

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

April 16, 2019 - 2:15 p.m.
Concord, New Hampshire

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RE: DE 19-051
LIBERTY UTILITIES (GRANITE STATE
ELECTRIC) CORP. d/b/a LIBERTY
UTILITIES: Reliability Enhancement
Plan and Vegetation Management
Plan Report.

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

Sandy Deno, Clerk

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

Reptg. Residential Ratepayers:
D. Maurice Kreis, Esq., Consumer Adv.
Office of Consumer Advocate

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

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

CERTIFIED
ORIGINAL TRANSCRIPT

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WITNESS PANEL: **DAVID B. SIMEK**
 HEATHER GREEN
 JOEL RIVERA

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EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	Reliability Enhancement Plan and Vegetation Management Plan Report, including an Appendix; Direct Testimony of Joel Rivera and Heather Green; Direct Testimony of David B. Simek, with attachments; and Tariff Pages (03-15-19)	<i>premarked</i>
2	Liberty Utilities (Granite State Electric) Bill Calculation	<i>premarked</i>
3	Liberty's response to Data Request Staff 1-1	<i>premarked</i>
4	Liberty's response to Data Request Staff 1-2	<i>premarked</i>
5	Liberty's response to Data Request Staff 1-6	<i>premarked</i>
6	Liberty's response to Data Request Staff 1-8	<i>premarked</i>
7	Liberty Utilities Form E-22 Report for 2018 (02-28-18)	<i>premarked</i>
8	Liberty Utilities Form E-22 Report for 2019 (02-22-19)	<i>premarked</i>

P R O C E E D I N G

CHAIRMAN HONIGBERG: We are here this afternoon in Docket DE 19-051, which is Liberty Utilities/Granite State Electric's 2018 REP/VMP results and reconciliation docket. This is a hearing on the merits.

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

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

MR. KREIS: Good afternoon. I'm Don Kreis, the Consumer Advocate, here on behalf of the residential utility customers of this fine utility.

MR. DEXTER: Good afternoon. Appearing on behalf of the Commission Staff, Paul Dexter. And I'm joined today by Rich Chagnon and Kurt Demmer of the Electric Division.

CHAIRMAN HONIGBERG: What preliminary matters do we have to deal with before the witnesses get sworn in?

MR. SHEEHAN: Chairman -- Mr.

[WITNESS PANEL: Simek|Green|Rivera]

1 Chairman, the Company has marked as "Exhibit 1"
2 the original filing, which contains testimony
3 and exhibits that we'll discuss with the
4 witnesses. And that's Bates Pages 001 through
5 110. "Exhibit 2" is a one-page correction of
6 Bates 073, which should be in front of you.

7 And Staff has marked "3" through "8",
8 which I'll let Mr. Dexter discuss as he goes
9 through his questions.

10 MR. DEXTER: Sure. I can just
11 mention now that Exhibits 3, 4, 5, and 6 are
12 responses to Staff data requests. And
13 Exhibits 7 and 8 are copies of the Report E-22,
14 which the Company makes with the Commission
15 each year. And those are for 2018 and 2019.

16 CHAIRMAN HONIGBERG: Okay. Anything
17 else before we have the witnesses sworn in?

18 *[No verbal response.]*

19 CHAIRMAN HONIGBERG: Mr. Patnaude,
20 would you do the honors please.

21 (Whereupon **David B. Simek,**
22 **Heather Green,** and **Joel Rivera**
23 were duly sworn by the Court
24 Reporter.)

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[WITNESS PANEL: Simek|Green|Rivera]

1 CHAIRMAN HONIGBERG: Mr. Sheehan.

2 MR. SHEEHAN: Thank you.

3 **DAVID B. SIMEK, SWORN**

4 **HEATHER GREEN, SWORN**

5 **JOEL RIVERA, SWORN**

6 **DIRECT EXAMINATION**

7 BY MR. SHEEHAN:

8 Q Mr. Simek, I'll start with you. Your name and
9 position with the Company?

10 A (Simek) David Simek. I'm Manager of Rates and
11 Regulatory Affairs.

12 Q And in this proceeding today, it looks like you
13 drafted testimony that appears at Pages 43
14 through 52, with attachments and draft tariff
15 language, is that correct?

16 A (Simek) Correct.

17 Q Is the tariff language part of your -- within
18 your scope of the hearing today?

19 A (Simek) Yes.

20 Q As for your testimony and the attachments, do
21 you have any changes or corrections?

22 A (Simek) I do.

23 Q And what would that be?

24 A (Simek) Related to Exhibit 2, which is the bill

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[WITNESS PANEL: Simek|Green|Rivera]

1 impacts, and on Bates Page 052, Line 6, where
2 it shows the increase of "0.27", the actual
3 increase is "0.57". And then, a little further
4 on that line, the "0.25" changed to
5 "0.46 percent".

6 Q And the reason for those changes?

7 A (Simek) There was a formula error in the
8 original bill impact, Page 73.

9 Q Okay. So, this is just a correction of that
10 error?

11 A (Simek) Yes.

12 Q Other than that change, or with that change in
13 mind, do you adopt your prefiled testimony as
14 your testimony today?

15 A (Simek) I do.

16 Q And can you tell us, there's two components to
17 this case, one is a request for recovery of the
18 vegetation management dollars, is that correct?

19 A (Simek) Yes, it is.

20 Q Can you tell us what that figure is that the
21 Company is requesting today?

22 A (Simek) For the vegetation management, we are
23 requesting recovery of \$432,479, which equates
24 to an O&M Adjustment Factor of 0.00047 per

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[WITNESS PANEL: Simek|Green|Rivera]

1 kilowatt-hour.

2 Q And collecting the veg. management O&M costs
3 through this adjustment factor is the way the
4 Company has normally done that, is that
5 correct?

6 A (Simek) Yes.

7 Q And the other part of the request today is for
8 the capital spend on the reliability projects,
9 the REP. Can you tell us what those figures
10 are?

11 A (Simek) Yes. The revenue requirement
12 calculation, along with a small adjustment --
13 prior period adjustment, adds up to 247,919,
14 which is what we're requesting recovery for,
15 based on a 0.61 percent increase to
16 distribution rates.

17 Q And unlike the adjustment factor that recovers
18 the O&M costs of vegetation management, these
19 costs go into base rates?

20 A (Simek) Correct.

21 Q And they will be recovered over the years until
22 these assets are depreciated?

23 A (Simek) Correct.

24 Q Can you tell us, last year, when we went

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[WITNESS PANEL: Simek|Green|Rivera]

1 through this and some of the other Granite
2 State dockets, as they intersected with the tax
3 reform, did we treat the O&M differently?

4 A (Simek) Yes, we did.

5 Q And how were the O&M dollars from the veg.
6 management collected since last year?

7 A (Simek) Yes. Calendar year 2017 veg.
8 management dollars were included as part of the
9 DE 18-050 tax reform docket. And they were
10 recovered as an offset to the tax reform
11 refund.

12 Q So, in effect, were they in base rates or were
13 they within the normal adjustment factor?

14 A (Simek) They were within base rates.

15 Q And so, does the Company need to make a change
16 in base rates now, or soon, to stop collecting
17 those O&M dollars from 2017?

18 A (Simek) Yes, we do. Effective June 1st of
19 2019, we need to remove \$552,414 from base
20 rates.

21 Q Otherwise, the Company would continue to
22 collect what has, in effect, already been
23 collected?

24 A (Simek) Correct.

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[WITNESS PANEL: Simek|Green|Rivera]

1 Q And that \$500,000 was the O&M for the '17 veg.
2 management year, which was addressed a year
3 ago, in the Spring of '18?

4 A (Simek) Correct.

5 Q And that's slightly larger than the 400 and
6 some thousand dollars that is at issue today
7 for veg. management?

8 A (Simek) Correct.

9 Q Mr. Rivera, your name please and position with
10 the Company?

11 A (Rivera) My name is Joel Rivera. And I am the
12 Manager of GIS and Electric System Planning.

13 Q And in relation to this case today, your name
14 appears on testimony along with Ms. Green,
15 which appears in Exhibit 1, Pages 31 to 42. Is
16 that -- did you play a role in drafting that
17 testimony?

18 A (Rivera) Yes, I did.

19 Q Also in the filing is the report, which is
20 titled "Report for Calendar Year 2018", which
21 appears at Pages 1 through 20 of the Exhibit 1.
22 Did you play a role in drafting that as well?

23 A (Rivera) Yes, I did.

24 Q Do you have any changes in your testimony, or

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[WITNESS PANEL: Simek|Green|Rivera]

1 at least the part of the testimony that you
2 were responsible for?

3 A (Rivera) I do not.

4 Q And for those parts of the testimony in Exhibit
5 1, do adopt the written testimony as your sworn
6 testimony here today?

7 A (Rivera) Yes, I do.

8 Q Ms. Green, the same questions. Your position
9 with the Company and your name?

10 A (Green) My name is Heather Green. I am the
11 Program Manager for Vegetation and Inspections.

12 Q And like I asked Mr. Rivera, did you play a
13 role in drafting the testimony that bears your
14 name and his, appearing at Pages 31 through 42
15 in Exhibit 1?

16 A (Green) Yes.

17 Q And did you play a role in drafting the report,
18 which is in the first section of Exhibit 1?

19 A (Green) Yes.

20 Q Do you have any changes to your testimony?

21 A (Green) I do not.

22 Q Do you have -- so, do you adopt your testimony,
23 your written testimony, here today as your
24 sworn testimony?

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[WITNESS PANEL: Simek|Green|Rivera]

1 A (Green) I do.

2 MR. SHEEHAN: That's all I have.

3 Thank you.

4 CHAIRMAN HONIGBERG: Mr. Kreis.

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

6 Good afternoon, witnesses. I just have a few
7 questions for the three of you, because I know
8 that Staff would like to raise a bunch of
9 really interesting issues, and I don't want to
10 steal their thunder.

11 I believe that all of my questions
12 are going to relate to Mr. Rivera's testimony.
13 But I don't care which witness or witnesses
14 answer any of my questions. Whichever you feel
15 like has the most insight to contribute is
16 welcome to respond.

17 **CROSS-EXAMINATION**

18 BY MR. KREIS:

19 Q I want to start at, I believe, at Bates Page --
20 I managed to get my pages mixed up, and so
21 that's why I'm hesitating here.

22 I want to start at Bates Page 004. At the
23 very bottom of that page, carrying on to the
24 next page, it says "The final budget was

[WITNESS PANEL: Simek|Green|Rivera]

1 reduced at Staff's request." I guess my first
2 question is, Exhibit 3, which is the response
3 to Staff Request 1-1, that is an elaboration of
4 the interaction that occurred between the Staff
5 of the Commission and the Company about the
6 final budget, the fact that it is request --
7 the fact that it was requested to be lowered
8 and the extent to which it was lowered, yes?

9 A (Green) Can you repeat the question?

10 Q I just want to confirm that Exhibit 3 is an
11 elaboration of the interactions between the
12 Company and the Staff about the budget?

13 A (Green) That is correct.

14 Q And so, my only question about that is, you
15 would agree with me that my office, the
16 Consumer Advocate, was not involved in any of
17 those discussions or conversations?

18 It's not a trick question.

19 MR. SHEEHAN: Only if you know.
20 She's giving you the blank stare. So, only
21 answer the question if you know the answer to
22 it.

23 **BY THE WITNESS:**

24 A (Green) I wasn't part of that discussion,

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[WITNESS PANEL: Simek|Green|Rivera]

1 dialogue. I wasn't part of the Company then.
2 But I -- I don't know the answer to that
3 question.

4 BY MR. KREIS:

5 Q At the first page of Exhibit 3, there is a
6 offset quote from the terms of the REP/VMP
7 Program, and it says "Granite State will meet
8 with Staff in technical sessions to discuss the
9 Plans, obtain comments, and answer any
10 questions". And that process, you would agree,
11 doesn't contemplate that the Consumer Advocate
12 will be involved. That is strictly a process
13 that occurs between the Company and the
14 Commission Staff, yes?

15 A (Green) It would appear to be so.

16 Q Okay. Turning now to Bates Page 005.
17 Actually, no. Taking a look at Bates Page 007.
18 On Lines 3 through 12 of Bates Page 007, there
19 is a discussion of traffic control. And I
20 wonder if, whoever is best qualified to do
21 this, can take a step back and talk about the
22 extent to which traffic control is a problem,
23 with respect to managing these programs from a
24 budgetary and practical standpoint?

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[WITNESS PANEL: Simek|Green|Rivera]

1 A (Green) We have no control over the traffic
2 control costs. They're mandated by the streets
3 that we work on and the communities that we
4 work in.

5 Q That must make budgeting for those costs very
6 difficult?

7 A (Green) Extremely.

8 Q On Page -- on Bates Page 007, there is a
9 discussion of the Salem police. It says "the
10 Salem police are required for all work
11 performed on all Salem streets." Why is that?

12 A (Green) I don't know the answer to that
13 question. I just know that it is true.

14 Q Is that true of all of the jurisdictions in
15 which you operate?

16 A (Green) It's the only one.

17 Q And what do you do -- what do you do everywhere
18 else?

19 A (Green) We follow the local requirements. Some
20 communities have a list of streets that are --
21 traffic control is required on. Others allow
22 us to identify the busier streets to put
23 traffic control on. Salem requires us on
24 dead-end streets and in parking lots.

