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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

June 13, 2022 - 8:58 a.m.
21 South Fruit Street
Suite 10
Concord, NH

RE: DE 22-026
UNITIL ENERGY SYSTEMS, INC.:
Petition for Approval of Step
Adjustment Filing.

PRESENT: Chairman Daniel C. Goldner, Presiding
Commissioner Pradip K. Chattopadhyay

Tracey Russo, Clerk

APPEARANCES: **Reptg. Unitil Energy Systems, Inc.:**
Patrick H. Taylor, Esq.
Matthew Campbell, Esq.

Reptg. New Hampshire Dept. of Energy:
Paul B. Dexter, Esq.
Jay Dudley, Analyst/Electric Group
(Regulatory Support Division)

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

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1	Petition for Step Adjustment	<i>premarked</i>
2	Revised Schedules	<i>premarked</i>
3	Update to Step Adjustment filing	<i>premarked</i>
4	Withdrawn	<i>premarked</i>
5	Data Response New Hampshire Department of Energy 1-1	<i>premarked</i>
6	Data Response New Hampshire Department of Energy 1-5	<i>premarked</i>
7	Withdrawn	<i>premarked</i>
8	Withdrawn	<i>premarked</i>
9	Excerpt from Testimony and Attachments of Jay E. Dudley admitted as Exhibit 22 in DE 21-030	<i>premarked</i>
10	Revised Schedule Filed June 9, 2022	<i>premarked</i>

RECORD REQUESTS RESERVED (To be filed):

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P R O C E E D I N G

CHAIRMAN GOLDNER: Okay. Good morning.
I'm Chairman Goldner. I'm joined by Commissioner
Chattopadhyay.

We're here this morning in Docket
22-026 for a hearing regarding Unitil Energy
Systems' Petition for Approval of Step Adjustment
Filing.

Let's take appearances, beginning with
Unitil.

MR. TAYLOR: Good morning,
Commissioners. Patrick Taylor, on behalf of
Unitil Energy Systems, Inc. Also, appearing with
me this morning is my co-counsel, Matt Campbell.

CHAIRMAN GOLDNER: Okay. Very good.
And the New Hampshire Department of Energy.

MR. DEXTER: Good morning, Chairman
Goldner and Commissioner Chattopadhyay. I'm Paul
Dexter, appearing on behalf of the Department of
Energy. I am joined today by Jay Dudley, from
the Regulatory Support Division.

CHAIRMAN GOLDNER: Okay. Very good.
So, moving on to preliminary matters.
In the letter from Unitil dated June 9th, made

1 under Puc 203.10, relative to the Distribution
2 Operation Center, the Company amended its step
3 adjustment filing to exclude all costs associated
4 with the DOC.

5 Can both the Company and DOE confirm
6 that the DOC has been fully resolved to the
7 satisfaction of both parties, just as a
8 preliminary matter? Mr. Taylor?

9 MR. TAYLOR: What I would say is
10 that -- well, to the extent that those costs
11 predate 2021, the answer is "yes". Those are
12 resolved in the Settlement Agreement. To the
13 extent that there were costs that were included
14 in the step adjustment, my understanding is that
15 the Department of Energy, and I'll let the
16 Department of Energy talk to this, that there
17 was, I think, some disagreement or perhaps some
18 confusion amongst the parties as to whether there
19 would be additional costs in the step adjustment.

20 The Department put some testimony in on
21 Wednesday that was, obviously, sort of
22 reintroduced from the rate case. It was
23 something that we never had an opportunity to
24 submit rebuttal to, and would not have had any

1 meaningful opportunity to rebut in this
2 particular case those arguments.

3 So, to the extent that it's been
4 resolved, we've agreed that we will not seek
5 recovery of those costs in this step, or the next
6 step. And we'll work with the Department of
7 Energy to address their concerns with respect to
8 costs that are incremental to the Settlement
9 Agreement before the next rate case.

10 So, I think that that is how we've
11 resolved those, that issue, for this matter.

12 CHAIRMAN GOLDNER: Okay. Mr. Dexter --
13 oops, sorry. Mr. Dexter, is that -- do you agree
14 with that position?

15 MR. DEXTER: I believe I do. I would
16 say, however, that -- well, let me say this. For
17 purposes of this step adjustment, I don't believe
18 there is any need to go into the examination of
19 those costs, for the reason Attorney Taylor
20 outlined. That's our understanding for the next
21 step adjustment as well. And then, when the next
22 rate case comes along, there is a question that
23 will need to be addressed as to what, if any,
24 additional costs related to the Operation Center

1 are up for review in the next rate case.

2 I think is what he said, but I just
3 wanted to point out that it's very likely that
4 our position in the next rate case is that the
5 number should be zero.

6 CHAIRMAN GOLDNER: Very good. I think
7 you're saying the same thing. Mr. Taylor, would
8 you -- are you aligned? We're good to move
9 forward?

10 MR. TAYLOR: Well, I certainly don't
11 agree with that position. But my hope is that we
12 can have a discussion with the Department of
13 Energy before the next rate case and to address
14 those concerns.

15 CHAIRMAN GOLDNER: Okay. Said
16 differently, it's not at issue in Step 1, it's
17 not at issue in Step 2. It is at issue in the
18 next rate case?

19 MR. TAYLOR: I think that's fair to
20 say.

21 MR. DEXTER: Yes. And I do appreciate
22 the Company's willingness to take that
23 complicated issue out of this case, which has the
24 accelerated review period, as compared to the

1 base rate case.

2 CHAIRMAN GOLDNER: Okay. Okay. Very
3 good. Thank you both.

4 In the DOE's letter dated June 10th,
5 the Concord Downtown Project looks like it's
6 still an issue, and it will be discussed today by
7 both parties.

8 Is this correct?

9 MR. DEXTER: Yes. We have a number of
10 questions about the Concord Phase -- Part 2 of
11 the Concord Downtown Project. Part 1 of that
12 Project was encompassed in the base rate
13 Settlement.

14 CHAIRMAN GOLDNER: Very good.
15 Mr. Taylor.

16 MR. TAYLOR: Yes. So, again, the
17 Department introduced comments, which it had a
18 right to do under the order postponing this
19 hearing. But also included as a hearing exhibit,
20 again, reintroduced testimony from the rate case.
21 The Company had not -- did not have any
22 opportunity to submit rebuttal testimony, either
23 in the rate case, because those issues were
24 resolved by settlement, or in this case, because

1 there were only two business days between the
2 time that they were submitted and the time that
3 they were -- or, this hearing.

4 And, so, today, even though -- I think
5 there are a couple of preliminary matters that
6 we'd like to address. One, on this issue,
7 because we haven't had an opportunity to submit
8 rebuttal testimony, even though it's not
9 customary for the parties to do direct, I do
10 think that the Company should be afforded the
11 opportunity to a direct of Mr. Sprague to address
12 some of the issues that were raised in that
13 testimony.

14 It's the only way for us to get --
15 still, I think that that's not the best way to do
16 it. I think we would have had some rebuttal
17 testimony submitted, with exhibits. However, I
18 would like to do some direct of Mr. Sprague to
19 address some of those issues. And I think that
20 that would be a fair way to do it.

21 While we're on the topic of direct, I
22 would also like to do a brief direct of
23 Mr. Goulding and Mr. Nawazelski, in addition to
24 their qualifications, just to explain the revenue

1 requirement calculation, because I know it's
2 something that came up in a different matter,
3 related to the Company's affiliate last week.
4 And we think that a brief direct would be helpful
5 for both Commissioners in this case.

6 And, so, we would like to have -- we
7 would ask permission to do both of those directs
8 here?

9 CHAIRMAN GOLDNER: Yes. Yes, I think
10 that would be fine. Thank you.

11 Okay. I'll just make a -- so, I think
12 both the Company and the DOE are okay proceeding
13 today under the circumstances? I mean, you'd
14 like to continue, as opposed to postponing the
15 hearing?

16 MR. TAYLOR: Yes.

17 CHAIRMAN GOLDNER: Okay. DOE, Mr.
18 Dexter?

19 MR. DEXTER: Yes. We would like to.
20 But, as I examined this and drafted out some
21 cross-examination, and I also would have some
22 direct for Mr. Dudley. We didn't submit prefiled
23 testimony in this case, but we do intend to do
24 some direct on Mr. Dudley.

1 Putting all that together, I have
2 concerns that we'll be wrapped up in the three
3 hours allotted. And I understand there's a
4 hearing this afternoon.

5 CHAIRMAN GOLDNER: No. No hearing this
6 afternoon. So, we can continue, if that's -- if
7 everyone can.

8 MR. DEXTER: Oh. Okay. Well, that's
9 good. Then, I'm glad I was not correct on that.

10 I will try to move things along as
11 quickly as possible. But, yes, we are prepared
12 to go forward today.

13 CHAIRMAN GOLDNER: Okay. Very good.
14 And I'll just note for the record that the filing
15 deadline is in place to allow the Commission, at
16 least, time to fully analyze the filings, as the
17 filings after the deadline risk delay of hearing.
18 Though, as we've all aligned on, we'll proceed as
19 planned today.

20 Okay. So, I'll just go over the
21 exhibits briefly. Exhibits 1, 2, 3, 5, 6, 9, and
22 10 have been prefiled and premarked for
23 identification. Exhibits 4, 7, and 8 have been
24 withdrawn.

1 Is this correct? And is there anything
2 else we need to cover regarding exhibits?

3 MR. TAYLOR: I believe that's correct.
4 I have nothing further to add on the exhibits.

5 CHAIRMAN GOLDNER: Okay. Mr. Dexter?

6 MR. DEXTER: I agree. We don't have
7 any additional exhibits. And that sounds like a
8 correct recount.

9 CHAIRMAN GOLDNER: Okay. Thank you.
10 Are there any other preliminary
11 matters, before we have the witnesses sworn in?

12 MR. TAYLOR: I think one -- I guess one
13 issue that I'd like to raise.

14 I heard Mr. Dexter say that they have
15 not submitted prefiled testimony in this case,
16 and would like to do a direct of Mr. Dudley.
17 And, so, I may have misunderstood the purpose of
18 their introducing the hearing exhibit with Mr.
19 Dudley's testimony from the rate case. I had
20 understood, when they filed it, that he would be
21 adopting that testimony in this case, perhaps
22 that's not the case.

23 I would have a concern with the
24 Department doing what is effectively

1 "surrebuttal", which is not customary, without
2 seeking leave to do so. I think that would be
3 unfair to the Company.

4 And, so, I do wonder if, for the
5 purposes of order of witnesses, it may make sense
6 to do Mr. Goulding and Mr. Nawazelski first, Mr.
7 Dudley could then go, and then we could have
8 Mr. Sprague go to address the issues that Mr.
9 Dudley raised. That would seem like a fair order
10 to do the witnesses.

11 CHAIRMAN GOLDNER: Is that acceptable,
12 Mr. Dexter?

13 MR. DEXTER: No, I don't think so. We
14 were asked to put in a statement of position on
15 June 8th, I think it was. So, we did that. And
16 the hearing -- and we laid out the three areas
17 that we were going to address. We took one area
18 off the table between the two parties. So, we're
19 down to the two areas.

20 We outlined what our position was as of
21 June 8th. We've continued to read and review and
22 prepare for this hearing. And I don't think our
23 position is going to be wildly different from
24 what I laid out in the hearing. But I believe

1 I'm entitled to hear the testimony of the
2 witnesses today, hear the cross-examination, ask
3 Mr. Dudley questions accordingly. The Company
4 will have a chance to cross-examine Mr. Dudley.
5 And then, we'll present our final position in
6 closing statements.

7 I don't see the benefit of Mr. Dudley
8 going first. He should have the opportunity to
9 be able to react to what he hears on the stand
10 today from the Company.

11 MR. TAYLOR: If that's the case, it
12 raises the question of what the evidentiary value
13 of Mr. Dudley's testimony from the prior rate
14 case is in this case, if he also intends to put
15 in testimony in this case.

16 I mean, if that's the case, I think
17 that exhibit ought to be struck.

18 CHAIRMAN GOLDNER: Okay. And that was
19 Exhibit -- was it 4? I'll look back here.

20 MR. TAYLOR: I believe that's
21 Exhibit 9.

22 CHAIRMAN GOLDNER: Nine.

23 MR. DEXTER: Well, I would object to
24 the striking of that exhibit. You haven't asked

1 me yet. But, before you take any action, I just
2 wanted to, and I could expand, if you want?

3 CHAIRMAN GOLDNER: Okay. Please do,
4 Mr. Dexter.

5 MR. DEXTER: Well, first of all, we
6 mention two -- we mentioned three issues in our
7 letter, and we're down to two issues. So, Mr.
8 Dudley's testimony that we put in only dealt with
9 the Concord Project. It did not deal with the
10 T&D blanket authorizations. So, number one.

11 Number two, it's four or five pages of
12 testimony, which the Company saw six months ago.
13 And they have had a chance to see it since we
14 identified it as something that's going in. I
15 don't think it's difficult for them to have
16 looked at that between the time we identified it
17 as an exhibit and now.

18 And that -- that position in the rate
19 case had to do with whether or not the project in
20 the Concord downtown area was used and useful and
21 prudently incurred on the basis of load that had
22 been signed up at the time. And, now, nine
23 months has transpired since then, I would like to
24 ask the Company how the load growth has gone in

1 the interim. And I believe we have exhibits that
2 will back that up.

3 We believe that we would be reapplying
4 the recommendation that Mr. Dudley made from the
5 original rate case to this rate case. But we
6 have questions about how that could be done on
7 just Part 2 of the Concord Project. We have
8 questions about whether or not the Concord --
9 Part 2 of the Concord Project had anything to do
10 with the additional load that's been identified
11 since the first part of the case, since the base
12 rate case. And that might alter our
13 recommendation.

14 And, thirdly, we've looked at Mr.
15 Dudley's testimony, and found that Part 2 of this
16 Project was actually addressed -- Part 2 of the
17 Concord Project was actually addressed in his
18 original testimony. So, we have questions for
19 the Company about how it was that this Project,
20 if it was already examined in the base case, how
21 is it that it's also in the step adjustment?
22 That's something we need to explore today.

23 And, finally, we understood the step
24 adjustment to apply to non-growth extensions. We

1 have a lot of questions today about why this
2 Concord Project is not classified as a "growth
3 extension". And, if it is a growth project, why
4 is it in the step adjustment in the first place?

5 So, these are all things -- these are
6 areas about the Concord Project that focus on
7 Part 2. Whereas, the last case focused on
8 Part 1.

9 We will get today, I believe,
10 updated -- an updated picture of this Project.
11 And then, Mr. Dudley will make recommendations
12 based on what he hears today. He can't do that,
13 if he's asked to testify before he's heard the
14 answers from the Company. It doesn't -- it
15 doesn't make sense for me -- to me for him to go
16 first, or to have his very short prefiled
17 testimony from the first part of the case taken
18 out. To me, that would lengthen the hearing, not
19 shorten it.

20 CHAIRMAN GOLDNER: Okay. Mr. Taylor.

21 MR. TAYLOR: Sure. Well, that was some
22 something of an opening argument, and not --
23 didn't really address the question.

24 But, I guess what I would say is, the

1 notion that Mr. Dudley needs to ask questions
2 today to make a recommendation on this hearing is
3 very surprising to me, because we submitted this
4 filing on February 28th, which is when the
5 Settlement that these parties agreed to said we
6 would do, for rates effective June 1.

7 There was ample opportunity for the
8 Department to submit discovery to us. They did
9 submit multiple rounds of discovery to us. And,
10 so, it is unclear to me why there would need to
11 be additional questions asked today. Although, I
12 do not contest the Department of Energy's right
13 to cross-examine my witnesses. That is not what
14 I was arguing. So, they can do that.

15 What I was merely saying is that the
16 Department intends to put in additional testimony
17 today, in addition to what they submitted last
18 week, and we should have the opportunity to
19 address that. And I think that that would happen
20 if we had the opportunity to go after them.

21 So, perhaps we have -- perhaps we
22 should be given the opportunity to recall a
23 witness, if necessary.

24 CHAIRMAN GOLDNER: Would that be a

1 reasonable compromise, Mr. Dexter?

2 MR. DEXTER: Yes. Attorney Taylor and
3 Unitil will have an opportunity to cross-examine
4 Mr. Dudley. And, if they feel the need to recall
5 their panel to address things he brought up, I
6 think that would actually be very helpful.

7 There's a lot of questions we have in
8 this case. We work very hard to work things out
9 before we get to the Commission. And we often do
10 that. This is not one of those cases. And,
11 again, we're talking about a step adjustment
12 here, not a full rate case. The idea behind step
13 adjustments is -- and this is some of the things
14 I was going to bring up in my closing about step
15 adjustments. You know, the idea behind step
16 adjustments is that they were limited. They were
17 limited, you know, to a few projects, and they
18 were easily digestible, and the presentations
19 were fairly straightforward.

20 We will be demonstrating today that, in
21 our view, this presentation is not
22 straightforward. There are over 4,000 pages in
23 the Company's Exhibit 1 alone that we were asked
24 to go through. And we're going to go through

1 that with the Company today, and see if they can
2 explain to us, you know, how this information is
3 helpful and supports their position.

4 But, as we have moved from, as Mr.
5 Nawazelski testified last week in the Northern
6 case, from a "list approach" to step adjustments,
7 to a "net plant approach" for step adjustments,
8 we have moved from a limited list, to now a list
9 of the Company's entire capital budget. And
10 that's difficult to review in the step adjustment
11 period.

12 So, I agree, this case probably has not
13 gone as smoothly as it could have or should have.
14 But we have the opportunity for the hearing
15 today, and I think that the Department ought to
16 be able to ask a lot of questions, put its
17 witness up. And, absolutely, if the Company can
18 clear things up by recalling their panel, we have
19 no problem with that.

20 CHAIRMAN GOLDNER: Okay. Very good. I
21 think we have a path forward.

22 So, let's proceed with the witnesses.
23 Mr. Patnaude, would you please swear in the
24 Unitil panel of witnesses.

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 (Whereupon **Christopher Goulding,**
2 **Daniel Nawazelski,** and **Kevin Sprague**
3 were duly sworn by the Court Reporter.)

4 CHAIRMAN GOLDNER: All right.

5 Mr. Taylor, please proceed.

6 MR. TAYLOR: I will start with
7 Mr. Goulding and Mr. Nawazelski.

8 **CHRISTOPHER GOULDING, SWORN**

9 **DANIEL NAWAZELSKI, SWORN**

10 **KEVIN SPRAGUE, SWORN**

11 **DIRECT EXAMINATION**

12 BY MR. TAYLOR:

13 Q Could the both of you please state your name,
14 your employer, the position that you hold with
15 the Company, and your responsibilities in that
16 position, starting with Mr. Goulding?

17 A (Goulding) Sure. I'm the Director of Revenue
18 Requirements and Rates for Unitil Service Corp.,
19 and provide -- responsibilities include providing
20 services to Northern Utilities.

21 A (Nawazelski) And my name is Daniel Nawazelski,
22 from Unitil Service Corp. I'm the Manager of
23 Revenue Requirements. And, in this capacity, I
24 help with the filing of base distribution rate

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 cases and other regulatory filings.

2 Q Mr. Goulding, Hearing Exhibit 1 is the Company's
3 initial filing in this case. And included in
4 this exhibit are the prefiled testimony that you
5 co-sponsored with Mr. Sprague, as well as
6 supporting exhibits. Was your direct testimony
7 and the supporting attachments prepared by you or
8 under your direction?

9 A (Goulding) Yes, they were.

10 Q Mr. Nawazelski, did you assist in the preparation
11 of that testimony and those exhibits?

12 A (Nawazelski) Yes, I did.

13 Q Mr. Goulding, do you have any corrections to your
14 direct testimony that you wish to make on the
15 stand today?

16 A (Goulding) Yes, I would. As a result of the
17 order issued in DE 21-030, the 11-month recovery
18 of the step adjustment, and the removal of an
19 investment from the step, some of the numbers in
20 the testimony are no longer correct. So, there's
21 changes to some of the amounts that will be
22 required in the testimony. So, I can either walk
23 through those now, or they have all been
24 reflected in the schedules that we have

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 subsequently provided.

2 CHAIRMAN GOLDNER: Yes. I think the
3 subsequent schedules are acceptable to the
4 Commission.

5 MR. TAYLOR: Very good. Thank you.

6 BY MR. TAYLOR:

7 Q Mr. Goulding, if you were asked the same
8 questions in your direct testimony today, would
9 your answers be the same?

10 A (Goulding) Yes, they would.

11 Q And do you adopt your written testimony, subject
12 to the changes in the other -- subject to the
13 changes in the subsequent filings, as your sworn
14 testimony today?

