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E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
62	Petition for Second Step Adjustment, including the Testimony of Lee Lajoie, David L. Plante, and James J. Devereaux, with attachments, and the Testimony of Erica L. Menard and Jennifer A. Ullram, with attachments	<i>premarked</i>
63	New Hampshire Department of Energy Final Audit Report	<i>premarked</i>
64	Supplemental Request Forms, consisting of 64 pages	<i>premarked</i>
65	RESERVED FOR RECORD REQUEST (RE: Planning and Approval Process)	143
66	RESERVED FOR RECORD REQUEST (RE: Alternatives on the Submarine Cable Project)	143
67	RESERVED FOR RECORD REQUEST (RE: Emergency or unforeseen project approvals)	143
68	RESERVED FOR RECORD REQUEST (RE: Whether there are any additional responses by the Company to the Audit Report)	143

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P R O C E E D I N G

CHAIRWOMAN MARTIN: Good morning, everyone. We're here this morning in Docket DE 19-057, which is the Eversource petition for the second step adjustment.

Let's take appearances from counsel, starting with Mr. Fossum.

MR. FOSSUM: Good morning, all. Matthew Fossum, here for Public Service Company of New Hampshire, doing business as Eversource Energy.

CHAIRWOMAN MARTIN: Okay. Thank you. And Mr. Kreis.

MR. KREIS: Good morning, everybody. I am Donald Kreis, doing business as the Office of the Consumer Advocate, here on behalf of residential utility customers. And with me today is our legal intern, who will eventually become a lawyer, Kijana Plenderleith.

CHAIRWOMAN MARTIN: Excellent. Thank you. And Mr. Buckley.

MR. BUCKLEY: Good morning, Madam Chair and Commissioner Goldner. My name is Brian D. Buckley. And I am here representing the

1 Department of Energy's Regulatory Support
2 Division today.

3 CHAIRWOMAN MARTIN: Thank you. And
4 welcome in your new capacity. It's our first
5 time seeing you.

6 Okay. I have Exhibits 62 through 64
7 prefiled and premarked for identification. Is
8 that the full set of exhibits we'll see today?

9 MR. FOSSUM: Yes. There may be,
10 since this is a continuation of the rate case,
11 it's possible there may be a reference to a
12 prior one. But the only ones that I'm aware of
13 that anybody is going to present today are those
14 three.

15 CHAIRWOMAN MARTIN: Okay. And, Mr.
16 Buckley or Mr. Kreis, anything else?

17 MR. KREIS: Nothing from us.

18 MR. BUCKLEY: Nothing further from us
19 either.

20 CHAIRWOMAN MARTIN: Okay. I will
21 reiterate, if the Parties could file a
22 comprehensive exhibit list, it is helpful for me
23 to confirm that those are all of the exhibits, as
24 opposed to getting separate emails, and then I'm

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 not entirely sure that that is the full set. So,
2 if you could do that going forward, it would be
3 much appreciated.

4 Anything other preliminary matters
5 before we hear from the witnesses?

6 *[No verbal response.]*

7 CHAIRWOMAN MARTIN: Okay. Seeing none.
8 Mr. Patnaude, would you swear in the witnesses
9 please.

10 (Whereupon **Lee G. Lajoie,**
11 **David L. Plante, James J. Devereaux,**
12 **Erica L. Menard, and Jennifer A. Ullram**
13 were duly sworn by the Court Reporter.)

14 CHAIRWOMAN MARTIN: Okay. Thank you.
15 Mr. Fossum, go ahead.

16 MR. FOSSUM: Thank you.

17 **LEE G. LAJOIE, SWORN**

18 **DAVID L. PLANTE, SWORN**

19 **JAMES J. DEVEREAUX, SWORN**

20 **ERICA L. MENARD, SWORN**

21 **JENNIFER A. ULLRAM, SWORN**

22 **DIRECT EXAMINATION**

23 BY MR. FOSSUM:

24 Q I'll start with Mr. Lajoie. Could you please

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 state your name, your position, and your
2 responsibilities for the record?

3 A (Lajoie) My name is Lee Lajoie. I am the Manager
4 of System Resiliency for Eversource New
5 Hampshire. And a large part of my duties involve
6 dealing with the capital budget for Eversource
7 New Hampshire. I also have two other groups
8 reporting to me, Reliability Reporting group and
9 a group that runs our Distribution Automation
10 Program.

11 Q And have you previously testified before this
12 Commission?

13 A (Lajoie) Yes, I have.

14 Q I'll just stay with you for the moment. Mr.
15 Lajoie, did you back on May 3rd file joint
16 testimony and attachments as part of the
17 Company's submission in what has been marked for
18 identification as "Exhibit 62"?

19 A (Lajoie) Yes, I did.

20 Q And, for the portion for which you were
21 responsible, was that testimony prepared by you
22 or at your direction?

23 A (Lajoie) Yes, it was.

24 Q Do you have any corrections or updates to that

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 testimony this morning?

2 A (Lajoie) No, I do not.

3 Q And do you adopt that testimony as your sworn
4 testimony for this proceeding?

5 A (Lajoie) Yes, I do.

6 Q Thank you. Turning to Mr. Plante. Could you
7 please state your name, your position and
8 responsibilities for the record? And it appears
9 you're on mute, Mr. Plante.

10 A (Plante) Yes. Sorry about that. Yes. Good
11 morning, everyone. My name is David Plante. And
12 I am the Manager of Project Management-New
13 Construction for Eversource in New Hampshire.
14 And, basically, my role is to run the Project
15 Management group here in New Hampshire overseeing
16 the project managers who actually manage the
17 projects that we execute.

18 Q And have you previously testified before this
19 Commission?

20 A (Plante) I have.

21 Q And, Mr. Plante, did you also back on May 3rd
22 file joint testimony and attachments in what
23 has been marked for identification as
24 "Exhibit 62"?

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 A (Plante) Yes.

2 Q And, for the portion for which you were
3 responsible, was that testimony prepared by you
4 or at your direction?

5 A (Plante) Yes.

6 Q And do you have any corrections or updates to
7 that testimony this morning?

8 A (Plante) I do not.

9 Q And do you adopt that testimony as your sworn
10 testimony for this proceeding?

11 A (Plante) I do.

12 Q And, lastly, for the preliminaries,
13 Mr. Devereaux, could you please state your name,
14 your position and responsibilities for the
15 record?

16 A (Devereaux) Yes. Jim Devereaux, Manager of
17 Budgets and Investment Planning. I'm responsible
18 for financial reporting, in-house analysis and
19 oversight of the capital programs and O&M for New
20 Hampshire operations.

21 Q And, Mr. Devereaux, have you previously testified
22 before this Commission?

23 A (Devereaux) I have not.

24 Q In light of that, could you just very briefly

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 state your experience and qualifications for the
2 record?

3 A (Devereaux) Sure. I graduated from St. Michael's
4 College and followed up -- with a Business
5 degree, and followed up with a Master's of
6 Business Administration from Bentley University.

7 I've worked for the Company since 1985,
8 mostly in the gas business in Massachusetts. I
9 held the role of Director of Gas Service and
10 Supply for about ten years, moved on to
11 Investment Planning, and have been in my current
12 position since 2019.

13 Q And, Mr. Devereaux, did you also back on May 3rd
14 file joint testimony and attachments in what
15 has been marked for identification as
16 "Exhibit 62"?

17 A (Devereaux) Yes, I did.

18 Q And was that testimony prepared by you or at your
19 direction?

20 A (Devereaux) Yes, it was.

21 Q And do you have any corrections to that
22 information this morning?

23 A (Devereaux) I do not.

24 Q And do you adopt that testimony as your sworn

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 testimony for this proceeding?

2 A (Devereaux) Yes, I do.

3 Q All right. Moving on, and turning to Ms. Menard.

4 Could you please state your name, your position
5 and responsibilities for the record?

6 A (Menard) My name is Erica Menard. I am the
7 Manager of Revenue Requirements for New
8 Hampshire. And, in that capacity, I am
9 responsible for revenue requirement calculations
10 for various rate and regulatory filings before
11 this Commission.

12 Q And have you previously testified before this
13 Commission?

14 A (Menard) Yes, I have.

15 Q And did you back on May 3rd file joint testimony
16 and attachments with Ms. Ullram as part of the
17 Company's submission, and which has been marked
18 identification as "Exhibit 62"?

19 A (Menard) Yes.

20 Q And was that testimony prepared by you or at your
21 direction?

22 A (Menard) Yes, it was.

23 Q And do you have any corrections or updates to
24 that testimony this morning?

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 A (Menard) No, I do not.

2 Q And do you adopt that testimony as your sworn
3 testimony for this proceeding?

4 A (Menard) Yes, I do.

5 Q And turning to Ms. Ullram. Could you please
6 state your name, your position and
7 responsibilities for the record?

8 A (Ullram) Good morning. My name is Jennifer
9 Ullram. I am the Manager of Rates for
10 Connecticut and New Hampshire. In my role, I'm
11 responsible for rates, cost of service, and rate
12 design for both Connecticut and New Hampshire.

13 Q And have you previously testified before this
14 Commission?

15 A (Ullram) Yes, I have.

16 Q And did you also on --

17 CHAIRWOMAN MARTIN: Mr. Fossum?

18 MR. FOSSUM: Yes.

19 CHAIRWOMAN MARTIN: I apologize for
20 interjecting. Mr. Lajoie is no longer on my
21 screen. Can other folks see him?

22 WITNESS MENARD: He has an error with
23 his computer and it is restarting.

24 CHAIRWOMAN MARTIN: Okay. Excellent.

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 Mr. Fossum, I think we can proceed, until you
2 need to have questions of Mr. Lajoie.

3 MR. FOSSUM: Hopefully, he'll be back
4 in just a moment or three.

5 BY MR. FOSSUM:

6 Q Where did we leave off? I believe I asked, but
7 just in case, did you file testimony and
8 attachments, along with Ms. Menard, back on May
9 3rd, and included in what has been marked for
10 identification as "Exhibit 62"?

11 A (Ullram) Yes, I did.

12 Q And was that testimony prepared by you or at your
13 direction?

14 A (Ullram) Yes, it was.

15 Q And do you have any corrections or updates to
16 that information?

17 A (Ullram) No, I do not.

18 Q And do you adopt that testimony as your sworn
19 testimony for this proceeding?

20 A (Ullram) Yes.

21 MR. FOSSUM: Thank you. Now, with the
22 preliminaries out of the way, I suppose, I have
23 just a few questions, but I prefer to wait for
24 Mr. Lajoie to rejoin before I continue. So,

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 I'll --

2 CHAIRWOMAN MARTIN: Okay. Why don't we
3 take a five-minute recess, until 9:20 or so, to
4 give him the chance to rejoin.

5 All right. Off the record.

6 *(Recess taken at 9:13 a.m. and the*
7 *hearing resumed at 9:19 a.m.)*

8 CHAIRWOMAN MARTIN: Okay. Let's go
9 back on the record. Mr. Fossum.

10 MR. FOSSUM: Thank you. And I
11 appreciate the few moments to make sure that the
12 issues were resolved, and hopefully they won't
13 repeat.

14 With that said, I just have a -- as I
15 said, I don't have a lot of the questions, but a
16 couple of things.

17 BY MR. FOSSUM:

18 Q Referring to the testimony of Messrs. Lajoie,
19 Plante, and Devereaux, and in particular the
20 material included in Attachment LGL/DLP/JJD-1,
21 could you please explain what is included in that
22 attachment and what that shows for the
23 Commission?

24 A (Devereaux) Yes. That attachment includes

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 specific information on each of the projects that
2 are filed in this, in this proceeding. As
3 described in earlier, it has plant in service,
4 spending for that particular project, it
5 indicates whether a supplement was necessary for
6 that project, and it shows the lifetime costs of
7 the project versus the authorization.

8 Q And is this information presented in a format
9 that had been discussed with the -- I guess what
10 is now DOE Staff?

11 A (Devereaux) Yes. This was the same format that
12 was used in the filing of last year. And it's
13 split between specific projects that are new to
14 this filing, carryover projects that have had
15 costs already applied for recovery, and annual
16 projects, that are annual projects, you know,
17 each one is for a year, and the charges roll up
18 into that particular project on an annual basis.

19 Q Thank you for the general overview. I'd look to
20 Messrs. Plante or Lajoie as may be appropriate,
21 to just -- if you could very briefly please just
22 focus on one or two of the projects, and describe
23 the detail that is provided there for the
24 Commission's review?

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 A (Lajoie) Okay. I will start. As one example, on
2 Bates Page 025, Line 7, is a description of
3 Project Number A16N01, which is a submarine cable
4 project.

5 The project was initiated to replace
6 two different submarine cables that went from the
7 mainland out to islands in Lake Winnepesaukee,
8 Welch Island and Lockes Island. In particular,
9 the cable to Welch Island was a mile long cable
10 approximately, crossing one of the deepest spots
11 of Lake Winnepesaukee.

12 It's a bit of an unusual project for
13 us, in that we don't install a lot of submarine
14 cable. The cables that were physically there had
15 been installed one of them in the '40s and one of
16 them in the 1960s. The replacement of these
17 cables had been on our radar, if you will, for a
18 number of years, and had been kept getting
19 deferred for a number of reasons.

20 Finally, in 2016, the project was
21 initiated to start the work on replacing these.
22 The initial request, which was approved, was
23 authorized for \$360,000. As time went on, and --
24 Q And, Mr. Lajoie, just I'll interrupt you just for

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 a moment to say is to focus on what is included
2 in the attachment, that 360,000 you mentioned,
3 where does that show?

4 A (Lajoie) The "360,000" is in Column -- I'm sorry,
5 the font is really small, "360,000" is in Column
6 I, which is the "Pre-Construction Authorization".

7 So, as we progressed with the project,
8 there were a significant number of permits
9 required. There was Department of Environmental
10 Services' Wetlands Permit, Shorelands Permits,
11 water crossings, and so forth.

12 Excuse me. As the project progressed,
13 and we went out for bids for the actual
14 installation of the project, it became very clear
15 that the initial authorization, the
16 pre-construction authorization of 360,000, was
17 not going to be enough to cover the replacement
18 of these cables. So, a supplemental request was
19 submitted. This was based on actual bids that
20 have been received. We got the bids the first
21 time around, looked at the numbers, thought they
22 were really high. So, we actually went out for a
23 second round of bids just to be sure -- to be
24 sure that we were getting the best price

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 possible.

2 And I'm getting a note that this may be
3 Bates 026.

4 CHAIRWOMAN MARTIN: I believe it's red
5 Bates Page 026.

6 WITNESS LAJOIE: Okay.

7 CHAIRWOMAN MARTIN: I think we have
8 multi-colors again for this one, and it's located
9 in a different corner, because of the -- I'm
10 having to turn the page. Can you confirm that?
11 It is the red Bates Page 026, Line 7?

12 WITNESS LAJOIE: Yes. That's correct.

13 CHAIRWOMAN MARTIN: Okay. Thank you.

14 WITNESS LAJOIE: Sorry about that.

15 **CONTINUED BY THE WITNESS:**

16 A (Lajoie) So, anyways, we had gone out for bids
17 twice around, two separate times, gotten bids
18 from a number of contractors. The low-price
19 bidder was the one that was selected for the
20 installation. So, the supplemental request was
21 submitted. And the various columns on this
22 spreadsheet, the "Supplemental Authorization" for
23 "1.917 million", as shown in Column J. The
24 actual project cost of 1.883 -- well, 1.884 with

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 a little bit of rounding, is shown in Column M.
2 So, the project did come in at less than the
3 supplemental authorized amount.

4 I do want to point out that the
5 supplemental was submitting prior to construction
6 starting. There had been some expenditures at
7 that point for the permitting and so forth. But,
8 before we proceeded with construction, we wanted
9 to make sure we had everything in place so we
10 knew the project could proceed. So, that's where
11 those charges came in. Again, less than that
12 original 360 authorized amount, but they are
13 rolled into the nearly \$1.6 million for the
14 installation -- excuse me -- the 1.883 million
15 for the actual final cost.

16 Q Thank you for walking through that detail.

17 Mr. Plante, just is there another --
18 could you provide another example, and we'll keep
19 it brief, of the detail that's provided for
20 review in this attachment?

21 CHAIRWOMAN MARTIN: Mr. Lajoie, could
22 you please mute in between? Thank you.

23 **BY THE WITNESS:**

24 A (Plante) All right. Certainly. Thank you. And

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 I'll talk a little bit about the Pemigewasset
2 Transformer Replacement Project at the
3 Pemigewasset Substation, which is shown on Bates
4 026, Line 19. This project was an upgrade to
5 replace -- to an existing substation, which had
6 an overloaded transformer. So, we're actually,
7 basically, replacing the existing transformer
8 with a newer, larger transformer.

9 And, based on the outside engineers we
10 had retained solely for purposes of developing
11 project estimates, the initial estimate was made
12 for this project in 2017, which led to the
13 February 2018 full funding authorization of
14 4.1 million.

15 Initially, the engineering assumptions
16 for the project indicated that the existing
17 control house would have -- would be large enough
18 to accommodate the new protection and control
19 equipment that was required. However, as the
20 project engineering developed, that turned out
21 not to be the case, as noted in the far right,
22 Column U, we have a little bit of an explanation
23 of the major driver for the cost change. And
24 there was a need to make modifications that led

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 to some additional costs as shown in the
2 Supplement columns.

3 The matter was further complicated by
4 issues discovered during the testing period that
5 required additional design work and subsequent
6 construction modification. While the contract
7 with the design firm put some of those costs on
8 them, there were other costs that needed to be
9 addressed, and led to the final amount shown in
10 Column K.

11 While we do work to control costs and
12 anticipate issues, because some of the issues
13 were not discovered until the testing phase,
14 those were costs that we did not anticipate.
15 And, as discussed in previous testimony, our
16 revised authorization process would have
17 progressed the engineering and contracting such
18 that the major assumptions are validated and
19 quantified prior to authorizing full funding.
20 And had this been the case, additional funding
21 may still have been required, however at a much
22 lesser incremental value.

23 And, you know, this is one of those few
24 remaining projects that we kind of consider is a

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 legacy of our previous authorization process,
2 where we had authorized it for full funding
3 before we really had launched into the
4 engineering. But we don't do it that way any
5 longer.

6 BY MR. FOSSUM:

7 Q Thank you both for the detail. And I'll ask, and
8 I'll ask that each one of you, that's Mr.
9 Lajoie -- Mr. Lajoie, Mr. Plante, and then Mr.
10 Devereaux, in that order, that each of you answer
11 the same question.

12 And is it your position, and the
13 Company's position, that each of the identified
14 projects included in these attachments were
15 prudent and the costs for those projects are
16 reasonable?

