

STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

April 15, 2019 - 10:08 a.m.  
Concord, New Hampshire

NHPUC 30APR'19PM3:49

RE: DE 19-043  
UNITIL ENERGY SYSTEMS, INC.:  
Step Adjustment and Proposed  
Changes to the Storm Recovery  
Adjustment Factor effective  
May 1, 2019.

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

Sandy Deno, Clerk

**APPEARANCES:** Reptg. Unitil Energy Systems, Inc.:  
Gary Epler, Esq.

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

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

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

CERTIFIED  
ORIGINAL TRANSCRIPT

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1	Step Adjustment and Proposed Changes to the Storm Recovery Adjustment Factor effective May 1, 2019, including tariff pages and the Direct Testimony of Todd R. Diggins, including attachments (02-28-19)	7
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**P R O C E E D I N G**

CHAIRMAN HONIGBERG: We are here today in Docket DE 19-043. This is a filing by Unitil for a step adjustment and some other issues having to do with the storm recovery.

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

MR. EPLER: Good morning, Mr. Chairman, Commissioners. Gary Epler, appearing on behalf of Unitil Energy Systems. And with me, if I can introduce you to a couple of my fellow employees. So, to my immediate right is Carleton Simpson. He's currently the Director of Government Affairs. And he will be joining the Legal Division of Unitil shortly. So, you will be seeing a lot more of him in the coming months and years, hopefully.

CHAIRMAN HONIGBERG: Welcome, Mr. Simpson.

MR. EPLER: And then, if I could sit here and kind of go through all. At the witness box is Todd Diggins, he's the Director of Finance. And he's the individual who sponsored testimony and exhibits that are

1 before you in the docket. And immediately  
2 behind me is Sara Sankowich, she is the System  
3 Arborist for Unitil; and to her right is Ray  
4 LeTourneau, who is Vice President of Electric  
5 Operations; to his right is Kevin Sprague, Vice  
6 President/Director of Engineering; and to his  
7 right is Dan Nawazelski, he's a Lead Financial  
8 Analyst; and then in the back is Jacklin Ulban,  
9 who's the Manager of Business Resiliency and  
10 Compliance.

11 Thank you very much.

12 CHAIRMAN HONIGBERG: Welcome all.

13 MR. KREIS: Good morning,  
14 Commissioners. I am D. Maurice Kreis, the  
15 Consumer Advocate, here on behalf of  
16 residential utility customers. I'm joined  
17 today by Jim Brennan, who is the OCA's Director  
18 of Finance.

19 I can't resist saying that the tie  
20 I'm wearing today has a purple stripe in it.  
21 And I'm really glad I chose this particular  
22 stripe, because today is clearly Lavender Day  
23 at the Commission, and I didn't even get the  
24 memo. But I notice that, you know, Mr.

1 Chairman, the two Commissioners who flanked you  
2 are both compelling decked out in lavender, as  
3 is the court reporter. And you, yourself, have  
4 a tie on that, although it's not lavender, it  
5 does seem to have the same Easter-esque/  
6 springtime theme to it. And it's quite  
7 remarkable.

8 CHAIRMAN HONIGBERG: I left the  
9 lavender tie upstairs. I didn't get the memo.

10 MS. AMIDON: I don't know how I can  
11 top that. Suzanne Amidon, for Commission  
12 Staff. With me today at counsel's table is  
13 Rich Chagnon, an Analyst in the Electric  
14 Division.

15 CHAIRMAN HONIGBERG: All right. I  
16 know we have a witness who is prepositioned in  
17 the witness box. Is there anything we need to  
18 do in the way of preliminary matters before we  
19 begin?

20 MR. EPLER: Yes, Mr. Chairman. I  
21 have checked with the Clerk, and we would like  
22 to have premarked the filing that was made by  
23 the Company on February 28th that contains the  
24 proposed tariff changes, the testimony and

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1 exhibits of Mr. Diggins.

2 CHAIRMAN HONIGBERG: All right.

3 That's marked. Anything else we need to do  
4 before the witness is sworn in?

5 MR. EPLER: No, I don't believe so.

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

8 (Whereupon **Todd R. Diggins** was  
9 duly sworn by the Court  
10 Reporter.)