15 A (Goulding) Yes.

16 Q Hearing Exhibit 2 updates CGKS -- Schedules
17 CGKS-1, 5, 6, 7, 8, and 9 to reflect the
18 Commission's order on the Company's Motion for
19 Clarification in DE 21-030. Were these updated
20 schedules prepared by you or under your
21 direction?

22 A (Goulding) Yes, they were.

23 Q And, Mr. Nawazelski, did you assist in the
24 preparation of those schedules?

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 A (Nawazelski) Yes, I did.

2 Q Mr. Goulding, do you have any corrections to
3 these updated schedules as submitted?

4 A (Goulding) No.

5 Q And do you adopt these schedules as part of your
6 sworn testimony in this case?

7 A (Goulding) Yes. Subject to the subsequent
8 updates and amendments that the Company made
9 during the course of the proceeding.

10 Q Hearing Exhibit 3 updates Schedules CGKS-7, 8,
11 and 9 to reflect an 11-month collection period
12 pursuant to the Commission's order postponing the
13 hearing in this matter. Were these updated
14 schedules prepared by you or under your
15 direction?

16 A (Goulding) Yes, they were.

17 Q Mr. Nawazelski, did you assist in the preparation
18 of these schedules?

19 A (Nawazelski) Yes, I did.

20 Q Mr. Goulding, do you have any corrections to
21 these updated schedules as submitted?

22 A (Goulding) No, I do not.

23 Q And do you adopt these updated schedules as part
24 of your sworn testimony in this case?

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 A (Goulding) Yes, I do.

2 Q Hearing Exhibit 4 includes the amendments to the
3 Company's filing, specifically Schedules 5, 7, 8,
4 9, and 10, to remove 2021 costs associated with
5 the Company's Exeter Distribution Operation
6 Center. Were these updated schedules prepared by
7 you or under your direction?

8 A (Goulding) Yes, they were.

9 Q And, Mr. Nawazelski, did you assist in the
10 preparation of those schedules?

11 A (Nawazelski) Yes, I did.

12 Q Mr. Goulding, do you have any corrections to
13 these updated schedules as submitted?

14 A (Goulding) No, I do not.

15 Q And do you adopt those updated schedules as part
16 of your sworn testimony in this case?

17 A (Goulding) Yes, I do.

18 Q I'll move on to Mr. Sprague. Mr. Sprague, please
19 state your name, employer, position that you hold
20 with the Company, and your responsibilities in
21 that position?

22 A (Sprague) My name is Kevin Sprague. I am Vice
23 President of Engineering for Unutil Service Corp.
24 And my responsibilities include all of the

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 engineering-related business associated with the
2 Company, both on the electric and natural gas
3 side. And I also have responsibility over the
4 capital budget for the Company.

5 Q Hearing Exhibit 1 is the Company's initial filing
6 in this case. And included in this exhibit are
7 the prefiled testimony that you sponsored with
8 Mr. Goulding, as well as supporting exhibits.
9 Was your direct testimony and the supporting
10 attachments prepared by you or under your
11 direction?

12 A (Sprague) Yes, it was.

13 Q Do you have any corrections to your testimony
14 that you wish to make on the stand today?

15 A (Sprague) Nothing, other than the corrections
16 that Mr. Goulding described.

17 Q Thank you. If you were asked the same questions
18 that are in your direct testimony today, would
19 your answers be the same?

20 A (Sprague) Yes, they would.

21 Q And do adopt your written testimony as your sworn
22 testimony in this case?

23 A (Sprague) Yes, I do.

24 MR. TAYLOR: So, with that

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 qualification of the witnesses, I'd like to
2 proceed with the direct examination I mentioned
3 earlier?

4 CHAIRMAN GOLDNER: Very good.

5 BY MR. TAYLOR:

6 Q Mr. Goulding, please refer to Hearing Exhibit 2,
7 Bates Pages 001 to 003. This is "Revised
8 Schedule CGKS-1 (2021 Cost Summary)". Can you
9 please explain what is included in this revised
10 schedule?

11 A (Goulding) Yes. So, this schedule is the total
12 plant additions, cost of removal, and salvage
13 that has been placed in service in 2021, and was
14 the basis for costs that were included in the
15 step increase.

16 Q And please also refer to Hearing Exhibit 1,
17 beginning at Bates Page 020. This exhibit
18 includes Schedules CGKS-2, 3, and 4, among
19 others. Can you explain what is included in
20 these exhibits?

21 A (Goulding) Yes. So, Schedule CGKS-2 includes
22 budget input sheets and construction
23 authorizations for projects placed in service in
24 2021. CGKS-3 includes cost records for specific

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 2021 projects. And CGKS-4 includes cost records
2 for blanket 2021 projects.

3 Taken together, with Revised Schedule
4 CGKS-1, these schedules provide a full cost
5 record for both growth and non-growth investments
6 in the 2021 investment year.

7 Q Now, Mr. Goulding, if you could reference Hearing
8 Exhibit 10, which we just submitted last week,
9 Bates Page 003. This is the "Second Revised
10 Schedule CGKS-5", entitled "2022 Step
11 Adjustment". Can you explain what's shown in
12 that schedule?

13 A (Goulding) Yes. So, Second Revised Schedule
14 CGKS-5 shows the calculation of the revenue
15 requirement requested by the Company for recovery
16 through the step adjustment.

17 Q And of the projects included in Revised Schedule
18 CGKS-1, what is the Company seeking to recover?

19 A (Goulding) As shown in Column (d), the Company is
20 only seeking recovery of the non-growth change in
21 net plant totaling "\$7,197,936". And this amount
22 includes an adjustment of \$1,199,094, to remove
23 the 2021 plant additions associated with the
24 Company's Exeter DOC.

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 Q And can you please explain the methodology used
2 to calculate net plant in the Second Revised
3 Schedule CGKS-5?

4 A (Goulding) Yes. So, the methodology, which
5 Parties agreed to in the DE 21-030 Settlement
6 Agreement that the Commission recently approved,
7 is set forth in Lines 1 through 11. This Company
8 starts with the net utility plant approved in DE
9 21-030. Lines 2 and 3 add plant additions, as
10 adjusted for the DOC that we talked about
11 earlier, and 2021 retirements, for an ending
12 gross utility plant balance on Line 4.

13 Line 5 is the beginning accumulated
14 depreciation, line 6 provides the annual
15 depreciation expense, both in 2021 by the
16 Company. This amount includes 2021 additions, as
17 they were placed into service, as well as all
18 vintages prior to 2021 that have not been fully
19 depreciated.

20 Q And, just to clarify, Columns (c) and (d)
21 allocate costs between growth and non-growth
22 projects, respectively, correct?

23 A (Goulding) Yes.

24 Q So, the "\$11,584,514" in depreciation expense,

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 shown at Line 6, Column (d), is not related
2 solely to the approximately 16 and a half million
3 dollars in 2021 plant additions shown on Line 2,
4 correct?

5 A (Goulding) Correct.

6 Q So, why is it necessary for the Company to
7 include 2021 additions, as well as vintages prior
8 to 2021 that have not fully depreciated?

9 A (Goulding) The cost recovery proposal that the
10 Parties agreed to in the Settlement in DE 21-030
11 was a "net plant approach", which captures the
12 annual change in net plant. It would go against
13 the Settlement to exclude prior vintages'
14 depreciation expense roll-forward when
15 calculating the net plant.

16 Q What are Lines 7, 8, and 9 on this schedule?

17 A (Goulding) These are appropriate -- are necessary
18 to add in the retirements, also shown on Line 3,
19 and actual 2021 cost to removal, salvage, and
20 transfers, to arrive at an ending accumulated
21 depreciation amount.

22 Q And Line 10, "Ending Net Utility Plant", that's
23 the difference between ending gross utility plant
24 and accumulated depreciation. Do I have that

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 right?

2 A (Goulding) That's correct.

3 Q Line 11 is the change in net utility plant
4 allocated between growth and non-growth projects,
5 correct?

6 A (Goulding) Yes.

7 Q Would it be possible to calculate the net change
8 in plant by simply subtracting the growth plant
9 additions in Line 2, Column (c), from the change
10 in net plant shown at Line 11, Column (a)?

11 A (Goulding) No, it would not. The numbers would
12 not reconcile, because the growth plant additions
13 would not include depreciation expense, cost of
14 removal, and salvage. This approach would have
15 the effect of assigning all the depreciation
16 expense to non-growth investments, which result
17 in a fundamentally inaccurate rate base to which
18 the pre-tax rate of return would be applied.

19 Q Okay. Thank you. Looking at Lines 14 and 15,
20 can you please explain the calculation of return
21 and taxes on the change in net plant?

22 A (Goulding) Yes. So, the calculation of Line 14
23 and 15 is multiplying the pre-tax rate of return
24 by the change in net plant, to get the return and

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 taxes on the net change in net plant. We do have
2 it all broken out by total investment year,
3 growth investment year, and non-growth investment
4 year. But the total investment year and growth
5 investment year is just for illustrative
6 purposes. The amount that we are requesting is
7 in Column (d).

8 Q And, so, can you explain Lines 16 through 18,
9 which complete the revenue requirement
10 calculation?

11 A (Goulding) Per the terms of the Settlement
12 Agreement in DE 21-030, the Company is allowed
13 recovery of depreciation expense, which is the
14 calculation on Line 16, on non-growth additions,
15 excuse me, state property taxes on non-growth
16 additions, and then the amortization expense on
17 certain post-test year projects, which is what
18 shows up on Line 18.

19 Q And can you please explain the calculation behind
20 the "544,947" depreciation expense on non-growth
21 additions shown on Line 16?

22 A (Goulding) Yes. So, the calculation is taking
23 the plant additions, the non-growth plant
24 additions in Column (d), \$16,558,688, and

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 multiplying it by the average depreciation
2 expense for the system of 3.35 percent.

3 Q And can you please describe the difference in the
4 amount on Line 16 and the amount provided in Line
5 6, the 11 million -- or, the approximately 11 and
6 a half million dollars?

7 A (Goulding) Yes. As I went through earlier,
8 Line 6 includes all vintage depreciation expense,
9 which is accurate and appropriate to do when
10 calculating the change in net plant. On Line 16,
11 for revenue requirement purposes, the Company is
12 afforded the annualized depreciation expense on
13 the non-growth additions -- the 2021 non-growth
14 additions. This annualized depreciation expense
15 is currently not recovered in the Company's last
16 base rate case. So, there's not potential for
17 double recovery.

18 Q Thank you. What is the revenue increase
19 requested by the Company in this step?

20 A (Goulding) The total revenue requirement increase
21 that the Company is requesting appears on Line
22 Number 21, or Line 19 and Line 21. It's
23 \$1,303,839.

24 Q And this is below the cap that the Parties agreed

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 to DE 21-030?

2 A (Goulding) Yes. The cap agreed to DE 21-030 was
3 \$1,377,331.

4 MR. TAYLOR: Thank you very much.

5 Those are all the questions that I have regarding
6 the methodology.

7 So, my next set of questions would be
8 to Mr. Sprague. Again, these would be regarding
9 largely the Downtown Concord Conversion Project
10 that was raised by the Department.

11 So, I can do that now. Or, if the
12 Commission wants to separate this by issue, we
13 can do it that way. I'll leave it to the
14 Commission how they want to proceed.

15 CHAIRMAN GOLDNER: Let's proceed all
16 the way through.

17 MR. TAYLOR: Sure.

18 CHAIRMAN GOLDNER: And, then, we'll
19 just do Commissioner questions, after Mr. Dexter
20 has an opportunity to cross.

21 MR. TAYLOR: Quite all right. Thank
22 you.

23 BY MR. TAYLOR:

24 Q Mr. Sprague, in your direct testimony, you state

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 you have a Bachelor of Science in Electric Power
2 Engineering, is that right?

3 A (Sprague) That is correct.

4 Q It also says that you're registered Professional
5 Engineer in New Hampshire and Massachusetts. My
6 understanding is that's a rather difficult
7 license to obtain and maintain. Can you please
8 explain what's required to become a Professional
9 Engineer?

10 A (Sprague) Yes. It starts with a Bachelor of
11 Science in the specific engineering field, and,
12 in my case, electrical. It requires a minimum of
13 four years of work under a Professional Engineer.
14 It requires you to pass the Fundamentals of
15 Engineering and the Principles of Engineering
16 exams. And, then, you also must apply for
17 approval from the licensure board through the
18 individual states.

19 Q And you have to continually take coursework to
20 maintain that license, correct?

21 A (Sprague) That is correct. New Hampshire has a
22 requirement of 30 professional development hours
23 every two years.

24 Q And can you just explain for the Commission what

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 distinguishes a Professional Engineer? Why is it
2 important to have that registration -- or, that
3 license?

4 A (Sprague) So, a Professional Engineer, the
5 minimum requirements used to determine the
6 ethical, professional, and educational standards
7 necessary to safeguard the life, health, and
8 property, and promote public welfare. In other
9 words, Professional Engineers have the education,
10 experience, knowledge to make independent
11 decisions regarding the safety and welfare of the
12 public within their respective field.

13 Q Now, you've worked for Unitil for more than 25
14 years. Have you spent your entire career there?

15 A (Sprague) Yes. I started at Unitil upon
16 graduation from Rensselaer Polytechnic Institute.

17 Q And though you've held progressively senior
18 positions with the Company, you've always worked
19 in the field of electric distribution
20 engineering, is that right?

21 A (Sprague) Yes. That is correct. I started as an
22 Associate Engineer in the Electric Distribution
23 Engineering Group, and I've held progressively
24 more responsibility over the past 26 years with

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 the Company. And now, I hold the title of "Vice
2 President of Engineering", which has
3 responsibility over the planning and design of
4 the electric and natural gas systems.

5 Q Your responsibility over the years has included
6 electric distribution system planning, correct?

7 A (Sprague) Yes. For over 20 of those years, I
8 have been either directly involved in or
9 responsible for electric distribution system
10 planning.

11 Q Describing "electric distribution system
12 planning", we could probably take up an entire
13 day with that. But can you generally describe
14 the key aspects of the planning process?

15 A (Sprague) Yes. The purpose of distribution
16 engineering planning is to identify when system
17 load growth is likely to cause the main elements
18 of the distribution system to reach their
19 operating limits and to prepare for the most
20 cost-effective system improvements. This begins
21 with a reasonable load forecast designed to meet
22 specific planning guidelines, taking into
23 consideration historical load growth, combined
24 with present customer information.

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 Q And what is the primary objective in your
2 electric distribution engineering and system
3 planning efforts?

4 A (Sprague) Providing a safe and reliable system,
5 at a reasonable cost to our customers, is the
6 fundamental imperative of Unitil, as it should be
7 for any electric utility. Not only do we need to
8 provide safe and reliable service, we must be
9 ready to provide service to new customers when
10 they need it. We have an obligation to serve.

11 The electric distribution system is
12 extraordinarily complex, and requires constant
13 analysis, upgrades, and maintenance.

14 Q So, safety, reliability, affordability, --

15 A (Sprague) Correct.

16 Q -- is that a fair way to sum it up?

17 A (Sprague) Correct.

18 Q Now, in addition -- this is an aside, I guess,
19 but, in addition to your undergraduate
20 education -- well, in addition to that, in
21 addition to work you did to obtain your license,
22 the continuous coursework that you take to
23 maintain your license, you also have a Masters of
24 Business Administration, correct?

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 A (Sprague) Yes. I received a Masters of Business
2 Administration from the University of New
3 Hampshire in 2005.

4 Q Okay. Well, thank you for that background. Now,
5 turning to the case that's now before the
6 Commission, have you read the Department of
7 Energy's letter to the Commission dated June 9th?

8 A (Sprague) Yes, I have.

9 Q All right. And, in that letter, the Department
10 references "424,000", and I believe that to be an
11 approximate number, "of expenditures in
12 connection with the Concord Downtown Project", is
13 how it's described in the letter. Can you please
14 explain this Project for the Commission?

15 A (Sprague) Yes. The City of Concord has been
16 experiencing changes in the downtown area. I
17 think if anybody from the area, as you drive down
18 93, and you look at the skyline of Concord, you
19 can see the change that's happened over the
20 years. Every time one of those older buildings
21 comes down, and the newer buildings go up, that's
22 new load in the area.

23 Back in 20 -- really, 2017, we
24 started -- or, we completed a downtown area study

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 to address some of these concerns. This study
2 ended up with an evaluation of five different
3 alternatives to bring more capacity to the
4 downtown area. And I believe this study is
5 included as part of Hearing Exhibit 9, Bates
6 Pages 008 to 016. And the objective of the study
7 was to accommodate actual and projected increases
8 in load over the next five to eight years.

9 The Company made the decision that the
10 best and most cost-effective approach forward was
11 to expand Gulf Street Substation and convert the
12 downtown area from 4kV to 13.8kV. So, this
13 Concord, which we're calling the "Downtown
14 Concord Conversion Project", actually included
15 seven different individual projects. One of
16 those projects is actually what we're talking
17 about in this Phase 2.

18 And this Project actually began in
19 2017, and construction was completed on the first
20 part of the Downtown Concord Conversion in
21 2021 -- I mean, in 2020. And then, the
22 conversion that we're talking about in this
23 particular step hearing was put -- was closed to
24 plant in 2021.

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 Q Thank you for that, for that history of the
2 Project. And just so I -- just to be clear, with
3 the exception of the discrete project that is in
4 the 2021 step adjustment, this Project has or was
5 placed into service in 2020, is that right?

6 A (Sprague) Correct. This Project was in service
7 and used and useful in 2020, though the
8 Department has included an excerpt of testimony
9 regarding the Downtown Concord Conversion Project
10 as a hearing exhibit in this case, costs related
11 to that were placed into -- were placed in
12 service in 2020 and are not at issue in this
13 case.

14 Q Can you please explain for the Commission the
15 additional approximately \$424,000 in costs
16 related to this Project for 2021?

17 A (Sprague) Yes. We've provided, as Hearing
18 Exhibit Number 2, a Revised CGKS-1, which is the
19 2021 Capital Additions Project List. If you look
20 at Line 36 of that document, you'll see
21 Concord -- or, "Conversion in Downtown Concord -
22 Part 2". This shows an installed amount of
23 "\$424,394". This is the second part of the
24 Conversion Project that I had mentioned. And

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 this was to convert Circuit 1H1 from 4kV to
2 13.8kV, and to transfer this circuit from Bridge
3 Street Substation, to the new Gulf Street
4 Substation.

5 This was done in order to use more of
6 the capacity of Gulf Street Substation, and to
7 allow increased reliability by tying circuits --
8 or, by creating the ability to tie circuits
9 together that we had prior to the conversion.
10 You can't tie a 4kV to a 13.8 circuit. And, as I
11 said previously, this particular work was placed
12 into service and used and useful in 2021.

13 Q So, referring back to the Department's June 9th
14 letter, the Department takes the position that
15 recovery of these expenses should be postponed
16 until Unitil's next rate case, when it can be
17 determined if projected load has been added. In
18 support of that argument, the Department
19 submitted Hearing Exhibit 9, which is an excerpt
20 of Mr. Jay Dudley's testimony from the Company's
21 rate case, as well as some attachments. Have you
22 reviewed that excerpt?

23 A (Sprague) Yes, I have.

24 Q And having read that, just as an initial matter,

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 does the Department contest that the Downtown
2 Concord Conversion Project was justified?

3 A (Sprague) No. In fact, Mr. Dudley found the
4 initial justification for the Project reasonable,
5 in terms of the upgrades and additions that were
6 driven by the increased developments in the
7 Concord downtown area, and the insufficient
8 capacity of the existing substations and
9 conductors in that area.

10 Q Okay. And that is just a direct quote from the
11 testimony, right?

12 A (Sprague) That is.

13 Q So, if the Department acknowledges that the
14 projects were justified, and that they were
15 completed under -- well, that they were
16 justified, why is the Department recommending
17 that recovery be deferred?

18 A (Sprague) So, in the testimony of Mr. Dudley, he
19 states that "the DOE is becoming increasingly
20 concerned with projects built to serve highly
21 speculative loads without necessary
22 background/research to critically examine whether
23 those load projections are reasonable and
24 credible, and without considering different

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 scenarios under which those loads may or may not
2 have occurred." So, this appears to be more of a
3 general reference to DOE policy, as opposed to a
4 specific -- specifically to Unitil's project.

5 Q Are Unitil's load projections "highly
6 speculative"?

7 A (Sprague) No, of course not. Load forecasting is
8 a little bit more of an art than a science. But
9 we've been using a similar load forecasting
10 technique for quite some time. And it's based
11 upon historical load, historical loading, in
12 addition to the most recent customer information.