17 A (Lajoie) Yes, it is.

18 A (Plante) Yes, it is.

19 A (Devereaux) Yes, it is.

20 Q Thank you. Turning to Ms. Menard and Ms. Ullram.
21 Did you review the various projects identified in
22 the testimony and attachments of Messrs. Lajoie,
23 Plante, and Devereaux?

24 A (Menard) Yes.

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 A (Ullram) Yes.

2 Q And what did you do with that information
3 relative to this filing?

4 A (Menard) So, for our section, we took the
5 projects that were identified as going into
6 service, and we worked with the cost of those
7 projects, the plant additions, retirements, you
8 know, all of the relevant information associated
9 with those projects, and calculated the revenue
10 requirement to support those costs. That was
11 consistent with the Settlement Agreement, in
12 Section 10, there was a template that was
13 identified as to how step adjustments would be
14 presented. So, we took that information,
15 calculated the final revenue requirement that
16 will be used to adjust distribution rates.

17 A (Ullram) And then, what I did was, once Ms.
18 Menard provided the revenue requirements, I
19 applied the revenue allocation methodology that
20 was approved in the Settlement Agreement, to
21 calculate the proposed rates that are shown on,
22 in red, on Bates Pages 052 and 053.

23 And, you know, I described in my
24 testimony, on Bates Pages 039 and 040, that,

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 because this first -- because we had last year's
2 step increase was recovered over a seven-month
3 period, as opposed to the twelve-month period,
4 the impact last year for the step increase was
5 higher. So, when calculating the incremental
6 step for this step increase, the Step 2 increase,
7 the revenue requirements to be recovered through
8 rates for the second step adjustment is lower
9 than the revenue requirement actually being
10 requested that's shown in Ms. Menard's testimony.

11 Q Thank you both. And understanding that, could
12 you please briefly explain the impact on rates as
13 a result of this step? And where is that shown
14 in the filing?

15 A (Ullram) So, the impact to rates is shown in
16 Exhibit 62, red Bates Page, let me just confirm,
17 starting on Page 74, we provide the impacts to
18 various rate classes. It starts on Page 74, and
19 goes through Page, pardon me, 95 -- 96.

20 And, for a typical, you know, a 600
21 kilowatt-hour Rate R residential customer, they
22 will see an overall increase for this step
23 adjustment of 38 cents per month. You know, in
24 our exhibit, on Bates Page 074, we show the

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 impact of the RRA and the distribution rate
2 change together, which was an impact of 27, but
3 just -- 27 cents per month, but, just isolating
4 the step adjustment, it's a 38 cent per month
5 increase.

6 Q Thank you. Yes, I'm unmuted. And last, for both
7 of you, is it your position and the Company's
8 position that the rates, as calculated and
9 presented in Exhibit 62, are just and reasonable
10 and in the public interest?

11 A (Ullram) Yes.

12 A (Menard) Yes.

13 MR. FOSSUM: Thank you. That's what I
14 had for the direct.

15 CHAIRWOMAN MARTIN: Okay. Thank you,
16 Mr. Fossum. Mr. Kreis.

17 MR. KREIS: Thank you, Chairwoman
18 Martin.

19 I think that the bulk of my questions
20 are going to be for Mr. Lajoie, but he is totally
21 welcome to punt any question over to any of his
22 colleagues if he wants.

23 And I'm hoping, now that he's a dead
24 ringer for Ernest Hemingway, that maybe he can

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 those projects has to include alternatives, which
2 could include non-wires alternatives; they could
3 include non-traditional utility solutions; or
4 they could be the more traditional poles and
5 wires solutions.

6 So, in the justification for those
7 projects, those items are considered, which
8 would, you know, kind of lend toward the LCIRP
9 process, completing the requirements of the LCIRP
10 process.

11 Does that kind of answer the question?

12 Q Yes. But here's a follow-up. Is there any
13 requirement in that budget authorization process
14 that a particular request tie back to the
15 Company's most recent Least Cost Integrated
16 Resource Plan?

17 A (Lajoie) I don't believe there is any particular
18 requirement that an individual project tie back
19 to the LCIRP, no.

20 Q On Bates Page 014, at Line 5 and 6, you testify
21 that "project authorization may be granted
22 throughout the year as circumstances warrant."
23 I'm wondering how that isn't a potential end-run
24 around both the annual budgeting process and the

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 least cost integrated resource planning process,
2 given that it basically says, if I'm reading that
3 correctly, that, really, the Company can
4 authorize any project at any point throughout the
5 year, if circumstances warrant?

6 A (Lajoie) Well, as just an example of what that
7 refers to, a few months ago, in Berlin, New
8 Hampshire, one of the substation transformers had
9 an internal fault. So, we opened up the
10 transformer, did a whole lot of testing and so
11 forth, and determined that the transformer needed
12 to be replaced. This was nothing that was on our
13 capital budget plan. We assumed that the
14 transformer would continue to function. But, in
15 order to maintain service within the greater
16 North Country, really, because this transformer
17 actually ties to lines that feed over into
18 Colebrook, and down into Lost Nation, and
19 Whitefield/Lancaster. So, it's that greater
20 area. In order to maintain the reliability of
21 service to those customers, we made the decision
22 that we needed to replace that transformer. That
23 work is actually in progress now.

24 So, authorization for this, Dave

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 Plante's work is -- group is actually working on
2 putting together the full engineering costs and
3 so forth of what it's going to take to replace
4 that transformer. But that's one that's being
5 approved now for completion this year.

6 So, it's not really that we're doing an
7 end-run around the LCIRP or any associated
8 requirements, it's the condition changed, in that
9 the transformer failed. And the only reasonable
10 solution to maintaining reliability to the area
11 is to replace the transformer. So, we'll be
12 taking a unit that was actually removed from
13 service somewhere else, because it was too small,
14 relocating it to Berlin, and putting it in
15 service in that substation.

16 Q Thank you. That example was super helpful, at
17 least in helping me understand how all this
18 works.

19 So, in that instance, it sounded like,
20 and you can tell me if I heard you or understood
21 you correctly, it sounded like that was,
22 essentially, an unanticipated set of
23 circumstances that required the Company, for
24 reliability reasons, to act in the middle of

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1 what -- in the middle of a budget year,
2 essentially. Do I have that right?

3 A (Lajoie) Yes. That's correct. Yes.

4 Q So, is there a requirement -- if I were the
5 person in Eversource who is tasked with seeking
6 approval for a project like that, outside of the
7 regular budget process, would there be any
8 requirement for me to demonstrate that the
9 project that I'm seeking approval for is the
10 result of unanticipated circumstances?

11 A (Lajoie) Yes. That is definitely part of the
12 justification form that is put together for the
13 project, the Project Authorization Form. Before
14 that form even gets submitted, though, we have --
15 I have participated in a number of meetings,
16 along with Dave Plante's group, and others, to
17 discuss "Hey, what alternatives do we have?"
18 And, you know, "Do we really need to do this?"
19 And the planning people get involved and so
20 forth. So, there's a lot of discussions that
21 happen internally, and then all of that gets
22 rolled into this Project Authorization Form
23 that's going to be submitted shortly, to, again,
24 authorize the investment in replacing that

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1 transformer in Berlin.

2 Q Super. Looking now at Bates Page 016, again, I'm
3 trying to stick to the red Bates numbers, just
4 want to make sure I have the right one. Yes, I
5 do. On that page, there is a discussion that's
6 labeled "Cost Control Procedures". And the
7 question is "Once the construction budget is
8 finalized, does the Company have measures in
9 place to control costs as the projects are
10 designed and completed?"

11 And the beginning of the answer to that
12 question says "The Company's PAP" -- first of
13 all, can you remind of what "PAP", "PAP", stands
14 for?

15 A (Lajoie) "Project Authorization Process".

16 Q Super. Okay. So, what you said was "The
17 Company's Project Authorization Process has been
18 established to allow for incremental project
19 funding authorizations based upon the
20 developmental stage of the project which controls
21 the amount of capital that can be expended on a
22 project until the project is fully defined and
23 most cost components have sufficient detail to
24 secure quality estimates."

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1 This is probably a testament to my poor
2 reading comprehension abilities. But I have
3 trouble understanding that sentence. And I'm
4 wondering if you could maybe explain it in more
5 detail or paraphrase it or render it in more
6 plain English?

7 Again, I apologize, because it's really
8 probably my fault for not quite getting what you
9 were trying to say.

10 A (Lajoie) No. Happy to walk through this. The
11 process works -- well, an individual project, and
12 actually this ties back to Dave Plante's
13 testimony a few minutes ago about the
14 Pemigewasset Substation, the way the process
15 works now, and has for the past couple of -- past
16 few years, is a project gets proposed, and it is
17 granted preliminary funding. And that
18 preliminary funding is to start work on the
19 detailed engineering to be able to come up with a
20 firm estimate of what the total project cost will
21 be.

22 And, actually, Dave, if you wouldn't
23 mind just jumping in here, since you're more
24 closely involved with that whole side of it, if

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1 that's okay, please.

2 A (Plante) Sure. Yes, I'm happy to. You know, Lee
3 doesn't necessarily get as involved with the
4 substation funding processes as I do. He runs
5 the other side of the funding processes for
6 distribution line projects.

7 And, as far as substation projects go,
8 and this is kind of what we're targeting here, it
9 applies to all of our authorizations, but more
10 specifically for substation projects as well.
11 And the way I'll address it is we now have a
12 multistage funding authorization process that is
13 independent of what the, say, trustee budget is
14 for a project in any given year. It's specific
15 to each of the projects that we're developing.
16 We first seek an initial funding authorization
17 from the Eversource Project Authorization
18 Committee, "EPAC" is the acronym that we use.
19 And that funding, usually a fairly low value, is
20 used to begin developing the concept for the
21 project and the solution.

22 We'll hire a vendor sometimes to help
23 us develop the project scope, and then we would
24 use that. Sometimes we'll do that internally as

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1 well. We will then use that knowledge to develop
2 a higher level estimate to then seek partial
3 funding for the project, which would be another
4 discrete authorization event through the EPAC
5 process. We would develop another Project
6 Authorization Form seeking partial funding to
7 complete the detailed engineering, initiate any
8 procurement events that might be valuable in
9 determining specific materials costs. We may
10 advance any necessary project permitting, site
11 plan approvals through the local municipalities,
12 for instance, through this partial process. And
13 that would get us to the point where we have
14 eliminated, probably not all, but many of the
15 major unknowns for the project, from a cost
16 perspective and from a scope perspective.

17 We would then develop what we would
18 call a "full funding estimate" and a "Full
19 Funding Authorization Form", which we would then
20 present to the EPAC to receive authorization to
21 complete the project.

22 So, that's kind of the incremental
23 project funding authorization process that we use
24 now. And that process is, you know, is kind of

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1 an evolution of what was our previous process,
2 where we had, in many cases, sought full funding
3 before we really gotten very far along with the
4 engineering.

5 And, then, lastly, once, you know, if
6 we do get to the point where we are well along in
7 construction, and something transpires, and looks
8 like we need more funds than we have authorized,
9 we would then present a Supplemental Funding
10 Request. And that's kind of the last type of
11 funding that is described through the EPAC
12 process.

13 Does that help?

14 Q That helped me. Hopefully, it helped others.
15 Thank you.

16 CHAIRWOMAN MARTIN: Mr. Kreis?

17 MR. KREIS: Yes.

18 CHAIRWOMAN MARTIN: I apologize for
19 interjecting. I think it would be helpful to the
20 Commission if we could have the Company submit as
21 a record request a description of that process,
22 including a flow chart, or something along those
23 lines, to clearly identify the process that was
24 just described.

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1 And, Mr. Fossum, any questions on that?

2 MR. FOSSUM: No. I believe that we've
3 presented essentially a narrative like that, and
4 I believe a flow chart along with it, as part of
5 our LCIRP filing. And, so, I believe that's
6 there. But that's, obviously, not in front of
7 you right now.

8 So, as I'm understanding your question,
9 you'd like to have that presented in this
10 proceeding. I suppose I'm looking, either we can
11 create one for this proceeding or -- as part of a
12 record request, or perhaps the response to the
13 record request would be to identify the specific
14 portions of that LCIRP filing that have that
15 information.

16 CHAIRWOMAN MARTIN: That would be a
17 fine approach as well, whichever is less
18 cumbersome for the Company. But my understanding
19 is that this is sort of the "regular process", as
20 opposed to the "LCIRP process". So, to the
21 extent there are two processes, if you can submit
22 the regular process here. If it's the same or
23 parts of it are the same, and you can just
24 identify that for us in the record request and

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1 point us to the other docket, we can certainly
2 take notice of that.

3 MR. FOSSUM: Yes. I believe it's the
4 same there, but we will confirm that, and sort of
5 present the questions -- we'll take the question
6 as in the alternative, either provide it or --
7 create it, provide it, or provide what exists in
8 the other docket, but we will do that.

9 CHAIRWOMAN MARTIN: Excellent. Thank
10 you.

11 WITNESS LAJOIE: Mr. Kreis, if I could
12 just -- Mr. Kreis, if I could just supplement
13 what Mr. Plante had said earlier.

14 MR. KREIS: Absolutely. But, before
15 you do that, let me just say, to the extent it's
16 germane, as the Company responds to the
17 Chairwoman's record request, I really like the
18 idea of tying things here into the LCIRP process.
19 So, I would encourage the Company to follow those
20 second of the two approaches that Mr. Fossum laid
21 out.

22 BY MR. KREIS:

23 Q Sorry, Mr. Lajoie, to cut you off. I'd be happy
24 to hear whatever else you wanted to add.

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1 A (Lajoie) No, it was just kind of a supplement to
2 what Mr. Plante was talking about.

3 The magnitude of the substation
4 projects is such that there are multiple steps
5 involved in this incremental project funding.
6 The smaller projects, the distribution line
7 projects, which I'm more intimately involved in
8 the authorization for, generally, it's more of a
9 two-step process. There's an initial funding
10 request, to make sure that we've identified all
11 the variables and, you know, gotten good
12 estimates and so forth, and then the final
13 funding request. So, it's really like a two-step
14 process. The initial funding request is, you
15 know, generally, well, it's generally less than
16 ten percent of the project costs, just to make
17 sure that everything's been identified so we
18 don't get any surprises late in the process.

19 Q Okay. Moving on to Bates Page 019, again with
20 reference to Exhibit 62, at that page, beginning
21 on Line 7, the witnesses talk about "annual
22 blanket projects". And they describe such
23 projects as "projects that are high-volume and
24 low dollar in nature", and they also note that

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1 "[annual blanket] projects are funded at a
2 consistent level from year to year and utilize
3 the same project names each year." That seems
4 perfectly lucid to me. And there is, at Lines 12
5 and 13, a sentence that gives some examples of
6 annual blanket projects, and the list is "new
7 services, capital tools, obsolescence and asset
8 renewal, line relocations, and service work."

9 And there's a few of those examples I
10 don't understand. Again, it might just be my bad
11 reading comprehension or lack of expertise. In
12 that context, what do the witnesses mean by "new
13 services"?

14 A (Lajoie) These are new service connections,
15 connections to new customers to provide electric
16 service.

17 Q So, "new service connections". That's exactly
18 the kind of reading comprehension that I'm sorry
19 I don't have.

20 And then, the next example you give are
21 "capital tools". What are "capital tools"?

22 A (Lajoie) Tools with an individual cost greater
23 than \$500 each are capitalized. So, an example
24 might be -- well, I guess I'm having a hard time

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1 coming up with an example, I apologize. Oh, I
2 know one. A number of years ago -- a number of
3 years ago we bought insulated chainsaws. So,
4 it's like a hydraulic chainsaw on the end of an
5 insulated stick, so our linemen could, you know,
6 plug into the hydraulic system of the truck, and
7 cut branches that are in contact with the line
8 without being in danger of becoming a path for
9 the electricity. And those units cost, I believe
10 at the time, they were about \$1,500 a piece. So,
11 we purchased a number of those.

12 That would be considered a "capital
13 tool", since each one of them is valued at over
14 \$500.

15 Q Thank you. Hopefully, Chairwoman Martin isn't
16 about to leap in and make a record request to ask
17 you to provide one of those, so that the
18 Commissioners can look at them. But I totally
19 misunderstood "capital tools". I thought, like
20 when I saw that phrase, I thought "Oh, they're
21 talking about like weird software they use to do
22 capital planning." But you're talking about
23 "tools that are capitalized."

24 And the very last example you give is

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 "service work". What do you mean by "service
2 work" in the context of annual blanket projects?

3 A (Lajoie) The "new services", "new service
4 connections" that we talked about first, involves
5 both high voltage and low voltage. If we have to
6 extend high-voltage lines to a transformer, and
7 then, you know, a service from the transformer to
8 the house. The service work at the end is
9 exclusively low-voltage installations, from the
10 transformer to the house. So, if we need to go
11 out, if there's an existing transformer, and all
12 we have to do is run a service to the house, that
13 would go under the "service work - annual".

14 If a service has deteriorated, because
15 a tree has been rubbing on it, and therefore
16 needs to be replaced, it would be replaced under
17 this "service work - annual". This is just
18 low-voltage type stuff. It tends to be
19 smaller -- it definitely is smaller dollar value
20 per job than the "new service connections", which
21 we talked about earlier.

22 Q Okay. I think this is my last question. I'm
23 looking now at Bates Page 047. And this is
24 probably a question for one of the rates and rate

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1 design witnesses, either Ms. Ullram or Ms.
2 Menard. And this now reflects my lack of acumen
3 when it comes to looking at numbers.

4 On that page, which is Page 1 of
5 Attachment ELM/JAU-2, the very last column is
6 "Percent", the last two columns are labeled
7 "Proposed Annual Change", and the percent varies
8 by rate class. From a low of "0.1", for Rate GV
9 and LG customers, all the way up to "0.4", for
10 Outdoor Lighting customers. And, again, I'm sure
11 there are really good answers buried in some of
12 the other spreadsheets that you provided.

13 But, just in general, can you explain
14 why those percentages differ, given that I
15 thought the step increase basically applied to
16 all the rate classes equally?

17 A (Ullram) Sure. I'll take a shot at it. So,
18 that -- we're combining all the rate classes in
19 that, you know, Exhibit 62, Bates red Page 047
20 that you referred to. So, you're going to get
21 slightly a little bit different of percentages
22 between the two of them.

23 The more appropriate place to probably
24 go to show how the rate design is done in

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1 accordance with the Settlement, meaning we have
2 allocated to each of the rate classes an equal
3 percentage, is Bates red Page 052. And, on that
4 page, you'll see that Line 23 three shows the
5 "Step 2 Average Percentage Change" is "0.86".
6 And, so, in Column C to that spreadsheet, you'll
7 see that, by multiplying Column B times Line 23,
8 which is the 0.86 percent increase, you get a
9 Step 2 distribution change based on the current
10 distribution revenue. And, so, if you look at
11 the last column, which is Column H, you'll see
12 that everyone is right around that 0.86 percent.