11 CHAIRMAN HONIGBERG: Mr. Epler.

12 MR. EPLER: Thank you.

13 **TODD R. DIGGINS, SWORN**

14 **DIRECT EXAMINATION**

15 BY MR. EPLER:

16 Q Mr. Diggins, could you please turn to the  
17 package that's been marked as "Exhibit 1". And  
18 turn there to your prefiled direct testimony  
19 and the schedules that are attached thereto. I  
20 believe it's six schedules. Were these  
21 prepared by you or under your direction?

22 A Yes, they were.

23 Q And I'm sorry, I skipped over this. Mr.  
24 Diggins, what's your current position with the

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1 Company?

2 A I am the Director of Finance for Unitil Service  
3 Corp.

4 Q Okay. And now turning back to your testimony  
5 and exhibits, do you have any changes or  
6 corrections?

7 A No, I do not.

8 Q And do you adopt these as your testimony here  
9 today?

10 A Yes. Yes, I do.

11 MR. EPLER: Okay. Thank you very  
12 much.

13 Mr. Chairman, I've completed my  
14 direct examination.

15 CHAIRMAN HONIGBERG: Mr. Kreis.

16 MR. KREIS: Wow. Well, I happily  
17 don't need to take up too much of the witness's  
18 time, because this filing looks to be in pretty  
19 good order.

20 **CROSS-EXAMINATION**

21 BY MR. KREIS:

22 Q Mr. Diggins, if we could take a look at Page 16  
23 of Exhibit 1.

24 A Okay. I'm there.

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[WITNESS: Diggins]

1 Q All righty. So, just one question about your  
2 answer to the question: "Have you calculated  
3 2018's reconciliation of vegetation management  
4 program/reliability enhancement plan O&M  
5 expenditures?" And on Line 13 of your answer,  
6 well, actually, on Line 12 through 13 of your  
7 answer, you said "the Company collected  
8 \$952,732 from Fairpoint Communications" last  
9 year.

10 Is it fair to say that the amount of money  
11 the Company collects from FairPoint and/or its  
12 successor, Consolidated Communications, is a  
13 somewhat volatile and unpredictable element to  
14 all of this?

15 A I wouldn't say it's "volatile". But, you know,  
16 it is a percentage of the amount of work we do  
17 for specific projects, for joint pole  
18 delineated tree-trimming work, we do bill  
19 Fairpoint a percentage of that, the recovery  
20 of.

21 Q Are they a good payer?

22 A They have been recently, yes, they have. There  
23 was a point in time, I think, when the  
24 predecessor, Verizon, was active that they were

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1 delinquent at points -- at points in time.

2 Q Okay. So, this is good, because I'm gaining  
3 insight here. So, they used to be kind of an  
4 unreliable payer, but they have become more  
5 reliable. And now, they're actually  
6 Consolidated Communications, and you can expect  
7 a more reliable revenue stream from them?

8 A I would hope so, yes.

9 Q And so, would it also be fair to say that the  
10 fact that you collected that amount of money,  
11 \$952,000, from FairPoint and/or Consolidated,  
12 is the reason that there is a surplus of money  
13 in that particular fund?

14 A That is the majority of the reason, yes.

15 Q Okay. So, turning now to the next page of your  
16 testimony, at the beginning of Page -- it's  
17 Bates Page 017, you talk about what you plan,  
18 "you" meaning Unitil, plan to do with that  
19 over-collection. And the Company is proceeding  
20 to take 487,000, in round numbers, and credit  
21 that back to customers, essentially, but you're  
22 hoping to keep \$267,556 of that money, correct?

23 A Correct.

24 Q Why not just take that money and return all of

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1 it to ratepayers?

2 A There was some work that was planned to be done  
3 in 2018 that the Company did not get to. And  
4 we would like to complete that work in 2019.

5 Q If we were dealing here with the opposite  
6 situation, and there were a shortfall of that  
7 sum, \$267,556, the Company would definitely ask  
8 to collect that money from ratepayers, would it  
9 not?