13 As part of the discovery in the initial
14 rate case, the Company had provided a list of
15 customers that it had included in its load
16 forecast. And I think you'll probably hear a
17 little bit about that particular list as we go
18 throughout the day.

19 So, the Company has been concerned
20 about the capacity in the downtown Concord area
21 for quite some time. The recent customer
22 interactions indicated that several, several, I
23 mean, I think they're on the order of 16 or 18
24 individual projects had approached the Company in

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 this area, at various stages of approval. And we
2 had every reason, back in 2017 and 2018, to
3 expect that this load would come on to the
4 distribution system.

5 The load forecast, which is, again, the
6 historical load, plus our expected new load,
7 identified that the system could not support the
8 load under the Company's planning criteria. A
9 system improvement was required to serve that
10 forecasted load.

11 Q Okay. Thank you. And maybe just stepping back,
12 stepping back a minute, what is the Company's
13 approach to using load forecasts to determine the
14 capacity of projects?

15 A (Sprague) So, our approach to load forecasts is
16 to develop a forecast that is reasonable and
17 meets certain planning criteria. And we could
18 get into all those different aspects of the
19 planning criteria. But, again, it's a little bit
20 more of an art than a science, and there's some
21 gives-and-takes with respect to that. But those
22 load forecasts are used to identify when elements
23 of the distribution system are going to approach
24 and reach its rating.

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 Our planning criteria says that we'll
2 flag projects at 90 percent of the rating, and
3 then implement them when the project reaches 100
4 percent of that rating. You probably have heard
5 from some of the other utilities in the state
6 that have a little bit more conservative approach
7 to that, implementing projects sometimes at a 50
8 percent or a 75 percent load. But we wait to
9 implement our projects when we're approaching or
10 at the rating of the circuits.

11 Q Does the Company conduct any load research prior
12 to conducting a project -- or, prior to
13 constructing a project?

14 A (Sprague) Yes. The Company's load forecast
15 process is sophisticated and designed to ensure
16 the Company's electric distribution system can
17 provide safe and reliable service to existing
18 customers, as well as new customers that come on
19 the system.

20 In this case, we used information from
21 those recent customer interactions with the
22 Company that described their intentions to add
23 load to the Company's distribution system.

24 Q Now, referring back to Hearing Exhibit 9, which

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 is the excerpt from Mr. Dudley's testimony,
2 Mr. Dudley criticizes the Company for relying
3 exclusively on its own load projections. Is it
4 unusual for a company to rely on its own load
5 projections?

6 A (Sprague) No, not at all. Our load -- our load
7 forecasting process is highly sophisticated.
8 It's not clear what other load projections the
9 Company might use. Certainly, it's an industry
10 standard, and a prudent practice for the Company
11 to use its own load projections when planning the
12 safety and reliability of its distribution
13 system.

14 Q Now, the Department's June 9th letter, as well as
15 the testimony excerpt that we've been discussing,
16 they omit to mention certain recent events that
17 it's fair to say would be relevant to the
18 customers' requests and the pace at which they
19 have come onto the system.

20 Could you explain the impact of the
21 COVID-19 pandemic and other events on these
22 projects?

23 A (Sprague) Yes. So, keep in mind that the
24 planning and the design work for this Project

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 began back in 2017. The decision to move forward
2 happened in 2017 to implement a multiyear project
3 to improve the capacity of the Concord downtown
4 system. Again, this Project went into service in
5 2020, which was right in the middle of the
6 COVID-19 pandemic. And, as everyone knows, this
7 had an enormously disruptive effect on our
8 economy, the ability of people and businesses to
9 conduct work, as well as the global supply chain.

10 As could be expected, the pandemic
11 impacted the plans and the projects of many of
12 the customers on our -- that we're going to
13 discuss today.

14 Q And could the Company have predicted the onset of
15 this pandemic?

16 A (Sprague) There are many different scenarios that
17 we work into our load forecasting, with respect
18 to levels of load and the effect of weather. But
19 the Company could not have possibly predicted the
20 profound impact that the COVID-19 pandemic would
21 have had starting in early 2020, and continues to
22 have on our customers, and their projects and
23 their project schedules.

24 And, as noted in Hearing Exhibit 6,

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 seven of the sixteen projects have come on line.
2 Of the remaining projects, there are several that
3 we anticipate completing or beginning work in
4 2022, and others -- and there are others that
5 have postponed their construction cycles until
6 conditions change.

7 Q So, none have -- you're not aware of any that
8 have cancelled?

9 A (Sprague) Nobody has walked -- has told us that
10 they've walked away from their project yet.

11 Q So, in light of all that, is the Department's
12 assertion that the loads are "highly speculative"
13 reasonable?

14 A (Sprague) No. I think that their assertion is
15 completely inaccurate and unreasonable. In light
16 of the unprecedented events in the past two
17 years, I think anyone sitting back in 2018,
18 developing a scenario that says that "the world
19 is going to enter into a pandemic that would have
20 such a profound effect" isn't even a scenario
21 that would have been considered.

22 Q Thank you. Now, in the testimony excerpt
23 provided by the Department, the Department
24 appears to make the argument that "excess

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 capacity is not used and useful, notwithstanding
2 the fact that the Project has been placed into
3 service." Do you agree with that?

4 A (Sprague) No. This is completely inconsistent
5 with basic system planning principles and past
6 precedent. It defies common sense to plan an
7 electric system without access of capacity to
8 serve anticipated load or incremental load. The
9 DOE is proposing an extremely dangerous policy to
10 approach utility investment.

11 Q Can you explain a bit? How would that be a
12 dangerous approach?

13 A (Sprague) Yes. There are many reasons that the
14 suggested approach is impractical and imprudent.
15 Electric utilities simply do not have the ability
16 to finely tune capacity additions to the load.
17 Equipment manufacturer ratings, standardized
18 equipment, and material lead times preclude a
19 company's ability to do this.

20 In this case, this was a multiyear
21 project, with long lead-time purchases, that a
22 decision needed to be made. It's not a project
23 that can be -- that can be finely tuned to the
24 load.

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 Incremental capacity additions each
2 year will translate to increased costs. A year
3 by year approach of implementing just enough
4 capacity to cover the load will lead to premature
5 replacement of undersized equipment. This is in
6 contradiction to the long-established principles
7 of least-cost planning and prudence.

8 Customer project schedules change all
9 the time. Those changes are wholly outside the
10 influence or control of the Company, and may be
11 related to exogenous events, economic or
12 otherwise, that cannot be predicted.

13 The DOE's approach would require that a
14 utility wait to provide any capacity additions
15 until customer projects were complete, and then
16 we order the equipment and complete the project
17 to serve that load, which would delay the
18 customer even more.

19 The Company is the sole provider for
20 electricity in this area. When a customer
21 requires electric service, the Company needs to
22 be able to provide that service within a
23 reasonable timeframe. Sizing the load to the
24 existing customer base would lead to extended

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 timeframes for customers to receive electric
2 service.

3 Q Can you explain to the Commission why having
4 excess capacity on your system might be desired
5 by the Company, as opposed to a system that is
6 constantly at maximum capacity?

7 A (Sprague) So, this is -- this is definitely a
8 balancing act. It's a balancing act that
9 planning engineers deal with on an annual basis.
10 The Company is constantly deciding on which
11 projects will provide a safe and reliable system
12 at a reasonable cost. A system with excess
13 capacity can provide for greater flexibility and
14 reliability. But there's a cost associated with
15 that.

16 Systems designed to just serve the load
17 are neither cost-effective, nor sound engineering
18 practice. The Company has planning guidelines,
19 which ensure the Company is not implementing
20 costly projects year after year in attempt to
21 chase the load. Our planning criteria is
22 designed to implement system improvements that
23 will serve the forecasted load for ten years into
24 the future.

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 I will add that, in one of our
2 recent -- or, one of our previous rate cases, the
3 Commission at the time ordered a review of our
4 planning criteria. They hired the consultant to
5 come in to review our planning criteria. And,
6 after a lot of, you know, back-and-forth with the
7 consultant, to get them to understand the
8 reasoning behind our planning criteria, there
9 were no proposed changes to our planning
10 criteria. And we continue to use those same
11 planning criteria today.

12 Q Thank you, Mr. Sprague. The Department seems to
13 be suggesting that "prudence should be evaluated
14 in hindsight." What's your view of that
15 approach?

16 A (Sprague) The prudence of a project must be based
17 upon the facts and circumstances at the time.
18 Only what's known can be, at the time, to
19 management should be considered upon the
20 execution of the project.

21 In this case, the Company's load
22 projections were based upon load requests from
23 customers coming onto the Company's system, in
24 addition to the load -- the increases of the

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 existing load. And it's simply not reasonable to
2 expect that the Company should have anticipated
3 that the pandemic would interfere with the plans
4 of these customers.

5 Q Is the Department's proposal that some or all of
6 the 2021 costs related to this Project be
7 deferred for future evaluation, is that
8 reasonable?

9 A (Sprague) It is not. And, in fact, it has
10 demonstrated -- it is not. And, in fact, Unitil
11 has demonstrated the prudence of the Concord
12 Downtown Project. The Department's
13 recommendation that some or all of the 2021 costs
14 be deferred for recovery is not supported with
15 fact or long-standing regulatory practice or
16 precedent.

17 It would preclude the Company from
18 achieving a rate of -- of achieving a return on
19 the investment that is in service, used and
20 useful.

21 This would, in turn, create significant
22 policy concerns affecting the investments of the
23 Company, and the recovery of those investments.

24 Q Now, again, going back to the June 9th letter,

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 the Department raises the question of "whether
2 the costs associated with the Downtown Concord
3 Conversion Project are growth or non-growth?"
4 And you heard Mr. Dexter refer to that earlier.

5 When the Company distinguishes between
6 growth and non-growth projects, what does it
7 categorize as "growth"?

8 A (Sprague) So, "growth projects", and this is the
9 way it's been defined for several cases now,
10 "growth projects" are those projects specifically
11 designed and added to the Company's system to
12 reach new customers. So, typical projects would
13 include new services, new customer requests, new
14 customer transformers, as well as overhead and
15 underground line extensions into an area that is
16 not already served.

17 So, in a sense, these projects are tied
18 directly to individual customers that have
19 individual revenue streams coming back to the
20 Company that can be evaluated with respect to
21 these load additions.

22 Q And what would be categorized as a "non-growth
23 project"?

24 A (Sprague) A "non-growth project" is essentially

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 everything else. So, those would be system
2 improvements to address area loading or voltage
3 constraints, reliability projects, condition
4 replacement projects, software projects, mandated
5 system improvement projects, and grid
6 modernization projects would also fall into the
7 category of "non-growth".

8 Q So, you described the Concord Downtown Conversion
9 Project as one that responded to requests from
10 customers seeking to come onto the system, or at
11 least in part. I know that there was also a
12 larger long-standing concern with the area.

13 Can you explain why it still is
14 categorized as a "non-growth project"?

15 A (Sprague) Yes. So, like I explained, a "growth
16 project" is extending facilities into a new area
17 to reach new customer load.

18 In this case, the forecasted load for
19 the entire downtown area was reaching the
20 capacity of the system's ability to serve that
21 load. This type of project is considered a
22 "system improvement", because it addresses that
23 overall capacity in an area, as opposed to being
24 tied to individual new services.

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 So, in a sense, this Project is
2 designed to ensure that the Company meets its
3 obligation to serve additional load on our
4 existing system in the downtown Concord area. As
5 I stated earlier, we have that obligation to
6 provide safe and reliable service at a reasonable
7 cost. The projected increases in load from these
8 customers violated planning guidelines designed
9 to ensure that safe and reliable system at a
10 reasonable cost.

11 Q Thank you. And just one more item. In the
12 letter, the Department of Energy raises as an
13 issue, although doesn't recommend any
14 disallowance or a deferral, raises an issue what
15 it characterizes as "excessive carryovers",
16 noting that several of the transmission and
17 distribution blanket projects in the step filing
18 include "carryover expenditures from prior
19 years".

20 Is that unusual that there would be
21 some carryover expenditures from prior years?

22 A (Sprague) No, that is not. Specifically, with
23 blanket projects, there are hundreds and hundreds
24 and hundreds of individual projects that

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 ultimately get closed out, as the charges finish
2 getting applied to those projects.

3 I believe, in this case, there was a
4 total of 28 of those. That's about one percent
5 of the total number of blanket projects that are
6 closed on an annual basis. And I believe,
7 subject to check, it relates to less than
8 \$40,000, and the majority of the charges were
9 related to costs for removal.

10 Q Okay. Thank you. So, in that case, the use of
11 the term "excessive", or "excessive carryovers",
12 is probably in and of itself excessive?

13 A (Sprague) I would say so, yes.

14 MR. TAYLOR: Okay. I have no further
15 questions for our witnesses at this time.

16 CHAIRMAN GOLDNER: Okay. Very good.
17 Thank you.

18 We'll move on to Department of Energy,
19 and Mr. Dexter, for cross-examination.

20 MR. DEXTER: Thank you, Chairman
21 Goldner.

22 **CROSS-EXAMINATION**

23 BY MR. DEXTER:

24 Q So, I think I'd like to start with the revenue

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 requirement calculation. And it appears that the
2 place to go is Exhibit 10, Bates Page 003, that
3 the revenue requirement witnesses went through in
4 detail. So, I'd like to start there.

5 Yes, Exhibit 10, Bates 003. So, Column
6 (a) is labeled "6/1/22 **AS FILED**", all caps, bold,
7 "Total Investment Year 2021", and Column (b) is
8 labeled "Total Investment Year 2021", no date.
9 Could you tell me the difference between
10 Column (a) and Column (b)?

11 A (Goulding) The Column (a) amount was the
12 original, as filed, calculation back on February
13 28th, that did not break out the non-growth and
14 growth investment plant additions from the total
15 investment year.

16 So, then, we have Column (b), which is
17 showing the difference, to kind of separate out
18 the new calculation, it was after Order 21-030,
19 it shows the total 2021 investments, and then has
20 the two columns, in (c) and (d), that show the
21 growth and non-growth investments.

22 And the difference in Column (a) and
23 (b) primarily is on Line 2, "Plant Additions".
24 In the initial filing, we had included "\$577,144"

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 of post-test year adjustments that were included
2 in the settled revenue requirement. But, in
3 Column (b), we have removed the additional
4 \$621,950 of additions related to the Exeter DOC
5 plant from the step calculation.

6 And then, if you look down on Line 12,
7 the original, as filed, calculation had 76
8 percent for the non-growth percent change in net
9 plant. For purposes of calculating the total on
10 Column (b), it wasn't necessary to put a number
11 there, or it would be 100 percent.

12 Q Can you explain the date on top, "June 1, 2022"?

13 A (Goulding) That was for the effective date of the
14 step increase that was ordered in 21-030, and was
15 proposed -- or, was included in the Settlement
16 Agreement.

17 Q Okay. You had mentioned that Column (a) was
18 contained in your February 28th filing, correct?

19 A (Goulding) That's correct.

20 Q And that the "Plant Additions", Line 2, reflected
21 removal of \$577,000 related to the Exeter
22 Operation Center, right from the very beginning,
23 is that right?

24 A (Goulding) That's correct.

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 Q Okay. And then, the difference between Column
2 (a) and Column (b), on Line 2, is the removal of
3 the additional 600,000 plus, as a result of the
4 events that we discussed at the beginning of this
5 hearing, is that right?

6 A (Goulding) Yes.

7 Q Okay. Okay. So, in order to find the detail as
8 to these plant additions, if I were to go to
9 Exhibit 2, I would find a long list of about 200
10 projects. And I'd like you to tell me how I can
11 trace from Exhibit 2, back to this Exhibit 10, to
12 the "Plant Addition" figure of the 22 million and
13 change that appears in Line 2?

14 And maybe I included too many things in
15 that question. Why don't I restate that.

16 Let's first go to Exhibit 2.

17 A (Goulding) Okay.

18 Q Am I correct that this is a list of all the
19 projects that's included in the step adjustment,
20 and that it's about 200 lines, with some totals
21 on the bottom?

22 A (Goulding) Yes.

23 Q And, when I get over to -- so, again, I'm now
24 down on Lines 200 through 207 or 8 (208), where

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 the things are totaled, and I see "Capital
2 Additions", "Growth", "Non-Growth", "Total". And
3 I see a figure of "23,467,010".

4 That's different from the "Plant
5 Addition" number that's back on Exhibit 10, Bates
6 Page 003, Line 2, that we were just talking
7 about, correct?

8 A (Goulding) Yes, it is. And the difference is the
9 removal of the \$577,144 of post-test year
10 adjustments that were included in the settled
11 revenue requirement in DE 21-030.

12 So, if you take the \$23,467,010, and
13 you minus \$577,144, you get "\$22,889,867", which
14 is the amount that you see on Column (a), Line 2,
15 of Exhibit 10.

16 Q Back in the revenue requirement calculation?

17 A (Goulding) Yes.

18 Q Okay. So, is it fair to say then that, except
19 for the Operation Center, which has been removed,
20 all of the projects on Exhibit 2 find their way
21 into the revenue requirements calculation for
22 what's proposed in this case?

23 A (Goulding) No. What finds its way into the
24 revenue requirements is all of the non -- the

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 revenue requirement on all the non-growth
2 projects --

3 Q Okay.

4 A (Goulding) -- that appear in Exhibit 2.

5 Q Fair enough. But they find their way into Column
6 (a) of Exhibit 10, Bates 003?

7 A (Goulding) Yes.

8 Q Okay. Okay. All right. So, let's go back to
9 Exhibit 10 for a second.

10 Now, you mentioned that Columns (b),
11 (c), and (d), I think this is what you said, were
12 necessitated by the Commission's order in the
13 underlying base rate case, DE 21-030, and a
14 different way of identifying growth versus
15 non-growth. Is that the purpose of Columns (b),
16 (c), and (d), on Exhibit 10, Bates 003?

17 A (Goulding) Yes, it was. It was to separate out
18 growth and non-growth, instead of just applying a
19 straight percentage to calculate the change in
20 net plant.

21 Q Okay. So, where does that separation take place?
22 Does that take place Lines 2 through 11, or
23 somewhere else?

24 A (Goulding) Yes. It's Line 2 -- Lines 2 through

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 11.

2 Q Okay. And could -- is it correct to say that,
3 under the Department's order, the idea was
4 there's no reason to allocate these costs between
5 growth and non-growth, because we have a list
6 that specifically identifies them as "growth" or
7 "non-growth", that list being Exhibit 2. So,
8 why not just total up the growth and the
9 non-growth, instead of doing an allocation? Is
10 that your understanding of what the order was,
11 and what, in fact, was done in Columns (b), (c),
12 and (d)?

13 A (Goulding) That was our understanding of the
14 order, and that's why it's split out in Columns
15 (b), (c), and (d) the way it is.

16 Q Okay. So, no more allocations, just a direct
17 assignment of "growth" versus "non-growth"?
18 That's what happened in Columns (b), (c), and
19 (d)?

20 A (Goulding) Correct. We have done this
21 calculation separate for growth. So, it's no
22 longer applying a change in non-growth percent.

23 Q And the Concord Downtown Project, if I were to go
24 back to Exhibit 2, to the list, is classified not

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 as a "growth project", correct? I think
2 Mr. Sprague testified to that earlier?

3 A (Goulding) Correct. It's on Line 36, and it's
4 classified as "non-growth".

5 Q Okay. Okay, then. So, we've identified where
6 the calculation is made for what's requested in
7 this case, that's Exhibit 10, Bates 003,
8 "1,303,839". We have established that all of the
9 projects, except for the Exeter Center, that are
10 included in this revenue requirement request, or
11 calculation, are detailed on Exhibit 2, which I
12 will call "The List". There is also a list at
13 Exhibit 1, starting at I think it's Bates
14 Page 017.

15 For purposes of review here today, is
16 there any difference between the lists as they're
17 laid out in Exhibit 1 and Exhibit 2?

18 A (Goulding) I believe the differences are what you
19 see in Exhibit 2, on -- there's some additional
20 lines that split the capital additions between
21 growth and non-growth, for the installed costs,
22 cost of removal, and salvage. This way, we were
23 able to do the breakout for growth and
24 non-growth, instead of allocating those costs.

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 Q Okay. And that appears down in the bottom,
2 starting around Line 200 that we were looking at
3 earlier?

4 A (Goulding) Yes. That's it.

5 Q But, for purposes of seeing what's in the step,
6 if I go to either one of those lists, either one
7 would work, correct?

8 A (Goulding) Correct. They did not change.

9 Q Okay. All right. I think it's easier to work
10 with Exhibit 2, because it's shorter. But that's
11 good to know.

12 So, Exhibit 1 was provided on February
13 28th, 2022, correct?

14 A (Goulding) Yes.

15 Q And this was what was sent in for all parties to
16 look at to determine what is in the step
17 adjustments that are requested, and this is where
18 we would go to understand what's being requested,
19 and to find detail and things like that, correct?