13 You're not going to ever get exact,
14 because, when you do rate design, you know, we're
15 trying to hit a distribution target, total
16 distribution target of \$416.6 million. And we're
17 never going to exactly get that, because we set
18 the rates at five decimal places, and then, once
19 you multiply everything out, so, you know, we're
20 off about \$10,000. So that kind of makes up for
21 some of the differences in the percentages. You
22 know, some are like "0.86", "0.87". But,
23 overall, you can see that that's how we allocated
24 equally among each of the rate classes.

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 MR. KREIS: Super. That's a really
2 helpful answer. And I think those are all my
3 questions.

4 I just want to brag that this is the
5 first time I've done cross-examination without
6 printing out a copy of the exhibit that I'm
7 relying on. And, other than needing to rotate my
8 head 90 degrees for a minute or two during the
9 discussion that we just had, I pulled it off.
10 So, I would just like to congratulate myself.

11 Thank you. Those are all the questions
12 I have for this group of distinguished witnesses.

13 CHAIRWOMAN MARTIN: Congratulations,
14 Mr. Kreis. I had that exact experience about a
15 year ago. I was forced to go away from paper as
16 well.

17 All right. Mr. Buckley, go ahead.

18 MR. BUCKLEY: Thank you, Madam Chair.
19 And good morning, panelists.

20 I'm going to start my cross-examination
21 today by introducing Exhibits 63 and 64. Staff
22 submitted the two prefiled exhibits for this
23 hearing are those two prefiled exhibits for this
24 hearing. And I'm going to ask the panel to

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1 provide some foundation for those, so that they
2 may be accepted into the record as full exhibits.

3 BY MR. BUCKLEY:

4 Q And the first question, as with all my questions
5 today, will go to whoever on the panel feels most
6 able to answer. But I believe the most likely
7 recipient of this question is Ms. Menard.

8 So, do you recognize Exhibit 63,
9 containing Bates Page 001 through 036, which is
10 an audit by the Commission Audit Staff, now the
11 DOE Audit Staff, of the Company's 2020 step,
12 which covered plant-in-service during 2019?

13 A (Menard) Yes.

14 Q And did you, or someone in your organization,
15 participate in this audit, providing data
16 responses to the Audit Staff, as well as
17 reviewing the preliminary audit recommendations?

18 A (Menard) Yes.

19 Q And is it correct that, at the hearing for the
20 Company's last step adjustment, the Company had
21 suggested that the results of the audit may be
22 reconciled during the next step adjustment, the
23 one that we are currently considering today?

24 A (Menard) Yes. As you'll note, the date was

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1 February 1st that the Final Audit Report was
2 issued. And, so, the intent was, between the
3 time the Final Audit Report was issued and the
4 time the next step was being filed, that we would
5 have some discussions, and any Staff
6 recommendations or findings would then be
7 incorporated into the next step, this second step
8 adjustment.

9 Q Thank you. And do you recognize Exhibit 64,
10 which contains Bates Page 001 through 064?

11 A (Menard) Yes.

12 Q And these were data responses submitted by you or
13 others in your company in response to requests
14 issued by the DOE's Regulatory Support Division,
15 is that correct?

16 A (Menard) Yes, I believe so. They don't have data
17 request numbers on them, but I believe they are
18 part of data responses.

19 Q Right. I should probably rephrase. Those were
20 largely documentation relating to various
21 projects, which are derived from data responses.

22 A (Menard) Okay.

23 Q So, they might not have the actual response
24 themselves.

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1 A (Menard) Okay.

2 Q And, now I'm going to turn to the substance of
3 Exhibit 64. The responses are largely grouped by
4 four topical areas, and I'm just going to ask you
5 about your familiarity with those topical areas
6 individually. Do you recognize Exhibit 64, Bates
7 001 through 007, which consists of a Supplemental
8 Request for the Welch Island Submarine Cable
9 Project?

10 A (Lajoie) Yes, I do.

11 Q Thank you. And this form was completed by you or
12 someone in your Company, and provided in response
13 to Staff Discovery Set 19, is that correct?

14 A (Lajoie) This form was definitely completed by
15 someone within our Company. And I would have to
16 allow that it most likely was submitted in
17 response to a data request, yes.

18 Q Great. And do you recognize Exhibit 64, Bates
19 Pages 008 through 053, which consists of Project
20 Authorization Forms and Supplemental Request
21 Forms for the Pemi Substation Equipment
22 Replacement Project that we heard described
23 earlier?

24 A (Plante) Yes.

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1 Q And these forms were completed by you or someone
2 in your Company, and provided in response to
3 Staff Discovery Request Set 19, is that correct?

4 A (Plante) I'm sorry. Could you --

5 A (Devereaux) That is correct.

6 *[Court reporter interruption due to*
7 *audio issues.]*

8 **BY THE WITNESS:**

9 A (Plante) Well, I was asking for a clarification
10 of the question, because it didn't come through
11 clearly for me.

12 BY MR. BUCKLEY:

13 Q Certainly. Do you recognize Exhibit 64, Bates
14 008 through 053, which consists of Project
15 Authorization Forms and Supplemental Request
16 Forms for the Pemigewasset Substation Equipment
17 Replacement Project?

18 A (Plante) Yes.

19 Q And these forms were completed by you, or someone
20 in your Company, and provided in response to
21 Staff discovery requests in this proceeding, is
22 that correct?

23 A (Plante) Yes. That's correct.

24 Q And do you recognize Exhibit 64, Bates Page 055

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1 through 056, which describes an engineering issue
2 that occurred during the Pemigewasset Project and
3 how that issue was resolved?

4 A (Plante) Yes.

5 Q And this data response was completed by you, or
6 someone at your Company, and provided in response
7 to I believe a technical session data request, is
8 that correct?

9 A (Plante) Yes.

10 Q And do you recognize Exhibit 64, Bates Page 057
11 through 064, which contains a Supplemental
12 Request Form and a spreadsheet excerpt relating
13 to the Company's Insurance Claims/Keep Costs
14 Program?

15 A (Devereaux) Yes.

16 Q And these are responses --

17 CHAIRWOMAN MARTIN: Just a minute, Mr.
18 Buckley. I just want to make sure that we got
19 for the record, I believe Ms. Menard and
20 Mr. Devereaux responded. Is that correct?

21 Mr. Patnaude, did you get that?

22 MR. PATNAUDE: I only heard Mr.
23 Devereaux. I'm sorry. Thank you.

24 CHAIRWOMAN MARTIN: Ms. Menard, would

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1 you repeat your response?

2 **BY THE WITNESS:**

3 A (Menard) Yes.

4 BY MR. BUCKLEY:

5 Q Great. And these forms were completed by you or
6 someone in your Company, and provided in response
7 to data requests from the Regulatory Support
8 Division of the DOE, is that correct?

9 A (Devereaux) Yes.

10 MR. BUCKLEY: Given the foundation the
11 Company has just provided, Staff moves to admit
12 Exhibit 63 and 64 as full exhibits to this
13 proceeding.

14 CHAIRWOMAN MARTIN: Any objection?

15 MR. FOSSUM: No, I suppose not. No.

16 CHAIRWOMAN MARTIN: Mr. Kreis?

17 MR. KREIS: No problem.

18 CHAIRWOMAN MARTIN: Okay. Then, we
19 will strike ID on Exhibits 63 and 64 and admit
20 those as full exhibits.

21 Go ahead.

22 MR. BUCKLEY: Thank you, Madam Chair.

23 BY MR. BUCKLEY:

24 Q Now, at a high level, would it be accurate to say

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 that we are here today to discuss a step increase
2 associated with plant-in-service in 2020,
3 consistent with the Settlement Agreement approved
4 by the Commission in the Company's rate case?

5 A (Lajoie) Yes. That is correct.

6 Q And that step represents an increase in the
7 Company's revenue requirement of approximately
8 \$11.1 million, a number that can be found at
9 Exhibit 62, Bates 040, Line 15, is that correct?

10 A (Menard) I believe that it's red Bates 041 on
11 Exhibit 62. Yes, Line 15, \$11.1 million.

12 A (Ullram) And I would just like to note that I
13 brought this up earlier, but just to note again,
14 that the actual incremental increase from last
15 year, although the revenue requirements is
16 approximately 11.1, the actual incremental
17 increase over last year's revenue requirements is
18 only around 3.6 million, because we had the
19 higher revenue requirements last year, due to the
20 fact that we were recovering the revenue
21 requirements over seven months, as opposed to
22 twelve months. So, incrementally, the increase
23 is the 3.6 million that's identified on Bates red
24 Page 052.

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 CHAIRWOMAN MARTIN: Mr. Buckley, I'll
2 just ask you, when you reference a Bates page, if
3 you can just give us the color as well for the
4 record.

5 MR. BUCKLEY: Certainly. Certainly.

6 BY MR. BUCKLEY:

7 Q And, so, the increase we're looking at today is
8 quite a bit below the \$18 million cap described
9 in the Settlement in the Company's full rate
10 case, which is actually Exhibit 58 in this
11 proceeding, I believe, and described at Bates
12 Page 020. Is that correct?

13 A (Menard) I'm sorry. What was the exhibit? I
14 don't have that available. I need to look it up.

15 Q Okay. So, the exhibit itself is probably less
16 helpful for our discussion, although I think it
17 is Exhibit 58. But, if you have background
18 knowledge of the previous Settlement Agreement,
19 there was agreement to, I think, an \$18 million
20 cap for this step adjustment revenue requirement
21 increase, is that correct?

22 A (Menard) Yes. That is correct. And, on red
23 Bates 041, Line 14, that's where we refer back to
24 the cap per the Settlement Agreement of 18

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 million. Correct.

2 Q Great. And the revenue requirement requested
3 here today is derived from approximately 124
4 million in plant that went into service in 2020,
5 a number which can be found at Bates 024, Line 4,
6 in Exhibit 62. Is that correct?

7 A (Menard) Correct.

8 Q And, as an aside, I know that the testimony
9 touches on this briefly, but can you provide a
10 little more detail for the discrepancy between
11 the \$18 million figure contained in the
12 October 2020 Settlement and the actual year in
13 plant-in-service in December 2020 being
14 significantly less? Can you provide the
15 reasoning for that, the basis?

16 A (Menard) Yes. The Settlement Agreement had used
17 a forecast of the next three years at the time,
18 based on our capital planning process, as to what
19 would go into service in 2019, 2020, and 2021.
20 And, at that time, we make projections as to
21 which substations are going to go into service,
22 which projects, how much is going to go into
23 service for each line project, for each annual,
24 all that kind of project-level detail. And that

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1 is a forecast that we submitted. And, so, we
2 based the second step and the revenue requirement
3 on that assumption.

4 In actuality, there were a handful of
5 large substation projects that didn't go into
6 service in 2020, which is causing the difference,
7 the lower revenue requirement in 2020 than we had
8 anticipated at the time of the Settlement.

9 And just to identify some specifics, we
10 had had the Emerald Street Substation, which is a
11 large substation, that did not go into service in
12 2020 as planned. It went into service in 2021,
13 or is anticipated in 2021. There was an Eddy
14 Substation Control House, again, that didn't go
15 into service in 2020, and went into 2021. And
16 there's a few of these larger substation projects
17 that their in-service dates got delayed. So,
18 that's the major cause of the variance.

19 Q And, so, would it be accurate to say that we will
20 likely see a lot of those projects that had
21 previously been projected to be requested for
22 recovery during this step, actually being
23 requested for recovery during the next step?

24 A (Menard) Yes. That's the intent.

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 Q But, nonetheless, those projects, and any others
2 requested for recovery, would still have to fall
3 within the initial agreed-upon cap from the
4 Settlement Agreement, is that correct?

5 A (Menard) Correct. And there's -- there's ebbs
6 and flows each year. So, there might be a few
7 substations that didn't go into service this
8 year, got shifted to 2021. And, you know, there
9 might have been items in the 2021 Plan that got
10 shifted out to 2022.

11 So, yes. Whatever goes into service in
12 2021 will appear in the next and final step
13 adjustment. And it is capped at, I believe, an
14 \$11 million revenue requirement.

15 Q And, more broadly, would it be fair to say that,
16 since the time of the Company's May 3rd filing of
17 this step increase request, the Company and Staff
18 have engaged in discovery, technical sessions,
19 effectively conversations which attempt to break
20 down any information asymmetries that might exist
21 between the Company and its regulators, and maybe
22 even at times within the Company, about the \$124
23 million or so of plant in service and its
24 associated revenue requirement?

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 A (Menard) Yes. We had a technical session earlier
2 this month.

3 Q And, in your experience, this breaking down of
4 information asymmetries and further due diligence
5 on the behalf of the parties to the proceeding,
6 is this generally accomplished through Staff's,
7 or rather now the DOE, and other intervenors',
8 including the OCA's, review of a sampling of
9 projects which have been requested for recovery?

10 A (Menard) Yes.

11 CHAIRWOMAN MARTIN: Mr. Buckley?

12 MR. BUCKLEY: Yes.

13 CHAIRWOMAN MARTIN: For clarification
14 for the Commission, can you please explain, when
15 you say "information asymmetries", specifically
16 what you're talking about?

17 MR. BUCKLEY: Yes. So, I would suggest
18 that, in regulated industries, there is often an
19 information asymmetry observed between the
20 regulated and the regulator, in that what is
21 initially filed, or at least one example, is
22 what's initially filed as the request for
23 recovery is, yes, supported by rather extensive
24 testimony and justifications for the request

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 itself. But, for example, there are further
2 records of the company or supporting materials
3 that help to inform whether each project and,
4 more broadly, the Company's overall approach to
5 investments, is actually an approach which
6 results in prudent investments and just and
7 reasonable rates.

8 CHAIRWOMAN MARTIN: Okay. Thank you.
9 So, you're essentially describing a global issue
10 related to regulation, as opposed to a specific
11 issue with this utility?

12 MR. BUCKLEY: Yes. Exactly.

13 CHAIRWOMAN MARTIN: Thank you.

14 MR. BUCKLEY: And, so, for some context
15 here, Staff's approach to this step adjustment
16 hearing, now that the foundation for exhibits has
17 been laid and general overview provided, is that
18 we'll be walking through a small sample of
19 projects reviewed by the Regulatory Support
20 Division, and you'll have to excuse me if I
21 occasionally misstep and use the phrasing of
22 "Staff", and provide some further discussion of
23 various data requests, as well as the results of
24 the last step's audits. And then turn things

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1 over to the Commissioners, and then we'll provide
2 any recommendations at closing.

3 BY MR. BUCKLEY:

4 Q And we will start with the Welch Island Submarine
5 Cable Project that we heard Mr. Lajoie, I believe
6 it was, speak about earlier.

7 So, in the attachments, we saw this
8 initial \$360,000 project estimate. Mr. Lajoie,
9 can you tell us what the basis was for that
10 \$360,000 estimate --

11 CHAIRWOMAN MARTIN: Excuse me, Mr.
12 Buckley. Would you please provide the Bates Page
13 number, so that we can return to it?

14 MR. BUCKLEY: Certainly. It was
15 Exhibit 62, Bates 026, red Bates 026, I believe
16 it was, Line 7.

17 CHAIRWOMAN MARTIN: Thank you.

18 MR. BUCKLEY: And the "360,000" can be
19 found at Column I.

20 **BY THE WITNESS:**

21 A (Lajoie) The initial request for \$360,000, as you
22 pointed out, was submitted on a Project
23 Authorization Form completed in 2016. I believe
24 your question is "What was the basis for that

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 \$360,000 figure?" And I cannot answer that
2 question. The people involved in submitting that
3 original request no longer, any of them, no
4 longer work for the Company. So, I don't know
5 what that was based upon. And, unfortunately, it
6 was not itemized in the original Project
7 Authorization Form what the cost basis was based
8 on. That is required as part of the Project
9 Authorization Forms at this time, but apparently
10 was not back in 2016.

11 BY MR. BUCKLEY:

12 Q Uh-huh. And, so, the 2020 plant-in-service,
13 which has been requested for recovery here, am I
14 correct in observing, at Column H, that it is
15 about \$1.6 million?

16 A (Lajoie) Yes. That's correct. 1.575 million,
17 "Plant in Service", Column H. Yes.

18 Q And Column M, "Actual Project Life-to-Date
19 Costs", is something that's just a bit more than
20 that, right, 1.883 million?

21 A (Lajoie) That's correct.

22 Q And this is a project which -- can you describe
23 the project for me more broadly? For example,
24 the number of customers that will be served from

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 it?

2 A (Lajoie) Yes. This project was actually
3 replacing two pieces of submarine cable in Lake
4 Winnepesaukee, from the mainland to Welch Island,
5 from the mainland to Lockes Island. The cable to
6 Lockes Island was about 1,100 feet, and the cable
7 to Welch Island was 5,400 feet, so just over a
8 mile.

9 The original installation to Welch
10 Island was completed in the 1940s. I was not
11 working for the Company at the time. There were
12 three cables installed originally. But, over
13 time, at least one of those cables had failed.
14 The remaining cables were deteriorated. Most
15 specifically, the piece we could see at the edge
16 of the water, both on the mainland side and on
17 the island side, wave action, action on the ice
18 moving, as ice-out happened, had scraped the
19 cables across the rocks along the edge. So, I
20 know that the neutral cable, the neutral for that
21 cable, which is spirally wound around the outside
22 of the cable, had deteriorated, and certainly was
23 a concern of having an open neutral to those
24 customers on the island.

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 I know the Lockes Island cable at times
2 had failed and been spliced, so they had had
3 to -- the riser pole is where the cable
4 transitions from overhead to underground, and
5 then, on the island, it transitions from
6 underground back up to overhead. As you know,
7 that, in order to splice that cable, because it
8 was at a depth that could be reached, they had to
9 actually pull cable back from the riser pole, so
10 the riser pole was getting shorter as the cable
11 went up, and that was considered to be an unsafe
12 condition.

13 So, the two cables really were in bad
14 shape. So, the decision was made that we really
15 needed to replace these cables.

16 I don't think I have information in
17 front of me as far as the number of customers on
18 the island. As I said, these are both existing
19 cables that were being replaced. So, it wasn't
20 that, you know, we were installing a brand-new
21 cable to feed brand-new customers. This was
22 replacing existing assets.

23 Q And, so, maybe I can direct you to Bates Page --
24 Exhibit 64, Bates Page 005.

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 A (Lajoie) Okay. I'm there. Yes. Ah, okay. Yes.
2 There you go. There's 42 customers on Lockes
3 Island. And Welch Island has 58 customers.
4 That's in the "Overall Justification" section on
5 Bates Page 005 of that attachment.