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[WITNESS PANEL: Simek|Green|Rivera]

1 Q In your judgment, is that necessary?

2 A (Green) In my judgment, no.

3 Q Why not?

4 A (Green) I don't feel there's a safety issue in
5 those situations. And it's not similar. It's
6 not how it's addressed in other areas.

7 Q How is it addressed in other areas?

8 A (Green) We can self-traffic control. The tree
9 crews can self-traffic control.

10 Q And indeed, looking at Exhibit 4, at the
11 bottom, it says "the Company directed and
12 emphasized the continued need for Asplundh to
13 be judicious in allocation of traffic detail,
14 i.e., the minimal use of traffic details while
15 not compromising safety."

16 First of all, Asplundh is a contractor or
17 maybe the contractor that you use for tree
18 trimming? Yes?

19 A (Green) Yes. That is correct. Sorry.

20 Q And so, you rely on them to take reasonable
21 measures with respect to traffic control?

22 A (Green) That is true.

23 Q And do they have to employ traffic control
24 every time they're out on the streets?

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[WITNESS PANEL: Simek|Green|Rivera]

1 A (Green) No. They do not.

2 Q When do they have to and when do they not have
3 to?

4 A (Green) When the local community requires that
5 they do, or when the crew is not safe to work.
6 So, for example, the configuration of the road
7 or the amount of traffic on the road is how
8 that is identified and regulated, or identified
9 to be used. "Implemented" is a better word.
10 So that I just had a conversation with them,
11 just to make sure that we are on the same page.
12 We are doing everything that we can do.

13 Q Looking now at Bates Page 009 and 010. There's
14 a discussion, starting on Line 16 of Bates Page
15 009, and going on through Line 6 of Bates Page
16 010, about Consolidated Communications, the
17 friendly neighborhood landline telephone
18 company.

19 How would you characterize the role that
20 Consolidated plays in all of this, again, with
21 respect to keeping the costs and logistics of
22 veg. management under control?

23 A (Green) I wasn't expecting that to be to me.
24 In regards to vegetation management?

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[WITNESS PANEL: Simek|Green|Rivera]

1 Q Well, in regard to actually the -- well, there
2 you're talking about bare conductor
3 replacements. So, what I'm really trying to
4 get at is, how big a problem is Consolidated?

5 A (Rivera) So, we've been having a lot of
6 struggles with completing work on time, being
7 dependent on Consolidated to set poles in areas
8 that they're the custodian. And I would say
9 it's quite a challenge.

10 Q Is there anything that you can do about it? Is
11 there anything the Commission can do about it?

12 A (Rivera) So, as far as Liberty, there isn't
13 really much that we can do. Maybe from -- from
14 a procedural standpoint, maybe we can work to
15 get the work out faster, so that they have more
16 time to plan their pole sets. But there isn't
17 really much that we can do.

18 Q Looking at Bates Page 011, starting on Line 9
19 of Bates Page 011, and continuing through most
20 of Page 012, there's a discussion of a bare
21 conductor replacement project. And on Line 16,
22 it says "The major factor for not completing
23 this job in 2018 was driven by delays in
24 setting poles in a telephone set area."

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[WITNESS PANEL: Simek|Green|Rivera]

1 Now, first of all, "telephone set area"
2 means that is an area where Consolidated, and
3 not Liberty, is responsible for setting poles.
4 True?

5 A (Rivera) Correct.

6 Q And on Line 21 of that page, it says "Liberty's
7 Legal Department reached out to Consolidated
8 requesting that Liberty be allowed to set the
9 poles and were told that due to union labor
10 agreements Liberty would not be permitted to
11 set poles." And then, on the next line, it
12 says "On September 5th, 2018, the contractor
13 hired by Consolidated to set the poles finally
14 began work."

15 I am really confused by that discussion.
16 And I'm wondering if you can clarify why, if
17 Consolidated was relying on an outside
18 contractor to do pole sets, why there was an
19 issue with any union labor agreements to which
20 Consolidated or Liberty might be subject?

21 A (Rivera) So, part of that, I guess, was a legal
22 question. But I can talk about some of the
23 issues with Consolidated in this instance.

24 So, initially, they had a lot of delays in

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[WITNESS PANEL: Simek|Green|Rivera]

1 setting poles, which caused delays on our end
2 to be able to run wire. Then, we had an issue
3 with a homeowner in getting access to be able
4 to set the poles. That's the reference to the
5 "four poles" in the document. And eventually,
6 we ended up using our contractors to set those
7 four poles.

8 But, as far as their union labor
9 agreements, I can't speak to that.

10 Q Do you know with whom -- who are the parties to
11 those labor agreements? It's not Liberty,
12 right?

13 A (Rivera) I don't know.

14 MR. SHEEHAN: And if I may interject,
15 these are conversations between me and
16 representatives of Consolidated, relating to
17 whatever restrictions Consolidated's union
18 employees have with their contract. We don't
19 know that contract. We're not a party to that
20 contract.

21 And I think that was a reference in
22 this filing, if that helps at all.

23 CHAIRMAN HONIGBERG: So, what the
24 witness's testimony then is his understanding

[WITNESS PANEL: Simek|Green|Rivera]

1 or what he was told about the situation going
2 on with why those poles hadn't been set?

3 MR. SHEEHAN: Correct. And the call
4 came from the witness or his compatriots to me
5 to reach out and try to find a resolution. And
6 so that was the extent that Legal got involved,
7 because they called me.

8 BY MR. KREIS:

9 Q So, without forcing poor old Mr. Sheehan to be
10 a witness, and without going too far down this
11 rabbit hole, is it safe to say that it's your
12 understanding that, when you reached out, "you"
13 meaning Liberty, reached out to Consolidated,
14 and said "Look, we're just going to do this
15 work ourselves", the answer you got back from
16 Consolidated was "that is not acceptable,
17 because it is precluded by labor agreements to
18 which Consolidated was subject"?

19 A (Rivera) That is my understanding.

20 Q Okay. Thank you. Hopefully, that managed to
21 avoid any difficulties around that. I am
22 almost done with my questions.

23 Taking a look at Bates Page 018, there is
24 a graph on Page 18. And I'm hoping somebody

[WITNESS PANEL: Simek|Green|Rivera]

1 could, since I was an English major in college,
2 could explain that graph to me and tell me what
3 insight it provides that is useful to the
4 current discussion?

5 A (Rivera) So, this particular graph that I'm
6 looking at, and it's labeled "New Hampshire
7 Historical SAIDI Performance Using Regulatory
8 Criteria Vegetation Management". So, what we
9 did here is we added the feeders that were part
10 of the Vegetation Program, and gave a five-year
11 history of the SAIDI performance.

12 Q So, each of those lines is a different feeder?

13 A (Rivera) Correct.

14 Q What accounts for the disparate results that
15 you achieved on the various feeders that are
16 shown on that graph?

17 A (Rivera) I'm sorry. Can you repeat the
18 question?

19 Q Why do the feeders all seem to perform
20 differently?

21 A (Rivera) It's the variable nature year-by-year
22 of storms, non-storms. And it's very variable.

23 Q Okay. And I think my last question has to do
24 with Bates Page 040. At the top of Bates Page

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[WITNESS PANEL: Simek|Green|Rivera]

1 040, this is from the Rivera and Green
2 testimony, the very first line of that page
3 says that "traffic control was 112,000 higher
4 than anticipated", and then -- and we talked
5 about how challenging that issue is. And then
6 the next line is about "hazard tree removal",
7 that was also substantially over the
8 anticipated figure by \$135,000.

9 Could one or more of you talk about why
10 the hazard tree removal costs were so much
11 higher than anticipated?

12 A (Green) Yes. The removals that we're
13 identifying out in the field have increased
14 substantially, due to the four-year cycle, the
15 new 307.10 PUC rule, the wider corridors, the
16 field conditions, the state of the trees in
17 decline or health. And we had had a backlog of
18 them that we tried to address this last year.
19 And that was realized later in the year. So,
20 we did cease any further actions of removals,
21 once we identified where we were.

22 MR. KREIS: Okay. Mr. Chairman, I
23 think those are all my questions.

24 CHAIRMAN HONIGBERG: Mr. Dexter.

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[WITNESS PANEL: Simek|Green|Rivera]

1 MR. DEXTER: Good afternoon. Thank
2 you.

3 BY MR. DEXTER:

4 Q So, I have questions on both the VMP and the
5 REP. And I'm going to try to keep them
6 separate, because I find it confusing to jump
7 back and forth.

8 So, I want to start with the VMP. And I
9 want to start with the factor that Mr. Simek
10 indicated was proposed in this case, of 0.00047
11 per kWh. If I go to Bates 070, will that show
12 me where that factor is calculated?

13 A (Simek) Yes.

14 Q And Bates 070 also shows the amount of the
15 dollars that went into calculating the factor,
16 you indicated earlier was 432,000 rounded, is
17 that correct?

18 A (Simek) Yes.

19 Q And this factor is part of distribution rates,
20 correct?

21 A (Simek) It's a factor that rolls into the
22 distribution rate, yes. But it's not treated
23 as normal capital work would be treated to base
24 rates, meaning that it would be added to base

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1 rates and never removed. This factor does get
2 removed each year and replaced with the new
3 rate.

4 Q Okay. And if I were to turn to Bates Page 070,
5 that would demonstrate how this factor gets
6 added into base rates, is that right? I'm
7 sorry, Bates 071.

8 A (Simek) Yes. Column (d).

9 Q Column (d) shows the factor, and then Column
10 (e) shows the distribution rates?

11 A (Simek) Correct.

12 Q And the distribution rate, we'll just look at
13 "Rate D Customer Charge", for example -- I'm
14 sorry, the "Rate D all kWh" charge, for
15 example. In Column (d) -- I see a figure of
16 "0.04774", that's the second number in Column
17 (e), do you see that?

18 A (Simek) Yes.

19 Q So, that's the charge including the VMP factor,
20 is that right?

21 A (Simek) Yes.

22 Q And if I went to Bates 073, but that's been
23 updated now. So, if I went to Exhibit 2, I
24 should find that rate on this bill impact page,

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[WITNESS PANEL: Simek|Green|Rivera]

1 which is a representative of a customer's bill,
2 correct?

3 A (Simek) Correct. It's under the "May 1st, 2019
4 Proposed Rates".

5 Q Okay. Okay. So, if we could go back to Bates
6 070 for a moment. Again, the number on Bates
7 070 that's being collected through that factor
8 is \$444,000 rounded, correct?

9 A (Simek) It's the "432,479". It includes the
10 "444,301" and then a prior year reconciliation
11 amount of a credit of "11,822".

12 Q Right. That's right. And if I wanted to see
13 the derivation of the first number on that
14 page, which is the 444,000, that's labeled "O&M
15 Expense Above Base O&M Expense"?

16 A (Simek) Correct.

17 Q Can I find that on Bates Page 054?

18 A (Simek) Yes. Line 7, Column (k).

19 Q Column (k). So, the very last column is what's
20 proposed in this case, Column (k). And Line 7
21 shows me that number that we just demonstrated
22 goes into the factor, correct?

23 A (Simek) Correct.

24 Q Okay. And could you tell me how that number,

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[WITNESS PANEL: Simek|Green|Rivera]

1 using Bates 054, could you tell me how that
2 number of 444,000 is developed?

3 A (Simek) Oh. On Line 8, where it shows the
4 "1,944,301", which is the total O&M recovery,
5 minus the base rate of 1.5 million, which is
6 shown on Line 4, equals the "444,301" shown on
7 Line 7.

8 Q So, that's total O&M recovery, minus the
9 million five on Line 4, is that right?

10 A (Simek) Correct.

11 Q Okay. So, I have two questions. I guess I'll
12 go to my first question first. To get to the
13 1,944,000 on Line 8, isn't it right that you
14 have to go up to Line 1 to start with that
15 number at the top, 2.4 million?

16 A (Simek) Correct.

17 Q And then, from that 2.4 million, you've taken
18 out -- how do you get to the 1,944,000? Do you
19 subtract out the formerly FairPoint, now
20 Consolidated credits?

21 A (Simek) Yes.

22 Q Okay. And as I said, I had two questions on
23 this page. So, going back to the million five,
24 could you explain what that is? How it is that

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[WITNESS PANEL: Simek|Green|Rivera]

1 a million five is in base rates?

2 A (Simek) Yes. It was based on the Settlement
3 Agreement in I believe it was Docket 16-383,
4 the last Granite State distribution rate case.

5 Q So, there's a million five in base rates as a
6 result of the last rate case for these
7 vegetation O&M amount, correct?

8 A (Simek) Yes.

9 Q And the factor then is designed to collect the
10 difference between what's embedded in the base
11 rate that we just talked about and whatever the
12 particulars are for that for the given year?

13 A (Simek) Correct.

14 Q And it can go up and down?

15 A (Simek) Yes.

16 Q And could, in fact, be negative, if the Company
17 were to spend less than a million five,
18 correct?

19 A (Simek) And it has been, yes.

20 Q Okay. So, if I wanted to see the detail of
21 what's behind the vegetation O&M, can I turn to
22 Bates 021 and find that?