10 A Correct.

11 MR. KREIS: Okay. Those are the only  
12 questions I have.

13 CHAIRMAN HONIGBERG: Ms. Amidon.

14 MS. AMIDON: Thank you. Good  
15 morning.

16 WITNESS DIGGINS: Good morning.

17 BY MS. AMIDON:

18 Q As indicated in the Order of Notice, in this  
19 step increase filing there are some changes  
20 proposed to the REP and VMP and to the Storm  
21 Recovery Adjustment Factor, is that right?

22 A Correct.

23 Q And the reports in each of those categories,  
24 the REP and VMP, those are -- and the Storm

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1 Report, those were filed in separate dockets,  
2 correct?

3 A Yes, they were.

4 Q So, the order in this -- Order of Notice in  
5 this case only speaks, I believe, to the filing  
6 for the step, and really does not include  
7 information relative to the detail in the Storm  
8 Report or the REP/VMP Report, is that fair to  
9 say?

10 A That is how I understand it.

11 Q And would you agree that, and I know you're new  
12 to this position, but would you agree that it's  
13 customary for Staff to request the Commission's  
14 Audit Division to conduct an audit of the storm  
15 costs reported by the Company in its Storm  
16 Report?

17 A Yes. I am familiar with that.

18 Q And that would include the storm -- where  
19 Unitil proposes to recover costs through the  
20 Storm Recovery Adjustment Factor?

21 A Correct.

22 Q Are you aware that the Commission authorized  
23 the use of the Storm Recovery Adjustment Factor  
24 to allow costs associated with extraordinary

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1 storms and commensurate damage to be recovered  
2 over a limited period of time, to avoid stress  
3 on the Major Storm Cost Recovery Fund and to  
4 limit capital costs associated with recovery of  
5 those costs over a longer period of time?

6 A Yes, I am.

7 Q And what are the costs associated with this  
8 particular storm, where Unitil requests in this  
9 filing that it be recovered through the SRAF?  
10 Do you know roughly the total amount?

11 A I believe it's \$1.5 million.

12 Q Okay. And the proposal, if I recall, and you  
13 can correct me if I'm wrong, would propose  
14 recovery through the SRAF over about a period  
15 of three years?

16 A That is correct.

17 Q And would you agree with me that the time to  
18 make adjustments to revenue going into the  
19 Major Storm Cost Recovery Fund would be a full  
20 rate case?

21 A I might believe this hearing is an opportunity  
22 to do that.

23 Q I don't see there's any request for -- made by  
24 the Company in this case to increase revenue

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1 into the Major Storm Cost Recovery Fund?

2 A Oh, no. No, no. I'm sorry. You're correct.

3 Q And that would be in connection with a full  
4 rate case, would you agree?

5 A Correct. Yes.

6 Q Okay. So, as Mr. -- as, I'm sorry, the  
7 Consumer Advocate just said, the Company is  
8 reporting an overrecovery in REP/VMP of about  
9 755,000?

10 A That is correct.

11 Q And as indicated on Bates Page 017 in the  
12 footnote, the EDC shall include a calendar year  
13 over- or under-collection from REP and VMP on  
14 May 1, or, subject to the approval of the  
15 Commission, the Company could credit unspent  
16 amounts to future REP, is that right?

17 A Correct.

18 Q But, if we look at the REP/VMP Report, which is  
19 not part of this docket, you'd agree that it  
20 reports the Company did not spend all of that  
21 money in 2018 as budgeted, is that right?

22 A That is correct.

23 Q And in the docket we're considering today, this  
24 filing that's contained in Exhibit -- its

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1 Exhibit 1, Unitil does not say that it failed  
2 to spend all the budgeted amounts, but simply  
3 requests that a portion of that over-collection  
4 be attributed to unspecified activity, is that  
5 right?

6 A I believe that's correct.

7 Q Okay. So, absent any showing by the Company  
8 that it's in the public interest to move some  
9 of the over-collection to recover costs to the  
10 REP/VMP program for unspecified activities,  
11 there's nothing really in the record to support  
12 that, is that fair to say?