6 Q And, so, forgive my law school math here, so
7 let's say approximately 100 customers is who this
8 project is meant to serve, is that correct?

9 A (Lajoie) Yes. That is correct.

10 Q Okay. Great. And do we know if these customers
11 provided any sort of contribution to this
12 project?

13 A (Lajoie) No, they did not.

14 Q And is it possible that some of these customers
15 received compensation for easements the Company
16 may have had to acquire during the course of this
17 project?

18 A (Lajoie) I was not able -- I did some research on
19 this, I was not able to find any information on
20 the easement of -- on any easements which were
21 purchased on the island side. I do believe an
22 easement was purchased on the mainland side of
23 the longer of the two cables.

24 Q Okay. And do you think that, if the Company's

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 projected costs were closer to the actual final
2 costs, rather than the 360,000, would the Company
3 have, pursuant to its TD190, considered -- been
4 able to consider other alternatives that are
5 somewhere between that final cost estimate and
6 the \$360,000 cost estimate?

7 A (Lajoie) There were alternatives considered, none
8 of which were deemed to be viable. Providing
9 electric service to islands is always a difficult
10 situation. You know, again, this was existing
11 customers. So, we couldn't just tell them "I'm
12 sorry, you don't have any power anymore, because
13 the cable feeding the island failed." I believe
14 we're under an obligation to continue to serve.

15 Alternatives, such as a large generator
16 on the island, were dismissed -- or even a series
17 of small generators on the island, was dismissed
18 due to the environmental concerns. Stationary,
19 permanent generators do require air permits. Of
20 course, transporting fuel to the island, to keep
21 these generators running and so forth, would have
22 provided, you know, presented its own
23 difficulties, and, again, environmental concerns.

24 I don't believe a large enough solar

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 installation could be installed on the island to
2 provide permanent power. It clearly would need
3 to be coupled with some sort of an energy storage
4 system, which significantly increases the cost of
5 such an alternative.

6 So, you know, the possible solutions,
7 possible alternatives, none of them were deemed
8 to be viable alternatives to simply replacing the
9 cable, to ensure that these customers had
10 continued electric service. The installation was
11 done in a manner that prevented some of the
12 physical damage that we've seen to the existing
13 cables. For example, conduit was run out to a
14 distance where I believe it was 20 feet below the
15 surface of the water, and the cable was run
16 through the conduit. So, the icing action that I
17 had mentioned earlier and wave action wouldn't
18 deteriorate the new cable. It's protected in
19 conduit buried in the ground. It also protects
20 it, you know, in general, from boat anchors and
21 things like that, fishing hooks and so forth.

22 So, the installation is improved over
23 what was there from the 1940s. And the
24 replacement was deemed to be the best alternative

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 to maintaining electric service to these
2 customers.

3 Q And do you know if the alternatives considered
4 were compared to the \$360,000 initial cost
5 estimate or the -- I think it was the
6 supplemental request of \$1.9 million?

7 A (Lajoie) In either case, no matter which one
8 you're comparing it to, the environmental
9 considerations would continue to weigh heavily
10 against the alternative. So, the original
11 Project Authorization Form included the
12 alternatives. And, yes, that was looking at the
13 360,000. But, when the supplemental was
14 presented, the discussion continued on, saying
15 "Isn't there another way that we can do this?"
16 And no alternatives were considered to be
17 justified, even at the significantly higher cost
18 of the \$1.9 million.

19 Q And, so, I am looking at Bates Page 006 of
20 Exhibit 64. And I see a single financial
21 sentence talking about alternatives that were
22 considered.

23 Is that the extent to which
24 alternatives were considered for this project?

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 A (Lajoie) "Distributed generation" can refer to a
2 large number of things. It could be traditional
3 gas- or diesel-fired generation. It could be
4 solar. I am sure that a large wind turbine was
5 not considered as part of the possible
6 alternative. But, you know, that could also be
7 distributed generation.

8 So, the term here "Install distributed
9 generation", you know, again, would be very
10 costly and not an appropriate avenue to provide
11 backup, applies to both traditional fueled
12 generation and solar, certainly.

13 And, again, the solar requires a
14 significant amount of real estate, which, as you
15 might imagine, is at a premium on an island
16 property, that's been divided up into a
17 significant number of lots. But there's also the
18 storage system that would have to go along with
19 it, a large battery storage system in this
20 particular case, since I'm assuming they couldn't
21 get a flywheel installed. That, you know, just,
22 again, significantly adds to the cost, and at
23 that point is not, as the sentence says, "not an
24 appropriate avenue."

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1 Q And do you know if the Company conducted an
2 actual cost-benefit analysis of, for example, a
3 solar plus storage option, or instead said, in
4 its judgment, "it's such an order of magnitude
5 off, an analysis wasn't warranted"?

6 A (Lajoie) No, no specific cost-benefit analysis
7 for those alternatives were documented. But I am
8 confident that, yes, in the Company's judgment,
9 it was considered to be cost-prohibitive and not
10 an appropriate alternative.

11 Q Okay. Now, I am going to move on to the
12 Pemigewasset Substation Project that was
13 discussed earlier as well. And just to give us
14 another basis in the record, is this the project
15 identified at Exhibit 62, Bates 060 -- Bates 026,
16 sorry, Line 19, is that correct?

17 A (Plante) Yes.

18 Q And, so, we heard a little bit earlier about the
19 somewhat significant difference between the
20 pre-construction estimates and actual final cost.
21 But can you just very briefly tell me -- give me
22 a quick summary of what that was again?

23 A (Plante) In terms of dollars or history?

24 Q In terms of history, the basis for that variance.

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 A (Plante) All right. So, as I mentioned earlier,
2 this is one of those projects that was authorized
3 at our prior authorization process, where it
4 received full funding prior to having any, you
5 know, detailed engineering performed.

6 So, in 2017, this project was initiated
7 and evaluate -- the alternatives were evaluated,
8 and ultimately a project to replace the existing
9 transformer with a new 62 MVA transformer was
10 raised up. So, in 2017, RLC, who is a consulting
11 engineering firm that we had contracted with to
12 assist with project estimating, prepared a
13 project estimate for the replacement of the
14 existing transformer with a new one as
15 *[indecipherable audio] --*

16 *[Court reporter interruption due to*
17 *audio issues.]*

18 **CONTINUED BY THE WITNESS:**

19 A (Plante) Okay. So, they developed a project
20 estimate for the replacement of TB88, which is
21 the existing transformer, with a new 62 MVA
22 transformer unit, as well as the replacement of
23 two oil circuit breakers with new vacuum circuit
24 breakers, and all of the associated protection

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1 and controls for that equipment.

2 So, they used industry-standard
3 software to prepare that estimate. So, it's more
4 a menu-based or cafeteria-style estimating, but
5 it is an industry software.

6 So, in February of 2018, that estimate
7 was used as the basis for a full funding project
8 authorization that was presented to EPAC and
9 approved for \$4.1 million, and at that time had a
10 planned in-service date of June 2000 --

11 CHAIRWOMAN MARTIN: Just a moment. Mr.
12 Plante? Mr. Plante, can you hear me?

13 WITNESS PLANTE: I'm hearing you.

14 CHAIRWOMAN MARTIN: Let's go off the
15 record.

16 *[Brief off-the-record discussion*
17 *ensued.]*

18 CHAIRWOMAN MARTIN: Okay. Why don't we
19 take a break now, until about 10:50, and let Mr.
20 Plante work out his issues with bandwidth. We'll
21 be back at 10:50.

22 *(Recess taken at 10:38 a.m. and the*
23 *hearing resumed at 10:51 a.m.)*

24 CHAIRWOMAN MARTIN: So, let's go back

[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 on the record. Go ahead, Mr. Buckley.

2 MR. BUCKLEY: Thank you, Madam Chair.

3 BY MR. BUCKLEY:

4 Q So, I think we were just discussing the reason
5 for the cost increases associated with the
6 Pemigewasset Substation Project. Is that
7 correct, Mr. Plante?

8 A (Plante) That is correct.

9 WITNESS PLANTE: And I don't know if,
10 Mr. Patnaude, you want to bring the group back up
11 to where we were when I faded away. And, again,
12 my apologies for the bandwidth problem.

13 *(Whereupon the Court Reporter read back*
14 *the last sentence of the answer before*
15 *the audio bandwidth issues occurred.)*

16 WITNESS PLANTE: Thank you,
17 Mr. Patnaude.

18 **CONTINUED BY THE WITNESS:**

19 A (Plante) And, at that time, there was, along with
20 that funding authorization, there was a plant
21 in-service date of June of 2019. As I mentioned
22 earlier, at that time minimal engineering on the
23 project had been done.

24 And the thought at that time, regarding

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1 the scope of the work, was that there would be
2 sufficient space in the existing control building
3 that would be vacated by some of the removed
4 cabinets to place the new cabinets in the
5 existing control building. So, at that point, we
6 hired a -- excuse me -- a design engineering
7 firm, that was RLC Engineering in this case as
8 the design engineer as well, and embarked on the
9 effort to fully define the project scope. And,
10 in July of 2018, that detailed project scoping
11 document was completed -- well, actually, I'm
12 sorry. We did the scope document internally, and
13 then in September of 2018 is when we issued the
14 purchase order to RLC Engineering for the
15 detailed design.

16 And then, in October 2018, we actually
17 went pencils down on the design for this project,
18 due to some constraints in the distribution
19 budget. As you know, we try to, you know,
20 execute our distribution budget as close to the
21 approved trustee budget as we can. So, we make,
22 you know, decisions near the end of the year on
23 what things should be proceeding and what things
24 should be slowing down based on that.

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[WITNESSES: Lajoie|Plante|Devereaux|Menard|Ullram]

1 So, we picked back up with the
2 engineering in the beginning of 2019, and
3 completed a conceptual design for this project.
4 And then went to the site with the design team
5 and some key construction resources, to review
6 those design documents, based on the existing
7 field conditions and get some feedback. And this
8 is where we determined that there was a need to
9 expand the existing control building to safely
10 house all of the necessary equipment for the
11 protection and controls of the new transformer
12 and circuit breakers.

13 So, we announced this in April of 2019,
14 along with a plan to wait until the construction
15 pricing was available before submitting a request
16 for additional funding, because at that time we
17 really didn't understand what that full impact
18 was going to be, because we needed to go and
19 complete the design for the control building
20 expansion and determine what that cost was going
21 to be.

22 And, in August of 2019, we completed
23 the Site Plan Application with the Town of New
24 Hampton Planning Board. So, we needed to,

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1 because we were doing that expansion of the
2 control building, that required us to modify our
3 existing site plan, which was on record with the
4 Town of New Hampton. So, that was approved in I
5 want to say October. And then, we commenced the
6 civil construction in December of 2019, which
7 included the control building foundation.

8 It wasn't until April of 2020 until we
9 received the competitive bids for the electrical
10 construction for the project, along with the
11 testing and commissioning proposal. So, at that
12 time, we updated the estimate for the project,
13 based on these knowns, which previously had not
14 been knowns, they were merely assumptions, and
15 drafted the Supplemental Funding Request, which
16 we submitted in June of 2020.

17 So, you'll notice in the -- in the
18 exhibit, on row -- I guess red Bates 026, Row 19,
19 there are actually two Supplemental Funding
20 Requests identified there, when, in reality, we
21 only approved one Supplemental Funding Request,
22 this one that was presented in June of 2020
23 requesting an additional \$2.7 million. It was
24 approved by the EPAC. It did have a condition

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1 associated with it, that we present the
2 supplement to an Executive Review Board.

3 CHAIRWOMAN MARTIN: Mr. Plante?

4 WITNESS PLANTE: Yes.

5 CHAIRWOMAN MARTIN: Oh, you're back.
6 We lost your video for a moment. Go ahead.

7 WITNESS PLANTE: Oh. Sorry.

8 **CONTINUED BY THE WITNESS:**

9 A (Plante) So, we did have a condition that we had
10 to present the Supplemental Funding Request to an
11 Executive Review Board, which consisted at the
12 time of Bill Quinlan, Joe Purington, Aftab Kahn,
13 and a couple others. And this is typical for any
14 project that has a value greater than \$5 million.
15 So, it's not specific to this. It's just because
16 the value was greater than 5 million.

17 So, that meeting didn't get scheduled
18 until October 15th, due to everybody's schedules,
19 summer vacations, all of that kind of stuff. In
20 the meantime, we continued with our construction.

21 And, on September 19th, we were in the
22 process of energizing the new transformer TB88.
23 And, during that energization process, there's a
24 lot of testing that gets involved with that. And

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1 that testing detected a phasing error in the
2 Synch Scope, which would limit our ability to
3 use -- to effectively use the transformer. So,
4 we decided at that time to abort that
5 energization process and figure out what was
6 going on with that.

7 So, you know, that launched us into a
8 process with a lot of internal engineering
9 resources to evaluate what the situation was,
10 determine a path forward, and then we had to get
11 RLC Engineering involved again to perform some
12 additional engineering to correct that issue,
13 which ultimately we did. And, on November 1st,
14 we were able to get that transformer successfully
15 energized.

16 It equated to an approximately six-week
17 delay in that transformer energization. So,
18 while all this is going on, we had completed our
19 executive review, and this particular supplement
20 began its route for final approval in the
21 PowerPlan system. And, due to this issue, and at
22 the time we still weren't fully aware of what the
23 cost impact that was, we decided to halt the
24 approval of that supplemental request, in favor

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1 of resubmitting a new revised version that
2 incorporated any of the cost changes associated
3 with this revised engineering for the
4 transformer.

5 So, and in any event, that all then
6 kind of got itself figured out in the latter
7 parts of 2020. And then, in early 2021, we
8 submitted the revised Supplemental Funding
9 Request for about \$3.7 million, which was
10 approved by EPAC on April 14th. And this one --
11 this version does cover all of the increases from
12 the previous version of the supplement, as well
13 as additional costs that were incurred during the
14 correction of that Synch Scope phasing issue.

15 And that's kind of how we got to where
16 we are today with this project.

17 BY MR. BUCKLEY:

18 Q That's very helpful. Thank you, Mr. Plante.
19 And, so, that Supplemental Request Form you
20 mentioned, that I think it's the final one, if I
21 could ask you to turn to Exhibit 64, Bates Page
22 037.

23 A (Plante) I'm almost there. Okay. I am there.

24 Q And, so, am I correct in understanding the "Prior

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1 Authorized", is that first column we see, at the
2 bottom it's totaling about 4 million, and the
3 "Supplemental Request" is the 3.6 or 3.7 million
4 that you mentioned before?

5 A (Plante) Yes.

6 Q Great. Can you tell me why the indirects have
7 gone up almost tenfold, but the direct costs have only
8 gone up by, ballpark, about 60 percent or so?

9 A (Plante) Yes. Sure. So, in the initial -- well,
10 it's called "prior authorized" here, you'll
11 notice that the "Capital Additions - Indirect"
12 value is just over \$200,000. This is a value
13 that came from the RLC estimate that was done in
14 2017. And, at the time, RLC wasn't very well
15 schooled, I guess for a lack of a better term, on
16 how to apply our overheads to the actual direct
17 costs for the project. So, the actual indirects
18 that were part of the prior authorized were
19 inadequate at that time. They weren't properly
20 applied to that estimate. And the first -- the
21 version of the first Supplemental Funding Request
22 was addressing a lot of that issue.

23 Q Okay. And, so, it sounds like there was
24 something of an accounting error or accounting

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1 projection error on behalf of RLC. You also
2 mentioned the error during "phasing", I think was
3 the term you used?

4 A (Plante) Energization, when we were energizing
5 the transformer.

6 Q And, so, at least the energization error, did
7 that result in incremental project costs?

8 A (Plante) Yes, it did.

9 Q And, so, RLC is an independent contractor of
10 Eversource's, right? External to Eversource?

11 A (Plante) That's correct.

12 Q And did Eversource take any action to try to
13 recover some of those incremental costs from RLC
14 or maybe an insurer or something along those
15 lines?

16 A (Plante) We did -- We did not seek any insurance
17 claim, *per se*, through RLC. We do have contracts
18 that have been negotiated with all of our
19 engineering vendors, we have a lot of them, that
20 limit the amount of liability that they are
21 liable for. So, in this case, they did complete
22 all of the additional engineering at their own
23 cost, but their contract doesn't make them liable
24 for the -- I don't know if the word is correct,

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1 but I would say -- I'd call them "consequential"
2 damages.

3 And we do have our own engineering
4 folks who have a role in reviewing and whatnot
5 the engineering deliverables. So, you know,
6 there's -- it's very difficult to pinpoint, you
7 know, exactly which person made which mistake,
8 and whether they should have caught it at that
9 point in time.

10 But we do have a process where, you
11 know, the design engineer is supposed to create
12 the design and perform an internal review, they
13 provide it to us. We perform our review before
14 it goes to construction. We are all human.
15 Sometimes we don't catch all of those things
16 until later on in the process, which is exactly
17 why we do testing.

18 Had we not done this testing, we
19 probably would have energized the transformer and
20 created a -- and maybe failed the transformer.
21 You know, we test everything before we energize
22 it. And, in this case, that testing process did
23 exactly as it was designed to do, it detected a
24 wiring error, and helped us figure out how to

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1 correct it.

2 Q And, so, it sounds like that testing process
3 limited what I think you just referred to as any
4 "consequential damages" that occurred to
5 something that's much smaller?

6 A (Plante) Yes.

7 Q But, if I were looking to better understand those
8 consequential damages, I assume it would
9 probably be something less than the difference
10 between that -- that number at Bates -- what was
11 it? -- 037, which was \$3.6 million, between the
12 initial and the final supplement, right?

13 A (Plante) Well, if we're talking -- are we talking
14 just about the impact of the aborted
15 transmission -- transformer energization or are
16 we talking about the whole change?

17 Q Let's talk --

18 A (Plante) Because the 3.6 includes a lot of other
19 stuff that transpired prior to the transformer
20 energization issue, and would normally have been
21 covered in our current project funding
22 authorization process, where we don't seek full
23 funding until we have, you know, the lion's share
24 of our variables and assumptions nailed down.

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1 Q Let's talk exclusively about the transformer
2 energization issue. Where would I look to better
3 understand what the dollar figure is associated
4 with that?

5 A (Plante) Well, what we did is provided an
6 explanation of the difference between that first
7 supplement that we did not fully approve, and the
8 subsequent -- the subsequent supplement that was
9 approved. And part of that response that we
10 provided included a comparison between those two.
11 It adds up to about \$900,000, including overheads
12 and whatnot. So, that kind of breaks it down,
13 based on kind of a high-level line item process.
14 So, there's a little bit of engineering, a little
15 bit of materials, significant amount of
16 construction, and testing and commissioning.