23 A (Simek) I'm sorry, I was looking at Bates 022.
24 Yes.

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[WITNESS PANEL: Simek|Green|Rivera]

1 Q And if I look at Column (b), it says "2018
2 Actuals", correct?

3 A (Simek) Yes, it does.

4 Q And if I jump to the bottom three lines, the
5 one in bold, 1,944,000, we see that that's the
6 same number that was just on the schedule we
7 were looking at?

8 A (Simek) Correct.

9 Q That we demonstrated goes into the factor.
10 Okay. So, here we have the details then of the
11 costs that are being recovered. So, I wanted
12 to ask about two lines in particular, and the
13 Consumer Advocate asked about them already, but
14 I just want to amplify. The two lines to me
15 that seem to be higher than the numbers to the
16 left, which means they were higher than
17 budgeted, are Lines 6 and 7, "Police Detail"
18 and "Hazard Tree Removal".

19 Could you explain in a little more detail
20 why these were over the budget as presented on
21 this Bates 021?

22 A (Green) So, the police detail is what we
23 experienced in the field. So, it is the actual
24 amount. We budgeted for what we hoped to

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[WITNESS PANEL: Simek|Green|Rivera]

1 achieve, but that's what we experienced.

2 Q And how was the budget number of "290,000"
3 developed?

4 A (Green) It's pulled from the previous years,
5 and that is requested to be adjusted by Staff
6 or Liberty, however we need to move it.

7 Q I didn't here the first word you said, it was
8 "something" from previous years?

9 A (Green) We have kind of a business-as-usual
10 budget that we submitted, as well as the ideal
11 budget, for example, in 2019. So that is from
12 previously submitted budgets that we've had.

13 Q Okay. Do you know how the 290,000 would have
14 compared to actual results for 2017?

15 A (Green) I do not know that.

16 Q Or 2016?

17 A (Green) I do not know that answer.

18 Q Okay. When you mentioned to the Consumer
19 Advocate that the Town of Salem had a unique
20 requirement for police detail, is that a new
21 requirement or is that something that's been in
22 place for many years?

23 A (Green) I believe it's been in place.

24 Q Do you know of any other changes in the various

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[WITNESS PANEL: Simek|Green|Rivera]

1 towns in which you serve where there have been
2 changes in the policy on police details?

3 A (Green) I know that we have. Yes, Walpole.

4 Q Walpole. Could you describe that situation
5 please?

6 A (Green) They just passed an ordinance where
7 they require police detail upon their
8 discretion.

9 Q And prior to that, there was no required police
10 detail?

11 A (Green) No.

12 Q And regarding the hazard tree removal, you
13 listed a couple of things, and I tried to write
14 them down. But if you could just repeat or
15 amplify on the answer you gave the Consumer
16 Advocate as to why the hazard tree removal
17 number is larger than what was budgeted please?

18 A (Green) The four-year cycle trim, we went from
19 a five-year trim to a four-year trim. So,
20 we're going to experience higher numbers in
21 removals.

22 Q So, let me stop you right there.

23 A (Green) Uh-huh.

24 Q When did that -- when did that change take

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[WITNESS PANEL: Simek|Green|Rivera]

1 effect?

2 A (Green) I believe it was 2017. But I'm not
3 100 percent certain.

4 Q And when was the 2018 budget prepared?

5 A (Green) In 2017.

6 Q 2017. Okay. So, what was the next item you
7 were going to say?

8 A (Green) The implementation of the Puc 307.10
9 ruling.

10 Q And do you know when that took effect?

11 A (Green) No. I have a guess, but I don't know
12 for certain.

13 Q Okay. And there were other items I think you
14 had listed as well. Could you repeat those?

15 A (Green) The improved work planning that we're
16 doing, so that identifies higher risk,
17 there's -- by implementing the work planning
18 process, we can identify higher risk trees.
19 They're being evaluated by a skilled person.
20 So, you're going to identify more trees that
21 potentially need to be identified for removal.

22 Q And when did the use of work -- the work
23 planning process begin?

24 A (Green) I want to say, I'm not exactly certain,

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[WITNESS PANEL: Simek|Green|Rivera]

1 but I have a guess about when it started,
2 around 2014/2015, 2014.

3 Q And were there other items?

4 A (Green) Four-year cycle -- I believe there are.
5 One moment.

6 So, with the 307.10 ruling, we have a
7 wider corridor. And so, we have, essentially,
8 a two-foot wide corridor we didn't have before.
9 So, we're creating a new corridor, we're not
10 maintaining. So that is significant. And in
11 doing that, what used to be identified as
12 "brush", which is a small, capable tree that
13 usually grows under the energized lines, that
14 corridor became wider. And what used to be the
15 smaller diameter trees were no longer viable
16 under that heading. So, trees are now being
17 removed, that previously used to be brush, are
18 now being removed at unit price. So, we're
19 experiencing more trees, the tree removals are
20 higher in the cost of planning, and that has
21 occurred as well.

22 Q Okay. So, in the explanation next to Line 6 --
23 I'm sorry, Line 7, "Hazard Tree Removal", it
24 mentions removals from calendar year 2016 and

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[WITNESS PANEL: Simek|Green|Rivera]

1 2017. I don't think you mentioned those in the
2 list of reasons for the budget variance. Could
3 you explain what that is?

4 A (Green) So, we've been carrying over a list of
5 trees that we had marked and identified to be
6 removed, but we didn't have the budget to
7 exercise that and remove those trees. So, we
8 are trying to do that in calendar year 2018.

9 Q So, they were budgeted for removal in the prior
10 two years, but not removed, is that what you're
11 saying?

12 A (Green) They're identified.

13 Q They're identified, I'm sorry. Identified.

14 A *(Witness Green nodding in the affirmative).*

15 Q Okay. Were they in the budget for those prior
16 years?

17 A (Green) We had submitted a budget to reflect
18 that. But it wasn't the final budget that was
19 approved.

20 Q Okay. Do you know if there were any incidents
21 with the trees that were on this backlog list
22 from 2016 and 2017, prior to them being removed
23 in 2018?

24 A (Green) Can you repeat that question?

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[WITNESS PANEL: Simek|Green|Rivera]

1 Q Sure, because I think I have to break that into
2 two questions. Of the trees that you
3 identified here, I'm calling them "backlogged",
4 the ones from 2016 and 2017, were they, in
5 fact, removed in 2018?

6 A (Green) 2016 and 2017, removed in 2018? Is
7 that what you asked?

8 Q Yes.

9 A (Green) Some 2016 -- we did some backlogged
10 removals of trees that were identified for 2016
11 calendar year cycle trim and 2017 calendar year
12 cycle trim, we performed that.

13 Q Okay. Are there any others that were on that
14 backlog list that have not been removed?

15 A (Green) Are there -- do there -- are there
16 still trees that are on the list that are in
17 backlog?

18 Q Yes. Yes, that's my question. Were there
19 trees that -- it sounds to me like you created
20 a list of -- you identified trees that were
21 identified to be cut in 2016 and 2017, but were
22 not.

23 A (Green) That is correct.

24 Q Okay. And then I think we've established that

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[WITNESS PANEL: Simek|Green|Rivera]

1 in 2018 you removed some of those trees?

2 A (Green) That is correct.

3 Q Okay. So, the last question I have on this
4 then is did you remove all of those?

5 A (Green) I did not.

6 Q So, there are still other ones that were
7 identified now --

8 A (Green) For 2017, and now 2018.

9 Q Okay. So, --

10 CHAIRMAN HONIGBERG: Just to close
11 the loop on that then. The ones from 2016,
12 were all of them removed in either '17 or '18?

13 WITNESS GREEN: I have no more trees
14 from 2016.

15 MR. DEXTER: Thank you.

16 BY MR. DEXTER:

17 Q While those trees were in the back -- on the
18 backlog list and not removed, did you
19 experience any problems with them falling or
20 causing outages or anything of that nature?

21 A (Green) I don't have any significant
22 identification of that.

23 Q And how does the Company determine which trees
24 get removed and which trees get put on the

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1 backlog list?

2 A (Green) So, in 2018?

3 Q Sure. In current -- in current times, yes.

4 A (Green) 2019 is a little different than 2018.

5 Q Okay. Well, let's do both then. We'll start
6 with 2018, since that's what's at issue in this
7 case.

8 A (Green) Okay. So, in 2018, we had a list of --
9 we did a moratorium on tree removals midyear.
10 So that any tree removals that needed -- that
11 were identified, that we came across after
12 that, we would only remove a tree that was
13 actively failing. If it's imminently failing
14 or had some super high probability of failure,
15 or storm conditions. So, none of -- so,
16 basically, we were in an extreme situation.

17 This year, we are removing trees that are
18 prioritized as to what conductors they're on.
19 So, if they are on a 3-phase they are, or a
20 cross-arm, those are high priority, and those
21 are being done while we do cycle trimming, an
22 effective use of time and money.

23 We are not removing trees on laterals at
24 this time. So, that's how any of those trees

[WITNESS PANEL: Simek|Green|Rivera]

1 are on a deferred list or on a backlog list.

2 And the crews do call me when they find a tree
3 that's actively failing or significant, and we
4 make exceptions to those.

5 And in some cases, we may have a customer
6 call that we need to take care of. So, we'll
7 take care of those.

8 Q And what was the reasoning behind the
9 moratorium that went into effect in 2018 that
10 you just mentioned?

11 A (Green) We had no further funding for removals
12 at that time.

13 Q Based on the budget that had been approved
14 through this type of proceeding last year?

15 A (Green) That is correct.

16 Q So, if I were to look at Exhibit 4, which is
17 Staff 1-2, we had asked a question along these
18 lines. This has to do with the revision of the
19 budget in the meeting process between the Staff
20 and the Company. And you listed five ways in
21 which you were able to reduce the original
22 budget versus what was -- what was eventually
23 proposed for approval to the Commission. Is
24 that what those five items are?

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[WITNESS PANEL: Simek|Green|Rivera]

1 A (Green) Can you repeat the question?

2 Q Yes. So, looking at Exhibit 4, there are five
3 items listed in the answer. Were those actions
4 that the Company took in order to be able to
5 reduce, to live within the budget that was
6 presented to the Commission for approval --

7 A (Green) Yes.

8 Q -- in 2018?

9 A (Green) That is correct.

10 Q Okay. Are these, Item Number 1, "Deferred
11 non-critical unit price tree removals", are
12 those the same as the backlog trees we were
13 talking about or is that something else?

14 A (Green) I believe that would be the same.

15 Q The same thing, okay. And each year the
16 Company is required to file a Form E-22 with
17 the Commission. Are you familiar with that?

18 A (Simek) Yes, I am.

19 Q You are. Okay. And I've marked two of those
20 E-22s as exhibits. They're Exhibit 7 and 8.
21 I'd like to turn to Exhibit 7 first. That's
22 the 2018 report. The second page of this
23 exhibit, which is the smaller of the two
24 charts, shows the Vegetation Program O&M,

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[WITNESS PANEL: Simek|Green|Rivera]

1 correct?

2 A (Simek) Yes. I believe so.

3 Q And if you were to go to Line -- it's the
4 column marked "Item Number". And six lines up
5 from the bottom, there's an "Item Number 5932
6 Maintenance of overhead lines". That's the VMP
7 O&M budget, correct?

8 A (Simek) Yes.

9 Q And the figure at the right-hand corner is
10 1,616,000, is that right?

11 A (Simek) Yes, it is.

12 Q And this was filed in February of 2018 for the
13 calendar year 2018, correct?

14 A (Simek) Correct.

15 Q And that number is not exactly the same as the
16 budget that's shown on Bates 021, but it's
17 fairly close to the number shown in Column (a),
18 correct?

19 A (Simek) It's fairly close, yes.

20 Q And they're intended to be basically as a
21 representation of the same things, right?

22 A (Simek) They're intended to represent the same
23 thing. The numbers included in the E-22 are
24 based on what Accounting had put together for

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[WITNESS PANEL: Simek|Green|Rivera]

1 their budget for the year. Whereas, what is
2 shown on Bates 021, Column (a), I believe came
3 out of discussions that were had with Staff,
4 after the budget had been approved for the year
5 through Accounting and Finance.

6 Q Through the what?

7 A (Simek) Accounting and Finance Department.

8 Q So, as I understand how this program works, for
9 the calendar year 2018, the Company gets
10 together with Staff, according to the terms of
11 the Settlement, to discuss a budget, correct?

12 A (Simek) I believe so, yes.

13 Q And that would take place, for the 2018 budget,
14 would take place in November of 2017? Is that
15 right?

16 A (Simek) It sounds right, yes.

17 Q Okay. And if I look at Exhibit 3, which is
18 Staff 1-1, there's, as the Consumer Advocate
19 said, there's an elaboration of that discussion
20 between the Company and Staff, correct?

21 A (Simek) Yes. It doesn't show any dates. But,
22 yes, it shows the discussion.

23 Q And I was not at that meeting, but I'm told
24 that the Company originally submitted a higher

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[WITNESS PANEL: Simek|Green|Rivera]

1 budget, and that's confirmed by this exhibit,
2 right in the first line, of about a million
3 850. And then, after discussions, the budget
4 was reduced to a million 677, correct?