20 A (Goulding) Yes.

21 Q And there was no other information provided at
22 that time, just Exhibit 1?

23 A (Goulding) On February 28th?

24 Q Yes.

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 A (Goulding) No. There was Exhibit -- Schedule
2 CGKS-2, CGKS-3, which provided all the cost
3 records for the individual projects and the
4 blanket projects, and the authorizations.

5 Q Right. That's all part of Exhibit 1?

6 A (Goulding) Yes.

7 Q Okay. And Exhibit 1 is 4,371 pages long, would
8 you agree?

9 A (Goulding) Subject to check.

10 Q Sure. So, breaking that down a little bit, going
11 from the list, and I think you just said this, if
12 someone wanted to find out about a project, to
13 sort of get a narrative of it, would you
14 recommend that they go to the construction
15 authorization dockets -- documents that are
16 provided in Exhibit 1?

17 A (Nawazelski) Yes, they would.

18 Q Okay. And, just for example, I'd like to turn to
19 Exhibit 1, Bates Page 020. It's going to take me
20 a minute to get there.

21 Do you have that in front of you? I'm
22 in Exhibit 1, Bates Page 020. It's a "UES
23 Capital Construction Authorization". And the
24 project description is "Three Phase, URD Line

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 Extension, 250 Pleasant Street, Concord".

2 MR. TAYLOR: If you're trying to find
3 the *pdf*, it's Part 2 of Exhibit 1.

4 **BY THE WITNESS:**

5 A (Goulding) Yes. I have it. It's Page 1 of the
6 original CGKS-2.

7 BY MR. DEXTER:

8 Q And this is a -- looks like a two-page document
9 that describes this project, correct?

10 A (Nawazelski) That is correct.

11 Q And it looks like there's a little text here
12 under the "Description/Scope" that talks about
13 what's being done involving the Concord Hospital
14 and things like that. Would you agree?

15 A (Goulding) Yes.

16 Q Now, if I were to try to be working backwards or
17 forwards, how do I go from this authorization and
18 this text, which has some description and some
19 numbers and a justification and things like that,
20 how do I find that on the list, Exhibit 1 or
21 Exhibit 2?

22 A (Nawazelski) You would be going by the
23 authorization number. That's the easiest way to
24 find it.

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 Q Okay. So, could you -- let's work with
2 Exhibit 2, because it's easier, and we've
3 established that we can work from either one.
4 Could you show me on Exhibit 2 where I would find
5 this project for Pleasant Street?

6 A (Nawazelski) Sure. On Exhibit 2, --

7 Q I'm sorry to interrupt. Sorry. Just I need to
8 get there first. Okay. Thank you. I'm on
9 Exhibit 2 now.

10 A (Nawazelski) Okay. So, if you're looking at that
11 project, it's shown in Line 1, and the fifth
12 column has the identifier "Auth", that's short
13 for "Authorization", the Authorization Number
14 there is "180167". And, when you turn to the
15 authorization sheets, sorry, I'm trying to
16 remember what the exhibit number is for the
17 authorization sheets themselves was. But, if you
18 turn to the authorization sheets, in the top
19 right of that sheet has the same "AUTH", for
20 "Authorization", and you can see the "180167".

21 Q The authorization sheet, being the little
22 two-page document that I was just referring to
23 that has the description of what's going on?

24 A (Nawazelski) Correct. That's the easiest way to

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 identify -- to triangulate from the schedule of
2 all the projects to the authorizations.

3 Q Okay. And then, if I want -- so, that's helpful.
4 Thank you. And I see that the first
5 authorization also happens to be the first item
6 on the list. So, that's helpful.

7 So, then, if I wanted to know what was
8 actually spent on this project, I believe that's
9 in Exhibit 1 as well, and I believe I would find
10 some cost details. And we'll stick with this
11 project for now. I actually want to do this
12 exercise with the Concord Project. But, while
13 we're talking about Pleasant Street, can you tell
14 me where I would find the cost detail in
15 Exhibit 1, to back up the -- this looks like it's
16 a \$67,000 project or so, from a budgeting
17 standpoint. Could you show me where that cost
18 data is?

19 A (Nawazelski) Give us one second while we find
20 that.

21 A (Goulding) Yes. That should be on Bates Page
22 496. And, if you search for the same
23 authorization, 180167, should bring you there.
24 And it's the original Schedule CGKS-3. And it's

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 "Page 1 of 448".

2 Q Okay. Well, let me ask you to slow down a little
3 bit. You mentioned a Bates Page number in the
4 400s. That's of what exhibits?

5 A (Goulding) I believe that's Hearing Exhibit 1.

6 Q And what was the Bates page number please?

7 A (Goulding) Starts on 496.

8 Q I am not there yet.

9 CMSR. CHATTOPADHYAY: Can you repeat
10 the number again, the Bates Page? And is it
11 Part 3? Or, which part is it?

12 WITNESS GOULDING: It's Part 4. It's
13 the first page of Part 4.

14 **BY THE WITNESS:**

15 A (Sprague) So, I think it might be helpful to note
16 that, as you compare the authorizations and the
17 budget input sheets, as well as the cost records
18 back to the listing of projects, they have all
19 been put in the same order.

20 MR. DEXTER: I'm there, Commissioner.
21 If you are, I'll continue, or I'll wait for you
22 to get to Bates Page 496 of Exhibit 1.

23 CMSR. CHATTOPADHYAY: I'm there, the
24 first page -- I'm sorry. First page of Part 4 of

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 Exhibit 1?

2 (Witness Nawazelski indicating in the
3 affirmative.)

4 CMSR. CHATTOPADHYAY: Yes, I'm there.

5 MR. DEXTER: Okay. Then, I'll
6 continue, if that's all right.

7 BY MR. DEXTER:

8 Q I have noticed that, when you do go to these cost
9 details, and I believe the Company pointed this
10 out to us in a tech session, that, if you look in
11 the lower left-hand corner of Bates Page 496,
12 you'll see, in bold print, "**Page 1 of 7**". That
13 tells me that the next seven pages deal with this
14 particular project, with the authorization number
15 up at the top, "Authorization Number 180167",
16 seven pages of detail. Is that right?

17 A (Goulding) That's correct.

18 Q Okay. So, this is where I find out what the
19 Company actually spends on the project, as I
20 understand it. And the first page tells me that
21 there was some payroll straight time and some
22 payroll overtime, correct?

23 A (Nawazelski) That's correct.

24 Q And then, some materials and supplies were

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 issued, I assume that's stores or equipment or
2 things like that?

3 A (Nawazelski) Yup.

4 Q And then, we get into "Transportation JE". I
5 guess I don't know what that is. I might assume
6 that it was company vehicles, but is that what
7 that is?

8 A (Nawazelski) Yes. That's correct.

9 Q Okay. And then, the next category I see are
10 "Vouchers", and there's something that says "New
11 England TRA", with some numbers. What is that?
12 What are "Vouchers" and what is "New England
13 TRA"?

14 A (Sprague) This would be a contractor that the
15 Company used. I believe, in this case, it's
16 flagging.

17 Q What's "flagging"?

18 A (Sprague) Traffic control.

19 Q Traffic control. Okay. I continue to scroll
20 down, now I'm on Page 2 of 7, I see more
21 "materials and supplies", more "stock", more
22 "stock", stock stores, not "financial stock".
23 And then, I see some "worker's compensation",
24 "medical costs". What are those "worker's comp"

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 and "medical costs", as it relates to a capital
2 project?

3 A (Sprague) Those are the compensation-related
4 benefits associated with the capital work for
5 those workers that did work in the field.

6 Q And the same is true for the next page, "401K",
7 "PBOP", those are benefits for people that charge
8 the project, is that what I understand?

9 A (Sprague) Correct.

10 Q And "PBOP", if I'm not mistaken, stands for
11 "Post-Retirement Benefits other than Pension",
12 correct?

13 A (Sprague) That is correct.

14 Q So, could you explain how those relate to a
15 capital project? In other words, these are for
16 retirees or these are for active employees?

17 A (Sprague) So, now you're stretching outside of my
18 comfort zone, but I'll give it a shot.

19 This is for -- this is for the
20 employees, the portion of the employees working
21 on the project, the capitalization of those
22 costs.

23 Q Okay. So, it sounds like, and I don't want to
24 oversimplify this, but, if a person charges an

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 hour, or a dollar, to a capital project, there's
2 going to be benefits that go along with that?

3 A (Sprague) Correct.

4 Q Okay. And, well, maybe my next question maybe is
5 answered by the next category. I see
6 "Construction E&O Overheads". What's that?

7 A (Sprague) This is for engineering and operations
8 time, that aren't necessarily charged directly to
9 the job, but they are allocated as an overhead,
10 based upon an allocation factor.

11 Q And that might be a person, such as yourself?

12 A (Sprague) Correct.

13 Q I'm just guessing?

14 A (Sprague) Correct.

15 Q Okay. So, then -- so, then, not a direct charge,
16 but a portion of your salary gets capitalized,
17 correct?

18 A (Sprague) Correct.

19 Q Okay. And then, there's some -- that overhead
20 figure, if I were to look behind that, would
21 include 401K and PBOP and medical for you as
22 well, correct?

23 A (Sprague) That is correct.

24 Q Okay. Then, we have some "Small Tools". And

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 then, we have "Interest Capitalized". Is that
2 AFUDC?

3 A (Sprague) That is correct.

4 Q Okay. And then, we have "Sundry Revenue". Is
5 that a customer contribution perhaps?

6 A (Sprague) That is correct.

7 Q Okay. Then, we have "Payroll Taxes", "Pension
8 Costs", that's similar to the benefits that we
9 talked about, correct?

10 A (Sprague) Correct.

11 Q Okay. And "Payroll-Straight Time",
12 Payroll-Overtime". And we're back to
13 "Materials", "Transportation", "Vouchers", these
14 are all sort of repeating what was up earlier.
15 "Materials", "Stock", "Stock, "Worker's Comp",
16 "Medical", "401k", "PBOP", "E&O Overheads",
17 "Overheads Capitalized", "Small Tools", "Small
18 Tools", AFUDC, "Payroll Capitalized", "Pension
19 Costs". Then, I get to the bottom, which is
20 "Page 7 of 7", and I see \$24,000.

21 A (Sprague) So, the -- correct. So, the reason why
22 it appears there's a duplicate is because there's
23 actually two work orders underneath this one
24 authorization. So, if you look -- if you go back

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 to the first page of that, or the top of any one
2 of the pages, you'll see a number that starts
3 with "C-180167". That's the authorization
4 number. Then, you have another dash, and the one
5 on the first page is "20181637", that's a
6 specific work order that's been taken out
7 underneath that authorization.

8 So, if you -- so, if now you scroll
9 down to where you identified that you thought
10 that we were starting to -- where it was starting
11 to duplicate -- or, to apparently starting to
12 duplicate, which I believe that is on Page 5 of 7
13 of that same cost record, you'll notice that
14 there's a new work order number, "20181668".

15 Q Yes. Thanks. I wasn't implying that anything
16 duplicated.

17 A (Sprague) Okay.

18 Q I did note that the charges appeared more than
19 once. And, actually, within each category, they
20 appear many, many times. I'm just trying to
21 figure out -- I'm just trying to figure out
22 what's in -- what was spent.

23 A (Sprague) Yes.

24 Q Okay. All right. Well, and this is it. There's

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 not -- and, if we wanted to go any further and
2 find out, for example, who worked on this
3 project, in any of these payroll or straight time
4 charges, or what materials were used in this
5 project, that would be a more intense review that
6 perhaps an auditor would go through?

7 A (Sprague) That is correct.

8 Q Okay. And I skipped over an important column.
9 So, now, I'm back up on Page 1, the very first
10 entry, the very first "Payroll-Straight Time"
11 entry of \$356. The first number there is
12 "20809". What does that represent?

13 A (Sprague) Are you referring to "201809"?

14 Q Sorry. "201809". Exactly.

15 A (Sprague) So, what the first four numbers of
16 that, so "2018" is the year, "09" is the month.

17 Q So, that first payroll charge occurred in 2018,
18 correct?

19 A (Sprague) That is correct.

20 Q And the next one occurred in 2019, correct?

21 A (Sprague) Correct.

22 Q And then, down towards the bottom, the final
23 three in that first grouping occurred in 2020?

24 A (Sprague) Correct. The last one being October of

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 2020.

2 Q So, this was a multiyear project?

3 A (Sprague) Correct.

4 Q Okay. Okay. Well, that's helpful for the
5 Pleasant Street. I actually hadn't intended to
6 go into that. I wanted to do this a little bit
7 more with the Concord Project, but that's helpful
8 to me.

9 But, just to sum up, there is no other
10 information provided here. We have the
11 testimony; we have the two-page authorization,
12 which has the short description; we have the
13 list; and we have these seven pages. That's it
14 for the Pleasant Street Project. There's nothing
15 else I need to look at, in order to evaluate
16 whether or not these costs were just and
17 reasonable, used, useful, and prudent, and all
18 those things that we look at as regulators. Is
19 that right?

20 A (Sprague) That is what was provided, correct.

21 Q And, again, if we wanted more detail, that's
22 something that would be available to an auditor,
23 correct?

24 A (Sprague) That is correct.

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 Q Okay.

2 A (Nawazelski) And I would also mention that that's
3 what Parties agreed to as a part of what would be
4 filed. As part of the Settlement Agreement in
5 21-030, we agreed to provide this level of detail
6 to Parties in its review process.

7 Q Yes. And my understanding is, in past step
8 adjustments, and I haven't done all of the step
9 adjustments for all of the companies, but this
10 was the type of thing that would come in as a
11 data request. And, so, this way we insisted, in
12 the Settlement, that it come in with the filing,
13 so at least we'd get it on day one, correct?

14 A (Nawazelski) Yes.

15 Q Is that your understanding?

16 A (Nawazelski) I agree.

17 Q Okay. All right. Okay. Now, I would like to
18 turn to what I'm calling the "Concord Project".
19 I know that's probably a bit of a symbolization.
20 And the primary question I want to explore and
21 explain to the Commission, well, it's a question,
22 but I know the Company's position on this, I want
23 to look at how we know that this project was not
24 included in the test year rate base that was --

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 that was reviewed in 21-130 [21-030?], and, in
2 fact, is appropriate for inclusion in this step
3 adjustment. And, again, I'm only talking about
4 the 424,000, and Attorney Taylor is right, that's
5 a round number I used in my letter, and that
6 refers to the Phase 2 of the Concord Downtown
7 Project. So, that's where I'm -- that's where
8 I'm going with these questions.

9 I'd like to start by going to Exhibit
10 9, which is Mr. Dudley's -- it's the excerpt of
11 Mr. Dudley's testimony from the base rate case.
12 And it's going to take me a minute to get there,
13 because I've got all these Exhibit 1s still open.

14 So, let's start with Exhibit 9, Bates
15 Page 002. And there's a list of projects that
16 appear between Lines 13 and Line 21. And, in
17 fact, Line 21 is labeled "Conversion Concord Part
18 2", and he lists a budgeted amount of 722,000,
19 again, I'm going to round to make things easier,
20 and an actual amount spend of \$448,000.

21 Is it your understanding that that's
22 the same project that -- that's at issue or
23 that's proposed for recovery in this step
24 adjustment?

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 And, before you answer, I will point
2 out that Mr. Dudley included a project number in
3 the left-hand corner, not an authorization
4 number, but a project number, and maybe that's
5 helpful.

6 A (Sprague) I just need a minute to pull something
7 up.

8 Q Sure. Sure.

9 CMSR. CHATTOPADHYAY: Can I, as you
10 look for it, I'm seeing something in Exhibit 2,
11 Page 1 of 3, Line 36. Is that what we are
12 talking about?

13 MR. DEXTER: I believe it is. I
14 believe that's the same project.

15 MR. TAYLOR: I'm sorry, Commissioner.
16 Could you just restate that reference?

17 CMSR. CHATTOPADHYAY: It's Exhibit 2,
18 Page 1 of 3, I'm not looking at the Bates number,
19 but must be, and it's Line 36.

20 **BY THE WITNESS:**

21 A (Sprague) So, I believe what is -- what might be
22 the confusion here is that, in the information
23 that we provided for the initial rate case
24 docket, this Project was identified as part of

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 the Concord Downtown Project in its entirety.
2 The Project had started. So, there was some
3 spending during the initial rate case. But it
4 was not closed until 2021.

5 So, the costs that are being applied to
6 rate base are in the step, as opposed to the
7 initial rate filing.

8 BY MR. DEXTER:

9 Q Okay.

10 A (Sprague) So, I think it's a difference between
11 project spend versus closed to plant.

12 Q Okay. And I will ask Mr. Dudley this question
13 when he testifies. But do you know how it is
14 that this might have found its way into his
15 analysis in the base case? In other words, do
16 you recall data requests or do you recall how
17 this ended up as being addressed in the base part
18 of the case in his testimony?

19 MR. TAYLOR: I'm going to object to the
20 question. Mr. Dudley can explain his own
21 testimony.

22 MR. DEXTER: Well, I agree with that.
23 If I can respond? But three or four questions
24 earlier that I did not object to asked

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 Mr. Sprague to look into the mind of Mr. Dudley,
2 "What could DOE be thinking when they said
3 something like this?"

4 So, I'd be curious, I'd be curious,
5 along those same lines, as to, you know, I mean,
6 this information was provided to the Company.
7 We're curious as to how it found its way into the
8 base case, when it really appears, according to
9 the Company now, to have been in the step
10 adjustment.

11 So, it seems to me a legitimate
12 question as to what Mr. Sprague's understanding
13 is of the documents that he or his people
14 provided to Mr. Dudley from the base case.

15 MR. TAYLOR: May I respond?

16 CHAIRMAN GOLDNER: Yes.

17 MR. TAYLOR: My questions to
18 Mr. Sprague were not to look into the mind of the
19 Department of Energy. I asked Mr. Sprague to
20 respond to statements made by the Department of
21 Energy that have been submitted in this case and
22 speak for themselves.

23 So, there's a very clear distinction
24 between the questions that are being asked.

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 CHAIRMAN GOLDNER: I'll allow the
2 question, but we'll give it the weight it
3 deserves.

4 **BY THE WITNESS:**

5 A (Sprague) Okay. So, I think that, again, I think
6 the confusion is the difference between capital
7 spending and what is actually closed to plant and
8 applied to rate base.

9 So, when we were talking about spend on
10 the particular group of projects associated with
11 the Concord downtown, that projects had spending,
12 was included in that analysis. That doesn't
13 necessarily mean that it was closed to plant and
14 applied to rate base as part of that hearing.

15 BY MR. DEXTER:

16 Q Okay. All right. Fair enough. We'll move on.

17 CHAIRMAN GOLDNER: Mr. Dexter, just
18 quickly, in order to give the stenographer a
19 break, would you like to continue for five or ten
20 more minutes or break and reset, and continue on
21 after a break?

22 MR. DEXTER: Whatever the Bench
23 prefers. I can go another five or ten minutes on
24 this topic, or we can break now, whatever works.

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 CHAIRMAN GOLDNER: How much more do you
2 have for this panel?

3 MR. DEXTER: I actually have a lot of
4 questions. And I'm very concerned about tying up
5 the Commission. I'm trying to move this along.
6 But, again, as I said in my sort of "informal"
7 opening, is that the Department is not in the
8 spot where it normally is when it comes into the
9 hearing room. And I hope this is useful to the
10 Commission. If I'm wasting time, I know you'll
11 let me -- but I believe that I have questions
12 that would take us at least until the lunch
13 break.

14 CHAIRMAN GOLDNER: Okay. Let's take a
15 break now, and come back at 11, and continue with
16 Mr. Dexter's questions. And then, we'll move on
17 to Commissioner questions after that. We also
18 have what will probably be an hour of questions
19 for the panel.

20 So, is everyone okay with continuing
21 after lunch?

22 MR. TAYLOR: Yes, I was actually going
23 to ask, and I don't know if we can do this on the
24 record or we can do it off the record. I just

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 wanted to get a sense for whether the Commission
2 would like us to plan to be here for the
3 remainder of the day?

4 And, if that's the case, you know, I,
5 in particular, have a meeting that I would have
6 to have coverage for. I did arrange for that, I
7 just have to communicate with some people to make
8 sure that's the case. I need to confer with my
9 witnesses, to make sure that, to the extent they
10 have anything scheduled this afternoon, they are
11 able to either get coverage, or we would
12 communicate to the Commission that it would be an
13 issue.