17 And that, you know, that all gets
18 compounded by the cost of time and delays, people
19 on-site for a longer time than planned, and those
20 types of things.

21 Q And how about the cost associated with the
22 initial engineering design work? I think I heard
23 you say that that was -- that the contractor had,
24 in fact, eaten those costs in some way, shape, or

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1 form, because that design work was --

2 A (Plante) That is correct.

3 Q And, so, hearing that, I would have thought that
4 maybe there would be some sort of, at Bates Page
5 056, where it says, I guess you could say Line
6 16, where it says "Reimbursable", there might
7 be --

8 A (Plante) Hold on. Page 56?

9 Q Yes. This is the variance sheet that you were
10 talking about before. It has, at the bottom
11 right, the "911,000".

12 A (Plante) Okay. I'm there now. You can actually
13 back up with your question.

14 Q Yes. Certainly. So, I think I just heard you
15 say that the third party contractor had to --
16 wasn't able to charge for or had to eat, in some
17 other way, shape, or form, their -- the costs of
18 their initial work, because it turned out to
19 present some problems in the actual project. Is
20 that accurate?

21 A (Plante) Yes, kind of. Well, what I was saying,
22 they didn't reimburse us for the work that they
23 had done previously. They just didn't charge us
24 for their ongoing effort to make any corrections

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1 or revisions to that, to those design documents.
2 So, it wouldn't show up as a reimbursable.

3 Typically, reimbursables are, at least
4 as far as I'm involved, dealing with like third
5 party generators, when we're maybe doing some
6 work for -- on one of our stations to accommodate
7 an interconnection, that the costs that we incur
8 for them would be recovered under the Line 16 as
9 a reimbursable. That's kind of where that would
10 show up.

11 And, even if we were to get a -- like
12 an invoice credit, which we often do, it would
13 show up -- it wouldn't show up as a reimbursable,
14 it should show up on the actual line item where
15 the charges originated from. So, you know, if it
16 was an engineering credit, it would be on Line 4.
17 So, it would just show what the total value is,
18 not a specific value for a credit.

19 Q And Line 4 appears to actually go up between the
20 2020 Supplemental Request Form and the 2021?

21 A (Plante) Yeah. That's internal labor. We had a
22 lot of involvement of our internal engineering
23 folks when this happened. So, that's Company
24 labor.

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1 Q And, so, you also described the other cost
2 increases, those which are not directly
3 attributable to this error from your third party
4 engineer. Can you just go through very, very
5 briefly some of those, the basis for those cost
6 increases, and why they're different from this
7 incremental cost? I think some of the Project
8 Authorization Forms -- go ahead.

9 A (Plante) So, if I understand your question
10 correctly, you're looking to understand what the
11 costs were from the June 2020, which was the one
12 that was halted? Is that --

13 Q Yes. So, in the Project Authorization Forms, I
14 recall discussion of Smart Grid enhancements and
15 animal protection devices and whatnot --

16 A (Plante) Okay.

17 Q -- that were not included in the initial Project
18 Authorization Form, and are part of the basis for
19 the cost increase.

20 A (Plante) Yes. I'm with you now. Thank you. So,
21 in the initial supplement included additional
22 scope that was either not initially intended or
23 not specifically included in the estimate. So,
24 in addition to the expansion of the control

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1 house, which was kind of the big ticket item from
2 a direct cost perspective, there were additions
3 to the scope for animal protection at the
4 substation, which is installation of kind of
5 dielectric devices on bushings and insulators and
6 whatnot, that would prevent, you know, squirrels
7 and birds from creating outages at the
8 substation.

9 You know, during the execution of this
10 project, after it was fully funded, our company
11 initiated a program to install animal protection
12 at many of our substations, Pemi included. And
13 what we did in this case is we included that
14 scope in this project and covered it through the
15 Supplemental Funding Request. Well, in
16 retrospect, probably would have been wiser and
17 cleaner just to open up a new project at Pemi
18 referencing the program to cover that cost. Then
19 it would not be, you know, looking like the
20 original project just missed something, when, in
21 fact, that wasn't something that we were doing
22 widespread at the time this project was
23 initiated.

24 Q And, so, Mr. Plante -- sorry to interrupt.

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1 A (Plante) Yes. Go ahead.

2 Q But you mentioned the "control room".

3 A (Plante) Yes.

4 Q Can you tell me why the control room limitations
5 weren't something that the Company would --
6 either the Company or its third party contractor,
7 if this difference is attributable to the third
8 party contractor, would have been aware of from
9 the outset of the project?

10 A (Plante) So, they're aware of the existing
11 footprint of the control building, as well as the
12 cabinet layout in the control building. The
13 consultant wasn't involved at this time. This
14 was internal engineering, and they're, you know,
15 they're assembling their assumptions for the
16 project. And they, at the time, were thinking
17 "Oh, we have X number of new cabinets that we're
18 proposing, and it looks like we can squeeze them
19 in in these places. So, we will initially not
20 plan on expanding the control building." So,
21 that was -- that was how that was considered when
22 the initial estimate in funding was prepared.

23 Again, engineering hadn't been done.
24 We didn't have all of the application diagrams

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1 and elementary diagrams, protection and control
2 systems prepared. So, we didn't have the full
3 knowledge of exactly how many control cabinets
4 would be required, and how well they would fit in
5 that existing space.

6 So, once that knowledge became
7 available, we took it to the site and tried to,
8 you know, evaluate the constructability of that,
9 and whether it was, in fact, going to be
10 constructable in a safe fashion. And, at that
11 time, it was determined that we would be way
12 better off to expand the control building.

13 That was a decision that was made by
14 engineering and construction, you know, all of
15 the, you know, the experts in the field, based on
16 knowledge, not based on assumptions. Does that
17 make sense?

18 Q Yes. That's very helpful, Mr. Plante. So, I
19 think maybe we can move now to just very briefly
20 the Rochester 4 kilovolt conversion, which I
21 think you will find at Exhibit 62, Bates -- red
22 Bates 026, Line 13. Is that correct?

23 A (Plante) Yes.

24 Q And can you tell me why this project appears,

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1 according to Column F, to have a first in-service
2 date of "2018". But, then, if you move over all
3 the way to the right, at Column U, it appears to
4 have a full in-service date that will not occur
5 until "2021"?

6 A (Plante) Yes. Certainly. So, this particular
7 project, and it's entitled "Rochester 4 kV
8 Conversion", I'm not a distribution expert in the
9 Rochester area, but a large portion of the
10 Rochester distribution system, well, has been at
11 4 kV for a long, long time. And this project
12 aims to upgrade that distribution service voltage
13 to I want to say "12 kV", and hopefully correct
14 me if I'm wrong, Lee. And that's a stepwise
15 process. In order to do this, it takes, you
16 know, a lot of time and effort on the behalf of
17 roadside distribution line crews, as well as
18 substation construction projects, for instance,
19 the Twombly Street Substation. There's an
20 existing 4 kV substation there that needs to be
21 rebuilt to 12 kV, before it could serve the
22 distribution lines that were directly connected
23 to it at 12 kV.

24 So, the way the project has unfolded is

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1 you started working on these distribution
2 circuits in a piecemeal fashion, opening up work
3 orders for one circuit at a time or a portion of
4 a circuit, and creating -- going out there,
5 developing work packages, and assigning crews to
6 them to complete the work. So, as each of these
7 work orders is completed, and the customers are
8 now being served at that new voltage, those work
9 orders can go in service, because they are
10 performing their intended function.

11 Currently, I think we have 21 work
12 orders that have been opened, they're not all
13 still opened. Many of them are in service and
14 closed out by now. But we do still have a number
15 of them that are still in, you know, either in
16 design or construction. And the intent is that
17 we would have the remainder of this Rochester 4
18 kV conversion completed by the end of this year.
19 And that's why you see in-service in various
20 years for this project.

21 Q And, to be clear, that which is requested for
22 recovery within this step is now already used and
23 useful and energized and providing service.
24 That's correct?

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1 A (Plante) Yes. That's correct. So, the work
2 order would be placed in service upon completion
3 of the last customer being converted on whichever
4 work package they're referenced. So, once that's
5 done, the work order gets placed in service,
6 AFUDC stops, and we begin the close-out process.

7 Q Great. So, now, I want to turn to the Audit
8 Division's February 2021 audit of the Company's
9 2020 step filing from last year. Focusing on two
10 specific issues that were raised by Audit, which
11 from the Regulatory Support Division's
12 perspective, appear yet unresolved, and, in fact,
13 do reoccur within this step request. And those
14 would be the characterization of load tap
15 changers for accounting purposes, and the
16 Company's accounting treatment of damaged
17 property that may be reimbursed via a third
18 party's insurance company.

19 So, starting with the load tap changer,
20 can you please briefly describe what a "load tap
21 changer" and/or "controller", I think I saw it
22 referenced as both items within the audit and
23 filing, can you say what the function of that
24 device is?

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1 A (Plante) You want that, Lee?

2 A (Lajoie) Yes. I'll take that. A substation
3 transformer, especially newer ones, have, in
4 addition to the transformer, there is a separate
5 mechanical piece of equipment that allows you to
6 regulate the voltage coming out of that
7 transformer within a certain range, generally
8 plus or minus 10 percent. That device is called
9 a "load tap changer". It changes what are called
10 "taps" within the transformer, changes them under
11 load, hence the name "load tap changer".
12 Associated with that load tap changer is a
13 control, which monitors the voltage, it has
14 program settings. And, as long as -- if the
15 voltage goes outside those limits that are
16 programmed into the control, it adjusts the taps
17 such that it will change the voltage coming out
18 of that transformer. That's a "load tap
19 changer". The "control" is actually the device
20 that you're referring to, that was discussed in
21 the audit, and in some of our tech sessions.

22 Q And can you tell me what the average useful life
23 of a load tap changer control is?

24 A (Lajoie) I'm not sure. Does somebody else want

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1 to take that one?

2 Q I can rephrase, if that's helpful. Is it common
3 for a load tap changer controller to be replaced
4 ahead of the retirement of the transformer it's
5 attached to?

6 A (Lajoie) Yes. That is not an uncommon situation.
7 Load tap changer controls historically have been
8 mechanical devices with electromechanical relays.
9 Modern load tap changer controls are solid-state
10 devices with solid-state relays, provide much
11 more robust options, as far as the settings that
12 are programmed into that control, and provide
13 additional capabilities, such as the ability to
14 remotely monitor what that tap changer is doing,
15 and remotely adjust the settings and the response
16 of the tap changer.

17 Q And, if you turn to Exhibit 63, Bates Page 021,
18 it describes a disagreement between the Company
19 and the Audit Division about whether these load
20 tap changers represent individual units of
21 property, in which case the Company might
22 properly capitalize them and recover them within
23 the step, or whether they are simply
24 replacements, maintenance of property that was

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1 already initially capitalized, in which case the
2 audit recommends they should instead be expensed,
3 rather than capitalized. Is that correct?

4 A (Lajoie) I am familiar with those discussions,
5 but was not party to it.

6 Q And cited within the audit is an Eversource
7 policy memo developed in March 2012, is that
8 correct?

9 A (Lajoie) Yes. I believe that's correct.

10 Q And, so, prior to 2012, it sounds like the
11 Company had treated those devices in the manner
12 that Audit recommends, and in a manner which
13 Audit argues or observes is consistent with FERC
14 accounting?

15 A (Menard) I believe it's an interpretation issue.
16 And there is a disagreement in interpretation.
17 So, I'm not sure it's a FERC issue. It's an
18 interpretation of FERC guidance.

19 Q And, to follow up there, prior to that March 2012
20 memo, the Company had interpreted that FERC
21 accounting or that device differently, is that
22 correct?

23 A (Menard) I believe that's the case. I don't have
24 the background in front of me, the prior to 2012.

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1 But, in 2012, there was a change in policy, an
2 accounting policy. And the accounting memo that
3 was provided as part of Audit states that "LTC
4 controls and relays are recognized as retirements
5 or units of property, and therefore they can be
6 capitalized separately, and they're not a
7 maintenance item."

8 Q And would it be accurate to say that the Audit
9 Staff cites the FERC rule at Exhibit 63, Bates
10 020, which states "When a minor item of
11 depreciable property is replaced independently of
12 the retirement unit of which it is a part, the
13 cost of replacement shall be charged to the
14 maintenance account appropriate for the item."
15 Is that correct?

16 A (Menard) Yes.

17 Q And is it correct that, in this step, which
18 examines 2020 plant-in-service, there were, in
19 fact, load tap changers that were capitalized,
20 rather than expensed?

21 A (Menard) Yes.

22 Q And, if you could turn to Exhibit 60 -- the
23 initial filing, which was Exhibit 62, I believe,
24 Bates Page 026, red Bates Page 026, Line 27,

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1 please?

2 A (Menard) Yes.

3 Q Is it correct that there appears to be a project
4 related to load tap changer controllers that's
5 approximately requested for recovery of \$463,324?

6 A (Menard) Yes. That's correct.

7 Q And, if you could also turn to Bates 028, Line
8 15, and that's -- I think it's red Bates Page
9 028, but I will double check.

10 A (Menard) Yes. That's correct.

11 Q There is another project which involved load tap
12 changer controllers. I think that the load tap
13 changers were less than the entire project in
14 this instance, is that correct?

15 A (Menard) I believe you're referring to Bates --
16 oh, sorry, yes. On Bates red 028, Line 15?

17 Q Yes.

18 A (Menard) Says "Annual Substation Projects". So,
19 there's many, many individual smaller projects
20 within this one. And there is a work order that
21 has a load tap changer within that project.

22 Q And is it accurate to say that, of the load tap
23 changers, they represent approximately \$40,000 of
24 the overall costs?

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1 A (Menard) Yes. That's correct. And, while it's
2 not shown here in this exhibit, we did explore
3 that within our technical session.

4 Q Great. Thank you. And, if the Commission were
5 to agree with the Audit Division that these
6 equipment replacements should be characterized as
7 an expense, would they be -- would they still be
8 eligible for recovery in the step?

9 A (Menard) No. Expense is not included in the
10 step.

11 Q And are there any other major differences between
12 characterizing these equipment replacements as an
13 expense, rather than a capital investment? For
14 example, if they were characterized as an
15 expense, rather than capitalized, would the
16 Company still be eligible to earn a return on
17 those assets?

18 A (Menard) No. You know, presumably, if these were
19 included as an expense item, presumably they
20 would have been in our cost of service, which is,
21 you know, the basis for our distribution rate.
22 But the policy that we had in place, or we have
23 in place currently, that would have been the
24 basis for our cost of service, and our revenue

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1 requirement had these as capital units, and
2 therefore not expense. So, they're not in our
3 revenue requirement and cost of service.

4 Q Thank you. Now, I want to turn to the last
5 subject I want to touch on today on
6 cross-examination, which is the subject of
7 damaged property/reimbursables, I might call it.
8 Now, if I can ask you to turn to Exhibit 63, at
9 Bates Page 003, there appears to be some degree
10 of disagreement between the Company and Audit
11 Staff about whether the Company, in several
12 related accounts that should be able -- let me
13 restart here. There seems to be a bit of
14 disagreement between the Company and Audit Staff
15 about whether, for several related accounts that
16 cover insurance, whether the Company should be
17 able to recover total capital additions related
18 to damaged property prior to the receipt of any
19 insurance reimbursable, or rather the Company
20 should only be able to, at least in the initial
21 year, only recover net plant additions.

22 Am I getting that correct? I might not
23 be.

24 CHAIRWOMAN MARTIN: Mr. Buckley, can

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1 you point me to the Bates page again? I
2 apologize. I didn't hear you when you said it.

3 MR. BUCKLEY: Oh, yes. It is Exhibit
4 63, Bates Page 003.

5 CHAIRWOMAN MARTIN: Thank you.

6 **BY THE WITNESS:**

7 A (Menard) I'm not sure you're characterizing it
8 correctly. During the audit, there was a
9 question about how reimbursements are applied,
10 and the specific accounting associated with that.
11 And, in Audit Issue -- give me just a second to
12 find it -- in Audit Issue 1, that begins on Bates
13 015, there was -- there was a few different
14 issues going on. One was asking questions about
15 the actual Project Authorization Form itself, and
16 understanding how the reimbursements are applied
17 to what is authorized. Then, there was some
18 questions about how reimbursements are applied.
19 And then, also questions about how reimbursements
20 are recovered, and following the accounting for
21 all of that.

22 And Bates Pages 015 through 018, and
23 then again on Bates Pages 029 through 035, were
24 responses to try to explain the accounting

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1 associated with reimbursements. So, essentially,
2 and we did go through this in a bit of detail in
3 the last step hearing. And, you know, we
4 explained the process that, when damage occurs,
5 crews go to repair that damage. So, let's take
6 an example where a car hits a pole. If the -- if
7 a police report is created, and therefore the
8 damager of the property is known, you know, our
9 crews make the repairs, whether or not we know
10 the damager or not, our crews make the repairs.
11 If the police report is filed, and there is a
12 name associated with who damages the property,
13 our administrative staff will go and request that
14 police report, and then we know who to bill the
15 damage to.

16 So, at the time, when we find out all
17 the information, we create a bill, essentially,
18 and send that to the damager of the property. At
19 the time that bill is sent, a credit is applied
20 to the work order immediately, for the full
21 amount. That work order is then closed, the
22 process is then -- eventually closed, the process
23 is completed. And there is a separate process
24 that occurs to actually obtain that, that billed

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1 amount, from the damager, either from the damager
2 itself or from the insurance company.

3 We may or may not receive 100 percent
4 of that reimbursement. We may not receive it in
5 a timely manner. There are times where there's
6 payment plans that are offered to the damagers.
7 So, the recovery of those reimbursement claims
8 occur over time. But the work order itself, and
9 the amount that's included in this revenue
10 requirement, is credited fully for that amount
11 billed.

12 So, in the Audit Report, there were
13 questions around the process, on trying to
14 understand where the reimbursement credit or that
15 offset shows up, whether it shows up in plant
16 additions as an offset, or accumulated
17 depreciation. And, so, the response tries to
18 explain that that credit is not an offset to
19 plant additions. It's actually a credit to cost
20 of removal. And, so, therefore, the addition
21 amount is not reduced. It does flow through
22 accumulated depreciation, which therefore reduces
23 the revenue requirement.

24 So, you know, the Company responded to

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1 the audit request. There was no further action
2 on the Audit Report. There was no further
3 discussion. There was, in our last step
4 adjustment, there was an acknowledgment that this
5 was still an open issue to be worked through, and
6 that this could be resolved through or further
7 understood through the business process audit,
8 which I believe should be starting within the
9 next month or so. And, so, we could further
10 investigate that at that time as well.