5 A (Simek) Based on the response, yes.

6 Q Okay. Well, that's, in fact, what was then
7 submitted, wasn't it?

8 A (Simek) Yes.

9 Q Okay. And we see that on Bates 021. So, the
10 budget that ultimately got submitted to the
11 Commission was a million 677?

12 A (Simek) Correct, in February of 2018.

13 Q Right. And that's the same time that the E-22
14 was submitted, correct?

15 A (Simek) Oh, I'm sorry. I'm not sure when this
16 budget was submitted to the Commission, the
17 "1,677,086". I know that the E-22 was
18 submitted in February, as you had referenced in
19 the cover letter.

20 Q Right. And according to the terms of the
21 Settlement that this whole program operates
22 under, the budget comes in March 15th or
23 thereabouts, would you agree with that?

24 A (Simek) Yes.

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[WITNESS PANEL: Simek|Green|Rivera]

1 Q Okay. So, fairly close in -- fairly close in
2 time?

3 A (Simek) Correct.

4 Q And when did it become apparent to the Company,
5 if it ever did, that the actuals were going to
6 come in higher than the budget that was
7 submitted on March 15th, 2018?

8 A (Simek) I'm sorry, could you repeat that?

9 Q Sure. The actuals for 2018 came in higher than
10 the budget, as we see on Bates 021. My
11 question is, when did it become apparent, if at
12 all, to the Company that the actuals were going
13 to exceed the budget for 2018?

14 A (Simek) Oh, I believe we answered that in a
15 data request. I don't think it was one of
16 these that you made an exhibit for. Let me
17 bring that up.

18 Q Sure.

19 A (Simek) Yes. It was Data Request Staff 1-16.
20 And it basically is asking when the Company
21 became aware that they were going to spend more
22 than the budgeted amount, and whether we had
23 filed an updated 22 to represent that change.

24 And what we said in our response was that

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[WITNESS PANEL: Simek|Green|Rivera]

1 there are a few items that happened here, other
2 than just the actual calendar year spent. The
3 exact wording here was "Due to invoices for
4 2017 being paid in 2018, and the lag from when
5 other invoices are received and paid, the
6 Company is not sure of the actual
7 spend-to-budget variance until a reconciliation
8 is performed. All VMP spending for 2018 was
9 reconciled during the first quarter of 2019.
10 The Company plans to perform this
11 reconciliation in May, August, October, and
12 January going forward."

13 Q So, I think the answer to the specific question
14 of "when did you become aware of the budget
15 variance for 2018?" The answer is "not until
16 the first quarter of 2019"?

17 A (Simek) Correct. If we're only looking at true
18 spend related to 2018.

19 Q And what does that mean, "true spend"?

20 A (Simek) For work that was performed in 2018
21 based -- that's what the budget was based on,
22 was work performed in 2018. Now, there are
23 financials that had from prior -- the prior
24 year, in 2018. So, we wouldn't know what was

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[WITNESS PANEL: Simek|Green|Rivera]

1 which until we performed a reconciliation.

2 Q But, as you're performing this work, is there
3 tracking as to whether or not you're on budget
4 or below budget? I think we heard of a
5 moratorium due to the budget. So, I guess I'm
6 just confused.

7 A (Green) Yes. In around June and July is when
8 we started changing things, because we
9 identified that we were going to be over
10 budget.

11 Q That you were going to be over budget?

12 A (Green) That we were over budget in the one
13 category, and what could we do to try to
14 minimize and restructure things so that we
15 could adjust things.

16 Q And which category was that, the "hazard tree"
17 category?

18 A (Green) Uh-huh.

19 Q Okay. And you identified that before June?

20 A (Green) It was around June/July.

21 Q June/July. Okay. Is the hazard tree removal
22 done by contract or done by internal employees?

23 A (Green) Hazard tree removals are performed by
24 contractors.

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[WITNESS PANEL: Simek|Green|Rivera]

1 Q And how often do the contractors get paid?

2 A (Green) Depends on which bill it is. So, for
3 tree removals, it's about once a month.

4 Q So, if a contractor were to perform a hazard
5 tree removal in the month of April 2018, when
6 would they get paid for that, generally
7 speaking?

8 A (Green) Maybe June.

9 Q June. So, about a 60-day lag?

10 A (Green) Depends on when it occurs.

11 Q Sure. But they bill you monthly and you pay
12 them monthly, --

13 A (Green) Yes.

14 Q -- I think is basically what you're saying?

15 A (Green) Yes.

16 Q Okay. So, if there were some big overages from
17 a particular contractor, you would know about
18 that, wouldn't you?

19 A (Green) Correct. And the removals, for
20 example, the cycle work didn't start till a
21 little bit later. So, there was a little lag
22 in some of that activity that happened. So,
23 that's why the bulk of it happens like April,
24 May, June, which is why we identified, that we

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[WITNESS PANEL: Simek|Green|Rivera]

1 saw that the removals were heavy in those
2 months and the bills were heavy.

3 Q Right. But we're talking about Line 7, "Hazard
4 Tree Removals", not the cycle trimming,
5 correct?

6 A (Green) But we do removals with cycle trimming.

7 Q What line do they show up on?

8 A (Green) Excuse me?

9 Q Which line on the budget do they show up on?

10 A (Green) What is "they"?

11 Q I'm on Bates 021.

12 A (Green) Cycle pruning.

13 Q You said that you would "do removals as part of
14 cycle pruning".

15 A (Green) Cycle pruning.

16 Q So, those removals show up on cycle pruning?

17 A (Green) The removals? No. Removals come up
18 under "hazard", but they're performed at the
19 same time that crews are doing cycle pruning.

20 Q Okay. Does the Company view the \$1.5 million
21 that's built into base rates as a result of the
22 last Settlement as a budget number in any way
23 in this process?

24 A (Simek) No.

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[WITNESS PANEL: Simek|Green|Rivera]

1 Q And why is that?

2 A (Simek) Because the 1.5 million was never
3 intended to be a budget. The 1.5 million was
4 solely placed in base rates really for rate
5 continuity, and that the customers would be
6 paying throughout the year a base amount to
7 equal that total of 1.5 million. Knowing that
8 there would be a reconciliation performed, and
9 an over or under spend of that would be
10 reconciled and applied to customer rates for
11 the following year.

12 Q And so that it doesn't operate as any sort of a
13 target or anything like that?

14 A (Simek) It's a target.

15 Q It's a target.

16 A It's not a budget.

17 Q Not a budget, okay. And I think you indicated
18 in some years you've gone over the target and
19 in some years you've gone under the target, is
20 that right?

21 A (Simek) Correct.

22 Q And if we jump back to Bates 054, I think
23 that's demonstrated, but I want to ask you to
24 be sure. Do you have that in front of you?

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[WITNESS PANEL: Simek|Green|Rivera]

1 A (Simek) I will in a moment.

2 Q Okay.

3 A (Simek) Yes, I do.

4 Q So, taking calendar year 2014, for example,
5 which is Column (g), Line 8, which is the
6 "Total Recovery", is a million 149, and Line 4,
7 which was the base level amount back then, a
8 million 360. That's a year where the actual
9 spending was less, correct?

10 A (Simek) Correct.

11 Q And then, conversely, the next column over
12 would be an example where the spending was
13 over, correct?

14 A (Simek) Correct.

15 Q Okay. And before we go to RMP, I just -- REP,
16 I just want to ask about the questions you had
17 with Mr. Sheehan relating to the collection of
18 VMP O&M that happened last year. And I want to
19 refer to Exhibit 5, if you would, which is
20 Staff's response 1-6.

21 My understanding of the exchange you had
22 with Mr. Sheehan is that you would be -- the
23 Company would be proposing a base rate
24 reduction of \$552,414 for effect June 1st,

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[WITNESS PANEL: Simek|Green|Rivera]

1 2019, is that right?

2 A (Simek) Correct.

3 Q And are you able to share today how that
4 would -- what form that filing would take?

5 A (Simek) I do not. I don't have that
6 information available yet.

7 Q Would the Company expect to file that sometime
8 before the decision is issued in this case?

9 A (Simek) Probably around the same time. We have
10 to give the 30-day notice for any rate change.
11 So, it has to be filed prior to May 1st. And
12 we would like to work with Staff to figure out
13 how the best approach would be to make this
14 filing and this rate adjustment.

15 Q Would it be possible for the Company to make a
16 filing on that rate change by April 23rd, for
17 example, that would be one week from today?

18 A (Simek) Yes.

19 Q Okay. And that would give then the
20 Commission -- the Commission would then have in
21 hand, the reason I pulled that -- posed that
22 date, was that way the Commission would have in
23 hand both this case and the filing, and they
24 could see how the two relate to each other?

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[WITNESS PANEL: Simek|Green|Rivera]

1 A (Simek) Yes. But the only outstanding question
2 there is that, when we do a rate base change,
3 we have the dollar amount as the numerator, and
4 the denominator is based on current revenue.
5 And that will get adjusted by this, the outcome
6 of this case, the outcome of the step agreement
7 that's also effective May 1st. And we wouldn't
8 know what that denominator amount would be for
9 this rate change to take effect June 1st, until
10 we have the orders.

11 Q And what would the denominator be? Would that
12 be a dollar figure or a --

13 A (Simek) Correct.

14 Q -- or a kWh figure?

15 A (Simek) It's a dollar figure.

16 Q A dollar figure. Okay. And those are the
17 issues that you hope to work out with Staff?

18 A (Simek) Correct.

19 Q Okay. So, turning to the REP part of the case,
20 which, as you indicated, represents investments
21 that are recovered in I'll say "core" base
22 rates or traditional base rates that include a
23 rate of return.

24 I'd like to turn to Bates Page 069 please.

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[WITNESS PANEL: Simek|Green|Rivera]

1 And is it correct that here is where I find the
2 derivation of the 0.61 percent base rate
3 increase that you mentioned to Mr. Sheehan
4 earlier?

5 A (Simek) Yes.

6 Q And the dollar figure that's being recovered
7 through this 0.61 percent increase is a revenue
8 requirement dollar figure of "247,919",
9 correct?

10 A (Simek) Yes. And just to point out a little
11 further, on Line 2, the distribution revenue
12 number, the denominator of the formula, that's
13 what's in question for the prior year O&M
14 termination, and what we need to terminate that
15 prior year O&M rate.

16 Q Right. And on this page, it's indicated as
17 "forecasted distribution revenues". That's the
18 formula spelled out by the Settlement, correct?

19 A (Simek) Yes, it is.

20 Q All right. You wouldn't necessarily use that
21 denominator for the O&M side of the equation
22 that we were just talking about for that
23 pass-back, is that right?

24 A (Simek) Correct.

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[WITNESS PANEL: Simek|Green|Rivera]

1 Q Okay. If I wanted to find what makes up the
2 \$247,000 revenue requirement, do I turn to
3 Bates 055 for that detail?

4 A (Simek) Yes. Line 68.

5 Q And Line 68 is the addition of the two lines
6 just above it, correct?

7 A (Simek) Correct.

8 Q And the 199,000, two lines above it, is what's
9 related to the investments that were put in
10 service in 2018, correct?

11 A (Simek) Correct.

12 Q And the figure below it has the label
13 "Incremental Annual Rate Adjustment with Prior
14 Period Correction". Could you explain what the
15 prior period correction is?

16 A (Simek) Sure. The prior -- the outcome of the
17 prior CIBS filing included a low income
18 adjustment -- no, I'm sorry. Let me take a
19 step back. This adjustment has to do with a
20 cost of debt rate that we had used in the prior
21 filing that was incorrect.

22 Q So, I'm gathering that, because this is an
23 addition last year, there was a cost of debt
24 rate that was too low?

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[WITNESS PANEL: Simek|Green|Rivera]

1 A (Simek) Correct.

2 Q Okay. So, moving then to the 199,000, which
3 are the investments in this docket, this is a
4 very long, complicated calculation here of the
5 revenue requirement. But, if I jump way to the
6 top, I see a figure of a million 087. That's
7 the actual investment that was made this year,
8 correct, for REP?

9 A (Simek) Correct.

10 Q And if I want to find what's in that million
11 087, I believe I need to turn to Bates 023,
12 correct?

13 A (Simek) Correct.

14 Q Okay. Now, we can see what the money was spent
15 on. It looks to me like over 80 percent of the
16 REP investments fall under the category of
17 "Bare Conductor Replacement", is that right?

18 A (Rivera) Correct.

19 Q And then, the remainder is for reclosers and
20 carryovers from the prior year, correct?

21 A (Rivera) Correct.

22 Q So, let's talk about the bare conductor
23 replacements first then. Could you explain
24 what a bare conductor replacement project

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[WITNESS PANEL: Simek|Green|Rivera]

1 involves?

2 A (Rivera) Sure. So, we try to identify areas in
3 our distribution system with main line
4 conductor that is bare, meaning it doesn't have
5 a tree covering on it. We try to identify
6 areas between the substation breaker and the
7 first protective device, which are bare, and
8 install spacer cable in its place.

9 We also try to look at areas that have
10 experienced issues with vegetation in the past,
11 created outages, in areas that are -- that have
12 bare wire. And we install the spacer cable in
13 its place to try to mitigate vegetation issues.