13 A In this particular docket?

14 Q Yes, because that's the docket we're dealing  
15 with today.

16 A Correct.

17 Q Okay. And you would agree that it's  
18 appropriate for Staff to have more time to  
19 review the REP/VMP Report, before they make any  
20 recommendation to the Commission regarding the  
21 proposed activities for 2019, is that correct?

22 A I believe that's fair.

23 Q Okay. And finally, any change to the REP/VMP  
24 budget, and the revenues required for that

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1 budget, should be considered in the context of  
2 a full rate case. Would you agree with that?

3 A Of the total budget?

4 MR. EPLER: Objection. Calls for a  
5 legal conclusion.

6 CHAIRMAN HONIGBERG: You're just now  
7 getting around to that one, after the first --

8 MR. EPLER: Well, I let this go. But  
9 I think we're getting to the point where the  
10 questions are getting to legal consequences of  
11 certain filings, which I would like to address,  
12 but --

13 CHAIRMAN HONIGBERG: Ms. Amidon.

14 MS. AMIDON: I just asked if he would  
15 agree that it's appropriate to consider it in  
16 the context of a full rate case. I wasn't  
17 asking for a legal conclusion.

18 And you can say "no, I don't agree."

19 CHAIRMAN HONIGBERG: I actually think  
20 your question was a little bit more pointed  
21 than that. I don't recall exactly how it was  
22 worded.

23 But I think you and he would agree  
24 that such expenses could be considered in a

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1 rate case. Is that really what you want to  
2 know? Or do you want to make -- are you making  
3 the argument, and asking him to agree with it,  
4 that the only place they can be considered is  
5 in a rate case?

6 MS. AMIDON: I think that they could  
7 be considered in a rate case, in the entirety  
8 of -- considering the entirety of the program.

9 CHAIRMAN HONIGBERG: And, Mr.  
10 Diggins, you'd agree with that assertion,  
11 right?

12 WITNESS DIGGINS: I would agree.

13 CHAIRMAN HONIGBERG: And that's not  
14 really a legal conclusion. Everybody agrees  
15 with that.

16 MS. AMIDON: Thank you, Mr. Chairman.  
17 And that's all my questions.

18 CHAIRMAN HONIGBERG: Commissioner  
19 Bailey.

20 BY CMSR. BAILEY:

21 Q Following up on that, what are the projects  
22 that didn't get completed in 2018 that you  
23 wanted to complete in 2019?

24 A I believe it's some projects related to the

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1 Storm Resiliency Program. Would you like  
2 specific projects? You might --

3 MR. EPLER: Mr. Chairman, I do have  
4 subject matter experts available here, if there  
5 are more detailed questions on the Vegetation  
6 Program. The System Arborist, Sara Sankowich,  
7 is available to answer those questions  
8 directly. And if it would be helpful, she  
9 could join Mr. Diggins on the stand.

10 *(Commissioner Bailey conferring*  
11 *with Chairman Honigberg.)*

12 MR. EPLER: And if I may clarify,  
13 that we have followed the procedure this year  
14 that we have taken in the past several years,  
15 where we file, as separate filings, the step  
16 increase, the Vegetation Management Report, and  
17 the Major Storm Report, as separate filings.  
18 And they have been kind of reviewed in  
19 succession in the past leading up to the step  
20 increase. I'm not sure why that was not done  
21 this year, but we filed it in the same  
22 configurations that we've done in the past.

23 And we're -- it's one of the reasons  
24 we have the large team with of us, in case

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1           there were questions. Certainly, --

2                   CHAIRMAN HONIGBERG: I think  
3           Commissioner Bailey does have questions about  
4           the specific projects. Is there any objection  
5           to hearing from the Company's witness who can  
6           answer those questions?

7                   MS. AMIDON: If I may, Mr. Chairman.  
8           One thing I was very mindful of when I prepared  
9           for this hearing was what was said in the Order  
10          of Notice, and what was in the context of, you  
11          know, the four corners of Exhibit 1.

12                   And I'm not -- I'm not arguing or  
13          suggesting that the Commission shouldn't hear  
14          whatever they wish to hear. But I'm just  
15          mindful of what the issues were in the Order of  
16          Notice and what the Commission indicated was  
17          going to be considered in this proceeding.