11 Q And, so, if I were looking to see, within the
12 instant Petition, for where this issue is, would
13 I be accurate to say it is at Bates 028, red
14 Bates 028, Line 38, and the value we're looking
15 at requested for recovery is Column G, which is
16 2. -- about \$2.6 million?

17 A (Menard) In Exhibit 62?

18 Q Yes. Sorry. Exhibit 62.

19 A (Menard) Yes. Yes, that is correct.

20 Q And, so, that amount is the gross of the plant
21 that the Company put in the ground, rather than
22 the net value that the Company expects will
23 result once it's reimbursed from those insurers
24 associated with, for example, the damage that has

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1 a police report tied to it. Is that accurate?

2 A (Menard) Yes. So, in Exhibit 62, on Line 38, in
3 Column G, that \$2.6 million is plant additions.
4 And, so, as I just explained, the reimbursement
5 does not go to offset the plant addition itself.
6 But, if you were to look further down in Exhibit
7 62, on Bates -- red Bates Page 041, Line 2, there
8 is a line called "Accumulated Provision for
9 Depreciation". And, so, that is an amount that
10 offsets plant in service, and the credit for the
11 reimbursement shows up in that number.

12 Q And that credit for -- go ahead. I'm sorry.

13 A (Menard) It's not itemized on a
14 project-by-project basis. But, in aggregate,
15 that's where it is.

16 Q And that credit for reimbursements, does that
17 typically occur six months within the amount of
18 time that the project has been booked to plant,
19 within that same step year, or is there sometimes
20 a lag, where maybe the reimbursable is not
21 collected for a period of 16 months or two years,
22 or something along those lines?

23 A (Menard) So, the reimbursement collection, is
24 that what you're asking about?

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1 Q Yes.

2 A (Menard) Okay. So, the reimbursement collection
3 can occur over a period of time. I can't say, on
4 average, what the amount of time. But, yes,
5 there could be lags. Like I said, we could set
6 up payment plans with the damagers. There could
7 be disputes with the damagers. So, there are --
8 there is definitely a lag period. But, you know,
9 that is not a part of this step adjustment,
10 because that's handled through a collections
11 process, and would eventually impact the
12 uncollectible expense.

13 What we're talking about in this step
14 adjustment and the revenue requirement is the
15 credit that is offset to the work orders when the
16 damage happens. And, for that, there could be a
17 time lag. You know, there was -- there's a time
18 lag between when the police report is filed to
19 when we receive that information. So, it could
20 be -- there could be definitely a time lag.

21 And, so, these projects, as we talked
22 about, they're annual projects in there, the same
23 projects from year to year. And, so, charges
24 will flow in from year to year. And, when we're

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1 talking about the step adjustment and the revenue
2 requirement, it's just the chalk line is snapped
3 within that calendar year. So, there could be
4 damage claim reimbursements from, you know, last
5 year that show up to offset the revenue
6 requirement in this year. And, you know, that
7 could happen in each year.

8 So, there's -- I just want to be clear
9 that there's a distinction as to the amount
10 that's credited to the work order, and would show
11 up in accumulated depreciation, versus the amount
12 collected from the damager through the
13 collections process.

14 So, if you think about it, you know,
15 just to have a concrete example, if there was
16 damage for \$1,000 for a work order, that work
17 order is credited for \$1,000. We may only
18 collect \$500, \$800, you know, whatever it is.
19 But the work order itself, and what appears in
20 this step adjustment, is the full \$1,000 credit,
21 and it would flow through that accumulated
22 depreciation.

23 Q Okay. That's helpful. And I notice that the
24 \$2.6 million figure appears larger than initially

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1 planned. And, in the Exhibit 64, Bates 057, I
2 think it says, that's the Supplemental Request
3 Form for that line item, it says that those costs
4 are -- or, that variance is a result of the
5 "COVID pandemic" and "internal processes that
6 were slowed and coupled with police department
7 delays".

8 Can you just expand upon that for me a
9 little bit, why there would be police department
10 delays in returning reports related to damaged
11 property that are attributable to COVID?

12 A (Menard) I would imagine it's related to staffing
13 issues. And we've seen this not just in a
14 pandemic year, but in prior years. Like I said,
15 we rely on the police departments to provide the
16 written police report, and that takes -- that can
17 take time. There was a couple of years back
18 where there was some -- some question as to
19 whether police reports could be provided to
20 external parties. And, so, there was several
21 months where we weren't even able to get any
22 police reports. And, so, we're sort of at the
23 mercy of being able to obtain this information to
24 be able to bill the damager or the insurance

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1 companies. So, if the police departments are
2 delayed, you know, from an administrative
3 perspective, then we don't get those police
4 reports.

5 Q But, even if you don't get the police reports, a
6 credit still appears, based on the amount in the
7 work order, for the reimbursable, within the
8 accumulated depreciation account in the same year
9 that the capital cost appears on the step capital
10 side of the ledger. Is that -- that's correct?

11 A (Menard) No. That's not correct. We can only
12 apply a credit when we issue a bill to somebody.
13 So, if we don't have a bill to issue, then we
14 cannot credit the work order. So, if --

15 A (Lajoie) Or if we can't issue a bill.

16 A (Menard) Yes. And, therefore, there is no credit
17 applied to the work order. So, if somebody hits
18 a pole, and there is no police report, we do not
19 know who to bill that damage to, therefore, the
20 work order does not receive that credit.

21 Q And, just to clarify, I guess I should have been
22 a little more clear, my question was, if there is
23 a police -- somebody did hit a pole, but there's
24 just sort of a lag in either the -- if somebody

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1 hits a pole, and there's a police report, but you
2 haven't gotten ahold of the police report yet,
3 does that still get credited to accumulated
4 depreciation in the same year that the items are
5 credited or appear as a capital cost on the other
6 side of the ledger?

7 A (Menard) No. The credit only appears when we
8 issue a bill. So, if we are delayed in getting a
9 police report, if we're delayed in issuing a
10 bill, the work order does not receive that credit
11 until we issue the bill.

12 MR. BUCKLEY: Okay. That's helpful.
13 All right. No further questions from the DOE's
14 Regulatory Support Division for
15 cross-examination.

16 CHAIRWOMAN MARTIN: Thank you, Mr.
17 Buckley. Commissioner Goldner.

18 COMMISSIONER GOLDNER: Shall we take a
19 break for lunch and return in 30 or 45 minutes?

20 CHAIRWOMAN MARTIN: Let's go off the
21 record for a minute please.

22 *[Brief off-the-record discussion*
23 *ensued.]*

24 CHAIRWOMAN MARTIN: Okay. I think

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1 we're going to hold off on taking a lunch break,
2 in the hopes -- and in recognition of how this
3 was scheduled. But we will take a five-minute
4 break right now until about 12:05. Off the
5 record and a brief recess.

6 *(Recess taken at 11:58 a.m. and the*
7 *hearing resumed at 12:11 p.m.)*

8 CHAIRWOMAN MARTIN: Okay. Let's go
9 back on the record. Commissioner Goldner, go
10 ahead.

11 COMMISSIONER GOLDNER: Yes. Thank you.

12 BY COMMISSIONER GOLDNER:

13 Q I'd like to go back to the Welch Island case, and
14 ask a few questions on that. So, a question for
15 the panel.

16 In the documents we have today, in the
17 exhibits we have before us, is there any place
18 that I can reference on a study done on what the
19 alternatives were to the cables that were laid?

20 A (Lajoie) No. There's no reference to that in the
21 documentation.

22 Q Okay. Was there a study done on the alternatives
23 that we could follow up on? Or, would that be --
24 or, would that be something that Eversource would

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1 have to do fresh?

2 A (Lajoie) That would be something that would have
3 to be done. The decision that the alternatives
4 were not viable is just based on experience from
5 past projects that the Company has had or
6 proposed. We had proposed a large battery
7 storage project, that we've since withdrawn the
8 proposal for. And it was quite a while ago, I
9 don't remember the exact year, we installed a
10 large diesel-fired generator in the Weare area,
11 to relieve a summer peak load condition. So, we
12 have experience with large stationary generating
13 units. And, of course, we do have a number of
14 small portable generators that the Company owns
15 and deploys in the event of some outages, so
16 familiar with that as well.

17 So, based on the cumulative experience
18 of these events was where the decision was made
19 that the alternatives were not viable.

20 Q Okay. And it's -- the reason it's a little
21 baffling is that I think the total expense was
22 somewhere between 1.6 and 1.9 million, depending
23 on which number you were using, about 100 people.
24 So, we're talking about, you know, let's call it

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1 18K or 19K per customer.

2 And the Commission is familiar with
3 some solar pilots, for example, with large
4 batteries, with large arrays, and those are
5 running, I think, 20K each. So, it would have
6 been a similar cost, I think, to this. But, you
7 know, even with a large solar installation, with
8 battery storage. So, we're just trying to
9 understand -- understand those alternatives and
10 what those look like.

11 Can you maybe touch on your experience
12 with, you know, a solar installation of this
13 size, and then a diesel installation? And I
14 understand that diesel engines are noisy and so
15 forth. But maybe just touch on what an expected
16 cost would be for those two possibilities?

17 A (Lajoie) I'd have to go back and look at the
18 information we have from the diesel installation
19 that we did. Like I said, it was a number of
20 years ago.

21 The Company, in New Hampshire, has not
22 installed large solar arrays, company-owned. My
23 understanding is that we're prohibited from
24 owning generation at this point, although I may

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1 be mistaken on that point. The divestiture of
2 generation did limit our ability to own
3 generation in the state. So, we'd have to go
4 back and look at, you know, what we've done in
5 other states, and what private companies have
6 done, and so forth.

7 Recall, however, that this is an island
8 with limited real estate. We have a right-of-way
9 for a line to run on the back lots of the
10 properties. Obviously, the residents of the
11 island own all the land with shorefront exposure,
12 and those lots go back toward the center of the
13 island. So, real estate, to locate such a
14 device, would, of course, be at a premium, and
15 island property is not cheap.

16 Q Do you have -- you mentioned, I think earlier,
17 the panel mentioned earlier, environmental
18 concerns. Was there a study done on the
19 environmental concerns or is there any
20 documentation on those concerns?

21 A (Lajoie) There was no study done, or nor is there
22 any documentation on those concerns. Again, the
23 discussion was based on our experience with the
24 diesel generator, and just the general issue of

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1 transporting fuel by boat. We have installed
2 generators on islands on a temporary basis. But,
3 for something as large as what we're talking
4 about here, we've never done anything on that
5 scale, and just had general concerns with that
6 possibility.

7 As I mentioned, the diesel generator
8 that we did install, there were air quality
9 permits required that had to be renewed. I
10 wasn't directly involved in that project. But a
11 good friend of mine at the Company was, and was
12 able to relay his experience on that. He was
13 actually part of the committee reviewing these
14 projects. So, he was able to relay his
15 experience verbally to the group, when we were
16 talking about whether or not to approve this
17 project.

18 Q Okay. And you mentioned, I think, before, the
19 panel did, that there was some open question on
20 whether customers on the island could have
21 benefited in the transaction via easements. I
22 think you mentioned before that there was no
23 information on that available?

24 A (Lajoie) I did research that. I can go back and

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1 verify with our Real Estate group, because they
2 do file all easements that are -- that are
3 obtained. And, you know, obviously, they're
4 filed with the local Deed -- Registry of Deeds.
5 So, I can go back and look at all that
6 information.

7 I was looking through the project
8 documentation, and couldn't find anything that
9 indicated easements had been purchased from the
10 island people. And my recollection of discussing
11 the project with the person who was managing the
12 project, were that -- or, my recollection is that
13 we were able to get agreement from the landowner
14 on the island for the cable termination, as long
15 as it ended in the same spot, and was actually
16 placed a little bit further from shore, without
17 having to purchase an easement.

18 But, if you would like, we certainly
19 can go back and check into all easements that we
20 have on the island?

21 Q Yes. Thank you. I mean, I think the challenge
22 is that, you know, we have a project that was
23 originally estimated at 360K, ended up being, you
24 know, something closer to 2 million. And, from,

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1 you know, a prudence perspective, we're just
2 trying to gather the information.

3 And, so, maybe what we can do, as I
4 look at the various pieces of information, is
5 to -- is to make a record request to understand
6 what the diesel cost would have been, because I
7 think that looks viable.

8 Solar, I was thinking actually of
9 rooftop solar. I mean, you could basically have
10 had rooftop solar on every house, with a battery,
11 for roughly the same cost, though that doesn't
12 improve the picture. It makes it sort of a
13 parallel. But give the Company an opportunity to
14 talk about what the alternatives would have been,
15 any comments that you'd like to make on
16 environmental concerns.

17 And then, to your point, too, I think,
18 balance that out with, you know, did any
19 customers benefit via easements, and to sort of
20 bundle that all into a record request, to give
21 the Company an opportunity to put their case
22 forward.

23 Does that make sense? Anything, any
24 comments on that request? Or questions?

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1 A (Lajoie) The request for the cost of a diesel
2 installation, I mean, 24/7/365, maintaining a
3 diesel plant on an island, it would most likely
4 be a pretty significant estimate as to what that
5 would cost. And, you know, these are homes that
6 are inhabited year-round. So, --

7 Q Yes. That might work -- that might work in your
8 favor. But, yes, just, you know, from a
9 Commission standpoint, we're looking at, you
10 know, a project that was estimated at 360, it
11 cost a lot more. So, from a prudence
12 perspective, I'm just trying to give the Company
13 an opportunity to put forward the facts, to
14 understand why, you know, the nearly \$2 million
15 is reasonable. That's all. So, --

16 A (Lajoie) We will certainly comply and provide
17 that record request, yes.

18 Q Thank you. All right. So, that's all the
19 questions that I have on Welch Island.

20 If I move to I'm going to call it the
21 "Pemi" case, if the design -- where I want to go
22 on this is that, you know, when we look at how
23 utilities are paid, in terms of cost of capital,
24 return on equity, return on debt, return on debt

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1 is grounded in, you know, risk-free returns, and
2 return on equity means that those projects have
3 some risk associated with them, and things
4 sometimes don't turn out the way that you
5 planned.

6 And I, myself, am a former design
7 engineer, so I can appreciate that things
8 sometimes and often do go wrong. So, I fully
9 appreciate, I think, the situation in things
10 don't go always as smoothly as you want.

11 And what I want to go to on this is, if
12 the design was done correctly, if it was done
13 right the first time, if everything would have
14 fallen into place, is that the \$4 million number
15 that we were looking at before? Is that
16 approximately correct? I noted that there was an
17 error in the indirect costs. So, I think that
18 would probably need to be adjusted. But, outside
19 of the indirect adjustment, is that correct?

20 A (Plante) No, not exactly. The correct number for
21 if all things went well, without any errors,
22 would have been the -- on Bates 026, Row 19,
23 that's the -- oh, my God, my eyes are killing me
24 here, the 6.8 number.

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1 Q I'm sorry, the which number?

2 A (Plante) The 6.8, which was in the First
3 Supplemental Funding Request that we did not
4 fully approve, because that --

5 Q Okay. Can you -- I'm sorry. If you wouldn't
6 mind orienting me on the exhibit and the page
7 number please?

8 A (Plante) Oh, boy. Let me try.

9 Q No, take your time. It's just important to get
10 the documentation right here.

11 A (Plante) So, on Exhibit 62, Bates 026, I'm not
12 quite there yet either. Bates 26, Row 19, or
13 Line 19, in Column A-u -- oh, my God. I'm
14 looking at it sideways, but the line is in
15 landscape view here -- Column J, there's a number
16 there of 6.8 something or other. And that is the
17 value of the initial, I hate using a word like
18 "initial", the First Supplemental Request Form
19 that was submitted and approved in June of 2020
20 through EPAC, but not fully approved in
21 PowerPlan. So that one proposed to take the
22 authorized amount from 4.1 million to 6.8
23 million. And, so, that was an increment of 2.7.
24 And, of that, the lion's share was overheads.

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1 So, there was 800,000 of direct costs increase,
2 and, you know, 1.9 of indirect costs, so
3 overheads and AFUDC. So, that 800,000 increase
4 in direct costs was by and large the control
5 house expansion that we talked about earlier
6 today, and along with a little bit of costs for
7 the animal protection equipment that was
8 installed and, you know, little things, but it
9 was mostly the control house expansion.

10 So, that would have brought the total
11 request to 6.8. And, as I mentioned earlier, had
12 we been following our current authorization
13 process, we would have incorporated that 6.8
14 number in our full funding request, because we
15 would have already known about the control
16 building expansion needs, we already would have
17 known about the animal protection, we already
18 would have known about the total overheads, and
19 the fact that we also delayed the in-service date
20 by a little over a year, which compounds the
21 AFUDC.

22 Q Okay. Thank you. And how does that 6.8 million
23 compare to the final -- the final bill? Was it
24 7.9 or something? I'm not sure I have that handy

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1 here.

2 A (Plante) 7.7.

3 Q 7.7?

4 A (Plante) Yes.

5 Q Okay. That's the 900,000. Okay.

6 A (Plante) Yeah.

7 Q Okay. Thank you. All right. And the only other
8 question I have on this one was, could someone
9 maybe just give a high-level overview of what
10 exactly caused the phasing error?

11 A (Plante) I can try. I don't -- I wasn't on-site.
12 I'm not a testing and commissioning expert by any
13 means.

14 But, during the test energization
15 process to energize the transformer, there were
16 probably sixty-ish or so switching steps that are
17 involved with doing that. Each step would have
18 some involvement of the testing team, to validate
19 that the thing that they're expecting to see for,
20 you know, voltages in various areas are as
21 expected.

22 And, at some point, when we were
23 validating voltages at the Synch Scope, they
24 detected that they were not getting what they

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1 should have been getting. And that gave them
2 enough information to say "We can't go forward,
3 because we have an error somewhere."

4 And I lost Commissioner Goldner.

5 CHAIRWOMAN MARTIN: We actually lost
6 you by video again, Mr. Plante.

7 WITNESS PLANTE: Eh. I'm sorry.

8 CHAIRWOMAN MARTIN: Hold off for a
9 minute, maybe you will reappear.

10 WITNESS PLANTE: I hope, but can't
11 guarantee.

12 CHAIRWOMAN MARTIN: Let's go off the
13 record for a moment until we see if it does.

14 *(Off the record discussion ensued.)*

15 CHAIRWOMAN MARTIN: Let's take a
16 five-minute recess while he does that and come
17 back. I don't expect that it will take more than
18 an hour on questioning.

19 Okay? Come back about 12:40 to
20 restart. Thank you.

21 *(Recess taken at 12:33 p.m. and the*
22 *hearing resumed at 12:43 p.m.)*

23 CHAIRWOMAN MARTIN: Okay. Let's go
24 back on the record. Commissioner Goldner.

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1 BY COMMISSIONER GOLDNER:

2 Q Yes. We were just -- Mr. Plante and I were just
3 trying to sort out this phasing error. And
4 maybe, Mr. Plante, I could maybe put it a little
5 bit differently. And, if you don't know the
6 answer to that, that's okay. We can make it a
7 record request.