14 Q And can you explain quickly what "spacer cable"
15 is and what it does?

16 A (Rivera) Sure. It's a -- it's called a
17 "Hendrix conductor". It is a -- instead of
18 your traditional cross-arm construction, it's a
19 more compact construction, with spacers in
20 between. And the conductor itself has a very
21 strong covering or insulation that is very
22 resistant to tree contact. So, overall, it
23 results in a more compact configuration of the
24 wires, more robust, compared to open, we call

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[WITNESS PANEL: Simek|Green|Rivera]

1 "open wire", bare cross-arm construction.

2 Q And do you have an estimate of what percentage
3 of Liberty's wires are protected by the spacer
4 cable or the tree covering or both?

5 A (Rivera) I do not.

6 Q Do you have any idea if it's in the one percent
7 range or the 10 percent range or 50 percent?
8 I'm just wondering if it's something that's
9 common in everywhere or is it, you know, sort
10 of unusual?

11 A (Rivera) As of when we started this program,
12 we've been wrapping up with construction of
13 spacer cable, any new construction we pretty
14 much make it spacer cable. A large percentage
15 of our feeders have spacer cable between a
16 substation breaker and the first protective
17 device. I couldn't guess on a percentage right
18 now.

19 Q All right. Fair enough. And it's -- when did
20 this technology come into use, widespread use?

21 A (Rivera) I don't know of the exact year, but
22 it's been out for a while.

23 Q Do you know long Liberty has been using it?

24 A (Rivera) We started the Bare Wire Replacement

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[WITNESS PANEL: Simek|Green|Rivera]

1 Program approximately between 2012-2013, is
2 when we started the Bare Conductor Program.

3 Q And forgive me, I just -- is it two things?
4 You put up a tougher wire and this mechanism to
5 space the wires? Is that right or is it one
6 thing?

7 A (Rivera) I guess it can be considered two
8 different things.

9 Q Two things.

10 A (Rivera) It's a different wire and a different
11 configuration, a more compact configuration.
12 There's not as much area where the limb can
13 fall and contact two phases.

14 MR. SHEEHAN: If I may interject? I
15 pulled up a photograph, if that would be
16 helpful. Give it to Mr. Dexter.

17 MR. DEXTER: Well, I just had one
18 more question on that. And I think I'm good
19 with the photograph.

20 BY MR. DEXTER:

21 Q But do you always do the two of them in
22 conjunction or do you do them sometimes one and
23 then sometimes the other?

24 A (Rivera) So, sometimes we do one, and then

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[WITNESS PANEL: Simek|Green|Rivera]

1 sometimes we do the other. For example, we may
2 install the conductor Hendrix in a cross-arm
3 configuration, instead of spacer configuration.

4 MR. DEXTER: Okay. Thanks for the
5 offer. I'll move on.

6 BY MR. DEXTER:

7 Q So, looking at Bates 023, it seems to me, if I
8 compare Column (d) which is actual, to Column
9 (c), which was budgeted, the amount in Column
10 (e) is significantly -- I'll say significantly
11 under budget, is that right?

12 A (Rivera) Correct.

13 Q And it seems to me that most of that is due to
14 Line 7, which is Route 12, Project --
15 "Conductor Replacement Project - Route 12", is
16 that right?

17 A (Rivera) Correct.

18 Q And it was budgeted at roughly a million
19 dollars, and it looks like the actual -- oh,
20 I'm sorry, I cited the wrong column. I should
21 be looking at Column (f) for the actual,
22 correct?

23 A (Rivera) The actual closed to plant, yes.

24 Q Yes. So, this one is roughly 700,000, almost

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[WITNESS PANEL: Simek|Green|Rivera]

1 \$800,000 under budget, is that right?

2 A (Rivera) Correct.

3 Q Okay. Was this project completed? And when I
4 say "project", I'm referring to the 1.5 million
5 -- I'm sorry, "1.5 miles" that's referenced in
6 Column (b). Was that 1.5 miles completed?

7 A (Rivera) Yes. That was completed in 2019.

8 Q Oh, okay. But not in 2018?

9 A (Rivera) Correct.

10 Q So, the figure of 285,000, in Column (f), is
11 the subset of that 1.5 miles, correct?

12 A (Rivera) Correct. It was what had hit the
13 books in 2018.

14 Q But it was in service, is that right, in 2018?

15 A (Rivera) No.

16 Q It was not in service in 2018. When did the
17 construction start on the Route 12 project?

18 A (Rivera) September.

19 Q Of what year please?

20 A (Rivera) 2018.

21 Q 2018. And when was it completed?

22 A (Rivera) Sometime around February 2019.

23 Q And that's when it went into service? Is that
24 right? February 2019?

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[WITNESS PANEL: Simek|Green|Rivera]

1 A (Rivera) Correct.

2 Q If I go up one line up, I see a project for
3 Meridian Road. Could you indicate what town
4 Meridian Road is in?

5 A (Rivera) Town of Lebanon.

6 CHAIRMAN HONIGBERG: Mr. Dexter, is
7 it "Meriden"? "Meriden Road"?

8 MR. DEXTER: Oh. Thank you. Meriden
9 Road.

10 BY MR. DEXTER:

11 Q Meriden Road is in Lebanon?

12 A (Rivera) Correct.

13 Q Thank you. And this project, if I look again,
14 comparing Column (f) to (c), it came in about a
15 little over 50 percent over budget, is that
16 right?

17 A (Rivera) Sounds right.

18 Q And this was, I'm gathering from this chart,
19 started and completed in 2018, correct?

20 A (Rivera) Correct.

21 Q And do you know when it was started?

22 A (Rivera) I don't have the exact date.

23 Q Okay. But sometime in the construction season
24 of 2018 it was started and completed?

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[WITNESS PANEL: Simek|Green|Rivera]

1 A (Rivera) Yes.

2 Q Do you know what led to the 50 plus percent
3 variance between actual and budget?

4 A (Rivera) It could be attributed to bid prices
5 higher than anticipated.

6 Q When was the project put out to bid?

7 A (Rivera) Which project?

8 Q The Meriden Road project.

9 A (Rivera) I don't have that date with me.

10 Q Okay. Do you know how many respondents to the
11 bid there were?

12 A (Rivera) I do not.

13 Q Do you know if Liberty selected the lowest cost
14 bidder?

15 A (Rivera) I do not know.

16 Q If I look at the very last line on this
17 schedule, it's not even a full line, it's more
18 of a footnote. It says "Columns (d)+(e) equals
19 1,087,416". That's the number that transferred
20 over to Bates Page 055, which led to the
21 development of the 0.61 percent rate increase,
22 correct?

23 A (Rivera) Correct.

24 Q So, that's what we're looking for in rates.

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[WITNESS PANEL: Simek|Green|Rivera]

1 And I see that that's Columns (d) plus (e).

2 And all of the numbers in Column (e) are up at
3 the top of the page, they're in Pages -- Lines
4 1 through 5. Can you explain for me why
5 they're in the "carryover" column or what the
6 "carryover" column means?

7 A (Rivera) I wanted to distinguish between costs
8 that were from the previous year that carried
9 over into the actual year. And those are seen
10 on Column (e), versus costs for the actual
11 year, which are shown on Column (d).

12 Q Column (d). So, these were projects that would
13 have been in the 2017 budget, correct?
14 These -- when I say "these", I mean those five
15 numbers in Column (e), starting with the
16 "38,701"?

17 A (Rivera) Correct.

18 Q Okay. And I'd like to talk a little bit about
19 the largest number there, which is the Mammoth
20 Road project. Could you indicate what town
21 Mammoth Road is in?

22 A (Rivera) Town of Pelham.

23 Q Town of Pelham. And we had a data request on
24 this project. It's Exhibits 6, which is Staff

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[WITNESS PANEL: Simek|Green|Rivera]

1 1-8. And I'm going to paraphrase the big
2 paragraph there. But is it correct to say that
3 the Mammoth Road project was not presented to
4 the Commission or Staff in the 2017 budget that
5 was approved in this similar process last year?

6 A (Rivera) Correct.

7 Q And could you give me some details about how
8 the Mammoth Road project was done, even though
9 it wasn't in the budget? Or, why it was done,
10 I guess?

11 A (Rivera) I would characterize it as an effort
12 on our part to increase the amount of
13 reconductoring for that year, which was 2017.
14 The previous year we had an under spend. So,
15 and our reaction was to increase the mileage,
16 which we did by adding the Lowell Road job, and
17 we did include in the filing. But sometime
18 during the year, we also added this Mammoth
19 Road job, 5,000 feet of reconductoring.

20 Q And again, the budget is submitted -- the 2017
21 budget would have been submitted to the
22 Commission on or about March 15th -- no, I'm
23 sorry. Would have been submitted for Staff's
24 review in November of 2016, correct?

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[WITNESS PANEL: Simek|Green|Rivera]

1 A (Rivera) Correct.

2 Q And then, it gets submitted for formal review
3 by the Commission in March of 2017, prior to
4 construction?

5 A (Rivera) Repeat the question please.

6 Q That's actually not correct. I'm going to
7 withdraw that. Excuse me.

8 MR. DEXTER: Could I take a moment to
9 consult?

10 CHAIRMAN HONIGBERG: Sure.

11 *(Atty. Dexter conferring with*
12 *members of the Staff.)*

13 BY MR. DEXTER:

14 Q I'm using some wrong terminology, and I think
15 have it right now.

16 In March 2018, the Company would have
17 submitted a reconciliation of actuals to budget
18 for the 2017 projects, correct?

19 A (Rivera) Correct.

20 Q And was the Mammoth Road project included in
21 that reconciliation in 2018?

22 A (Rivera) We mistakenly left it off the
23 appendix. We hid the -- in the spreadsheet
24 that we create these tables, the line was

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[WITNESS PANEL: Simek|Green|Rivera]

1 hidden, and which was then identified by the
2 PUC, when they did an audit in September 2018.
3 So, that was the first time you can say we
4 communicated it in September of 2018 during the
5 audit performed by Staff.

6 CHAIRMAN HONIGBERG: Off the record
7 for just a moment.

8 *[Brief off-the-record discussion*
9 *ensued.]*

10 CHAIRMAN HONIGBERG: All right.
11 We're going to take a ten-minute break, come
12 back at quarter to four.

13 MR. DEXTER: Okay. Thank you.

14 *(Recess taken at 3:37 p.m.*
15 *and the hearing resumed at*
16 *3:49 p.m.)*

17 CHAIRMAN HONIGBERG: Mr. Dexter, why
18 don't you continue.

19 MR. DEXTER: Thank you.

20 BY MR. DEXTER:

21 Q When we left off, we were talking about the
22 Mammoth Road project, I believe. And I just
23 have one final question on that. You had
24 indicated that the PUC became aware of the

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[WITNESS PANEL: Simek|Green|Rivera]

1 Mammoth Road project during an audit in
2 September of 2018, is that right?

3 A (Rivera) Correct.

4 Q And that's after the project was completed and
5 in service, correct?

6 A (Rivera) I would say so, yes.

7 Q Okay. I'd like to turn to Bates Page 027 for a
8 moment please. In the column that's marked
9 "Sum of SAIFI (right)", it's the fourth column
10 over, is it correct that this column shows
11 actual results for the various years that are
12 indicated?

13 A (Rivera) Correct.

14 Q And is it correct that this column depicts --
15 SAIFI is intended to depict the frequency of
16 interruptions of service?

17 A (Rivera) Correct.

18 Q And is it correct that a lower number is
19 desirable when dealing with this statistic, in
20 other words, the lower the number, the fewer
21 the interruptions?

22 A (Rivera) Correct.

23 Q And would you agree that, generally speaking,
24 the trend on this chart, certainly since 2008,

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[WITNESS PANEL: Simek|Green|Rivera]

1 is that the SAIFI statistics have improved
2 significantly over the years?

3 A (Rivera) I agree.

4 Q And, in fact, the 2018 number, at the bottom,
5 is an actual SAIFI of 0.74, and that's the
6 lowest figure on the sheet, with the exception
7 of the year 2015, correct?

8 A (Rivera) Correct.

9 Q And similarly, if we go two columns to the
10 right, we have a column that's labeled "Sum of
11 SAIDI (left)". Is it correct that this
12 statistic is intended to show the duration in
13 minutes of interruptions?

14 A (Rivera) Correct.

15 Q And so, again, a lower number would indicate
16 shorter interruptions?

17 A (Rivera) Correct.

18 Q And so, just for example, a figure of 121.79,
19 which was the actual number for 2018, that's
20 129.8 [121.8?] minutes of what exactly?

21 A (Rivera) 121.8 minutes of average system
22 interruption for our customer.

23 Q So, that's a per customer number?

24 A (Rivera) Yes, for the system.

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[WITNESS PANEL: Simek|Green|Rivera]

1 Q Okay. And again, would you agree that,
2 generally speaking, the trend of this statistic
3 shows significant improvement since 2008?

4 A (Rivera) I agree.

5 Q Would you attribute these positive results, at
6 least in part, to the program which we're
7 talking about today, the REP program?

8 A (Rivera) I would, to both the REP and the VMP
9 Program.

10 Q Are there other activities that the Company
11 undertakes that would also lead to these
12 improved statistics?

13 A (Rivera) There are other programs, programs for
14 reliability, more day-to-day type projects,
15 that can also attribute to the improvement of
16 reliability.