18                   CMSR. BAILEY: Can I ask a legal  
19          question?

20                   CHAIRMAN HONIGBERG: Sure.

21                   CMSR. BAILEY: So, what do you think  
22          that the -- Ms. Amidon, that the quote from the  
23          tariff, in Footnote 3 at the bottom of Page 17,  
24          requires us to do to decide whether we can

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1 allow the \$267,556 to roll over to 2019?

2 MS. AMIDON: I am suggesting not that  
3 the Commission can or cannot do anything. I'm  
4 suggesting that the filing doesn't provide that  
5 information. And that what Staff was going to  
6 propose was a technical session at some point,  
7 when our engineer is available to go through  
8 the filing and determine -- the REP/VMP filing  
9 and to determine what was appropriate.

10 But, you know, focusing on this  
11 particular filing, we did not find anything in  
12 there to indicate what activities were being  
13 considered in -- or, were being proposed. It  
14 was silent as to that. And it seemed to me  
15 that it would have been appropriate to have  
16 some information on that, had the Company felt  
17 it was important to divert some of the  
18 over-collection to the continued activities.

19 CMSR. BAILEY: Okay. And maybe, I  
20 guess the phrase "with approval of the  
21 Commission, the Company may credit unspent  
22 amount to future Vegetation Management Program  
23 expenditures", and I think I hear you saying  
24 that we can't approve that, unless we know what

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1 the future program expenditures would be or we  
2 can decide that after we hear the REP/VMP?

3 MS. AMIDON: I'm just suggesting,  
4 from Staff's standpoint, and having been  
5 reminded of the importance of the Order of  
6 Notice and the scope of the hearing, and then  
7 looking at this filing, leaving the other two  
8 filings aside, there was no information  
9 presented by the Company as to what activities  
10 they intended to devote this additional money  
11 to. And as to that, I felt that they didn't  
12 have -- have met a burden of proof why that was  
13 appropriate to divert the money to continue  
14 funding for VMP programs, when the  
15 over-collection, in the first instance, should  
16 go back to customers.

17 CHAIRMAN HONIGBERG: I don't have a  
18 memory of how this has gone in prior years,  
19 maybe I should. Mr. Epler has made the  
20 assertion that this docket has been considered  
21 together with a couple of other companion  
22 dockets, and in one of those other dockets,  
23 that information we're talking about  
24 specifically here is presented and discussed.

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1                   Is that not your memory of the  
2                   history here? I truly don't remember myself.  
3                   I'm asking you, Ms. Amidon, if you have any  
4                   memory of this?

5                   MS. AMIDON: Well, last year, when  
6                   they did the step increase, they had -- there  
7                   was some discussion that occurred relative to  
8                   the fact that they wanted to -- the Company  
9                   intended at that point to use some of the  
10                  proceeds that resulted from the change in the  
11                  tax law to other activities. I can't remember  
12                  what those activities were at this point in  
13                  time.

14                  But whether -- regardless of the fact  
15                  that there are these other dockets, I am just  
16                  meaningful that I have been told in the past to  
17                  not stray from what was in the order of notice.  
18                  And I'm just abiding by that in this case. And  
19                  which they did not, in this filing, indicate,  
20                  while they did provide some detail about the  
21                  storm, and the Storm Recovery Adjustment  
22                  Factor, and why they wanted to move the cost of  
23                  those storms to the Storm Recovery Adjustment  
24                  Factor, instead of recovering through the Major

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1 Storm Cost Reserve, it was silent as to what  
2 other activities they proposed for REP/VMP.

3 However, I mean, I am not going to  
4 suggest that the Commission not make its  
5 inquiry and do what it wants to do. I'm  
6 just -- I just feel the constraint of history  
7 on me about -- from the order of notice, and  
8 not straying from -- inappropriately straying  
9 from matters that were narrowly described in  
10 the order of notice.