14 So, perhaps we could take a break, sort
15 those things out, and then report back to you?

16 CHAIRMAN GOLDNER: Perfect. Yes.
17 Let's meet up at 11:00 and sort that out. But
18 the Commission can be here this afternoon.

19 MR. TAYLOR: Okay. Thank you.

20 MR. DEXTER: Thank you. And we, the
21 two of us at the Department, are free for the
22 day.

23 CHAIRMAN GOLDNER: Okay. Thank you
24 very much. We'll reconvene at 11:00. Thank you.

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 Off the record.

2 (Recess taken at 10:49 a.m., and the
3 hearing resumed at 11:06 a.m.)

4 CHAIRMAN GOLDNER: Okay. Let's go back
5 on the record, and begin again with Mr. Dexter.

6 MR. DEXTER: Thank you.

7 BY MR. DEXTER:

8 Q I'd like to continue by looking at what makes up
9 the \$424,000 from the Part 2 of the Concord
10 Downtown Project. But, I guess, maybe as an
11 initial question, because this is not clear in
12 the Department's mind, how does the Company
13 distinguish between the Part 2 Project, which is
14 at issue in this case, and the other parts of the
15 Concord Project, which were in the \$5 million
16 range, which were part of the base rate case?
17 Could you explain that differentiation for me
18 please?

19 A (Sprague) Yes. That differentiation could be
20 timing. It could have been the original portion
21 of the Project needed to get done first, and, in
22 this case, meaning the substation needed to be
23 built, in order to have the 13.8kV in the area to
24 do the conversion of this individual circuit.

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 So, ultimately, it comes down to a
2 project timing and constructability decision as
3 to how it's separated.

4 Q Okay. So, when I went through the quick exercise
5 for 250 Pleasant Street, in Concord, we
6 determined that the narrative, sort of, the story
7 that provided the information about the project
8 was contained in the authorization. Can you
9 point me to the authorization for the Concord
10 Project Part 2?

11 A (Sprague) Yes. That would be Hearing Exhibit 1.
12 I believe it's Part 2 of 7. And that would be
13 Bates Page 129.

14 Q Okay. Just let me take a moment to get there.

15 Okay. And we heard earlier that the
16 key is the authorization number for tracing and
17 understanding these projects. The authorization
18 number looks a bit blacked out on this, but I
19 believe it's "201124", is that right?

20 A (Goulding) "200124".

21 Q "200124" is the authorization number. Okay,
22 thanks. And this authorization tells me, Bates
23 129, tells me that the status of this job is
24 completed? Well, I guess I'm confused by these

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 dates in the upper right-hand corner, where we've
2 got "Status", and then "Initiated By", and
3 "Finalization Date". The Finalization Date says
4 "2/24/20". That's not the project finalization
5 date, I assume, correct, based on your prior
6 testimony?

7 A (Sprague) No. That's when the authorization
8 itself has been finalized, meaning "approved".

9 Q Approved. What does "Status" mean in this
10 instance?

11 A (Sprague) That means that it has been completed
12 through its authorization routing.

13 Q Okay. Nothing to do with construction?

14 A (Sprague) Correct.

15 Q Okay.

16 A (Sprague) Keep in mind, this is -- this is in
17 advance of any construction or spending.

18 Q So, no spending before 2/24/20 on the Part 2?

19 A (Sprague) In theory, yes. That's the way it's
20 supposed to work, in theory.

21 Q Okay. I mean, in practice, did it work that way?
22 I'm just trying to figure out what's going on
23 here. That's all.

24 I mean, maybe we'll get to that. We'll

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 go through the cost detail, and we know the
2 column of the dates. So, maybe we'll talk about
3 that. I'm just trying, again, just trying to
4 figure out what's going on.

5 So, we've got an authorization,
6 \$722,000, some of that's cost of removal. And I
7 believe, if I were to trace back to the list, on
8 Exhibit 1 or Exhibit 2, I'd probably -- I think I
9 would see these numbers. We're not going to go
10 through that exercise now, to move this along.

11 And then, here's a little description
12 of the project under "Description and Scope".
13 And, again, you said something about a "circuit".
14 Can you just explain that again? It's just a
15 different circuit than what was done in year
16 2020?

17 A (Sprague) Yes. Again, keep in mind that this was
18 an area project, and there's a handful of
19 circuits that supply the Downtown Concord area,
20 kind of from the northern part of downtown and
21 the southern part of downtown. This, in
22 particular, this circuit was originally out of
23 Bridge Street Substation, which is actually the
24 substation that you can see right on the corner

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 of Bridge Street and 93, as you're going down the
2 interstate. And that serves south out of that
3 station, into the downtown area.

4 Q Okay. And how was this Project separate and
5 distinct, as I understand it, from the other
6 parts of the Concord Project? What did this do
7 that those didn't?

8 A (Sprague) So, once we had -- so, this is one,
9 just one aspect of that larger project. Once we
10 had the 13.8 built at Gulf Street Substation, and
11 the ability to convert circuit 1H1, that was
12 required, because the circuit 1H1 did not have
13 the capacity at 4kV to serve the forecasted load.

14 Q Okay. And --

15 A (Sprague) This could have easily been titled, you
16 know, "Circuit 1H1 Conversion".

17 Q Okay. And is this Authorization Number 200124,
18 is this a different authorization number from the
19 underlying Project, or is this the same
20 authorization number as the underlying Project?

21 A (Sprague) When you say the "underlying Project",
22 you mean the "Concord Phase 1", I'm call it?

23 Q Correct. Which was taken care of in the test
24 year?

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 A (Sprague) I believe this is a different
2 authorization number.

3 [Atty. Dexter and Mr. Dudley
4 conferring.]

5 BY MR. DEXTER:

6 Q So, on Bates Page 130, there is a breakdown of
7 "Labor", "Materials", "Materials", "Contract
8 Services", some are in hours, some are in
9 dollars. There's no total on this chart here in
10 the middle of Bates Page 130.

11 Is there a reason that this isn't
12 totaled and tied back to the figures that are on
13 Page 1? Would that give you comfort that you've
14 accounted for everything? How do you relate
15 these details to the total?

16 A (Sprague) So, what you see -- apologize for that.
17 What you see here is our capital budget input
18 sheet. As our engineers and operations folks
19 estimate projects, they estimate the projects
20 based upon material direct to the job, labor
21 direct to the job, any contract services,
22 essentially, those I'll call them "base costs"
23 for the project.

24 Those items are then loaded into our

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 capital budget system. And the capital budget
2 system then does all of the accounting for the
3 overhead allocations and comes up with the total
4 amount. That total budgeted amount is actually
5 shown on the authorization, right up at the top.
6 So, we're at just the page above, where we were
7 at before, you see the "Budgeted Amount:
8 \$721,846".

9 Q Okay. And now, if I wanted to go to the cost
10 detail for this Project, again, this is the
11 pre-spend story, if you will, the justification
12 and the reasons for the project. If I wanted to
13 look at what was actually spent, where would I go
14 for that? Not the total, but the detail?

15 A (Nawazelski) It's in Exhibit 1, Part 4 of 7,
16 Bates Page 592.

17 Q Okay. I'm going to take a minute to get there.

18 MR. TAYLOR: I'm sorry. Did you say
19 "Bates 592"?

20 WITNESS NAWAZELSKI: Correct.

21 BY MR. DEXTER:

22 Q Okay. I'm there. And I see at the bottom that
23 this is also a seven-page accumulation of costs,
24 would you agree?

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 A (Sprague) That is correct.

2 Q And it looks very similar to what we went through
3 for Pleasant Street, in terms of categories of
4 costs, and by that I mean straight time,
5 overtime, overhead, stores, *etcetera, etcetera*,
6 would you agree?

7 A (Sprague) That is correct.

8 Q There's a lot more vouchers than there were for
9 the project. Could you explain what some of
10 these are? I'm on now Bates Page 593. For
11 example, the "Asplundh Tree" invoices?

12 A (Sprague) Yes. Yes. Some of the items on,
13 again, these are all for direct charges to the
14 Project from vendors or contractors. "Asplundh
15 Tree", "PA" is for "Pennsylvania", there was some
16 capitalized tree trimming associated with doing
17 this Project. "HI Volt Line" is the electric
18 line contractor used for it. "New England
19 Traffic Control" is the next line. I'm not 100
20 percent sure what the next one is, I would have
21 to look up that one myself. "Utility Service" is
22 for marking for DigSafe.

23 Q And how about "S&C Electric", that's a big
24 number, "15,250"?

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 A (Sprague) Yes. "S&C Electric" is an equipment
2 manufacturer. So, that's a piece of equipment
3 that we purchased.

4 Q Okay. And I'll move on, just to keep this
5 moving. But let me get to the bottom, Page 7 of
6 7, I should see a total here. And I get to the
7 bottom, and I see "512,578".

8 A (Nawazelski) I believe that's "978".

9 Q Geez, I'm sorry, "512,978". And, if I were to go
10 back to the list, I would find that number on
11 Exhibit 1, correct, or Exhibit 2?

12 A (Goulding) Correct.

13 A (Sprague) Correct.

14 Q All right. So, we went go through that exercise,
15 in order to keep things moving.

16 Now, I wanted to talk about the dates.
17 We talked about the authorization occurring in
18 February of 2020, I believe. So, if I were to
19 scroll down quickly through the date -- I'm back
20 now on Bates 592. I'm looking at the "Dates"
21 column, and I see that -- well, I'm scrolling,
22 scrolling, scrolling, and I'm seeing all the
23 charges from 2020. I guess, when I get into
24 vouchers, I see some from 2021. But I would say

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 the majority of the entries on this seven pages
2 are from 2020. Can you explain why that is?

3 A (Sprague) Because that's when the Project was
4 started.

5 Q And relatively few charges are for 2021. Could
6 you explain why that is? And, again, I'm only
7 seeing them, for the most part, in the "Voucher"
8 section. And they seem to make up about 25,000
9 of the 177,000 of vouchers. Could you explain
10 why most of the vouchers or vendors were incurred
11 in 2020?

12 A (Sprague) Could you repeat that, because I'm not
13 sure --

14 Q Yes. Sure. Sure. I'm on Bates Page 594 and
15 593. And I'm looking at the "Vouchers" column.
16 And I'm seeing, I would say, I'm eyeballing,
17 80 percent of these voucher charges are from
18 2020, and then a few of them are for 2021. And
19 the ones that are from 2021 are almost
20 exclusively January, there's one small one for
21 February.

22 Again, could you explain why most of
23 the work -- why most of these charges appear for
24 2020, when this is a project that closed in 2021?

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 A (Sprague) So, most of the work for this Project
2 was completed in 2020. However, some of the
3 charges, the Project was not closed in 2020,
4 because there were still outstanding charges, and
5 those charges came in in 2021. And, so, then,
6 once all those charges came in, the Project was
7 closed in 2021.

8 Q Now, you've mentioned that a number of times, and
9 this is something that we're struggling at the
10 Department, and Mr. Dudley will address in his
11 testimony. I guess what I'd like is additional
12 information in support of the assertion or the
13 statement that "this was not closed in 2020 and,
14 therefore, not in the test year." What
15 assurances or demonstrations can you make that
16 would get us to that same place that you are on
17 this? In other words -- I'll leave it at that.
18 What can you tell us to determine that this
19 Project was not closed in 2020?

20 A (Goulding) Well, until it's closed, it's in
21 construction work in process, and that's where
22 this Project did sit at the end of 2020, and then
23 you'll see the residual or some additional costs
24 in 2021.

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 When the Project was finished and
2 deemed used and useful, it was placed in service,
3 and that occurred in 2021. And New Hampshire is
4 a "no CWIP" state. So, construction work in
5 process is not part of the rate base that's filed
6 as part of our rate case.

7 Q No, I understand all that. That is essentially a
8 restatement of what Mr. Sprague said. But, from
9 a document standpoint, in other words we're
10 struggling with the notion --

11 *[Court reporter interruption.]*

12 BY MR. DEXTER:

13 Q -- we're struggling with the notion that this
14 Project ended up in Mr. Dudley's analysis in the
15 rate case. And he will talk about how that
16 happened, and how that started, from, we believe,
17 a list of projects that were in rate base in the
18 case.

19 MR. TAYLOR: I object. Mr. Dexter is
20 not asking a question. He's providing testimony.

21 CHAIRMAN GOLDNER: Mr. Dexter, would
22 you like to rephrase?

23 MR. DEXTER: No. I'll leave it at
24 that. We'll take it up with Mr. Dudley.

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 CHAIRMAN GOLDNER: Okay.

2 BY MR. DEXTER:

3 Q Okay. Now, I'd like to move to the question that
4 we did identify in the June 9th letter with
5 respect to this Project, which is the load that
6 this Project was intended to serve, and how the
7 Company determines growth projects versus
8 non-growth projects.

9 You would agree that this Project was
10 undertaken to serve additional load, would you
11 not?

12 A (Sprague) This project was undertaken because
13 there was a capacity constraint in the Downtown
14 Concord area.

15 Q So -- but it was sort of a "yes" or "no"
16 question. So, that the answer is "no", not to
17 serve new load, but to address a capacity
18 constraint?

19 A (Sprague) This Project was designed based upon
20 the forecast load of the Downtown Concord area,
21 and, based upon that forecast load, the system
22 did not have the capacity to serve that
23 forecasted load.

24 Q Okay. So, it was designed to serve forecasted

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 load?

2 A (Sprague) So, it would -- so, this Project was
3 designed to serve the forecasted load in an
4 existing system, in an existing part of the area
5 where that load growth was occurring. As I
6 stated earlier, when we -- when we specifically
7 call out growth projects, and this isn't just
8 this case, this is previous cases as well, growth
9 projects are those projects that are associated
10 with I'll call it "reaching new customers", new
11 customers, new locations, new services, new line
12 extensions, new customer transformers.

13 Those projects that have -- a good
14 example would be a development that is going in
15 just off the end of our existing system. We have
16 that customer, that particular load, we're
17 extending the system to reach that customer.
18 That customer's revenue can be evaluated against
19 the project itself, to determine if there is a
20 customer contribution associated with that.

21 In this situation, where you have an
22 existing system, with existing loads that are
23 increasing, and with -- and with new uses for
24 existing properties, that's a "system

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 improvement" in our mind. It's not much
2 different than Broken Ground Substation or
3 Kingston Substation that we addressed in recent
4 cases. Those substations are installed to
5 address capacity concerns, growth of an area, not
6 any individual customer.

7 Now, I know it can get confusing,
8 because, in our effort to be transparent in this
9 case, we've tried to provide as much information
10 as we can associated with the customers that had
11 approached us. We don't try to hold information
12 back. We try to show you everything that we
13 have. And that's where that list of projects
14 came from -- or, that list of customers came
15 from. That's not something that -- that's not
16 the only load that is served down there. You
17 know, if these customers don't come in, that
18 it's, you know, the downtown is empty. This
19 is -- this is based upon the information that we
20 had at the time that we're trying to share.

21 Q Okay. So, you mentioned that list. And there's
22 actually a couple of lists of customers that are
23 in the record right now, as I understand it.

24 So, I'd like to go to Exhibit 9, which

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 was Mr. Dudley's testimony from the underlying
2 case, and go towards the end. The Bates pages in
3 this particular exhibit are in red, to
4 distinguish from other Bates pages from the prior
5 case. And I'm at Page 35, in bold red. Do you
6 see that?

7 A (Sprague) Did you say "Bates Page 007"?

8 Q Thirty-five.

9 A (Sprague) Bates Page 035.

10 Q It's response from the prior case, DOE 4-71.

11 A (Sprague) Yes. I have that.

12 Q Okay. And Part (a) to that question asked for a
13 comparison -- well, the answer to Part (a)
14 provides "load additions expected at the time of
15 the decision [as] compared to the most recent
16 load [addition] of those customers." And I see a
17 list of about -- well, it spans two pages, maybe
18 it's eight or ten projects.

19 "The decision", as quoted on Page 35,
20 what "decision" was that? The decision to
21 undertake Phase 1 of this Project, or Phase 2, or
22 both?

23 A (Sprague) So, in this instance, when we're
24 talking about "at the time of the decision",

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 we're talking about what was known in 2017, when
2 we were doing the load forecast, and the decision
3 to move forward with this particular Concord
4 Downtown Conversion Project.

5 Q And where did these -- how did you come upon
6 these customers at 18 South Main Street, 20 South
7 Main Street, 5 to 7 Pleasant Street, so on and so
8 forth, was that -- you mentioned a "load study"
9 earlier, could you expand on that a bit?

10 A (Sprague) I'm not sure -- I don't recall the
11 reference to a "load study", but --

12 Q I thought that you had said that the Company did
13 a load forecast or a load study in the Concord
14 area in the 2017 timeframe?

15 A (Sprague) So, we do load forecasts every year for
16 every circuit. In this case, because we had a
17 known capacity constraint, and we had some
18 additional customers in various stages of project
19 approvals, we add that other "known load" to our
20 forecast. These come in through a variety of
21 avenues.

22 One being just, you know, direct to us,
23 they're, you know, direct to our Customer
24 Projects Coordinator, and that says "I purchased

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 this building, and I have new plans for it. Here
2 are my plans."

3 It could be some of these are all owned
4 by the same developer. And we have Key Account
5 people within our Customer Energy Services group
6 that deal with those larger developers, and has a
7 little bit more of a constant contact with those
8 developers, to make sure that there's a constant,
9 you know, communication back and forth.

10 And some of -- and some of these are,
11 you know, may come in through articles in the
12 paper. It can be a variety of ways that we learn
13 about customer projects.

14 Q Okay. Now, in this same exhibit, starting on
15 Bates Page 008, there's a document that's
16 entitled "Concord Downtown Area Study 2018".
17 That's what I was referring to earlier.

18 My question is, if I were to look into
19 the details of that study, and then compare that
20 to the list that's in -- starting on Bates Page
21 035, how do those two things work in tandem? Is
22 that study a more, I don't know, macro global
23 approach, and it's supplemented by individuals?
24 Or how does the Company come up with the amount

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 of load that it projects to need to serve from
2 this Project?

3 A (Sprague) So, I will be a little bit careful,
4 because there are multiple versions of this list.
5 I think we provided this list several times.
6 It's different snapshots in time.

7 Q Right.

8 A (Sprague) And, obviously, as we've gone on, this
9 has tended to grow, because we've learned about
10 more different loads. So, again, in
11 transparency, we're trying to give all of the
12 information that we have.

13 With respect to what was used at the
14 time, what we take -- it's funny, customers come
15 in and they provide us, you know, "This is all
16 the load that I need." And then, we look at it,
17 and we said "Okay, well, that's not all that load
18 is going to come in, because there is diversity
19 with that load." So, then, we ultimately size a
20 transformer based upon a rather consistent
21 diversity factor for certain types of loads.

22 That's what we'll use to size the
23 transformer. The proposed kVA in that table is
24 the size of the transformer that's going to serve

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 that load.

2 Q Okay. And you did mention a couple of variations
3 of this list. But would you agree that, in the
4 version that was provided to the Department on
5 August 19th in this response, which starts on
6 Bates Page 035 of Exhibit 9, that there are it
7 looks like about five -- six customers on the
8 list that were taking service as of August 2021,
9 is that right?

10 A (Sprague) Subject to check.

11 Q Okay. And, if we were to turn now to Exhibit 6,
12 I'm going to take a minute to get there.
13 Exhibit 6 is a data request that was marked in
14 this phase of the proceeding, DOE 1-5, it's dated
15 at the bottom "May 18th, 2022". And there's what
16 likes to me like a similar list. The addresses
17 seem similar. This is an attempt to update the
18 prior list upon request of the Department,
19 correct?

20 A (Sprague) Correct. This was another request to
21 essentially provide similar information as we had
22 provided in the past on these customers, and with
23 the most up-to-date information that we have.

24 Q Okay. And I tried to compare these two quickly,

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 and it seemed to me that, in the column of
2 "In-Service", the only customer that I had seen
3 that went from "no" to "yes" was towards the
4 bottom, "8 through 14 Dixon Avenue", "Building
5 rehab complete - most tenant spaces occupied."
6 Do you agree that that's the one project that
7 moved from "no" to "yes" when you compare these
8 two charts?

9 A (Sprague) So, I think the difference between the
10 two charts is -- isn't necessarily what load has
11 specifically been added in 2021. Again, still in
12 the middle of the pandemic. But what this does
13 show is that there is a large number of these
14 projects that are now looking for construction
15 and service throughout 2022.

16 Q Okay. But -- and to answer my specific question,
17 am I correct that the only one that went from
18 "not in-service" to "in-service", comparing the
19 two lists, was "18 [8?] through 14 Dixon Avenue"?