8 But what I was really trying to get at
9 was, the root cause of the phasing error, was
10 there, you know, usually companies go through a
11 root cause analysis and sort out what happened,
12 and, you know, have kind of a written report,
13 "Hey, we spent the next million or two or three
14 million dollars, because this happened or that
15 happened."

16 Was there a root cause analysis done on
17 this? And I'm specifically interested in, you
18 know, was it a hardware issue? Was it a software
19 issue? That's kind of where I'm going.

20 A (Plante) So, we did not perform a specific root
21 cause type of analysis here. We certainly did
22 evaluate where the error was in the engineering.
23 So that, I mean, if you were to look for a root
24 cause, I think everybody can pretty much agree

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1 that there is an engineering shortcoming here
2 that we discovered during the testing process.

3 But, no, we did not perform a detailed
4 root cause analysis. We don't feel that there
5 was a hardware or software issue that caused or
6 contributed to this issue.

7 Q Okay. So, I'm just trying to make sure I
8 interpret it right. It's really -- you would
9 characterize this as a "design" issue?

10 A (Plante) Yes.

11 COMMISSIONER GOLDNER: Okay. Okay.
12 That's all I was trying to get at. Okay. Very
13 good. Thank you, Mr. Plante.

14 And my last, maybe, you know, question
15 or comment is really directed at Mr. Buckley, who
16 I know is not a witness. But, Mr. Buckley, will
17 you be addressing in your closing the sort of
18 eight or nine year gap on this taps issue,
19 between when Eversource stopped doing it one way,
20 and the Audit Report that highlights that that's
21 a concern or an issue? Is that something you
22 will be able to address in your closing?

23 MR. BUCKLEY: Yes, absolutely,
24 Commissioner Goldner. I will address that in my

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1 closing.

2 COMMISSIONER GOLDNER: Thank you.

3 Thank you, sir. Okay. That's all I have,

4 Chairwoman.

5 CHAIRWOMAN MARTIN: Okay. Thank you.

6 BY CHAIRWOMAN MARTIN:

7 Q A quick question on one of the specific projects,
8 on, I believe, red Bates 027, Line 55, of Exhibit
9 62. There's one project called "Emerging Capital
10 Security". If someone could just describe that
11 project and what it entails for me please?

12 A (Menard) Would you be able to repeat the Bates
13 Page number?

14 Q I believe it was Bates 027. Let me go back and
15 double check. It's the second page. And it is
16 Exhibit 62.

17 A (Menard) Yes. I see that. Line 55?

18 Q Line 55.

19 A (Menard) Unfortunately, I don't have the detail
20 behind this. It is a project related to
21 information technology. I don't have the detail
22 handy, but we could certainly follow up.

23 Q Okay. If no other witness does, then I think
24 that would be a record request for the Company.

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1 A (Menard) And are you looking for a general
2 description of what the project is?

3 Q Yes. It's not -- it's not very clear from this
4 what it involves.

5 (Short pause.)

6 BY CHAIRWOMAN MARTIN:

7 Q Okay. Thank you. We heard some testimony
8 earlier today from Mr. Lajoie about the process
9 for approval, and Mr. Kreis raised the issue
10 related to some testimony about projects being
11 authorized "any time of the year". And Mr.
12 Lajoie had explained that a lot of times there
13 are later projects involving emergency
14 replacement or unforeseen circumstances. I'm
15 wondering, Mr. Lajoie, if there are any of those
16 in this step increase request? And, if so, can
17 you point us to the justification form for those
18 that is in the exhibit? And, if not, can you
19 provide that to us as a record request?

20 A (Lajoie) Yes. We can certainly provide that.
21 I'm just quickly scanning through, and I don't
22 see anything that's an emergency replacement
23 here. But, rather than depending on my ability
24 to read quickly, we will do that through an

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1 information request.

2 CHAIRWOMAN MARTIN: Okay. And I
3 apologize for the delay, I just keep track of
4 what we have for record requests. So, that would
5 be identifying those and providing any related
6 justification form, as you described?

7 WITNESS LAJOIE: Yes.

8 BY CHAIRWOMAN MARTIN:

9 Q Okay. Going back to the submarine cable project,
10 with the \$360,000 initial estimate. Given the
11 significant disparity, I am wondering what
12 vetting is done, and maybe this has changed, we
13 heard Mr. Plante reference a change in process,
14 but does the EPAC look to determine whether it's
15 a reasonable estimate? And a second question on
16 that is who is on the EPAC? What are their
17 qualifications?

18 A (Lajoie) Because this was a distribution line
19 project, and it was reviewed by the New Hampshire
20 PAC, which is a local New Hampshire group, as
21 opposed to the EPAC, which is a tristate group.
22 The EPAC looks at substation and transmission
23 projects. Distribution line projects are
24 reviewed within the -- within the individual

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1 state Project Authorization Committees, PACs.

2 We can certainly provide you a list of
3 the members who are on the New Hampshire PAC
4 committee.

5 Q I think I'm less interested in their specific
6 identify as to -- and more as to how their
7 qualifications are determined. And,
8 fundamentally, it's a bit surprising that there
9 could be an estimate for \$360,000 that would be
10 approved in the scenario we're hearing, where the
11 scope really doesn't change, and this involves
12 submarine cables to an island.

13 A (Lajoie) So, the members of the committee, and
14 it's composed of managers and directors of
15 various groups within the Company; Substation
16 Operations, Field Operations, System Planning.
17 I'm kind of the Chairman of the committee. Field
18 Engineering is another group that the director is
19 a member of the committee. We have a manager
20 from Planning and Scheduling, and so forth.

21 So, you know, it's people with a wide
22 variety of backgrounds and experiences within the
23 Company who are reviewing the projects, and
24 determining whether the project is justified or

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1 not.

2 And then, your next question was, I'm
3 sorry?

4 Q That's fine. So, you're the perfect person for
5 this question. Can you describe the process, if
6 there is an estimate that the PAC would think was
7 unreasonably low, how would that be addressed?

8 A (Lajoie) In general, when people come in with
9 projects, we review the documentation. We're
10 looking for things like "what is this estimate
11 based on?" This one that we're talking about was
12 from 2016, and prior to my direct involvement at
13 that, you know, in 2016. We're looking for, you
14 know, "How was this estimate derived?" "What is
15 it based on?"

16 And, over time, I can tell you the
17 committee has gotten of -- better at pushing back
18 and making sure that it is, in fact, based on a
19 bid, you know, that we can put our hands on.
20 That it's based on something that's been designed
21 within our work management system. We've had
22 changes to the work management system over the
23 years, and have had some problems where the
24 estimating function wasn't working very well, but

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1 at the moment it is. Those tend to be the more
2 normal work for us, you know, building a pole
3 line or building an underground line. Submarine
4 cables, since, as I mentioned, I think, it really
5 is nothing that we do on a regular basis, would
6 be one of those items that should be sent out to
7 bid.

8 The original form, as we discussed I
9 think earlier, didn't have a basis for the cost
10 estimate of 360,000. Looking back on it now, I
11 would hope that we would stand up and say that
12 "this doesn't really look right, it looks pretty
13 low."

14 But, again, without having had any
15 experience with submarine cable in the recent
16 past, the last one that I was involved in was
17 probably in the late 1980s, on Newfound Lake.
18 Without having any recent experience on submarine
19 cable installation, you know, I would hope that
20 we would get -- today, I feel confident that we
21 would have the bid in front of us, to be able to
22 be sure that the cost is based on something that,
23 you know, it's cast in concrete.

24 Q Thank you for that. We've heard a couple times

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1 that there's been a change in process. When did
2 that occur?

3 A (Lajoie) There's been multiple changes in
4 process. A lot of them have occurred as we
5 progressed through the rate case and subsequent
6 hearings. I think, well, perhaps some of our
7 documentation had been lacking previously, and
8 that was pointed out to us as part of this whole
9 process. So, we've gotten a lot better at
10 providing or establishing better documentation
11 requirements as time has gone on.

12 Q I'll just briefly turn to Mr. Plante, because I
13 think that you had mentioned a couple times that
14 there is now engineering requirements related to
15 the approvals and additional details. Was that a
16 single change that you were referring to? Is
17 that a series of changes since 2016?

18 A (Plante) I would say it's a series of changes
19 that have been put in place over the past couple
20 of years. Some of them are based on learnings
21 that we've taken away from this rate case.
22 Others are from learnings that we've taken
23 throughout the three-state enterprise. For
24 instance, a now formalized process for performing

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1 both substation and line constructability would
2 be used. We had a three-state group pulled
3 together of subject matter experts, as part of an
4 initiative, an initiative to define the things
5 that we should be looking at or looking for at
6 various stages of project development, so that we
7 can effectively progress the design and
8 estimating those projects. It's eliminating,
9 we're never going to eliminate everything, but
10 minimizing the things that crop up later on in
11 the process.

12 So, part of our approval requirements
13 now are to, in addition to submitting a PAF,
14 Project Authorization Form, we need to submit a
15 constructability review document, which is a
16 pretty detailed assessment, the existing
17 conditions, and questions and check boxes that
18 you need to evaluate. Project schedule is
19 another requirement for the project approval
20 through EPAC. Process of schedule never changes,
21 but it demonstrates that your project estimate is
22 based upon some boundaries in time, as well as
23 some boundaries in outage claim.

24 So, have we thought about what we might

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1 need for outages to complete the construction?
2 Have we talked to our Control Center and gotten
3 feedback from them, that, yes, they feel that we
4 can -- we can be granted those outages, or, "no
5 you can't", or, "yeah, you can have it in the
6 spring, but not in the fall." You know, those
7 types of kind of objective evaluations of, you
8 know, whether our thoughts on how the project
9 might unfold are, in fact, reasonable.

10 Q Okay. Thank you. Do you know specifically when
11 the engineering requirement was added?

12 A (Plante) What we -- I don't remember exactly the
13 date, but I would probably say, like, two
14 years-ish ago, where we were looking to have the
15 engineering advanced somewhere near the -- what
16 we would call -- what we used to call the "70
17 percent stage", so that we could then start
18 talking to contractors about construction costs.

19 CHAIRWOMAN MARTIN: Mr. Fossum, I just
20 want to clarify for the original record request I
21 had, it relates to the planning and this approval
22 process. That it sounds like there is a current
23 approval process in place, it would be helpful to
24 understand that.

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1 MR. FOSSUM: Understood. Yes.

2 CHAIRWOMAN MARTIN: Okay.

3 MR. FOSSUM: And I believe the
4 documents in the LCIRP filing that we can provide
5 would speak to both the approvals -- both of
6 those issues, but we'll find that.

7 CHAIRWOMAN MARTIN: Okay. Thank you.

8 BY CHAIRWOMAN MARTIN:

9 Q Oh. We heard some testimony related to the
10 approval in this, I believe it's the same
11 project -- nope, it's in the Pemi project. And
12 the EPAC, I believe, was involved in the
13 subsequent approval of that project, is that
14 right? Did I understand that right? I think
15 that was Mr. Plante.

16 A (Plante) Yes. EPAC is the approval body for
17 major substation projects. And that's a
18 three-state organization, and it's chaired by the
19 Director of Asset Management. And it's comprised
20 pretty much of all of the directors of the -- in
21 the areas of our Company. The various
22 engineering directors, operations directors,
23 community outreach directors, you know, some
24 pretty broad spectrum of expertise.

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1 Q I thought I understood you to testify that that
2 approval ultimately came in April of 2021. But
3 this project that we're being asked to approve
4 here was placed in service in 2020. Can you help
5 clarify that for me?

6 A (Plante) Yes. So, the final approval of the
7 supplement did come through in late -- or, early
8 2021. And that's -- yes, as I mentioned earlier,
9 we had a Supplemental Funding Request that was
10 routing for approval, but we stopped in the fall
11 when we discovered we had this problem with the
12 Synch Scope. And, at that point, we began
13 gathering the additional information that was
14 required to, you know, get a good understanding
15 of what the, you know, the total impact of that
16 event was. And it just took a little bit of time
17 to gather all that stuff. And I think it was
18 early -- looks like mid January that we were able
19 to finally get the document put together and
20 submit it to EPAC. And then, they approved it in
21 April, and then it went through the PowerPlan
22 approval process subsequent to that.

23 Q It's my understanding that was a retroactive
24 approval or am I misunderstanding the testimony?

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1 A (Plante) No. You're understanding it kind of
2 correctly.

3 Q Okay. Thank you. Just wanted to make sure. We
4 also heard, related to the Pemi project, that,
5 and heard some more through Commissioner
6 Goldner's questions, that the vendor -- that
7 there was an error, an engineering error, and
8 that the vendor essentially did not charge for
9 the engineering related to addressing that
10 problem.

11 There were questions related to whether
12 there was the ability to hold them liable to a
13 greater extent. And part of your testimony in
14 response was that there were contractual
15 limitations on that, which I understood, but then
16 also the internal engineering accountability
17 related to that as well.

18 Is there any accommodation reflected in
19 the step increase or in the cost for the project
20 to account for the Eversource engineering --
21 internal engineering issues?

22 A (Plante) I'm not sure I understand your question.

23 Q I thought I understood, or I assumed from what
24 you were saying, that there was some

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1 responsibility for the issue that fell on
2 Eversource, related to the review and not
3 catching that error. And, so, I'm wondering if
4 there is some accommodation for that reflected in
5 the numbers before us?

6 A (Plante) Okay. So, yes. Our internal
7 engineering folks were involved with the reviews
8 and whatnot, the various design deliverables.
9 And I guess, in terms of "accommodation", you're
10 asking did we include the total cost of the
11 internal engineering, that involvement, after
12 that event was discovered?

13 Q Yes.

14 A (Plante) And my answer is "No." We have included
15 all of the costs that our engineering folks have
16 incurred for most of the project in this, in this
17 filing. I think that's correct. Right, Erica?

18 Q Okay. Thank you. I have a question for Ms.
19 Menard related to the change in the policy in
20 2012. You noted that you had changed the
21 accounting policy of the Company in 2012. I'm
22 wondering if that was based upon a change in the
23 language of the FERC rule or whether that was
24 just a change in the policy internally, not based

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1 upon any change in the rule?

2 A (Menard) If I'm recalling correctly, I believe it
3 was around the time of the merger between NSTAR
4 and Northeast Utilities. That there was a review
5 of policies between the companies. And I believe
6 it was made at that time.

7 Q Okay. So, you're not aware of any change in the
8 language by FERC?

9 A (Menard) I'm not aware of any.

10 Q Okay. Thank you. Probably also a question for
11 Ms. Menard.

12 The Audit Report that we have as an
13 exhibit today said that "the Company has not
14 responded sufficiently", and that was dated
15 "February 1, 2021". Has the Company provided a
16 further response to the Audit Division?

17 A (Menard) Could you direct me to which audit
18 issue?

19 Q Let me see if I can find the page. Okay. I
20 think I have it. It is Exhibit 63, at Bates Page
21 003, Audit Issue Number 1. It said "To date, the
22 Company has not responded sufficiently."

23 Since that date, has the Company
24 provided a further response?

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1 A (Menard) I believe the Company has provided the
2 response. And it's hard to tell from that
3 sentence whether the "to date" is referring to
4 "February 1st" or whether it was part of the
5 original audit, like a draft report or something.

6 From the Company's perspective, we
7 believe we have provided a response.

8 Q Are you aware of whether the Company has provided
9 a response since February 1st, 2021?

10 A (Menard) I don't believe there's been any further
11 discussions. I was just trying to recall when
12 our step hearing last was. Outside of -- if I
13 could just take a second to look?

14 Q Go ahead. An easy way to deal with this may be
15 that, to the extent the Company has provided a
16 further response after February 1, 2021, or if,
17 as you suggested, this is a remnant from a draft,
18 a response after that draft date, if you could
19 provide that as a record request, that might be
20 the most simple way to handle it.

21 A (Menard) Yes. I'm just looking, and the last
22 responses that we had were those Staff data
23 Requests 17 and 18 sets.

24 We have had further discussions as part

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1 of this step adjustment, where the Company has
2 provided, in Set 19, which is Exhibit 64, there
3 have been further -- further information
4 provided. And those are the only items, as part
5 of this particular issue, that have been
6 responded to by the Company.

7 Q Are you aware of any -- this exhibit notes this
8 to be the "Final Audit Report". Are you aware of
9 any subsequent versions of this? And I'll ask
10 the same of Mr. Buckley.

11 A (Menard) I am not aware of anything beyond this
12 Final Audit Report. I don't know if the
13 Regulatory Support Division has anything.

14 MR. BUCKLEY: No. I would just echo
15 what Ms. Menard just said.

16 CHAIRWOMAN MARTIN: Okay. Then, Ms.
17 Menard, I will just ask that you confirm that
18 there is no further response related to this,
19 and, if there is, provide it in a record request.

20 WITNESS MENARD: Certainly.

21 CHAIRWOMAN MARTIN: Thank you.

22 BY CHAIRWOMAN MARTIN:

23 Q Okay. Once last question. It's my understanding
24 that any amount approved in this step increase

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1 would also be reconcilable based on a subsequent
2 audit by the Department of Energy Staff. Is the
3 Company in agreement with that?

4 A (Menard) Yes.

5 CHAIRWOMAN MARTIN: Okay. Thank you.
6 I have no other questions.

7 Mr. Fossum, redirect?

8 WITNESS MENARD: Yes. If we could just
9 follow up on the question that you asked,
10 Chairwoman Martin, on that "IASC2003" project?

11 CHAIRWOMAN MARTIN: Okay. Go ahead.

12 WITNESS MENARD: We were able to find
13 some information about that that hopefully should
14 answer your question.

15 CHAIRWOMAN MARTIN: Okay.

16 WITNESS MENARD: Mr. Devereaux can
17 respond to that.

18 WITNESS DEVEREAUX: Thank you, Erica.
19 Yes. It's security equipment used in our work
20 centers for the 2020 year. There was a camera
21 added in the Derry Work Center, the Hooksett Work
22 Center, Rochester, Energy Park, and Chocorua,
23 along with a satellite phone for Energy Park in
24 Manchester. These are all for security purposes.

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1 CHAIRWOMAN MARTIN: Okay. Thank you
2 for that.

3 WITNESS DEVEREAUX: You're welcome.

4 CHAIRWOMAN MARTIN: All right.
5 Mr. Fossum.

6 MR. FOSSUM: Just before I -- I think I
7 only have a couple of questions. But, before I
8 do that, you had left us with a record request on
9 this "Emerging Capital Security". And I believe
10 that's what Mr. Devereaux was just explaining.