17 Q Do they include -- are those also bare
18 conductor replacement programs?

19 A (Rivera) Some of them are. There's one called
20 "Enhanced Bare Conductor Replacement". There's
21 other projects called "Pockets of Poor
22 Performance", "Under Performing Feeders". But,
23 even in those, reconductoring of bare wire
24 could be part of the scope of some of these

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1 projects.

2 Q I'm sorry, if you finished? You had mentioned
3 that the REP, the "E" stands for "enhanced",
4 and that's what's presented in this case.

5 Could you describe what it is about the
6 projects that are done under this rubric,
7 what's enhanced about them? What makes them
8 enhanced, versus the other projects that you
9 were just describing?

10 A (Rivera) I'm sorry. You're referring to the
11 REP?

12 Q Yes.

13 A (Rivera) So, the Bare Wire Replacement Project
14 of the REP is pretty specific in scope. What I
15 mean is, we identify bare wire in areas that
16 have experienced tree interruptions, and we
17 upgrade them with spacer cable. Some of these
18 other projects, there is -- there's other
19 scope, other menus of scope that we can try to
20 achieve, such as sectionalizing, adding of
21 reclosers, adding feeder ties, for example.

22 Q Would you say that the majority of the Bare
23 Conductor Replacement Program falls under the
24 "REP" category?

[WITNESS PANEL: Simek|Green|Rivera]

1 A (Rivera) Yes.

2 Q Okay. I just had a few questions, and I said I
3 wasn't going to jump around, but I do want to
4 go back, there were a couple of things on O&M
5 that I wanted to ask about.

6 And one of them has to do with Staff 1-1.
7 I think it's fairly obvious, but I just want to
8 get it on the record. Would the Company agree
9 that, with respect to the 2018 budget, that, as
10 a result of the November meeting between the
11 Company and Staff, that those two parties did
12 not agree as to an appropriate budget?

13 A (Green) Can you repeat the question exactly?

14 Q Yes. With respect to the meeting that took
15 place in November of 2017 concerning the 2018
16 budget, is it correct to say that the Company
17 and Staff did not agree on an appropriate
18 budget?

19 A (Green) I wasn't working for the Company at
20 that time, but that is my understanding.

21 Q And is it your understanding that Staff
22 recommended a lower budget than what the
23 Company used?

24 A (Green) That is my understanding.

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[WITNESS PANEL: Simek|Green|Rivera]

1 Q And earlier we were asking about variances
2 between actual and budget. And I was asking
3 you a series of questions about when you became
4 aware of budget variances. And I think the
5 answer was, if I understood, sometime in the
6 middle of the construction season. And that's
7 when you took steps, like the moratorium that
8 you mentioned.

9 When you were talking about "budget
10 variances", was it this budget that we have in
11 front of us or is there a different budget that
12 the Company uses internally?

13 A (Green) The budget that you have in front of
14 you.

15 Q Okay. So, we're all talking about the same
16 budget. I just wanted to clear that up.

17 And lastly, Exhibit 8 in this case, which
18 I didn't refer to, this is the E-22 report that
19 was filed February 22nd, 2019. If you go to
20 the second page of that report, on line --
21 "Item Number 5932 Maintenance of Overhead
22 Lines", I see an estimate of "1,588,633" for
23 2019. Is that number the same as the budget
24 that the Company submitted to the Staff at

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[WITNESS PANEL: Simek|Green|Rivera]

1 their meeting? I don't think it was held in
2 November this year, but I'll call it that
3 "November meeting of 2018" to discuss the
4 upcoming year?

5 A (Green) I'm going to restate your question.

6 Q Sure.

7 A (Green) You're asking if this number represents
8 the budget that we presented?

9 Q Correct.

10 A (Green) No. This number is the base, plus
11 salary.

12 Q Base plus salary?

13 A (Green) 1.5, plus labor.

14 Q And the number that you presented to Staff in
15 the annual meeting was higher than this number,
16 correct?

17 A (Green) That is correct.

18 Q I know this is 2019, and we're not here to talk
19 about that. But I will ask a question or two.
20 Could you just state for the record what the
21 Company's proposed budget was for 2019?

22 A (Green) One moment.

23 Q Sure.

24 A (Green) Which proposed budget would you like?

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[WITNESS PANEL: Simek|Green|Rivera]

1 Q Well, my recollection, having been involved in
2 those meetings, is there were two, an initial
3 one and a revised one, is that right?

4 A (Green) There's actually quite a few. There's
5 an ideal budget, a business-as-usual, that was
6 presented originally. Then there was an
7 adjusted budget. And then there was another
8 adjusted budget by PUC. And then there was a
9 final one submitted.

10 Q Well, let's go to the final one.

11 A (Green) Okay.

12 Q What's the final budget?

13 A (Green) 1.798733. That's after credits. Did
14 you want before credits?

15 Q No. That's fine, because we've been dealing
16 with after credits I think. After credits.

17 A (Green) And that is found in the data requests
18 as well, I believe.

19 Q And is it correct that, again, the Company and
20 the Staff did not agree that that was an
21 appropriate budget?

22 A (Green) I don't believe there was a discussion.
23 There wasn't a final -- final correspondence on
24 it, I think.

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[WITNESS PANEL: Simek|Green|Rivera]

1 Q So, there was no indication from Staff that
2 they agreed that that was an appropriate budget
3 that you're aware of, correct?

4 A (Green) That is correct.

5 MR. DEXTER: Okay. Thank you. Those
6 are all the questions I had. Thank you.

7 CHAIRMAN HONIGBERG: Commissioner
8 Bailey.

9 CMSR. BAILEY: Good afternoon.

10 WITNESS RIVERA: Good afternoon.

11 WITNESS GREEN: Good afternoon.

12 WITNESS SIMEK: Good afternoon.

13 BY CMSR. BAILEY:

14 Q Could we turn to Bates Page 005 please. On
15 Line 13 through 15, it says "The Company
16 invoiced Consolidated \$478,142 for calendar
17 year 2018 and has included that amount in
18 calculating the REP/VMP Adjustment Factor." Do
19 you expect not to be paid by Consolidated?

20 A (Green) I don't have -- I expect we will be
21 paid, but that's beyond my scope of knowledge.

22 Q Do you know if you have ever not been paid by
23 Consolidated?

24 A (Green) I know that they have been delayed in

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[WITNESS PANEL: Simek|Green|Rivera]

1 paying. I'm not -- I don't know the answer to
2 that question.

3 Q Has the behavior changed since Verizon was
4 purchased by FairPoint, and then FairPoint
5 purchased by Consolidated?

6 A (Green) I believe it's been a better response,
7 but I'm not 100 percent certain.

8 Q So, if it's a better response, wouldn't it be
9 better not to include this number in the amount
10 that you're seeking recover for? I mean, if
11 you always get paid by Consolidated, why would
12 you collect it from customers, and then have to
13 return it?

14 A (Simek) It is a deduction for what we're going
15 after for. We reduce it from the recovered
16 amount.

17 Q Oh. So, by "included that amount in
18 calculating the REP/VMP Adjustment Factor", you
19 mean you reduced the total by that amount?

20 A (Simek) Correct.

21 CMSR. BAILEY: Oh. I misunderstood
22 it. Thank you.

23 I think that's all I need to ask due
24 to Staff counsel's complete cross-examination.

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[WITNESS PANEL: Simek|Green|Rivera]

1 CHAIRMAN HONIGBERG: Commissioner
2 Giaimo.

3 CMSR. GIAIMO: Good afternoon.

4 WITNESS RIVERA: Good afternoon.

5 WITNESS GREEN: Good afternoon.

6 WITNESS SIMEK: Good afternoon.

7 CMSR. GIAIMO: As it's baseball
8 season, I'm going to make a reference to,
9 knowing fully well that this may give the
10 Consumer Advocate the opportunity to expand on
11 and do similar metaphors.

12 This sure feels like "deja vu all
13 over again", particularly with respect to the
14 costs with the police detail and the hazardous
15 tree stuff.

16 So, with that in mind, I'm going to
17 ask a couple of questions. And then, being
18 mindful of the hour, we'll keep it pretty
19 short.

20 BY CMSR. GIAIMO:

21 Q Bates 021, I'm looking at Line 6 and Line 7. A
22 little earlier I did -- I grabbed a calculator
23 and did some back-of-the-envelope math. And
24 correct me if I'm wrong, or correct my

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[WITNESS PANEL: Simek|Green|Rivera]

1 back-of-the-envelope math if it's wrong, it
2 looks like the police detail was 39 percent
3 over budget. Does that look about right?

4 A *(Witness Simek nodding in the affirmative).*

5 Q And hazardous tree removal is about 34 percent
6 over budget, about a third over budget?

7 A *(Witness Simek nodding in the affirmative).*

8 Q Okay. With respect to the police detail were
9 the total hours worked higher than anticipated
10 or was the wage paid higher than anticipated?

11 A (Green) I believe it's both. I did a really
12 quick comparison to four years ago in all the
13 districts. And we had more hours on all
14 systems. So, it's not just one area. And I do
15 believe the price has gone up. They have gone
16 up -- I can say they've gone up from 2018 to
17 2019 with certainty. As far as the price four
18 years ago, I don't have that information.

19 Q Okay. And, Ms. Green, with respect to the
20 34 percent increase in hazardous tree removal,
21 I thought I heard you say that there were a
22 bunch of factors, including the 307.10 rule, as
23 well as the identification of new trees? Is
24 that -- did I hear that right? Maybe I didn't

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[WITNESS PANEL: Simek|Green|Rivera]

1 hear the -- additional trees removed that more
2 than were anticipated? And you could shake
3 your head and say that's not what you said.

4 A (Green) I don't understand it in that context
5 anyway.

6 Q Okay. So, I'll ask you again. What were the
7 main factors for the 34 percent increase in the
8 hazardous tree removal?

9 A (Green) I believe going from a five-year to a
10 four-year, in the narrower timeframe, an
11 increased number of trees. The 307.10, quite
12 honestly, is the biggest influence, because we
13 have a two-foot wider corridor than we used to
14 have. Some of the trees that are in that
15 corridor, our previous corridor was six-foot,
16 now it's eight-foot, we're trying to attain
17 that, and we're collecting a lot more trees
18 trying to create -- to create that corridor.

19 And now, trees that used to be collected
20 under "brush" size, so I have a unit price --
21 previously, a unit price 8-inch tree would have
22 been considered "brush", and it wouldn't have
23 been in this line item of tree removal. But,
24 because it's not brush anymore, it's actually

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[WITNESS PANEL: Simek|Green|Rivera]

1 two-foot more of trees.

2 Q Uh-huh.

3 A (Green) So, it's -- those have -- now we are
4 now collecting unit prices on five- to
5 eight-inch trees, which previously were
6 considered "brush". So, -- oh, sorry.

7 Q No. And that two-feet area goes straight up,
8 and you made a gesture.

9 A (Green) Oh.

10 Q So, it goes straight up to the -- to the sky?

11 A (Green) To the sky, yes.

12 Q Okay. So, it's two inches [feet?], not just
13 from the ground, but everything else?

14 A (Green) But it does -- we had a six-foot
15 corridor, now we have an eight-foot corridor.

16 Q Uh-huh.

17 A (Green) So, there's two more feet of whole
18 trees that we have to clear along the entire
19 system, and even it -- it made for a tremendous
20 amount of more work.

21 Q Okay. So, I think, in your discussion with
22 Attorney Dexter, you said that it was "sometime
23 in June or July that you identified you were
24 over budget"?

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[WITNESS PANEL: Simek|Green|Rivera]

1 A (Green) Correct.

2 Q But work still continued on after that?

3 A (*Witness Green nodding in the affirmative*).

4 Q Okay. Did you have consultants that do the
5 work, have they been -- have you retained them
6 for multiple years? Do you have consultants
7 that have been on, contracted for doing this
8 for a while?

9 A (Green) As far as work planning or not --
10 you're not referencing the tree crew, but the
11 actual consultants who write the work, is that
12 correct?

13 Q No. Well, you can do both. You can -- you can
14 do both. So, the tree -- the people that --
15 you have consultants that write the proposals
16 for the RFP, is that what you're saying?

17 A (Green) I have -- I guess they're not
18 consultants, contractors, I mean, and maybe
19 that's the term, and let me know if I have it
20 wrong. But we have contractors who are -- act
21 as consultants to write work. They walk
22 span-to-span, and they identify which trees
23 need to be pruned, which trees need to be
24 removed, and combine them together. And then I

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[WITNESS PANEL: Simek|Green|Rivera]

1 have two contractor consultants. One of them
2 has been on the system for a few years, another
3 one is about a year into it, about.

4 Q So, I guess I would -- my question focuses more
5 on the crews that do the work.

6 A (Green) Okay.

7 Q So, these crews have -- many of these crews
8 have been doing it for multiple years?

9 A (Green) For the most part. I mean, your
10 workforce definitely does ebb and flow as far
11 as the actual individuals. I do know that the
12 supervisor, I might have the wrong term there,
13 but one of the lead gentlemen involved, he's
14 been around for maybe a year. And so -- he
15 said he's on the system, but got promoted. So,
16 we have some continuity, but we also have new
17 bodies as well. I think that's where you're
18 going?

19 Q I am. And with respect to those who have --
20 you have continually used, have you done
21 anything to cross reference their rates to see
22 how they have fluctuated over the years?