20 A (Sprague) Subject to check.

21 Q Okay. And, of the \$424,000 that are at issue in
22 this case, not "at issue", but are put before the
23 Commission for recovery in this step adjustment,
24 were those expenditures related to the Dixon

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 Avenue customer or any of the other customers on
2 this list? In other words, can you identify
3 them? Or, am I looking at this the wrong way,
4 potentially?

5 A (Sprague) So, again, this is the area of the
6 system that's going to supply all of this load.
7 Not only in a normal configuration, but also in
8 emergency configurations, where we need to switch
9 load back and forth. So, at any given time,
10 these customers might be served from one circuit,
11 or they might be served from another circuit,
12 depending on the circumstances.

13 That's why we develop a plan for this
14 area that uses kind of the holistic view of
15 Bridge Street Substation/Gulf Street Substation
16 serving the entire load of this area.

17 Q Okay. So, if I understood, then it's not
18 specifically identified to any one of these
19 customers, but the specific circuit conversion
20 that you've -- that's supported by the -- that
21 was undertaken with the 424,000 could, in fact,
22 serve any of these customers that turn into the
23 "yes" column, correct?

24 A (Sprague) Yes.

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 Q Okay. But, again, in the Company's viewpoint of
2 growth versus non-growth, for purposes of step
3 adjustments, none of this is considered "growth",
4 because it's an existing system. Do I understand
5 that?

6 A (Sprague) This is, yes. Correct.

7 MR. DEXTER: Okay. Okay. Just going
8 to ask for a moment to consult here, sir?

9 CHAIRMAN GOLDNER: Of course, yes.
10 Take your time.

11 *[Atty. Dexter and Mr. Dudley*
12 *conferring.]*

13 BY MR. DEXTER:

14 Q Okay. I'd like to move to the next item that I
15 had identified in my June 9th letter, which was
16 the "T&D projects". Just confirm for me that
17 "T&D" stands for "Transmission and Distribution"?

18 A (Sprague) Yes, it does. And could I help --
19 maybe try to help clarify "growth" versus
20 "non-growth" with respect to this Project again?

21 Q Sure.

22 A (Sprague) One thing that we --

23 Q It's not up to me, but I have no objection, let
24 me put it that way.

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 CHAIRMAN GOLDNER: Please proceed.

2 **CONTINUED BY THE WITNESS:**

3 A (Sprague) So, there's another part of this
4 Project that's not being charged. So, this
5 Project is to make sure the circuit has the
6 capacity. If there is a service, a new service
7 to these buildings, if there's a customer
8 transformer that's associated with these
9 buildings, customer meters, all of that does not
10 get charged to this Project. This is simply the
11 conversion of the circuit itself. All of those
12 ancillary specific customer connection costs end
13 up in the growth projects, and are not part of
14 this.

15 So, this Project is simply addressing
16 the capacity of the circuit itself, not
17 necessarily the connection of these individual
18 customers to that.

19 BY MR. DEXTER:

20 Q Well, six of them or seven of them have already
21 been hooked up, correct?

22 A (Sprague) Correct. And they were charged those
23 transformers, new transformers, new services, new
24 customer meters, those all go towards the

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 growth-related blankets.

2 Q So, to the extent that any of these projects
3 were -- any of these customers were hooked up in
4 2021, and those items that you just mentioned to
5 serve those projects, where would those costs
6 have ended up on the list in Exhibit 1?

7 A (Sprague) So, those would be under the blanket
8 projects. For -- I'll give you a good "for
9 instance". Line 13, "Authorization 191001", "New
10 Customer Additions".

11 Q Just give me a moment to get there. So, we're on
12 Exhibit 2 or 1, either one, Line 13?

13 A (Sprague) Yes.

14 Q "New Customer Additions."

15 A (Nawazelski) So, that's Exhibit 1, Part 1 of 7,
16 Bates Page 017 we're looking at.

17 Q Okay. Or Exhibit 2, Page 1, correct? That's
18 where I'm looking, and I see it. But I think we
19 established early on that we could look at either
20 one of those?

21 A (Sprague) Correct.

22 Q Okay. And, so, the "G" there stands for
23 "growth"?

24 A (Sprague) Correct.

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 Q "New Customer Addition", this would include, as I
2 understand your testimony, new customer additions
3 in greenfield areas, if you will, as well as a
4 project like Concord, where you've -- where
5 you've converted or you're now serving rehabbed
6 buildings with new equipment?

7 A (Sprague) If it's a -- if it's a new customer
8 connection that we have to do something to, yes,
9 that would get charged there.

10 Q So, a new customer connection, as opposed to
11 service to a building that's been rehabbed, how
12 would you draw that distinction?

13 A (Sprague) If we're reusing the service to an
14 existing building to serve a new customer,
15 probably the only thing that gets charged to
16 growth would be if there's a new transformer or
17 the new meter.

18 Q Okay. All right. Well, let's -- like I said,
19 let's move on to the T&D projects. I want to
20 start with -- well, we're already on Exhibit 2,
21 so that's helpful. I want to go to Line 103.
22 And it's labeled "T&D Improvements". It charges
23 about seven different account numbers, all in
24 360s and 370s. And it looks like it had a rate

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 base number, if you will, of "957,177", correct?

2 A (Sprague) Yes. That's the installed amount.

3 Q Installed amount. Okay. And, if I wanted to go
4 to the backup for this project, I believe I go to
5 Exhibit 1, Bates 2627, which I can find in Part 5
6 of 7 of what was submitted when this exhibit was
7 submitted. So, let's go there and see what we
8 find.

9 Okay. Well, I'm on Bates Page 2627 of
10 Exhibit 1, and I'm looking at I believe the
11 beginning of an authorization number "210100".
12 Am I in the right spot?

13 A (Nawazelski) Yes, you are.

14 Q Okay.

15 A (Nawazelski) Yes, you are.

16 Q Okay. And this one, if I go down to the bottom
17 of the page and look for the bold number on the
18 left, tells me that this is "Page 1 of 285"
19 pages. So, all 285 pages of -- all of these 285
20 pages would be to support that one line item that
21 we started with, Line 103, on Exhibit 2, correct?

22 A (Nawazelski) That is correct.

23 Q Okay. And I won't go through all 285 pages, but
24 I'm looking, I'm seeing a similar layout, where

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 we start with "Payroll-overtime",
2 "Payroll-straight time", "Materials", we get to
3 "Vouchers" on Page 2, and I see some of the same
4 vendors. It looks very similar to the other,
5 it's just that this one goes on for 285 pages,
6 right?

7 A (Nawazelski) Correct.

8 Q Okay. So, I have some questions about this,
9 because, in scrolling through this document, and
10 trying to understand what made up the \$957,000
11 that's in rate base, I started to see some
12 charges for 2022, and that concerned me.

13 So, I'd like to turn first to Page 250,
14 and see if I'm right on this.

15 A (Sprague) 250 of 285?

16 Q Yes. I'm sorry. So, I don't have the Bates page
17 number handy?

18 A (Nawazelski) 2876.

19 Q Thanks. So, let me get there. We'll have to go
20 to another part, I believe. So, I'm now there.
21 I'm on Bates Page 2876. So, thanks for that
22 reference to whoever on the panel gave that. And
23 I'm at Page 250 of 285. And, at the top, I'm
24 seeing "Vouchers", "Materials", "Stock",

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 "Construction Overheads", AFUDC. And, if I'm not
2 mistaken, this is -- there are some charges for
3 2022. I see them under "Exempt Stock Expense", I
4 see them under "Construction E&O Overheads", I
5 see them under "Construction Overheads
6 Capitalization", and I see it under "Interest
7 Capitalized".

8 Would you agree that these are charges
9 that are for 2022?

10 A (Sprague) So, as we discussed during our
11 conversations in technical sessions, when we
12 stepped through a very similar line of questions,
13 there is a timing aspect to the report that has
14 been run to provide this information. However,
15 there are no 2022 amounts that have been included
16 as part of this.

17 Q But they are here, correct? You would agree?
18 And I can list another ten or twelve pages, I'll
19 list them quickly for the Commission, who may not
20 have gone through this exercise. I see them on
21 Page 259, 262, 263, 273, 274, 276, 279, 283, 285,
22 and there may be more. Those were ones that I
23 came across, so, if anyone wants to double-check
24 those.

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 You would agree that those charges
2 appear in this schedule, right?

3 A (Sprague) I would -- I would agree with you that
4 there are 2022 charges on this schedule. But, as
5 we described previously, those charges are taken
6 out, and not included as part of what has been
7 presented as part of the step adjustment.

8 Q Okay. So, again, I think, if I understand what
9 you're saying, is that, if I go to Bates
10 Page 285 of -- I'm sorry, not "Bates Page", if I
11 go to 285 of 285, to get to the bottom of this
12 blanket, I'm going to see a total. So, I'm
13 scrolling, I'll get there in a minute.

14 Okay. I'm there. It's Bates
15 Page 2911. I see a total for this authorization,
16 which is Authorization Number 210100, I see
17 "1,348,552".

18 So, if I understand your testimony, of
19 this 1,348,562 [1,348,552?], the pieces that have
20 a 2022 designation in the left-hand column don't
21 find their way onto the list, or, even if they're
22 on the list, don't find their way into the rate
23 base calculation that we started with this
24 morning, Exhibit 10, Page 3, is that right?

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 A (Sprague) That is correct.

2 A (Goulding) But, if they are on the list, which is
3 the Cost Summary List, and they say "plant
4 in-service", they did find their way into the
5 step increase.

6 Q Okay. Well, let's go --

7 A (Goulding) With the exception of the DOC Center.

8 Q Right. So, let's just do this exercise as long
9 as we've come this far.

10 So, I've got a figure here of 1,348,553
11 for this particular project. Which now, if I go
12 back to Exhibit 2, Line 103, and I scroll over to
13 the amounts, I see a rate base number, which we
14 started with, of "957,177", a plant in service
15 number of "1,059,928", which is, in fact, lower
16 than the 1,348,000 number that we started with.
17 So, we're all in agreement on that?

18 A (Sprague) That is correct.

19 Q Okay. And the reason it's lower, I'm gathering,
20 is that some charges -- well, the 2022 charges
21 were subtracted out in the course of producing
22 this list?

23 A (Sprague) Correct.

24 Q Okay. Do you know of anything else that might

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 have been subtracted out?

2 A (Goulding) There could be some 2021 charges, too.
3 Again, the list is not the cost records, it's
4 capital spending. So, not all of those work
5 orders under this budget authorization were in
6 service at the end of 2021. So, there could be
7 some items that you see dated as "2021/12" that
8 might not be part of the amount that was placed
9 in service. So, it's not a simple exercise of
10 just going through and grabbing all the 2022 and
11 saying the difference is those items.

12 Q Well, that's kind of my point about this not
13 being a simple exercise. Who did that? Who went
14 from the 200 -- and this is just one project in
15 the list of 200. Who went from the 200 page --
16 285 pages, and took us from 1,348,553, and got us
17 down to a rate base number of 957,177? Number
18 one. And, number two, how is that traceable or
19 auditable or reviewable by regulators?

20 A (Nawazelski) I believe the -- or, not "I
21 believe", the Company has a plant accounting
22 software system that allows us to query the
23 system for when those projects are placed into
24 service by month, by project. So, that's what is

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 included in the -- I guess it's "Revised Schedule
2 CGKS-1".

3 Q You have to give me an exhibit number at this
4 point. I can't follow the initials.

5 A (Nawazelski) It's Exhibit 2. Sorry.

6 Q Exhibit 2. Okay. Would it have been possible
7 for the Company, in its plant accounting system,
8 to have given us, again, this is just one
9 project, these 285 pages, would it have been
10 possible for them -- for you to have provided us
11 just the pages that were relevant to the list?
12 That would seem it would have simplified this
13 quite a bit.

14 A (Sprague) So, going back to the Settlement
15 Agreement, what we've tried to provide here is
16 what we interpreted that you wanted. That's our
17 interpretation. This is a lot more information
18 than we've ever provided in the past. We're
19 providing it up front. It is a work in progress,
20 I would say. Can it improve? Probably. Will it
21 improve for the next time? I'm sure it will.
22 But this was -- this was our attempt to provide
23 you the information that you had asked for.

24 And I believe, and I'll look for a nod

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 from the back of the room, I thought that we had
2 gone through the effort to provide another
3 revision of this that removes those '22 charges.
4 But I'm not -- I guess we didn't. We had talked
5 about it, but --

6 Q I appreciate that you were trying to provide us
7 what we asked for in the Settlement. But you
8 would agree that we never asked for a schedule
9 that included detail for costs that aren't even
10 at issue in the step adjustment? No one would
11 have envisioned that, would you agree?

12 A (Sprague) You had asked us for cost records, and
13 this was one way that we thought might be
14 helpful.

15 Q Okay. Okay. But it sounds like we've
16 established that there's no 2022 charges in the
17 step adjustment, which we, at the Department of
18 Energy, view as good news?

19 A (Sprague) Correct.

20 Q So, good. Okay. And maybe the answer will be
21 the same, but I want to -- I want to spend a few
22 minutes on Line 24 of Exhibit 2. This is another
23 "T&D Improvement" project, which has a rate base
24 value of "70,967" -- I'm sorry, "70,697".

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 And the backup for this starts at
2 Exhibit 1, Bates 994, which is going to take me a
3 minute to get there. I have it labeled as "Part
4 5 of 7", maybe that will help.

5 Yes. It's actually the first page in
6 Part 5 of 7. And I'm looking at an Authorization
7 Number of "200100". Correct? We're all on the
8 same project?

9 A (Nawazelski) Correct.

10 Q Okay. So, I see -- I'll try to do this quickly.
11 If you start scrolling through the 252 pages that
12 are the backup for this \$70,000 rate base item,
13 it's virtually all 2020 charges, not 2021
14 charges. And you can go along with me on this
15 exercise or you can accept that subject to check.
16 But I welcome you to scroll, scroll, scroll,
17 until you find a 2021 charge.

18 And my question is, again, how, where
19 we have 252 pages, containing mostly 2020
20 charges, and we had a 2020 rate year -- rate
21 base -- I'm sorry -- a 2020 test year and a 2020
22 rate base, how can we draw the conclusion from
23 this backup that only -- that those 2020 charges
24 weren't already included in the test year rate

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 base?

2 A (Nawazelski) Again, the plant accounting software
3 that the Company uses allows us to query that
4 system and know when it was placed into service.
5 So, that's how the Company knows that it's not
6 there.

7 Q Okay. And, so, again, I'm just going to jump to
8 the bottom of the 252 pages. I have that as
9 Bates 1195. And look at the totals, and see how
10 these totals compare to the rate base item in the
11 step adjustment.

12 Sorry, it's taking me a minute to get
13 there. Okay, I believe I'm there. I'm on Bates
14 Page 001195 of Exhibit 1. It's, in fact, "Page
15 252 of 252" for this authorization. And I see a
16 total amount for the authorization of
17 "1,401,510". Do I have that right?

18 A (Sprague) Yes.

19 Q And, if our prior exercise was accurate, 70,697
20 of this 1.4 million finds its way into the step
21 adjustment in this case, correct?

22 A (Sprague) Correct. These T&D blankets are made
23 up of hundreds of individual construction work
24 orders. Each one of those work orders can be

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 closed out in and of itself. So, where most of
2 those were closed out prior, in the prior case,
3 there was \$70,000 worth that were closed out in
4 2021.

5 Q Okay. And there's no way that someone looking at
6 Exhibit 1, the 252 pages, would know -- would
7 know that, even if we didn't have access to the
8 software?

9 A (Sprague) What we've shown you is the cost record
10 for the -- organized by authorization.

11 Q Right. But we couldn't go -- we couldn't do that
12 exercise that you did, to get from 1.4 million to
13 70,000 without the software, correct?

14 A (Nawazelski) That is correct. And part of the
15 reason why we've included those 252 pages is, we
16 went with -- we wanted to provide all the
17 information that the Company had.

18 So, if you do look over in Exhibit 2, I
19 believe that Line 24, the T&D improvements, I
20 believe that's the line this line of questioning
21 is on?

22 Q Yes.

23 A (Nawazelski) If you keep looking, scrolling over
24 to the right, you'll see an amount of

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 "\$1,408,500". That does sum up to the total of
2 those 252 pages, and that's what the -- part of
3 the Company's purpose for providing this, it's a
4 full cost record.

5 Now, again, there are some costs from
6 different years, and not vintages that are
7 included in this Company's step adjustment
8 proposal. But, again, holistically, we tried to
9 provide all the information there.

10 Q Okay. Well, thanks for that. So, "1,408,500" on
11 Exhibit 2, Line 24, is the figure you're talking
12 about, right?

13 A (Nawazelski) Correct.

14 Q And there's no column letter, but the column is
15 labeled "Second Revision Authorization". So, I
16 assume that's some sort of an update to the
17 authorization, right?

18 A (Nawazelski) That is correct.

19 Q Okay.

20 CMSR. CHATTOPADHYAY: Can I -- is it
21 really 70,000 or it's 207,000? So, if you go to
22 Line 24, you have 70,000 as the install. And can
23 you confirm, when you talk about "plant in
24 service", it's really the 207,000?

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 WITNESS NAWAZELSKI: That is correct.
2 That amount, the 207,000, includes the cost of
3 removal and salvage as well. So, the 207 is what
4 is included in the Company's rate request.

5 MR. DEXTER: Thank you for that. The
6 reason I was focusing on the 70,000, I've been
7 focusing on that first column in this analysis,
8 because that's what ties -- I thought that's what
9 tied back into the cost record in the project
10 documents, but maybe I'm wrong on that.

11 So, the rate base amount is actually
12 not the column I've been looking at. It's the
13 "Plant In Service" column?

14 CMSR. CHATTOPADHYAY: Yes. And if I
15 may?

16 MR. DEXTER: Please.

17 CMSR. CHATTOPADHYAY: When you were
18 comparing, when you were looking at the other
19 project, the other T&D line, I think it was 103,
20 Line 103.

21 MR. DEXTER: Line 103, correct.

22 CMSR. CHATTOPADHYAY: Yes. You were
23 actually looking at -- correctly at the "Plant In
24 Service" line.

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 MR. DEXTER: Okay. My mistake.

2 CHAIRMAN GOLDNER: I'm sorry, before we
3 move on, now I'm confused.

4 So, if we look at Line 24, there's the
5 "Plant In Service" line at 207. There's a
6 negative \$1,000 of salvage. There's a cost of
7 removal of 138. And that nets to the 70.7K for
8 the install.

9 And, if you go down to the bottom, and
10 the summations, it seems to sum to the -- that
11 "additions" line seems to sum to the 23.4 million
12 of capital additions.

13 So, if somebody could maybe pause and
14 help us with that, this might be a good time.

15 MR. DEXTER: That's why I started with
16 that column in the very beginning,
17 Commissioner -- Chairman. Thank you very much.

18 CHAIRMAN GOLDNER: So, I think Mr.
19 Dexter is correct, that the "Install" line --
20 when I add up the "Install" line, I get to your
21 total capital additions of 23.5, which looks
22 correct to me.

23 **BY THE WITNESS:**

24 A (Goulding) The total install cost is the capital

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 additions. But, when you look at the revenue
2 requirement in Exhibit 10, the cost of removal
3 and salvage is picked up on Line 8 as a negative
4 depreciation expense.

5 CHAIRMAN GOLDNER: So, I'm sorry for
6 interrupting Mr. Dexter's interrogatory, but if
7 we could just pause here for a minute.

8 BY CHAIRMAN GOLDNER:

9 Q So, I'm looking at the investment year, and I'm
10 looking at plant additions of 22.3 million in the
11 latest version of that, right? So, what ties to
12 the 22.3?

13 A (Goulding) It is the total additions,
14 \$23,467,010, minus the \$1,199,094 associated with
15 the DOC.

16 Q Yes. And then, after that, you have
17 "Retirements" in the following line of a negative
18 5 million or so. Where is that located?

19 A (Goulding) So, the net of those two dollar
20 amounts, the retirements and -- or, cost of
21 removal and salvage -- excuse me, you were
22 focusing on "retirements" within Exhibit 10?

23 Q Yes. Correct.

24 A (Goulding) That shows up on Line 7. So, it's a

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 dollar-for-dollar. It's part of the accumulated
2 depreciation.

3 Q Sorry, you've got to slow down for me. Line 7?

4 A (Goulding) Yes.

5 Q Line 7 where? Oh, Line 7 on Exhibit 10.

6 A (Goulding) Yes. So, you have a negative
7 "5,157,729". And "Ending Utility Plant" on Line
8 4, and then you have a negative "5,157,729" on
9 "Retirements".

10 Q So, those are test year retirements, right? Not
11 2021 year's, that's 2020 retirements?

12 A (Nawazelski) Yes, that's 2021 retirements.

13 Q So, you retired them in 2021 for assets held on
14 December 31st, 2020, from your test year? So,
15 those were assets you had on your books in the
16 test year, and then you retired them in 2021, I
17 think, right?