11 MR. KREIS: So, if I might make an --

12 CHAIRMAN HONIGBERG: Mr. Kreis.

13 MR. KREIS: Thank you. Like you, Mr.  
14 Chairman, I don't remember how this went last  
15 year, but Mr. Brennan does. And he told me  
16 that, in fact, this did proceed last year in  
17 the manner that you hypothesized that it did.  
18 And so, it hasn't been handled the same way  
19 this year.

20 I'm less inclined to have the whole  
21 thing turn on the language in the Order of  
22 Notice, and more on the question of whether the  
23 Company is meeting its burden of proof in this  
24 docket, with respect to moving that \$267,000

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1       into the storm fund resiliency budget. And I  
2       intend to suggest that the Commission not  
3       approve that, on the theory that it's just --  
4       that you could do that, but that you shouldn't,  
5       given the record in this case.

6               And so, therefore, I'm looking  
7       forward to Commissioner Bailey's questions.  
8       And I have no objection to the Company bringing  
9       its arborist up to the stand to talk about  
10      that. In fact, it would be helpful.

11              CHAIRMAN HONIGBERG: Mr. Epler, the  
12      other docket or dockets that you referenced, is  
13      that information the specific subject of one of  
14      the other dockets that hasn't yet been  
15      scheduled for a hearing, or maybe it has and I  
16      don't know that?

17              MR. EPLER: What has -- what happened  
18      is, we filed, roughly on the same day, I  
19      believe, or over two days, we filed our -- and  
20      as I said, we made them separate filings,  
21      because that has been the history of how these  
22      have been handled, we filed the annual  
23      Vegetation Report, the Major Storm Cost Reserve  
24      Fund Report, and the step adjustment. And they

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1 have been docketed as separate dockets. But  
2 all the information was filed concurrently, as  
3 precedent indicated or previous orders  
4 indicated.

5 So, the information is available,  
6 more detailed information is available. I  
7 would just note in this docket, in the  
8 testimony of Mr. Diggins, as has been pointed  
9 out at the top of Page 17, he says "the Company  
10 is proposing to increase its 2019 VMP storm  
11 resiliency budget by 267,000". So, it is a  
12 specific request and a specific part of the  
13 budget.

14 CHAIRMAN HONIGBERG: And just I'm  
15 concerned, Mr. Epler, and I think you are, too,  
16 that if we view this docket in a silo, the  
17 proof may be inadequate in this docket to  
18 support the request.

19 I sense, without having any of the  
20 information in front of me, that one of the  
21 other dockets that got opened from the filings  
22 at same time, that this is the subject of one  
23 of those other dockets.

24 And from what Mr. Kreis just said,

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1       aided by Mr. Brennan, it sounds like last year  
2       we did them all together.

3               Ms. Amidon. Hang on, I'll get back  
4       to you, Mr. Epler. Ms. Amidon first.

5               MS. AMIDON: Mr. Chagnon just  
6       reminded me, and I'll turn the microphone over  
7       to him if necessary, there was an audit done on  
8       the Storm Report last year, that was reviewed  
9       by Staff, and Staff filed a memo, and there was  
10      a secretarial letter. And with the REP/VMP,  
11      that was done separately as well. There was a  
12      separate memorandum. Was that also approved by  
13      a secretarial letter?

14              MR. CHAGNON: Yes.

15              MS. AMIDON: Yes. Okay. So, that is  
16      what he recalls from last year. And so that  
17      the process was different for each.

18              CHAIRMAN HONIGBERG: Mr. Epler.

19              MR. EPLER: Again, what has happened  
20      in the past is there has usually been technical  
21      sessions before we would have this hearing.  
22      And this time, for whatever reasons, there  
23      haven't been. So, that has been absent, in  
24      terms of the opportunity for the Staff or the

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1 OCA to become more acquainted with the contents  
2 of the other filings, so that there is a level  
3 of comfort coming into this hearing that what  
4 is in the other filings has been -- meets their  
5 review and satisfaction.

6 I would point out that the EDC, which  
7 is where the change is being requested is fully  
8 reconciled. So, if there are any changes,  
9 those changes will be reflected, and customers  
10 are not harmed. If there is an  
11 over-collection/under-collection, there's  
12 interest on that.