23 A (Green) Their compensation for doing their
24 work?

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[WITNESS PANEL: Simek|Green|Rivera]

1 Q Yes.

2 A (Green) I have not.

3 Q Okay. So, there's no benchmark as to see how
4 their rates have gone up over the past three to
5 five years?

6 A (Green) I don't have that information. I do
7 know that they do request, like this year, they
8 requested a rate increase to be able to retain
9 workforce. They're having trouble retaining
10 workforce. So, they did ask for that. And
11 it's in their contract that they can add a
12 certain amount.

13 I know there was a discussion. It's an
14 industrywide, huge discussion item right now,
15 the workforce, and ability to obtain the crews
16 to do this work.

17 Q So, anecdotally, you have heard, through your
18 colleagues throughout the country, that this
19 is --

20 A (Green) Huge.

21 Q -- nothing unique specific to Liberty or --

22 A (Green) No. Not --

23 Q -- New Hampshire?

24 A (Green) Yes. Exactly. Not to New Hampshire,

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[WITNESS PANEL: Simek|Green|Rivera]

1 not to Liberty. It's throughout the country,
2 no doubt about it. It's huge.

3 Q On Page 15, there's a line that discusses
4 calendar year 2015, and it says "an
5 exceptionally favorable year and the Company
6 would not expect to consistently achieve that
7 level of performance". So, what was so unique
8 about 2015?

9 A (Rivera) The storm frequency was less than the
10 average.

11 Q Okay. And on Line 16 [Line 10?], there's a
12 line that says "For the past four years, the
13 Company has met all of its SAIFI and SAIDI
14 targets." Is there a feeling among the Company
15 that you need to be even more aggressive with
16 these targets?

17 A (Rivera) I would say no. I think the main
18 objective of the program is to maintain or
19 improve reliability, which we have been doing.
20 And just of the nature of how the math works,
21 if you keep meeting that target, it's just
22 going to keep getting harder to make that
23 target. So, eventually, we'll get to a point
24 that it will be quite challenging to meet.

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[WITNESS PANEL: Simek|Green|Rivera]

1 Q As it's effectively a rolling average, as you
2 improve, it becomes harder and harder to
3 satisfy?

4 A (Rivera) Correct.

5 Q Okay. That makes sense. Thank you. And I
6 guess my last question -- my last question is,
7 Bates 023, there was a discussion about Line 6
8 and Line 7. Line 6 is the Meriden Road, and it
9 was 50 percent over budget. And what I thought
10 I heard is that the 50 percent over budget was
11 the result of increased bid prices, was that
12 right?

13 A (Rivera) I'd like to make a correction on that.

14 Q Okay.

15 A (Rivera) I misunderstood the question. After
16 speaking to some of my colleagues, the major
17 reason for the overspend was due to vegetation
18 work on this road.

19 Q And that was one mile of vegetation, is that
20 correct?

21 A (Rivera) Yes, approximately. One mile of
22 reconductoring, which matches the amount of
23 vegetation in the area.

24 Q Okay. So, it's a combination of the

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[WITNESS PANEL: Simek|Green|Rivera]

1 reconductoring, as well as the vegetation
2 management?

3 A (Rivera) Yes.

4 Q Okay. And the Line 7, Mr. Dexter -- Attorney
5 Dexter noted that there was about \$800,000
6 under budget. That number will appear next
7 year, correct?

8 A (Rivera) Correct.

9 Q Because it was finalized and in service in
10 February, and then we'll -- so, we'll see it
11 again next year?

12 A (Rivera) Yes. And I would like to note that we
13 reduced the scope on this project, from
14 2.67 miles to one and a half miles. So, it
15 won't be the 700,000 or so. It will be less
16 than that.

17 CMSR. GIAIMO: Okay. Thank you.

18 Thanks.

19 CHAIRMAN HONIGBERG: Commissioner
20 Bailey.

21 CMSR. BAILEY: I just have a
22 follow-up to one of Commissioner Giaimo's
23 questions.

24 BY CMSR. BAILEY:

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[WITNESS PANEL: Simek|Green|Rivera]

1 Q I think I just heard you say that, as time goes
2 on, it's difficult to improve the SAIFI and the
3 SAIDI results. Is that what you said?

4 A (Rivera) No. But, as time goes on, and
5 assuming we're meeting the targets every year,
6 the targets keep reducing. So, it becomes more
7 challenging to meet those targets.

8 Q Is there a point at which the reliability is
9 sufficient to stop spending money on
10 reliability enhancement?

11 A (Rivera) I don't think so. I think there still
12 needs to be some level of spend to, at the very
13 least, maintain reliability.

14 Q But, I mean, that's what you would do in your
15 normal rates, right? Maintain safe and
16 reliable service?

17 A (Rivera) Yes.

18 Q So, how do we measure that? When do we know
19 that we've spent enough money on reliability
20 enhancement, and that we just need to start
21 maintaining reliability?

22 A (Rivera) I don't have the answer to that
23 question. But I will tell you that, as long as
24 we keep showing this level of improvement, I

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[WITNESS PANEL: Simek|Green|Rivera]

1 think it's proved a worthwhile investment, the
2 Reliability Enhancement Program, coupled with
3 the Vegetation Management.

4 CMSR. BAILEY: Okay. Thank you.

5 CHAIRMAN HONIGBERG: I have no
6 additional questions of my own.

7 Mr. Sheehan, do you have any
8 follow-up for your witnesses?

9 MR. SHEEHAN: I do have a bit.

10 **REDIRECT EXAMINATION**

11 BY MR. SHEEHAN:

12 Q Ms. Green, you described the change imposed by
13 Puc 307.10 as "making the corridor wider". And
14 the rule speaks for itself, I have a copy here.
15 But the rule says there needs to be a certain
16 clearance to each side of the electric line, is
17 that correct?

18 A (Green) That is correct.

19 Q And that rule is two feet more than Granite
20 State had traditionally maintained over
21 decades, is that correct?

22 A (Green) That is correct.

23 Q And does the Company, do you believe, as the
24 person responsible, do you have discretion on

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[WITNESS PANEL: Simek|Green|Rivera]

1 whether you can meet that, whether you should
2 be meeting that or not? Or is this a rule that
3 you have to meet?

4 A (Green) I believe it's a rule that I have to
5 meet.

6 Q And the cost impact of that is, we now have
7 however many hundred miles of lines that need
8 to be widened two feet on either side,
9 understanding some are in neighborhoods where
10 it's not all trees, but a lot are, correct?

11 A (Green) Correct.

12 Q Similarly, the order approving the four-year
13 cycle also increased the amount of trimming we
14 need to do each year, because we now need to
15 trim the whole system in four years, rather
16 than five?

17 A (Green) Correct.

18 Q And is there a catch-up piece to that as well?
19 There's more work in early years to get on a
20 four-year cycle than there would be once the
21 four-year cycle was up and running, so to
22 speak?

23 A (Green) Absolutely. Yes.

24 Q Okay. And we're still in the early stages of

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[WITNESS PANEL: Simek|Green|Rivera]

1 that, correct?

2 A (Green) That is correct.

3 Q 2017 was the first year, maybe 2018 was the
4 first year of the four-year cycle?

5 A (Green) I believe 2017 was.

6 Q The \$1.5 million in base rates for the Veg.
7 Management, is that enough money to comply with
8 307.10 and the four-year cycle?

9 A (Green) It is not.

10 Q Is it even close?

11 A (Green) No.

12 Q The budget that was ultimately used in this
13 case -- let me back up. During the
14 conversation with Staff, there is no formal
15 approval of a budget. It is just a
16 conversation with the parties, trying their
17 best to feel each other out, figure out what's
18 best for the Company to do. Is that a fair
19 high-level statement?

20 A (Green) Yes.

21 Q At the end of the day, and this is in the
22 Settlement Agreement, the Staff isn't bound by
23 what that number is, and the Company is on its
24 own to do what it thinks is best?

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[WITNESS PANEL: Simek|Green|Rivera]

1 A (Green) That's my understanding, yes.

2 Q And you referenced in your questions a short
3 time ago that you had prepared "several
4 budgets" that were discussed with Staff during
5 this process for, I believe, this year, 2019,
6 is that right?

7 A (Green) That is correct.

8 Q And you mentioned an "ideal budget". What was
9 your goal in presenting an ideal budget?

10 A (Green) The goal for the ideal budget was to
11 perform all the work to comply with 307.10,
12 meet reliability, and provide customer service.
13 And we actually took numbers that we had
14 achieved in 2019 and part of what -- 2018, and
15 extrapolated 2019 numbers, and they were pretty
16 consistent. And so, we presented that ideal
17 representing what we are experiencing.

18 Q And what was that, the high line number in the
19 ideal budget? And again, we're always removing
20 the FairPoint credits, just to compare
21 apples-to-apples.

22 A (Green) This is before Fairpoint?

23 Q After.

24 A (Green) After Fairpoint? 2.3, 2.4. 2.375.

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[WITNESS PANEL: Simek|Green|Rivera]

1 Q And the numbers we're talking about today, the
2 budgets were 1.6, 1.7, or 1.9, in that
3 neighborhood. So, a half million dollar
4 difference, give or take?

5 A (Green) Sounds about right.

6 Q Okay. Just order of magnitude.

7 A (Green) Uh-huh.

8 Q And it's your opinion that that's the kind of
9 budget that would be necessary to actually meet
10 307.10 and the four-year cycle going forward?

11 A (Green) In addition to other field conditions
12 that we have --

13 *[Court reporter interruption.]*

14 **BY THE WITNESS:**

15 A (Green) Oh. Some of the field conditions.

16 BY MR. SHEEHAN:

17 Q "In addition to field conditions".

18 A (Green) In addition to field conditions, gypsy
19 moth, emerald ash borer, storm damage,
20 etcetera.

21 Q And the expectation is, at some point the
22 four-year trim cycle will bear fruits, and the
23 costs should come down as the catch-up has been
24 completed, and pardon my non-technical terms?

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[WITNESS PANEL: Simek|Green|Rivera]

1 A (Green) Absolutely. We're creating kind of
2 construction right now. We're not into
3 maintenance. So, after the four years, I
4 expect to be more in the maintenance type of
5 program.

6 Q And there's been discussion today about the
7 deferred trees. Those are things that need to
8 be dealt with or you can't get onto the
9 program, the four-year trim?

10 A (Green) That is true.

11 MR. SHEEHAN: That's all I have.
12 Thank you.

13 CHAIRMAN HONIGBERG: All right. I
14 don't believe there are any other witnesses.
15 So, we're done with that part of the hearing.
16 I think the three of you can stay where you
17 are, because it probably won't take long from
18 here.

19 Without objection, we'll strike ID on
20 Exhibits 1 through 8?

21 *[No verbal response.]*

22 CHAIRMAN HONIGBERG: Anything else we
23 need to do before the parties sum up?

24 *[No verbal response.]*

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1 CHAIRMAN HONIGBERG: Mr. Kreis, why
2 don't you start us off.

3 MR. KREIS: Thank you, Mr. Chairman.
4 Since Commissioner Giaimo was kind enough to
5 quote Yogi Berra during his questioning, I
6 would like to close by invoking two legal
7 principles as articulated by Mr. Berra. The
8 first of them is "If you don't know where you
9 are going, you'll end up someplace else." And
10 the second of them is "When you come to a fork
11 in the road, take it."

12 And I think each of those principles
13 form a sound basis for the Commission to do the
14 following: Looking at Bates Page 021 of
15 Exhibit 1, Column (c) lays out two variances,
16 and actually lays out several variances, but
17 there are two that I'm focusing on. One is a
18 \$112,000 variance for police detail expenses,
19 and the other is a \$135,000 variance for hazard
20 tree removal. I think the Commission should
21 disallow recovery of both of those variances,
22 for slightly different reasons.

23 I'll start with hazard tree removal.
24 Hazard tree removal, the basis for disallowing

1 that recovery, is an invocation of the first of
2 the two Berra principles I laid out, the one
3 that says "If you don't know where you're
4 going, you'll end up someplace else." The
5 Company simply hasn't demonstrated that it
6 prudently incurred that extra cost of hazard
7 tree removal. The Company's witnesses
8 basically said "it just kind of happened". I
9 mean, maybe that's an unsympathetic paraphrase,
10 but that's how I would characterize it.

11 And then, with respect to the police
12 detail expenses, and again "When you come to a
13 fork in the road, take it", and we are at that
14 fork in the road. I think it is time for the
15 Commission to put the utilities on notice, and
16 through the utilities, put the state's
17 municipalities on notice, that the limitless
18 recovery of costs associated with towns like
19 Walpole and Pelham, that require utilities to
20 hire their police departments to do this kind
21 of traffic control, that can't continue
22 unabated. There has to be a limit. Now is the
23 time to set that limit.

24 CHAIRMAN HONIGBERG: Just so we're

1 clear, I think the burghers of Pelham were not
2 the villains in your story, just there it's
3 Salem, I think.

4 MR. KREIS: Ah. Salem, excuse me,
5 Mr. Chairman. You're correct, the burghers of
6 Salem.

7 Commissioner Bailey asked a couple of
8 really salient questions, and the Company's
9 answers were very illuminating. It's clear
10 that something we don't know is what is the
11 value of the next unit of reliability
12 enhancement that the ratepayers pay for. The
13 Commission doesn't know what the value of that
14 is. The Company certainly don't know the value
15 of that next aliquot or unit of reliability.