11 Do you still want a record request
12 response or was that sufficient?

13 CHAIRWOMAN MARTIN: That was
14 sufficient. Thank you.

15 MR. FOSSUM: Thank you.

16 BY MR. FOSSUM:

17 Q And, in the hope of potentially addressing
18 another record request, Ms. Menard, could you
19 please look at Exhibit 63, Page 15?

20 A (Menard) Yes. I'm there.

21 Q In the middle of that page, do you see the
22 sentence "To date, the Company has not responded
23 sufficiently", under the bolded heading "Issue"?

24 A (Menard) Yes. Yes, I do.

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1 Q Is the information that follows after that the
2 Company response that begins at the bottom of
3 Page 15 and continues on? Is that additional
4 information that was provided subsequent to that
5 issue being identified?

6 A (Menard) Yes. That is my understanding.

7 Q So, would it be correct to say that that
8 identification of information that "was not
9 sufficient" was then filled in with additional
10 responsive information that was included in the
11 audit?

12 A (Menard) Yes. That is -- that would be my
13 assertion. I cannot state, from the Audit
14 perspective, though, if that relieves their issue
15 related to the "To date, the Company has not
16 responded sufficiently."

17 From our perspective, that is our
18 response. And that response that you identified,
19 coupled with some attachments at the end of the
20 Audit Report, are responses to that issue. And,
21 so, we believe we responded sufficiently. But
22 there has been no further discussions with Audit
23 or the Department of Energy Staff on the topic.

24 And, if I recall from the last step

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1 adjustment hearing, there was some discussion on
2 the topic. If I were to go to the transcript, I
3 think we talked about, you know, the issue being
4 discussed in more detail during the business
5 audit process review.

6 Q So, my understanding, just to wrap this up, my
7 understanding from what you're saying, that some
8 responsive information was given, a report was
9 issued, and it was your expectation there would
10 be some additional discussion or deliberation on
11 the various issues, and that has not happened?

12 A (Menard) That's correct.

13 MR. FOSSUM: I think that was all that
14 I wanted to clear up. Thank you.

15 CHAIRWOMAN MARTIN: Mr. Fossum, I'll
16 keep that record request in place, because I
17 would appreciate it if the Company would confirm
18 that there have been no additional responses
19 since the report came out. But, to the extent
20 there aren't any, you just don't need to file
21 them. I understand the clarification you just
22 made. Okay?

23 MR. FOSSUM: Understood. So, then my
24 understanding -- so then that response or that

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1 request remains to confirm whether there have
2 been additional information. And, so, if there
3 has not, we will provide a response that says
4 that there has not.

5 CHAIRWOMAN MARTIN: Okay. Thank you.
6 Do you have any further redirect?

7 MR. FOSSUM: No.

8 CHAIRWOMAN MARTIN: Okay. Then, we
9 will -- we have already admitted Exhibit 63 and
10 64 as full exhibits. Is there any objection to
11 admission of Exhibit 62?

12 *(Atty. Buckley indicating in the*
13 *negative.)*

14 CHAIRWOMAN MARTIN: Okay. Seeing none.
15 We will strike ID on 62 and admit that as a full
16 exhibit as well.

17 And we are holding the record open for
18 Exhibit 65, regarding the planning and approval
19 process; Exhibit 66, regarding alternatives on
20 the submarine cable project; Exhibit 67,
21 regarding emergency or unforeseen project
22 approvals and related justification forms; and
23 Exhibit 68, regarding any additional responses by
24 the Company to the Audit Report.

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1 Anything that I'm missing there? Any
2 questions?

3 *[No verbal response.]*

4 CHAIRWOMAN MARTIN: Okay. Seeing none.
5 Anything else from you, Commissioner Goldner?

6 COMMISSIONER GOLDNER: No.

7 CHAIRWOMAN MARTIN: Okay. Then, we'll
8 take closing statements. And, Mr. Plante, you
9 may be excused.

10 All right. Starting with Mr. Kreis.

11 WITNESS PLANTE: Thank you very much,
12 Chairwoman.

13 CHAIRWOMAN MARTIN: You're welcome.
14 Enjoy your time.

15 WITNESS PLANTE: Thank you.

16 MR. KREIS: Thank you, Chairwoman
17 Martin.

18 On behalf of the OCA, I wanted to thank
19 everybody for a very interesting and informative
20 hearing. And I want to confess that this hearing
21 as brought me up short, in the sense that the OCA
22 does not have the expertise to conduct the kind
23 of thorough review of the prudence of the
24 Company's capital expenditures, either this

1 Company or any other company. And we have
2 historically relied on what used to be the Staff
3 of the PUC, and what is now the Department of
4 Energy, for their thorough analysis, and also the
5 analysis that the Audit Division, of what is now
6 the DOE, also conducts.

7 With respect to the last colloquy,
8 between Chairwoman Martin and the Company
9 referencing Exhibit 63, looking at Page 18 of
10 that exhibit, it appears to me that the Audit
11 Division of the PUC did not back down from its
12 concerns. And, so, therefore, I think the PUC
13 should not back down from the concerns that both
14 the DOE and the Commissioners from the Bench have
15 expressed here.

16 I thought that all of the discussion of
17 the Welch Island cable project was very
18 interesting. And I'm glad to see that the
19 Commission has left that issue open, in the sense
20 of having interposed at least one record request,
21 to try to figure out more about how that
22 particular scenario went down. And I guess the
23 same is true of the Pemigewasset Substation.

24 Just as a general process concern, I

1 start to get itchy, I guess, when there are so
2 many important record requests that are left open
3 at the end of a hearing, that I would imagine
4 that there is a point at which the hearing record
5 becomes so incomplete at the end of a hearing
6 that the Commission should consider whether to
7 reconvene the hearing, so that the responses to
8 the record requests can be put in their proper
9 context.

10 I will look at whatever the Company
11 circulates by way of responses, as I'm sure the
12 DOE and the Commission will. And, I guess, at
13 this point, I want to reserve the right to file a
14 request that the Commission convene another
15 hearing here.

16 Obviously, the Step 2 increase is part
17 of the Settlement Agreement in the rate case,
18 that I signed, and that the Commission approved.
19 And I don't want to become an unhelpful
20 impediment to that step increase being
21 implemented on a timely basis. But I think
22 there's a lot of unresolved -- there are several
23 significant unresolved issues here, as this
24 hearing has demonstrated. And, for that reason,

1 I am not going to take a position at this time
2 about whether the Commission should approve the
3 Company's filing.

4 And I note that it really is -- it is
5 overall the burden of the Company to demonstrate
6 the prudence of all of the expenditures that it
7 seeks recovery of through this, or any other
8 rate. And I'm not sure what -- I'm not sure what
9 to ask the Commission to do here. So,
10 ultimately, I take no position, at least not at
11 this time.

12 Thank you. I think that's all I have
13 to say.

14 CHAIRWOMAN MARTIN: Thank you, Mr.
15 Kreis. And I think you raise an important point
16 that we need to cover, following up on your
17 "leaving the record open", timing on the record
18 requests. Given the timing related to this
19 matter itself, when can the Company provide those
20 responses?

21 MR. FOSSUM: I'm not sure. I believe
22 the first one can be done very, very quickly, as
23 likely can the last.

24 The two middle requests I'm less

1 certain of. I guess the big concern, from my
2 perspective, is the second request, now held for
3 Exhibit 66, is requesting a new analysis. I
4 suppose I would look to somebody like, and I
5 don't mean to put you on the spot, Lee, I don't
6 know how quickly you could pull that together?

7 WITNESS LAJOIE: I'm not sure. I think
8 it depends, in large part, on the amount of
9 detail we go to. But, if you're willing to
10 accept estimates, you know, we can certainly get
11 it done a lot faster. But, if I'm going to do
12 it, it's going to be within two weeks.

13 MR. FOSSUM: I mean, I think -- I
14 understand that this is sort of a hypothetical
15 or, you know, an analysis of what things would
16 have been, so I'm quite certain there will be
17 some measure of estimation involved.

18 CHAIRWOMAN MARTIN: Mr. Fossum, for the
19 three, other than, let's see, we've got Exhibit
20 66, which is the alternatives analysis, do you
21 expect that those could be submitted by, say,
22 Thursday of this week? I know that's a short
23 turnaround. But I would think that even Exhibit
24 67, regarding the emergency or unforeseen

1 approvals, that's information you have in your
2 system, and you should be able to pull that
3 together pretty quickly.

4 MR. FOSSUM: I don't disagree with
5 that. It would be a matter of just identifying
6 them, and then doing that. So, I don't imagine
7 that would take a very long time to do.

8 So, for those three, subject to
9 somebody correcting me, I wouldn't see an issue
10 of getting them in by Thursday.

11 CHAIRWOMAN MARTIN: Okay. Let's say
12 Thursday. If you have an issue with the one,
13 please file something letting us know.

14 Just a minute. I'm going to go off the
15 record for one moment.

16 *(Chairwoman Martin conferring with*
17 *Commissioner Goldner.)*

18 CHAIRWOMAN MARTIN: Let's set the
19 deadline for the other one for next Tuesday, the
20 20th. And, if the Company is not able to meet
21 that deadline, if you can file something as soon
22 as possible letting us know.

23 MR. FOSSUM: Understood.

24 CHAIRWOMAN MARTIN: Thank you. And,

1 before we move on to Mr. Buckley -- oh.

2 MR. FOSSUM: Before that, you said,
3 wait, I just now wrote down, --

4 WITNESS LAJOIE: For clarification --

5 MR. FOSSUM: -- you said "Tuesday, the
6 20th". Did you mean "Tuesday, the 27th"?

7 CHAIRWOMAN MARTIN: I did. Thank you
8 very much for clarifying.

9 Okay. And, Mr. Kreis, I also wanted to
10 respond to your concern about when there are
11 significant record requests, and the record is
12 left open. And I a hundred percent agree with
13 that concern, and share it at times.

14 And, so, to the extent there is a
15 desire by any party to be heard on anything that
16 does come in, please do plan to file something
17 and let us know that.

18 MR. KREIS: I appreciate that, Madam
19 Chairwoman.

20 CHAIRWOMAN MARTIN: Okay. Thank you.
21 And on to Mr. Buckley.

22 MR. BUCKLEY: Thank you very much,
23 Madam Chair.

24 Teeing off the timing considerations

1 that the Consumer Advocate brought up, it occurs
2 to me that, at least sort of administrative
3 matterwise, if I were still at the PUC --
4 representing PUC Staff, I might ask for a rushed
5 transcript for this proceeding. But that is no
6 longer my role. I'm not going to do that. But
7 I'll just maybe note that for the folks in the
8 room.

9 So, in closing, the Department of
10 Energy's Regulatory Support Division has
11 conducted an extensive and detailed review of the
12 accuracy of the proposed rates as filed and the
13 projects the Company has requested for recovery
14 in the instant proceeding. We continue to have
15 concerns about project cost overruns that occur
16 between the planning stage and when a project is
17 closed to plant, but look forward to reviewing
18 the recommendations of the business process audit
19 for how such cost overruns could be avoided and
20 initial project planning might more accurately
21 reflect actual project costs.

22 In the case of the Pemigewasset
23 Substation, the Regulatory Support Division
24 recommends the Commission direct the Company to

1 remove at least the \$911,000 cited at Exhibit 64,
2 Bates 056, the amount the Company witness
3 identified as "consequential damages" relating to
4 the error of its third party consultant.
5 Ratepayers should not be on the hook for
6 incremental costs associated with the errors of a
7 third party consultant.

8 Furthermore, in light of the Audit
9 Division recommendations, we also continue to
10 have concerns about the accounting treatment of
11 the load tap changer controllers, which we think
12 inaccurately accounts for their maintenance as a
13 capital addition, rather than simply an expense.
14 And would recommend that the Commission direct
15 the Company to remove, from this year's step, and
16 at least last year's step, that which the Company
17 has agreed would be subject to reconciliation,
18 based on the Audit's recommendations.

19 As expressed by the Company witness,
20 the replacement is clearly done during the
21 maintenance of a larger apparatus, with a longer
22 average service life, similar to the replacement
23 of a faulty distributor cap on my car.

24 We also continue to have concerns over

1 the Company's treatment of damaged property, and
2 encourage the Commission to take a hard look at
3 this issue. The Audit Division recommendations,
4 and the diminished incentive the Company would
5 have to collect police reports in a timely
6 manner, if it were to continue to book gross
7 plant associated with these accounts credited for
8 depreciation, rather than booking net plant,
9 consistent with the Audit Staff's recommendation,
10 as it considers the Company's request.

11 Having said all of that, in summary,
12 the Regulatory Support Division views the
13 projects requested for recovery in this step as
14 used and useful, their costs as prudently
15 incurred, the rates proposed as just and
16 reasonable, and recommends their approval by the
17 Commission, subject to subsequent audit, but also
18 subject to the following caveats: As far as the
19 Pemigewasset Substation, we recommend
20 non-recovery of the Company characterized -- of
21 what the Company characterized as the incremental
22 costs of \$911,000. As far as the LTCs, we
23 recommend the Commission direct, on a going
24 forward basis, reversal of the Company's 2012

1 decision on treatment of LTCs, recommend the
2 Commission direct their removal from this step,
3 and recommend that rates be reconciled to reflect
4 a removal of LTCs from at least the last step,
5 consistent with the Audit's recommendation, and
6 the Company's agreement during the last step
7 hearing. And, finally, we ask that the
8 Commission act on findings -- on the findings on
9 the expertise and on the recommendations of the
10 Audit Division's report, related to accounting
11 for damaged property, rule on the matter within
12 this step increase, and reconcile treatment of
13 the issue during last year's step increase.

14 Thank you.

15 CHAIRWOMAN MARTIN: Thank you, Mr.
16 Buckley. And Mr. Fossum.

17 MR. FOSSUM: Thank you. I'll start, as
18 I often do, sort of general, and I'll get more
19 specific.

20 In general, the Company does support
21 its filing as made, and believes that the
22 projects that are identified were reasonable and
23 appropriate projects that were prudently managed,
24 that the costs were prudently incurred, and

1 should be recovered fully, and that the rates
2 calculated consistent with them are just and
3 reasonable and should be approved as filed.

4 With respect to a few of the specific
5 issues, and one of the things I guess I'll speak
6 to is is an issue that has come about, the timing
7 and the need for some additional information. As
8 Ms. Menard had indicated in her testimony, some
9 of the items in the Audit Report, they were
10 known, you know, many months ago, and were to be
11 subject to further discussions that she has
12 testified haven't happened, but we'll confirm
13 that by the record request, but that is the
14 testimony that you've heard. So, and our
15 understanding, therefore, was that some of these
16 issues were to be discussed further, and handled
17 in a different way, and not borne out in the
18 relatively tight timeline of a proceeding like
19 this.

20 Getting to some of the more specific
21 issues, the Department of Energy Staff has just
22 recommended removal of costs associated with the
23 Pemigewasset Substation project. And, as you
24 heard Mr. Plante testify today, those \$911,000

1 that were identified came about because testing
2 did exactly what it was that testing was supposed
3 to do. It revealed an issue that needed to be
4 addressed before an incredibly expensive piece of
5 equipment, serving many customers, went into
6 service and potentially resulted in some kind of
7 a catastrophic failure. The cost that came from
8 that were not inherently unreasonable. They were
9 the byproduct of a proper process working
10 properly.

11 The fact that the Company is unable to
12 recover all of the costs of that from a third
13 party is not an indication that those costs were
14 imprudent or unreasonable. And we would put
15 forth that the project should be approved as it
16 has been filed.

17 With respect to the load tap
18 controllers issue noted in the audit, those, as
19 Ms. Menard testified to, those load tap
20 controllers have been capitalized now for many
21 years, including at the time of the rate case
22 that was just completed. Meaning that those were
23 capital items at that time and factored into the
24 Company's revenue requirement as such at that

1 time. To change their handling afterward, when
2 they have been handled in a particular way for
3 nearly a decade, and through the Audit Staff's
4 review in a rate case, seems unreasonable and
5 inappropriate.

6 There may be room for reasonable
7 disagreement about the meaning of a FERC
8 regulation. And, clearly, that disagreement
9 exists. It would be our position that this is a
10 continuing disagreement that has yet to be
11 resolved, and is not a basis to call for the
12 removal of a number of cost items that have been
13 appropriately included.

14 On the issue of insurance recoveries,
15 the Department of Energy Staff's position seems
16 to assume that recovery of costs from damage
17 causers is a given. And that only the net plant
18 should be involved, because at some level the
19 dollars will be recovered. And, as you've heard
20 Ms. Menard testify, that isn't the case. There
21 is no diminished incentive on our part to recover
22 those dollars.

23 When damage is done to our system, that
24 doesn't create a blank check for us to build

1 whatever we like and whenever we like, regardless
2 of the cost or its utility. We replace the
3 equipment that's damaged, credit the work orders
4 appropriately, and we account for the cost as Ms.
5 Menard has testified. Nothing about any of that
6 treatment is inappropriate or unreasonable. And,
7 again, to the extent that there may be some
8 further discussion to be had about it, we would
9 welcome such further discussions, but don't
10 believe it is appropriate, on the evidence that
11 you have before you, to conclude that it's being
12 inherently handled improperly. If there is a
13 disagreement, I think there's room for us to talk
14 about it.

15 Also, as the DOE Staff noted, the
16 business process audit would likely reveal some
17 information about the way that the Company
18 conducts its business, hopefully all positive,
19 but likely that there are areas for improvement.
20 And we are open to that improvement.

21 You have heard both Mr. Lajoie and Mr.
22 Plante testify today about changes that the
23 Company has made in last few years to improve its
24 processes, to make its estimates more rigorously

1 evaluated, and to make sure that we're working
2 with the fullest and most complete information
3 possible, and that we are controlling the cost
4 and scope and other issues on every project that
5 we come across. We are open to making more
6 changes as might be necessary.

7 So, with that said, I believe it's
8 fair to say that, on the evidence that you have
9 before you, that the testimony you have heard
10 and the information that's been presented, there
11 is no evidence that indicates that these
12 projects were improper or imprudent, and the cost
13 of them should be recovered, the rates as
14 calculated and shown in the testimony should be
15 approved as filed, and we request that the
16 Commission do so.

17 With that said, we will look to provide
18 the record requests as quickly as we can, and
19 give the Commission a complete record upon which
20 to make its decision. Thank you.

21 CHAIRWOMAN MARTIN: Okay. Thank you,
22 everyone.

23 With that, we will close the record,
24 other than for the record requests that we left

1 open, and adjourn this hearing. Have a good rest
2 of the day.

3 ***(Whereupon the hearing was adjourned at***
4 ***1:40 p.m.)***

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