise in
22 our conversations here.

23 CHAIRMAN HONIGBERG: Right. And we
24 get that. And I'm just addressing one element,

1 you were trying to forestall any impression
2 that we had that it was not being disclosed.

3 MR. EPLER: Okay. In terms of the
4 issue with the CIAC, it is clear that, in two
5 instances, on two projects here, we had
6 original estimates for the CIAC, original
7 contributions that we sought from the customer.
8 And when the project amount increased, we did
9 not go back to the customer and ask for an
10 additional CIAC.

11 And yes, generally, the reason for a
12 CIAC is because we don't, if a certain project
13 is not going to yield a positive result for the
14 Company and for overall our customers, we don't
15 seek to recover that from all other customers.

16 However, there are situations --
17 well, let me step back. There is testimony
18 that, overall, our expansion efforts yield a
19 positive result and are positive to customers.
20 There certainly are situations where --
21 individual situations where that may not be the
22 case where we try to recover the CIAC.

23 There's sometimes challenges to going
24 back to a customer. In the case of the school,

1 Hampton Road, there was a warrant procedure
2 that they had to approve. We were already into
3 the project. And we just -- we didn't do it.

4 Whether we should have, whether we
5 used the right procedure internally to make
6 that decision, that we agree is in question.
7 And we are revamping our procedures to tighten
8 them up, to make sure that, internally, we face
9 those questions directly and are able to
10 address them and make a clear decision as to
11 whether or not to go back.

12 In this instance, there were
13 miscommunications to those two projects. We
14 did not go back to the customer. And there was
15 some, as I said, miscommunication internally as
16 to whether or not we should have.

17 There is a request to permanently
18 disallow recovery of those incremental amounts.
19 What I would ask you, first of all, is to
20 consider overall, in looking at our projects,
21 that we generally have a positive rate of
22 return, and all customers get the benefit of
23 that. So, you need to take that into account
24 when you're considering to ding us for a time

1 when we fall short.

2 Secondly, I would ask that, if you do
3 decide that it should be disallowed from this
4 particular request, this step increase, that it
5 not be considered a "permanent disallowance".
6 And you allow us to come in the next rate case
7 and be able to show you, either based on
8 additional customers that we have attached or
9 actual usage, that the circumstances have
10 changed, and that there is a -- we can show a
11 better rate of return, or perhaps less of a
12 detriment. So, I would ask for your
13 consideration of that. Any disallowance not be
14 permanent, and the Company have an opportunity
15 to come back to you.

16 With respect to the OCA's request for
17 the Company to report within 60 days on an
18 exploratory boring policy, I don't think that
19 the circumstance of that one project warrant
20 such a mandate. Again, we acted prudently. We
21 engaged a boring company. There's indication
22 from our Vice President and Director of Gas
23 Operations that we are reevaluating our
24 policies in light of our experience at the

1 Whitehouse Road project. And we will certainly
2 take steps, if we feel that additional
3 procedures are warranted.

4 We would request, however, that we
5 not be put under a mandate of 60 days. We
6 will, however, agree to advise the Staff and
7 the OCA of the results of that internal
8 analysis. And certainly, any changes that we
9 do make, we would advise the Commission then.

10 Lastly, on the issue of testimony or
11 no testimony, we agree, going forward we will
12 file testimony. There's no question that it's
13 helpful. We had followed the procedure, and
14 perhaps mistakenly on our part, but we had
15 followed the procedure that we had undertaken
16 in previous step increases for Northern
17 Utilities under this, in the last rate case.
18 And so, we recognize the challenge that
19 presented in this case. We apologize for that.
20 But we will, going forward, provide
21 testimony.

22 CHAIRMAN HONIGBERG: Thank you,
23 Mr. Epler. We understand how things sometimes
24 change. We appreciate the work that you've

1 done, that your witnesses did, how cooperative
2 they are and how straightforward they are in
3 answering our questions and the questions of
4 the Staff and the OCA.

5 So, with that, we will adjourn the
6 hearing. Leave the record open for those few
7 record requests. Take the matter under
8 advisement and issue an order as quickly as we
9 can. Thank you.

10 ***(Whereupon the hearing was***
11 ***adjourned at 5:09 p.m.)***