16 And so, it is important for the
17 Commission to start setting limits, and require
18 the utilities to come and actually justify, on
19 a cost/benefit basis, the next unit of
20 reliability that they purchase and charge
21 ratepayers for in connection with reliability
22 enhancement programs, which are rates and
23 charges the utilities get to impose above and
24 beyond their routine costs that they recover

1 elsewhere.

2 And so, the two disallowances I
3 recommended are a very modest step in the
4 direction of putting the utilities on notice,
5 and putting this utility in particular on
6 notice, that this is not a blank check to the
7 utilities for limitless cost recovery.

8 Apart from that, to the extent not
9 inconsistent with anything I've just said, I am
10 totally prepared to endorse any of the
11 recommendations that Mr. Dexter is about to
12 articulate.

13 And that's all I have.

14 CHAIRMAN HONIGBERG: Mr. Kreis, I
15 have a question. I think the Legislature has,
16 in most every session in recent years, had
17 legislation in front of it to try and limit the
18 amounts charged to utilities by the
19 municipalities for police details. And that
20 legislation never passes.

21 Should we be influenced at all by
22 those results as we consider what Salem has
23 been doing and what, I've forgotten, Walpole, I
24 think, is set up to do going forward?

1 MR. KREIS: I am always inclined to
2 fall back on the principle that it is very
3 difficult to draw any conclusions from
4 legislative inaction, because the reasons for
5 legislative inaction are potentially infinite,
6 and you don't have any statutory enactment to
7 construe.

8 So, I guess my answer to your
9 question is "no".

10 CHAIRMAN HONIGBERG: Mr. Dexter.

11 MR. DEXTER: Thank you, Mr. Chairman.
12 Again, I'll break down my recommendations into
13 O&M first and investment second.

14 With respect to the O&M, Staff asked
15 a lot of the questions that we did today
16 because of some concerns we have over the
17 process that's been in place at least since the
18 last rate case, and I think it probably goes
19 back at least to 2013, and possibly to 2008.
20 We're concerned about the inability to control
21 the costs that go through this mechanism.

22 And while I am sympathetic, we're
23 sympathetic to Mr. Kreis's recommended
24 disallowance, Staff was not going to recommend

1 a disallowance of O&M in this case. But we do
2 want to put the Company and the Commission on
3 notice that this is an issue that we intend to
4 look at thoroughly in the rate case, which is
5 going to be filed in a matter of weeks.

6 We're concerned, because it -- as I
7 understand it, there was a time where the
8 Company and the Staff would come to agreement
9 on an appropriate budget. Granted, it's not a
10 settlement, and it's not binding. But there
11 seemed to be a meeting of the minds that an
12 appropriate budget, you know, would fall
13 somewhere around the amount that had been built
14 into the base rates. The amount built into the
15 base rates in 2013 was a million three plus.
16 And then that was increased in 2017, by
17 agreement between Staff and the Company, to a
18 million five. And then, just several months
19 later, in 2017, after agreeing that was the
20 base amount, the first budget that came in was
21 significantly above the million five. And,
22 although there was some adjustments by the
23 Company, we are very concerned that the base
24 amount is a target, as Mr. Simek called it, or

1 maybe not even a target.

2 And so, we will be looking at the
3 appropriateness of continuing building tree
4 trimming expenses into a separate recovery. We
5 are going to look at whether or not this is
6 something that could just be handled in base
7 rates. And that is a position we will look at
8 in the rate case. And we will be guided by the
9 improvement in the reliability statistics that
10 the witness pointed out.

11 I just want to point out on the O&M
12 that, on Bates Page 054, where the witness did
13 indicate that sometimes the Company is above
14 and sometimes the Company is below the base
15 amounts, since the last rate case, the budgets
16 have been in the area of four to \$500,000 above
17 the base amount. And I think, on Mr. Sheehan's
18 redirect, it became clear that the Company is
19 not looking -- does not expect that those
20 numbers will be going down.

21 So, we will consider whether a
22 standard, good old cost of service test year
23 ratemaking can cover tree trimming in the
24 future. But that's an issue that we will bring

1 up in the rate case.

2 As for this budget, we are concerned
3 that the actuals came in \$300,000 over budget
4 and \$500,000 over base amount. But we would
5 not recommend disapproval on the basis of the
6 testimony that we heard so far.

7 With respect to the investments, we
8 do have similar concerns about the
9 appropriateness of the investment recovery
10 going forward, for the reasons I said in
11 connection with the O&M. These are projects
12 that have been successful. The reliability
13 statistics bear that out. But we will be
14 exploring in the rate case whether or not it's
15 necessary for these annual adjustments to rate
16 base are needed, continue to be needed.

17 We do have a recommended disallowance
18 in this case with respect to the Mammoth Road
19 project. This was the one that was about
20 330,000. On Bates 021, we talked about it for
21 a bit. No, I'm sorry. It's not Bates 021.
22 It's Bates 023, Line 3. The actuals came in at
23 \$331,000. Given the parameters of the program
24 as it's been set up, with the pre-meeting and

1 the reconciliation, it's our understanding that
2 this project was not brought up at the meeting
3 with Staff that was held in late 2017 to -- I'm
4 sorry, late 2016, to discuss the 2017 budget.
5 It was not brought up in the 2017
6 reconciliation.

7 The witness indicated that the first
8 time the PUC was put on notice of this project
9 was in 2018, by the Audit Staff, after it
10 was -- after it was already completed. So,
11 therefore, the Staff had no opportunity to ask
12 some of the questions that Commissioner Bailey
13 was asking and the Consumer Advocate was
14 talking about, things like "is this project
15 going to improve reliability?"

16 There are statistics that Staff looks
17 at to evaluate these projects, having to do
18 with their impact on the SAIFI and the SAIDI
19 that we talked about. We had no knowledge of
20 this project.

21 And so, therefore, we recommend that
22 this project not be included in this year's
23 increase to REP. I will note that the project
24 was put in service in 2017, which is the test

1 year in the Company's upcoming rate case. It
2 would seem appropriate that this be treated
3 through standard rate base ratemaking --
4 ratemaking. So, that's our proposal with
5 respect to the REP investments.

6 And that concludes my statements.

7 CHAIRMAN HONIGBERG: Mr. Sheehan.

8 MR. SHEEHAN: Thank you. First, on
9 the police costs, there is a statute that
10 authorizes towns to impose these costs. So,
11 the fact that we don't know why the Legislature
12 may not have "fixed that", as Mr. Kreis says,
13 is irrelevant. They are authorized by law.
14 And so, when the towns say "you need to have
15 police details when I say you need them", we
16 have no discretion. So, it would be, frankly,
17 I think, unconstitutional for you to deny
18 recovery of those costs, where we have no say
19 over them, no control over them by statute.
20 And a statute would fix it. But, as you
21 suggested, it fails every year.

22 So, right now, the towns have the
23 upper hand; by law, we have to pay them. So, I
24 don't think there's any basis to disallow the

1 police costs.

2 On the hazard tree removals, and
3 Commissioner Bailey's question about "how much
4 is enough", it all wraps into the box that we
5 are currently in. We have a rule that requires
6 these corridors. We have a Commission order
7 that requires a four-year plan. Nowhere today
8 did anyone say our efforts to meet those two
9 standards were unreasonable. No one said that
10 it was wrong to cut more trees to meet the
11 two-foot requirement. No one said it was wrong
12 to speed up the amount of cutting in order to
13 get on the four-year plan.

14 There were some critiques of an item
15 here or an item there. But we are still
16 obligated to meet those higher standards. And
17 no one has presented a budget, contrary to Ms.
18 Green's, that says that "you can do it for
19 less." They keep coming back to the
20 \$1.5 million that is in base rates. No one has
21 testified that that's enough money to
22 accomplish what the law requires us to
23 accomplish. And the only evidence you have in
24 front of you is it's far short.

1 The 1.5 million is, as someone
2 testified, in base rates as a leveler, as a --
3 we've always known we're going to spend that
4 amount. There were some exceptions in the
5 past. But going forward, the four-year trim
6 was approved in the last rate case, which was a
7 '16 case approved in 2017. The corridor
8 requirement I think was a 2014 or '15 rule, but
9 relatively new.

10 Ever since then, we've been
11 presenting budgets. We've been trying hard to
12 get enough money to comply. The process that
13 is described in the Settlement Agreement, and
14 it's the 2013 Settlement Agreement, I have the
15 reference here, does call for conversations
16 with Staff and the OCA, which is fine, and
17 which we do and which we value. But there is
18 no approval of budgets. At the end of the day,
19 we do what we think we need to do.

20 However, given what's happened today,
21 we are at very high risk, if we expend the two
22 and a half million dollars that Ms. Green
23 believes is needed, and no one had disagreed
24 with, we're at risk at not getting recovery,

1 because that is a lot of money, and we get
2 that. So, we do scale back and try to serve
3 both masters; meeting the requirements and
4 understanding the legitimate concerns that this
5 costs a lot of money. And you end up in these
6 middle grounds where we're tugged in both
7 directions, and floundering, frankly.

8 So, when is reliability good enough?
9 I suggest that's your call. That's a policy
10 decision. In some ways, you have suggested
11 we're not there yet, because you've approved
12 the four-year trim cycle, you've approved the
13 new Commission rule, which both would improve
14 reliability.

15 But, until that changes, that's what
16 we have to march towards. Again, we're in this
17 tug of "that's going to cost over \$2 million a
18 year". We're fighting to get the dollars that
19 we spend less than that.

20 So, there's always -- it's a fair
21 question, and I fully would support a
22 conversation, whether it's in a docket or
23 simply a conversation, that maybe we cover our
24 SAIDI and SAIFI metrics, and once we hit those,

1 good enough. And we won't trim as much
2 anymore. And we'll have to, you know, there's
3 always a tough balance there.

4 Specific to this case, our request
5 for recovery is for the -- I don't have the
6 numbers here, but the roughly \$500,000 -- I'm
7 sorry, 400 and something thousand for the O&M
8 piece that's above the 1.5 base. The only
9 critique of that is that it was for hazard
10 trimming without a lot of detail from Mr.
11 Kreis, the only recommendation to disallow.

12 Ms. Green did testify the process we
13 go through for identifying trees, the places
14 we're working, and that it is expensive. These
15 were all trees that needed to be removed. No
16 one has claimed yet that any of these trees
17 should have stayed up. So, we did a bit more
18 in 2018 than was part of a budget. But, again,
19 that budget is still far short of what's really
20 needed. These were prudent decisions made by
21 professionals, and carried out. So, I think
22 the evidence is there to support those dollars
23 in excess of the 1.5. And the other piece of
24 it, of course, is the police detail.

1 On the capital, the request is for --
2 it's a \$240,000 base rate increase, as
3 Mr. Simek described. A piece of that was the
4 cost of debt change, was about 200,000 of
5 the -- based on the REP investments.

6 And Staff recommended a disallow of
7 the 300,000 for Mammoth Road. Again, there's
8 no argument that -- no dispute that that work
9 was done. It was prudently done. It was put
10 into service. The problem is that Staff
11 suggests they didn't know about it, therefore
12 we can't recover.

13 Mr. Rivera explained that it was on a
14 spreadsheet that was circulated. For some
15 reason, the copy didn't come through, and so it
16 did not become part of the conversations with
17 Staff. But it was picked up. It was audited.
18 It was put into service. There's a reason --
19 there's sufficient evidence for you to approve
20 that.

21 I would suggest a rereading of the
22 Settlement Agreement in the '13 rate case, that
23 is 13-063. The process, the conversation
24 process that happens for REP, again, I'm not

1 trying to discount it at all, it is a valuable
2 process, but it is not required. It does not
3 say "you shall talk to Staff and you shall
4 disclose to them everything you're going to do,
5 and if you don't, you can't recover it." Those
6 words aren't in there. So, I don't think
7 that's a basis to disallow.

8 Staff has had the information since
9 last fall. They have had this filing for a few
10 months to discover and ask whatever questions
11 they wanted on it. And again, there's no
12 evidence that it was not put in service, that
13 it was not selected for the right reasons for
14 this particular wire replacement.

15 So, I urge you to approve the O&M
16 recovery as requested and the capital recovery
17 as requested.

18 The last piece is the mechanism for
19 terminating last year's recovery. If you
20 recall, Mr. Simek described that usually the
21 O&M piece is in an adjustment factor that we
22 just fix. Because of everything we did last
23 year, it ended up, in effect, in base rates.
24 So, we have to reduce base rates June 1 by that

1 half million dollars.

2 So, I agree with David Simek that we
3 will talk to Staff and come out with a proposal
4 to do it. But just give the Commission a
5 head's up, it will probably be a simple and
6 quick filing that we'll need to dot the i's and
7 cross the t's procedurally so we can get it
8 done by June 1.

9 Thank you.

10 CHAIRMAN HONIGBERG: All right.
11 Thank you all. We will close the hearing.
12 There's no outstanding record requests. We'll
13 take the matter under advisement and issue an
14 order as quickly we can.

15 ***(Whereupon the hearing was***
16 ***adjourned at 4:42 p.m.)***