18 A (Nawazelski) That is correct.

19 Q Okay. And then, on Exhibit --

20 CHAIRMAN GOLDNER: I'm sorry, Mr.
21 Dexter, for interrupting.

22 MR. DEXTER: No. Please.

23 BY CHAIRMAN GOLDNER:

24 Q So, if we go to Exhibit 2, and we look at those

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 Lines 204 to 208 or so, where does the 5 million
2 show up in retirements?

3 A (Nawazelski) It does not show up on that
4 schedule. Subject to check, I'm not aware if the
5 Company tracks its retirements to that level of
6 detail. I'd have to check on that. But that's
7 why it's not shown on Exhibit 2.

8 CHAIRMAN GOLDNER: Okay. I'll pause
9 there, and turn it back to Mr. Dexter.

10 Thank you, Mr. Dexter.

11 MR. DEXTER: Okay. I just want to
12 consult with Mr. Dudley for a minute.

13 *[Atty. Dexter and Mr. Dudley*
14 *conferring.]*

15 MR. DEXTER: That's actually all the
16 questions I have on cross-examination. Thank
17 you.

18 CHAIRMAN GOLDNER: Okay. Thank you,
19 Mr. Dexter.

20 I would suggest maybe a 30-minute
21 break, if that's acceptable to everyone? Coming
22 back at 12:45, and we can start with Commissioner
23 questions for the panel.

24 MR. TAYLOR: Is that a proposed lunch

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 break?

2 CHAIRMAN GOLDNER: Yes. Yes. Do you
3 need longer? I know that not everyone is from
4 21 South Fruit Street.

5 MR. TAYLOR: Yes. Well, I don't know
6 that everybody brought lunch to plan going
7 through the day. And, so, let me check. We may
8 need a little bit more time than that.

9 CHAIRMAN GOLDNER: Sure.

10 MR. DEXTER: I would echo the request
11 for a little bit more time. I also arrived
12 without lunch today.

13 CHAIRMAN GOLDNER: Okay. No problem.
14 So, do you want to -- would 1:00 work or would
15 everyone like to do 1:15?

16 MR. TAYLOR: I'm sure we can do 1:00.

17 CHAIRMAN GOLDNER: One o'clock?

18 MR. DEXTER: Okay.

19 CHAIRMAN GOLDNER: Okay. All right.
20 So, let's take a break, go off the record, and
21 return at 1:00 p.m. Thank you.

22 *(Lunch recess taken at 12:15 p.m., and*
23 *the hearing resumed at 1:04 p.m.)*

24 CHAIRMAN GOLDNER: Okay. So, we'll

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 begin with Commissioner questions. And I'll
2 actually start today.

3 Just give me a moment to get everything
4 organized. Okay.

5 BY CHAIRMAN GOLDNER:

6 Q So, let's begin on the Second Revised Schedule
7 CGKS-5, Page 1 of 5. And it was the document
8 revised on 6/9, and it also has an exhibit
9 number, which I'll pull up here in a moment. I
10 just have to get to it.

11 Okay. It's also "Exhibit 10", Page 3,
12 I believe. Yes, Bates Page 003. So, either one
13 will work.

14 Okay. And, Mr. Goulding, I think these
15 questions are directed at you. I see you have
16 your PC handy. That will be perfect for this
17 exercise. So, I appreciate that. So, I'm going
18 to use your spreadsheet version, which is the
19 same as the exhibit we just talked about.

20 But what I'd like to do is go to your
21 Column (b), which is the "Total Investment Year
22 2021", if everybody is there, and just go down
23 that column. But I want to do something a little
24 different. I want to start with what would

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 happen if there were no plant additions in that
2 year.

3 So, let's make "Plant Additions", on
4 Line 2, zero, and just go down that column and
5 see what the revenue requirement would be, if you
6 had no plant additions, just as a baseline.

7 So, I think you would agree, but I
8 don't -- but take your time, please, I think that
9 \$22.3 million would be subtracted from, I'm
10 talking about Line 2, would be subtracted from
11 Line 11, the 9.5 million, less let's call it a
12 couple percent of depreciation expense. So, the
13 bulk of the number, but let's just round it to,
14 you know, 22 million or something, would come out
15 of that 9.5 million, again, if there were no
16 capital additions of any flavor in 2021. Would
17 you agree with that math?

18 A (Goulding) If you remove the plant additions, and
19 then the cost of removal on Line 8 associated
20 with those plant additions, your Line 11 amount
21 would be \$15.3 million negative.

22 Q Okay. Yes, I think we're getting approximately
23 the same number. I get about minus 12.3, with
24 some other little pieces. But let's just keep

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 moving forward.

2 And then, given that number, somewhere
3 between 12 and 15 million negative, you'd
4 multiply that times the 9.91 [9.19?] percent, and
5 you'd have sort of a negative step, if I can call
6 it that, or negative revenue requirement of
7 something over a million dollars, you would agree
8 with that?

9 Again, assuming we obviously -- you
10 obviously did add capital that year, but we're
11 just assuming for a moment, hypothetically, that
12 you didn't add any plant additions.

13 A (Goulding) Okay. So, yes. Based on the math,
14 you multiply the Line 11, "Change in Net Plant",
15 by the pre-tax rate of return, which would give
16 you a negative number.

17 Q Exactly. And if you'll just grant me the
18 assumption that that number is about 1.1 million
19 negative, you would then go down to the
20 depreciation expense, property tax, and
21 amortization amount. And those would be -- those
22 would be, because now there's no plant addition,
23 they would just be multiplied by the retirement,
24 right, on Line -- on Line 3?

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 A (Goulding) No. The depreciation expense is just
2 multiplied by the plant additions. So, that
3 amount would go to zero.

4 Q Didn't you net that with retirements on Line 3?

5 A (Goulding) No. The retirements have been removed
6 as a negative on Line 3. And they also show up
7 on Line 7, so it has a corresponding impact of
8 having no impact on the change in net plant.

9 So, if you took the retirement amount,
10 \$5.1 million -- or, \$5.157 million out of Line 3
11 and out of Line 7, there is no change to any of
12 the calculation that was filed.

13 Q Okay. So, you would make -- you would take that
14 position with both Line 16 and 17, that those
15 would both be zero?

16 A (Goulding) Line 16 would be zero. And Line 17 is
17 based on the change in net plant. So, if net
18 plant became negative, in theory, your property
19 taxes would decrease also.

20 Q Okay. Okay. Very good. Okay. I think I
21 understand your point.

22 So, when we do the math there, I'm just
23 going to clean this up a little bit, so, you
24 know, roughly speaking, you know, I get about a

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 negative 1.2 million revenue requirement, if we
2 just take out all of the plant additions in that
3 year. If you want to check that, that would be
4 fine. Do you get about the same number, if you
5 do the calculation?

6 A (Goulding) Yes. So, I'm in Line -- Column (b),
7 Line 20, and it becomes a negative \$1.2 million
8 on Line 19.

9 Q Perfect. Okay. We get the exact same number.
10 Okay. Thank you for that.

11 And then, what I'd like to do next is
12 to say, "Okay, well, that's what would have
13 happened, had we not" -- "had Unitil not added
14 any plant in 2021." But you did, and we know you
15 added, from a non-growth perspective, which is
16 the part we're trying to adjust for in the step
17 adjustment, and we know that you added 16.6
18 million, correct?

19 A (Goulding) Correct.

20 Q Okay. And, so, again, we're just -- if we're
21 just looking at 2021, I don't -- I think it would
22 just be the 16 million, and then we would need to
23 adjust a depreciation expense amount. And,
24 depending on when the depreciation happened, and

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 so forth, I get about 300K of depreciation. But,
2 for the most part, you're going to increase
3 your -- what I'll call your "rate base", or your
4 change in net plant, to the tune of about 16.3
5 million. Is that a sensible conclusion to draw?

6 A (Goulding) So, are you taking the plant
7 additions, multiplied by the average depreciation
8 rate of 3.35 percent?

9 Q Correct. I'm dividing it by two, just assuming
10 they came in halfway through the year. Which
11 would give you a little bit -- 16.3 million in
12 change in net plant.

13 A (Goulding) Okay, I'm following the math.

14 Q Okay. And then, you would, of course, multiply
15 that times the 9.91 -- 9.19 percent, and that
16 would give us -- that would give us an increase
17 to the net plant, or what I'll call the "revenue
18 requirement" of about 1.5 million. So far, so
19 good?

20 A *(Witness Nawazelski indicating in the*
21 *affirmative).*

22 Q Okay.

23 A (Goulding) Yes.

24 Q I see Mr. Nawazelski shaking his head. So, thank

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 you for that, Mr. Goulding, too.

2 And then, on the "Depreciation Expense"
3 and the "Property Tax" lines at the very bottom,
4 I think that -- I think that those would remain
5 as you have in Column (d) on that, on the
6 spreadsheet that we're looking at. That would be
7 the same number, would that be right? The 575K,
8 the 51K, and the 40K? Would that be correct, to
9 leave those alone?

10 A (Goulding) Yes. Those would stay as what's
11 originally on Exhibit 10, Hearing Exhibit 10.

12 Q Exactly. I agree. So, then, you would get, if
13 I've gone the math correctly here, that tells me
14 that you need -- so, we went through that
15 baseline to begin with, assuming that there was
16 no increase in net plant. If we add everything
17 for the non-growth assets, and we do that math, I
18 get about 1.5 million in revenue requirement,
19 plus the 557, plus the property taxes, plus the
20 amortization, I get something like 2.1 million.
21 Would you agree with that, in terms of the
22 revenue requirement increase?

23 A (Goulding) Yes.

24 Q Okay. So, this is where -- this is where it gets

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 challenging, because I think that, if we add the
2 first calculation, the negative 1.2 million, and
3 we add the 2.1 million, we get -- and let's call
4 it a 900K change in plant, which is different
5 than the 1.3 million that the Company is asking
6 for.

7 A (Goulding) So, are you -- you're subtracting the
8 negative 1.2 million that we calculated earlier?

9 Q Exactly. And I'm adding that to the positive 2.1
10 million that we just calculated for your change
11 in non-growth plant, as it translates into
12 revenue requirement.

13 A (Goulding) Okay. I see the math.

14 Q Okay. So, that's where -- that's what I wanted
15 to talk about today. Because, when we do the
16 math that way, we take the -- you know, no
17 additions, then we add the additions, we get a
18 number that's less than the 1.3 million, it's
19 something short of a million, for the revenue
20 requirement.

21 If you guys want to take time to
22 confer, that would be fine. I'm just trying to
23 understand why it's not roughly 900,000.

24 [Short pause.]

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 CHAIRMAN GOLDNER: And, Mr. Taylor, if
2 the Company needs a break, we anticipated a break
3 at this time, because I'm throwing a lot of
4 numbers at the Company, and it's a little bit
5 difficult to run through the spreadsheets live.

6 But, if the Company wants to take a
7 break, that would be just fine.

8 MR. DEXTER: Before Mr. Taylor
9 answers, --

10 CHAIRMAN GOLDNER: Yes.

11 MR. DEXTER: -- and maybe this is not
12 appropriate. But I got the first hypothetical,
13 somehow I missed the second one. Mr. Chairman,
14 would you mind just restating the second piece of
15 it, where you ended up with the 2.5 positive
16 number?

17 CHAIRMAN GOLDNER: Absolutely. Thank
18 you for the opportunity to clarify.

19 So, all I was doing is taking the
20 non-growth plant addition of 16.5 million. And
21 there's a little bit of depreciation that comes
22 out of it. But, basically, the plant increases
23 about -- to the tune of about 16.3 million,
24 multiplying that times the 9 percent. So, that

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 would give us a net plant increase of 1.5
2 million. And then, adding in the depreciation
3 expense and property taxes that Mr. Goulding
4 highlighted earlier, you get a net increase to
5 the revenue requirement of about 2.1 million.

6 MR. DEXTER: Okay. And you multiplied
7 by 9.19 percent, that's the pre-tax rate of
8 return?

9 CHAIRMAN GOLDNER: Yes, sir.

10 MR. DEXTER: Okay. Thank you. I
11 missed that. I'm sorry. Thanks.

12 CHAIRMAN GOLDNER: Yes. And all I was
13 really doing was just following the exact flow
14 that the Company used on their spreadsheet. I'm
15 just giving them full credit for all of the
16 non-growth investment year assets that they added
17 100 percent, to see what that would look like.

18 WITNESS NAWAZELSKI: Can you continue
19 on with the other, when you were comparing that
20 \$2.1 million revenue requirement, compared to the
21 scenario with no additions as well?

22 CHAIRMAN GOLDNER: Absolutely, I can.
23 So, in that baseline with no additions, that was
24 a negative -- I get roughly a negative 1.2

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 million, with a rounding error probably. Then,
2 I'm just simply adding that to the net growth --
3 the net non-growth additions, the 2.1 million,
4 and I ended up with a net number of just
5 something a little under a million dollars.

6 And the reason I wanted to spend time
7 on this is that's a fairly significant change to
8 what the Company's request is, and I know we have
9 some other issues to resolve today. But this, in
10 my opinion, I believe this is the largest issue.
11 So, I just want to make sure that we have the
12 time -- we take the time to run through this
13 carefully.

14 MR. TAYLOR: So, just so I understand
15 what you see as the issue, is the Company
16 provided a calculation based on the Commission's
17 order, which was to subtract growth net plant
18 from total net plant, to get a non-growth net
19 plant. The Company provided that.

20 And I think what you're suggesting, or
21 you're seeing an inconsistency in the way that
22 the Company calculated it, which is what we
23 walked through today. And I guess what I'll
24 characterize in a non-pejorative way as an

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 "alternative" calculation, which you just
2 proposed, which is based on a hypothetical
3 scenario of no plant additions. Is that correct?

4 CHAIRMAN GOLDNER: Correct. I would
5 say that the calculation is not different, it's
6 just a different approach to the same problem.
7 So, instead of subtracting out the growth, you
8 just add the non-growth additions. So, it
9 should -- both sides of the equation should be
10 equivalent.

11 This is just a simpler illustration of
12 how to do the calculation. So, I chose the
13 simpler approach for today, rather than trying to
14 go through what we did in a previous hearing,
15 which was subtracting out the growth, just taking
16 the simple addition of what we're trying to do in
17 a step increase, which is to take your current
18 base rate year, and then add in the non-growth
19 additions. It just simplifies the equation.
20 But it should be the same.

21 MR. TAYLOR: So, I guess my impulse, my
22 instinct would be to actually take a break,
23 because I'd like to understand it better. And
24 the people who can explain it to me best are

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 actually up there on the stand.

2 So, I'll look to them. If they feel
3 like they can answer right now, then that's fine.
4 But I would otherwise suggest that we take maybe
5 ten minutes to just fully understand what your --
6 and unpack what you're proposing.

7 CHAIRMAN GOLDNER: Sure. Sure. Yes.
8 Whatever the Company needs is just fine, yes.

9 **BY THE WITNESS:**

10 A (Nawazelski) So, I think where I start to
11 disagree with the amount, when you're comparing
12 those two amounts, in Column (b), you're
13 assigning all of the depreciation expense in that
14 hypothetical of \$15.3 million to growth and non
15 -- or, to growth.

16 So, I think the way that I would
17 augment that hypothetical is I would instead take
18 the depreciation expense of 11.584 million, which
19 is shown in Column (d), and copy-and-paste that
20 over into the \$15.3 million in Column (b).

21 And, if you were to do that, the
22 revenue requirement becomes a negative 850,000.

23 BY CHAIRMAN GOLDNER:

24 Q Let me pause it there for a second, Mr.

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 Nawazelski. It's a good clarification. So,
2 let's talk about what that 15.3 million
3 represents. I believe that number represents the
4 depreciation of all of your assets. So, that
5 includes the beginning utility plant, correct?

6 A (Nawazelski) That's correct.

7 Q So, I would argue, for a base year perspective,
8 we should only subtract out your non-growth
9 investment year from the 15.3 million, as opposed
10 to using the 11 million, you see, because your --
11 we have to start with your entire asset base,
12 which is huge, right, which is 400 million. And
13 the only delta should be that 22 million, which
14 is only five percent of the total. So, it should
15 be very -- it should be a very small difference
16 between the 15.3 million, and whatever we get
17 when we adjust for the new addition of assets.

18 Does that make sense? I guess I'm
19 pushing back on the 11.5 for that reason.

20 A (Nawazelski) I understand that part of it. But,
21 then, once we get to the comparison to the other
22 hypothetical approach on the non-growth, where
23 you calculated the \$2.1 million increase?

24 Q Uh-huh.

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 A (Nawazelski) I feel like, once you get to that
2 comparison, you're at an apples-to-oranges
3 comparison, if you're trying to kind of get them
4 more to apples-to-apples. Because I think, if
5 you update that, then you see that the
6 deficiency -- or, the difference between the
7 Column (b) and Column (d) would be \$1.3 million,
8 which is what the Company's request in this case
9 is.

10 Q Yes. I think I see what you're -- I think I see
11 what you're saying. And my motivation was to,
12 when we look at the non-growth plant increase,
13 you know, we're taking almost all of the 16.5
14 million, we're only depreciating, like, 300K.
15 So, we're giving you -- we would be giving you
16 full credit for everything you added from the
17 non-growth assets, all the way up to the 16.3
18 million.

19 If we just only looked at "what if
20 Unitil's assets were zero coming into the year?"
21 Right? So, just forget about everything that
22 happened prior to the year. And, we're saying,
23 "for a step increase, you deserve, and in the
24 Settlement you have, an increase for all of your

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 non-growth assets." So, we would be giving you
2 credit for a full 16.3 million in that paradigm,
3 as opposed to adjusting for depreciation and
4 other pieces.

5 That's the largest possible number, I
6 guess is my point. It would be smaller if we
7 started subtracting things out of it.

8 MR. TAYLOR: And, just so I understand,
9 Commissioner Goldner, do you understand that to
10 be consistent with the change in net plant that
11 the Company has agreed to, and that the
12 Commission approved, or is that something
13 different?

14 It sounds like you're suggesting that
15 it be based solely upon plant additions, as
16 opposed to the change in net plant. And there
17 may be a distinction there.

18 I just want to make sure that what
19 we're proposing today is actually consistent with
20 what was agreed to by the Parties and was
21 approved by the Commission in its order.

22 CHAIRMAN GOLDNER: Yes. What I'm
23 trying to do is zero out the base here, so it
24 makes the calculation simple. So, if we zero

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 out the base here, and we say what if the
2 Company started with zero, and then only added
3 net growth [non-growth?] plants, where would we
4 be? And I'm providing here, I think, the maximum
5 number that it could add to the zero.

6 Now, the base here is not zero, because
7 there's depreciation and so forth going on, as
8 Mr. Goulding and I went through a minute ago,
9 gives you a negative million dollar number. But
10 I'm trying to provide full entitlement to those
11 non-growth assets by maximizing the number
12 provided, which is about 16.3 million.

13 In other words, the addition couldn't
14 be any larger than that, because we're
15 basically -- you're basically -- I'm basically
16 providing almost all the 16.5 million.

17 MR. TAYLOR: I'm going to ask my
18 witnesses, would it be helpful if we took a
19 break?

20 (Witness Goulding indicating in the
21 affirmative.)

22 MR. TAYLOR: Commissioner, we'd like to
23 take a ten-minute break, would that be
24 sufficient? We can take longer if we need to?

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 WITNESS GOULDING: Fifteen minutes.

2 MR. TAYLOR: Can we take --

3 CHAIRMAN GOLDNER: Sure.

4 MR. TAYLOR: Why don't we take a
5 fifteen-minute break?

6 CHAIRMAN GOLDNER: Yes, I think that
7 would be safer.

8 Mr. Dexter?

9 MR. DEXTER: No objection.

10 CHAIRMAN GOLDNER: Okay. Thank you.
11 Let's take fifteen minutes, returning at 20 till
12 the hour. Thank you.

13 *(Recess taken at 1:26 p.m., and the*
14 *hearing resumed at 1:45 p.m.)*

15 CHAIRMAN GOLDNER: Okay. Mr. Taylor,
16 did you -- where do we want to go from here?

17 MR. TAYLOR: Well, I think, you know,
18 we did take a look at the hypothetical, and the
19 way that you went through the calculation. You
20 know, I think that our witnesses can probably
21 respond and explain what the discrepancy is.