13 The proposal would be that you could  
14 approve the request to the Company pending  
15 further review and investigation in the other  
16 dockets. If it turns that there is something  
17 of concern, that we agreed to adjust, those  
18 adjustments can be made, and they would then be  
19 reflected in the EDC.

20 CHAIRMAN HONIGBERG: When are rate  
21 changes scheduled for the Company at this  
22 point? I think this is a request for May 1?

23 MR. EPLER: Yes.

24 CHAIRMAN HONIGBERG: Is that right?

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1 MR. EPLER: Yes. That's correct.

2 CHAIRMAN HONIGBERG: Are there other  
3 rates changing May 1?

4 MR. EPLER: No, because it's the --  
5 could I have an opportunity just to ask my  
6 witness and try to get an answer.

7 CHAIRMAN HONIGBERG: After this, we  
8 can go off the record. But, while we're still  
9 on the record, I'm going to ask about  
10 subsequent months as well. Because I think  
11 there is a rate change for June 1 for energy  
12 service, is that right?

13 MR. EPLER: Yes.

14 CHAIRMAN HONIGBERG: I don't know if  
15 there's anything in the subsequent months. But  
16 it seems like one way to deal with this is to  
17 delay this change, doing all the math necessary  
18 to make retroactive, but not change the rate  
19 until June 1, when other rates are changing  
20 already.

21 So, let's go off the record and you  
22 can converse with your witness.

23 *(Off the record discussion*  
24 *ensued, and Atty. Epler*

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1                   *conferred with the witness.)*

2                   CHAIRMAN HONIGBERG: We're going to  
3                   take a ten-minute break. We're going to be  
4                   back in ten minutes.

5                   (Recess was taken at 10:38 a.m.,  
6                   followed by a further  
7                   off-the-record discussion, with  
8                   the hearing resuming at 11:18  
9                   a.m.)

10                  CHAIRMAN HONIGBERG: All right.  
11                  We're going to go back on the record then.

12                  All right. We've had a chance to  
13                  break, and I know the parties have discussed  
14                  how to proceed.

15                  Mr. Epler, why don't you share with  
16                  us the results of those discussions.

17                  MR. EPLER: Yes. Thank you, Mr.  
18                  Chairman.

19                  As you've indicated, the parties did  
20                  have a chance to consult during the break. And  
21                  the proposal is that the Company's request for  
22                  the change in the step increase, pursuant to  
23                  the Settlement Agreement from the last rate  
24                  case, would remain before you to be decided in

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1       this docket.

2               Secondly, there are changes to the  
3       Storm Recovery Adjustment Fund. There are two  
4       storms, which water out of that fund. That's  
5       the 2008 ice storm and 2010 wind storm, those  
6       charges will drop off as of April 30th. And we  
7       are proposing to move a storm that occurred in  
8       2018, a wind storm, into the SRAF. And so,  
9       that change, the two storms dropping out and  
10      one storm being added to the SRAF, would also  
11      change May 1st.

12              The discussion in the Company's  
13      testimony, in Mr. Diggin's testimony, starting  
14      at Page Bates stamp 016, going on through Bates  
15      stamp 017, that discusses the Reliability  
16      Enhancement Plan and the Vegetation Management  
17      Program, some reconciliation items, we are  
18      withdrawing that. And we will address that  
19      with the Staff and the Consumer Advocate  
20      subsequent to this hearing, and make  
21      recommendations to the Commission as to how to  
22      proceed with those proposed changes.

23              CHAIRMAN HONIGBERG: Ms. Amidon, Mr.  
24      Kreis, anything to add to what Mr. Epler said?

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1 MR. KREIS: Nothing, nothing from us.  
2 We concur with Mr. Epler's recommendations.

3 CHAIRMAN HONIGBERG: Ms. Amidon?

4 MS. AMIDON: We agree with that  
5 resolution.

6 CHAIRMAN HONIGBERG: Thank you all  
7 then.

8 I think where we were, when we got  
9 sidetracked, Commissioner Bailey, do you have  
10 questions for the witness related to what's  
11 left of what we're going to do here?

12 BY CMSR. BAILEY:

13 Q Can you tell me why Winter Storm Quinn was not  
14 originally categorized as a major storm and put  
15 into rates for recovery under the Storm  
16 Recovery Adjustment Fund?

17 A I believe, by definition, the Commission needs  
18 to approve any storm that goes into the Storm  
19 Recovery Adjustment Fund. So, by default, it  
20 automatically gets placed, if it qualifies, it  
21 automatically gets placed into the MSCR, the  
22 Major Storm Cost Reserve Fund. And then we  
23 petition the Commission to move that fund --  
24 move that storm out of the MSCR into the SRAF,

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1 if it warrants it and it's large enough.

2 Q Okay. And it warrants it because it met the  
3 definition, as you stated in your testimony?

4 A Correct.

5 CMSR. BAILEY: Okay. Thanks. That's  
6 all I have.

7 CHAIRMAN HONIGBERG: Commissioner  
8 Giaimo.

9 CMSR. GIAIMO: Good morning.

10 WITNESS DIGGINS: Good morning.

11 CMSR. GIAIMO: I just have one  
12 question.

13 BY CMSR. GIAIMO:

14 Q So, I'm on Bates 016, talking about at the  
15 bottom. So, my one question is why was the  
16 Company unable to complete the circuit work in  
17 2018?

18 A I believe that had to do with contractor  
19 issues, not being able to acquire crews  
20 necessary to complete the work.

21 Q Will that issue perpetuate itself in coming  
22 years?

23 A There has been some steps to mitigate that,  
24 through some different contract negotiations.

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1 So, we don't believe that will continue.

2 Q Great. Regardless of whether or not that work  
3 was completed, you had been under budget?

4 A Correct.

5 CMSR. GIAIMO: Okay. Thanks.

6 CHAIRMAN HONIGBERG: I have no  
7 questions for the witness.

8 Mr. Epler, do you have any follow-up  
9 for Mr. Diggins?

10 MR. EPLER: No, I do not.

11 CHAIRMAN HONIGBERG: All right.  
12 There are no other witnesses, correct?

13 *[No verbal response.]*

14 CHAIRMAN HONIGBERG: All right. Mr.  
15 Diggins, I think you can stay where we are. It  
16 won't be long from here.

17 Without objection, we'll strike ID on  
18 Exhibit 1?

19 *[No verbal response.]*

20 CHAIRMAN HONIGBERG: If there's  
21 nothing else, we will let the parties sum up.  
22 Mr. Kreis, why don't you start us off.

23 MR. KREIS: Thank you, Mr. Chairman.  
24 Subject to the proposal that Mr. Epler outlined

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1 a few minutes ago on the record, that basically  
2 takes the issues discussed having to do with  
3 REP and VMP reconciliation at Bates Pages 016  
4 and 017 off the table for the time being, the  
5 Office of the Consumer Advocate concurs with  
6 the proposal of the Company to implement the  
7 requested rate changes as of the 1st of May.  
8 And we request that the Commission do that.

9 CHAIRMAN HONIGBERG: Thank you, Mr.  
10 Kreis. Ms. Amidon.

11 MS. AMIDON: Thank you. Staff agrees  
12 with the resolution proposed by Mr. Epler.

13 And we have reviewed the filing, the  
14 step increase that is proposed for effect May 1  
15 was appropriately calculated, and Staff  
16 supports that implementation.

17 In addition, Staff supports the  
18 Company's request to move -- to remove certain  
19 storms from the Storm Recovery Adjustment  
20 Factor, and to include the additional storm  
21 mentioned in the testimony.

22 Thank you.

23 CHAIRMAN HONIGBERG: Thank you, Ms.  
24 Amidon. Mr. Epler.

1 MR. EPLER: Yes, Mr. Chairman,  
2 Commissioners. Thank you. I think our request  
3 has been clarified on the record. So, I won't  
4 belabor it by going over it again.

5 Thank you very much.

6 CHAIRMAN HONIGBERG: I want to thank  
7 you all. And with that, we will adjourn, take  
8 the matter under advisement, and issue an order  
9 as quickly as we can.

10 MR. EPLER: Thank you.

11 ***(Whereupon the hearing was***  
12 ***adjourned at 11:24 a.m.)***