22 CHAIRMAN GOLDNER: Okay. Very good.
23 Go ahead.

24 **BY THE WITNESS:**

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 A (Nawazelski) So, the Company's cost recovery
2 proposal that was approved as part of the
3 Settlement Agreement incorporates the change in
4 non-growth net plant. So, when we're looking at
5 the scenario that you brought up, you're seeing a
6 negative change in net plant of that \$12.7
7 million. Then, you are incorporating the \$16.3
8 million increase in 2021 non-growth additions,
9 and, again, that does incorporate about a half
10 year convention of depreciation expense with the
11 2021 vintage assets.

12 I think where I'm still not connecting
13 is I believe we need to also incorporate -- so,
14 if you take that negative \$12.7 million, then
15 account for the 16.3 million increase, that nets
16 you about a change in net plant of 3.6 million.

17 BY CHAIRMAN GOLDNER:

18 Q Uh-huh.

19 A (Nawazelski) I think we also need to incorporate
20 here, if we're trying to look at a change in net
21 plant for non-growth related assets, you need to
22 effectively add back in the \$3.7 million of the
23 growth depreciation expense of 3.7. And that
24 would get you the change in net plant of roughly

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 7.29 million, compared to what the Company has
2 proposed in Column (d) of 7.19 million.

3 Q I think you exactly pointed out the disconnect.
4 And let me see if I can summarize it differently,
5 but I think we're saying the same thing.

6 So, the beginning utility plant of
7 407.9 million from your test year is, from my
8 perspective, has no growth or non-growth
9 component to it. That was aligned in the
10 Settlement. It was -- there were a certain
11 number of customers. There's no growth component
12 to that 407 million. Would you agree with that?

13 A (Nawazelski) It has not been classified as either
14 "growth" or "non-growth" as a part of the
15 Company's last base rate case. That is the total
16 amount of beginning utility plant in the
17 Company's base rate case.

18 Q A hundred percent agree. And then -- but you're
19 applying that 76 percent number, or 24 percent
20 number, to at least your depreciation expense.
21 So, you're applying it to your net utility plant,
22 and multiplying it by the 3.3 percent. And
23 that's the difference between the 15.3 million in
24 depreciation and the 11.5 million in

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 depreciation, is you're including a portion of
2 that original test year asset base. That's why
3 we're disconnected.

4 A (Nawazelski) Correct. So, in this instance, that
5 11.5 million, in Column (d), that would
6 incorporate already the \$248,000 of 200 -- or,
7 2021 plant additions.

8 CHAIRMAN GOLDNER: Agree. Agree. So,
9 let me see.

10 And, then, Mr. Taylor, to your question
11 earlier, you can arrive there by subtracting or
12 adding. I'm just adding, for sake of simplicity.
13 You could also take the -- and I'll address the
14 question to your witnesses, but you could also
15 take the 9.5 million, on Line 11, the change in
16 net plant, and you could subtract the plant
17 additions, the growth plant additions of 5.7.
18 So, that would yield something like -- something
19 like 4 million, apply 9 percent to that, and do
20 the math that way.

21 So, what I'm suggesting is, I'm doing
22 the addition, because I think it's simpler to
23 understand. But you could do it by subtraction,
24 too. So, I don't think there's anything in the

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 Commission order that we're suggesting changing.
2 It's just there's two different ways to do the
3 calculation.

4 MR. TAYLOR: And, if I may, I guess,
5 point out where I do see a distinction there.

6 The Commission order, and, really, to
7 the extent that the Commission order was trying
8 to be consistent with the Settlement of the
9 Parties, the Commission order says that "the
10 Parties should subtract growth net plant from
11 total change in net plant to get non-growth net
12 plant." I'm paraphrasing. But I think the key
13 phrase there is "growth net plant". And what
14 you're proposing is actually the subtraction of
15 gross growth plant, not growth net plant. That's
16 the distinction.

17 CHAIRMAN GOLDNER: Easy for you to say.

18 I agree with that summary. And, so,
19 let's look at Column (c) for a just a moment to
20 just expand on that, on that thought process.

21 So, I would maintain that there's a --
22 on Line 3, there's a negative, under Column (c),
23 there's a negative 1.3 million for retirements,
24 that's subtracted out of the plant additions, to

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 make a total of 4.4 million. And I would
2 maintain there's -- you can't subtract out
3 retirement from your prior year asset base into
4 your growth plant in that year. So, I would say
5 that number is, in my opinion, wrong.

6 And I'll address that -- sorry, I was
7 looking at Mr. Taylor, but I should address my
8 question to the panel.

9 **BY THE WITNESS:**

10 A (Goulding) It's on there to tie out the year for
11 the growth investment year 2021. We could remove
12 that 1.254811 and the 3 million -- or, 3.9
13 million, in Column (d). And then, we would make
14 corresponding adjustments to Line 7, we would
15 remove the 1.254 million and the negative \$3.9
16 million, and the impact is --

17 **BY CHAIRMAN GOLDNER:**

18 Q Fair enough.

19 A (Goulding) It would still result in the same net
20 change.

21 Q And that's no problem. So, let's go to the key
22 line, which is "Depreciation Expense". Okay, and
23 this is where this is the key line. So, you have
24 a -- you, the Company, has 3.7 million, on Line

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 6, Column (c), for depreciation expense, and a
2 plant addition of 5.7 million, on Line 2. So,
3 how could it be that over half of your growth
4 plant is depreciating in a year? And the answer
5 is, is because you're taking depreciation expense
6 from the beginning utility plant, which should
7 be -- zero growth should be in that beginning
8 utility plant? That's the key question.

9 A (Goulding) But there is growth and non-growth
10 items in that beginning utility plant, and that's
11 a proxy calculation of the depreciation expense
12 associated with that growth and non-growth that's
13 in the \$408 million beginning utility plant.

14 Just like next year, we have a total
15 investment year beginning of 408 million, we'll
16 have \$5.7 million of additional investment
17 associated with growth, and 16.5 with non-growth.

18 Q So, and this is -- perhaps we'll also ask the
19 Department of Energy when they're up. But it's,
20 speaking only for myself, not for the Commission,
21 when you have a test year, you have aligned on
22 all of the factors that go into that test year,
23 number of customers, *etcetera*, and all of that is
24 encapsulated in the test year.

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 So, once you move out of the test year,
2 the only growth that you would have is customers
3 that you add, as Mr. Sprague said earlier, that
4 are in addition to that test year, and the
5 revenue that you're getting from those customers.

6 So, you can't depreciate the test year
7 asset -- the test year sort of asset base,
8 because that should have no growth component in
9 it, in my opinion.

10 A (Goulding) I'll probably not do a good job
11 answering the question. But, just in terms of
12 what the calculation is doing that we walked
13 through earlier, is it is taking the non-growth
14 plant additions, the change in the non-growth
15 plant additions, minus all depreciation expense.
16 So, it's ignoring the growth investments, which
17 is inconsistent with the Settlement Agreement.

18 And I understand the math works, based
19 on what we walked through earlier. But I'm still
20 having a hard time understanding why we're
21 applying all depreciation expense runoff to a
22 non-growth addition number, and not the total
23 additions number instead.

24 Q And maybe, let me put it in the form of a

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 question, because I think we're almost to the
2 finish line.

3 So, basically, what you -- what the
4 Company said was that, on the 407.9 beginning
5 utility plant, 24 percent of that number is, by
6 proxy, is growth, and 76 percent is non-growth.
7 So, you take 24 percent of that number, and then
8 you multiply that by the 9 percent. And that's
9 the difference in where I'm at and where you're
10 at, it's that you applied a growth component to
11 the beginning utility plant, and I've assumed
12 that number is zero.

13 So, I just want to give the Company a
14 chance to address that, before we move on to the
15 next topic. And I'll also ask the same question
16 of the Department of Energy.

17 A (Goulding) Those are the differences.

18 CHAIRMAN GOLDNER: Okay. Thank you,
19 sir. Okay. Very good.

20 Well, that was exhausting.
21 Commissioner Chattopadhyay, would you like to ask
22 a few questions?

23 CMSR. CHATTOPADHYAY: Certainly. And I
24 know about being an economist, I shouldn't say

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 this. Looking at the numbers, I'm already, it's
2 like, okay, now I need to go into conceptual
3 questions, rather than stick with numbers. So,
4 let me do this.

5 I would appreciate if you -- some of
6 the questions, if you just respond by saying
7 "yes" or "no". That way we can move quicker.
8 But, for other questions, you may have to expand.

9 BY CMSR. CHATTOPADHYAY:

10 Q So, can you first explain why step adjustments
11 are needed?

12 CHAIRMAN GOLDNER: The answer is not a
13 "yes" or "no".

14 *[Laughter.]*

15 CMSR. CHATTOPADHYAY: I know that. I
16 know. I said "when needed".

17 **BY THE WITNESS:**

18 A (Goulding) So, when we set our rates, they're
19 developed based on an historic test year. So, at
20 the time your rates are set, you've made new
21 investments to maintain a safe and reliable
22 system, some for growth, for growth and new
23 customers, and some for non-growth type
24 investments.

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 So, it's to address the lag in between
2 rate cases, and also mitigate -- mitigate rate
3 cases, so we can have less frequent rate cases.
4 Which is also a benefit to customers, because
5 it's a gradual increase in customers' bills,
6 versus having one rate case, staying -- waiting
7 three years and having another rate case. You
8 can have a slow increase in the customers' bills
9 for capital additions that are generating no
10 revenue, so that the customer doesn't see a 15
11 percent, 20 percent bill impact at year three.

12 BY CMSR. CHATTOPADHYAY:

13 Q Can you explain why growth or revenue-generating
14 plants versus non-growth distinction is important
15 in the context of step adjustments?

16 A (Goulding) So, the non-growth investments would
17 be nonrevenue-producing. They don't include new
18 customers, where the growth -- growth revenues
19 results in new customers and increases in
20 revenue, to offset some of those investments.

21 Q So, you do agree that growth plants should not be
22 considered in a step adjustment, right?

23 That's a "yes" or "no" question.

24 A (Goulding) Sorry. They should have revenue to

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 support the investment. Although, it's not
2 always immediately enough revenue to support the
3 investment. Sometimes it comes -- it's over the
4 life of the asset.

5 Q But, typically, for step increases, you do sort
6 of assume that growth plant should not be part of
7 the step adjustments, right?

8 A (Goulding) Yes. So, we've had many dockets where
9 we've had step increases as part of the UES or
10 Unitil electric company, and they included step
11 adjustments for non-growth investments only. The
12 step adjustments for the change in net plant for
13 non-growth. So, growth was always excluded.

14 Q So, going back to one of the points you were
15 making about the total, you know, the plants --
16 at the time of a rate case, when a rate case is
17 over, you figure out what the rates are going to
18 be, does it really matter to sort of know which
19 part of the plant is growth and which part is
20 non-growth?

21 And I'm talking about a rate case, a
22 base rate case, in setting the rates?

23 A (Goulding) For a base rate case, it doesn't
24 matter. But, for doing -- for purposes of

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 calculating the step increase, it would matter if
2 you're trying to collect a revenue requirement on
3 the non-growth investments.

4 Q I understand. But you agree that, for rate
5 cases, base rate cases, it doesn't matter?

6 A (Goulding) Correct. We're going to build our
7 revenue requirement based on the rate base at
8 that time, which doesn't distinguish between
9 growth and non-growth.

10 Q So, this is sort of a hypothetical question, so
11 bear with me. If it's not clear, I'm willing to
12 repeat it. Excuse me.

13 Let's say you just finished a rate
14 case. And, over the next year, the Company does
15 not have any plant. So, how would the rate base
16 change, assuming nothing else changes? So, set
17 risk drivers, which means everything else held
18 constant.

19 A (Nawazelski) In that case, and if we're talking
20 about rate base as strictly net plant, the
21 Company's rate base would decrease \$15.3 million,
22 roughly, the depreciation, the annual
23 depreciation expense.

24 Q You didn't have to give me a number. I'm just

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 saying that, in a hypothetical situation, it's
2 going to go down, right?

3 A *(Witness Nawazelski indicating in the*
4 *affirmative).*

5 Q So, given that we have RPC, or revenue per
6 customer, based, you know, ratemaking. So, in
7 that situation, because you'll still be
8 collecting RPC from all customers, nothing else
9 changes, you would end up making more money than
10 what you need, right? Or is that not correct?

11 A (Goulding) I think we're assuming that all, under
12 your scenario, you're assuming all other expenses
13 remain --

14 Q Yes, I'm saying assume that.

15 A (Goulding) -- and you're assuming that there's no
16 change in ADIT that has an offsetting impact?

17 Q Yes.

18 A (Goulding) So, if we have the same exact test
19 year costs, same exact revenues that are awarded,
20 and one of our expenses go down, then, yes, we
21 would have more income.

22 CMSR. CHATTOPADHYAY: Okay. I think
23 that's all I have right now.

24 CHAIRMAN GOLDNER: Okay. I have a few

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 more to follow up on.

2 BY CHAIRMAN GOLDNER:

3 Q I just want to make sure I understand, on the
4 Concord Project, how much we have in dispute. I
5 think the amount in dispute is 424.4k, is that
6 correct?

7 And I'm going back to Mr. Dexter's
8 point of Column 1 versus Column something else.
9 And I'm just looking at Exhibit -- I think it's
10 Exhibit 3 -- Exhibit 3 or 2? Looking at Exhibit
11 2, Line 36.

12 A (Nawazelski) Yes. That is correct.

13 Q Okay. So, the amount in dispute would be really
14 the revenue requirement. So, roughly speaking,
15 multiply that times 9 percent, right? There's
16 some depreciation and so forth, but, roughly
17 speaking, we're talking about something like 40K
18 in dispute, right, in terms of revenue
19 requirement? Is that -- am I doing the math
20 right?

21 A (Nawazelski) Yes, that's correct.

22 Q Okay.

23 MR. TAYLOR: Commissioner, if I may?

24 CHAIRMAN GOLDNER: Yes.

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 MR. TAYLOR: I can't speak for the
2 Department of Energy, and presumably they're
3 going to speak to this very issue when Mr. Dudley
4 goes on the stand. Mr. Dudley's -- they have
5 identified \$424,000, Mr. Dudley, or I think in
6 the letter it also says something about 30
7 percent of that being -- they think 30 percent of
8 that cost is related to used and useful plant.

9 So, I don't know what position they're
10 going to take. But one would assume, if that is
11 the position they're going to take, then it's not
12 \$424,000 at issue, but something less than that.

13 CHAIRMAN GOLDNER: Something less,
14 okay. So, from a revenue requirement
15 perspective, and we'll ask Mr. Dudley when he's
16 on the stand, but it's something, 30 to \$40,000,
17 something like that, from the Company's point of
18 view, revenue requirement? I'm just taking the
19 424 and multiplying it times 9 percent. Okay.

20 MR. TAYLOR: Subject to check, as they
21 say.

22 CHAIRMAN GOLDNER: Subject to check.
23 Okay. Someday we'll make all those record
24 requests, and that will eliminate all the

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 "subject to checks". But, no, fair enough.

2 Okay. So, let's move on to the next
3 question.

4 BY CHAIRMAN GOLDNER:

5 Q I want to follow up on something Mr. Dexter was
6 asking about. I thought it was a very
7 interesting point.

8 So, I'm just on Exhibit 1. It was that
9 cost record on Page 1, I think it's Number 4,
10 Page 496 of Exhibit 1. So, it's at the very top
11 of that particular *pdf* file. And I'm just trying
12 to understand, it's something that I would like
13 to learn more about.

14 As Mr. Dexter pointed out, there's
15 "payroll" on here, there's contractors, *etcetera*.
16 I don't totally understand why those costs are
17 capitalized? Or are those costs also subtracted
18 out before they're capitalized? I don't
19 understand how payroll is capitalized, is
20 question number one? Or, if it's capitalized, in
21 the way you're doing this?

22 A (Sprague) So, payroll associated with the project
23 itself is capitalized. So, workers -- so,
24 workers that direct charge their time, we have

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 operations folks, field crews, and the like,
2 that, over the course of the year, some of their
3 time is allocated as expense dollars and some is
4 allocated directly to projects.

5 Q So, if they pick up a hammer and hit a nail, that
6 would -- you're capitalizing that. But, if
7 they're back in the office, doing spreadsheets,
8 you wouldn't capitalize that?

9 A (Sprague) It's a little bit more complicated than
10 that. But, if they're working on a project that
11 installs plant units that becomes capitalized,
12 then the time associated with that becomes
13 capitalized. If they're, you know, if the other
14 two hours of the day they, you know, chased an
15 outage, that all they had to do was flip a limb
16 to get it back, then those two hours would be
17 charged to expense, and the other six hours of
18 the day that they were working on the project
19 would be charged to the project.

20 Q Okay. That's very helpful. Thank you. And
21 then, if I move to Page 3 of 7 in that same
22 exhibit, so just three pages down, there's a
23 large number, and I think this also was pointed
24 out by Mr. Dexter for sort of overhead expenses.

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 I think, Mr. Sprague, you were accused of
2 charging into that account. So, it's like 17.7K.

3 And the reason I have a question is is
4 that's about 75 percent of the total in that
5 project. So, it looks like management charging
6 to a project, at least in this example, was the
7 bulk of the charges. And I'm kind of scratching
8 my head on how management charges get
9 capitalized?

10 A (Sprague) So, every person in the Company has an
11 allocation factor to it. Engineering has a
12 rather high capitalization factor, 95 percent,
13 because we do not charge our time directly to
14 projects. But, for the most part, everything
15 we're doing is related to the design and
16 construction of the systems.

17 So, as, you know, we'll just pick on
18 engineering, those costs are then allocated
19 across all projects, depending on which
20 engineering group it is, whether it's electric,
21 gas, and that's allocated evenly across the costs
22 of the project, of all projects.

23 Q Yes. And this is reflecting on my prior
24 experience. We used to, different line of work,

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 but, you know, the above-the-line, above the GPM
2 line, there would be sort of sustaining expenses
3 would show up there, R&D, obviously, would show
4 up below-the-line. But we never, and this may be
5 common in utilities, I'm just trying to
6 understand, but we never allocated management
7 expenses to projects. Those were all SG&A
8 expenses.

9 So, I'm just -- I'm trying to
10 understand, is this common in the utility field
11 to charge management expenses to projects?

12 A (Sprague) Yes, I believe it is. And, honestly,
13 we've been doing this my entire time here. It is
14 kind of broken up between "Engineering &
15 Operations", and the next line below it, the
16 "Construction Overheads". That would be, you
17 know, the smaller portions of the accounting
18 group or the plant accounting group, and some of
19 those other groups that support capital
20 investment.

21 Q So, did you find, though, when you made
22 acquisitions in the past, I think Northern was an
23 acquisition, did you find that their accounting
24 was the same way?

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 A (Sprague) Yes. I believe it was.

2 CHAIRMAN GOLDNER: Mr. Hevert is trying
3 to hide over there.

4 [Laughter.]

5 CHAIRMAN GOLDNER: Do you remember, Mr.
6 Hevert, if it was -- were they accounting for
7 these costs the same way, to your knowledge?

8 MR. HEVERT: When I was at Northern?

9 CHAIRMAN GOLDNER: Yes.

10 MR. HEVERT: I don't know -- recall
11 specifically, but I would not be surprised. I
12 mean, it's a fairly common industry practice.

13 CHAIRMAN GOLDNER: It's an industry
14 practice. Okay. That's really what I'm looking
15 for. Thank you both for that.

16 Okay. We'll turn it back to Mr. Taylor
17 for cross [sic] here, after just one last
18 encouragement. And that is, one is that,
19 speaking on behalf of the Commission, we do
20 appreciate the transparency of Unitil. We do
21 feel like that that is the case, and we
22 appreciate the detail, provided it is very
23 helpful, and it is -- let me call it the
24 "benchmark" in the industry in New Hampshire.

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 So, I thank you for that, and I'd just encourage
2 that to continue.

3 I would, in this particular case, next
4 time around, encourage that your bottoms-up ties
5 off with your management spreadsheets. So that I
6 understand that your internal accounting is, and
7 I understand it's sometimes difficult to extract
8 all this data and simplify it. But, if it ties
9 out, it just makes everybody's job a lot easier.

10 Because I, like Mr. Dexter, was really
11 struggling to try and tie things out, and nothing
12 was tying. I was baffled over the weekend. So,
13 that would be very helpful in moving forward, to
14 tie it out. So, I would appreciate that
15 consideration in the future.

16 So, we'll turn it back over to you,
17 Mr. Taylor, for cross -- or, for, yes, for
18 redirect, rather.

19 MR. TAYLOR: For redirect.

20 CHAIRMAN GOLDNER: Sorry.

21 MR. TAYLOR: I would ask the
22 Commission's indulgence maybe for another ten
23 minutes. And I actually think that may, on a net
24 basis, result in less time. Because, I think,

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 when I talk to my witnesses, I can probably
2 strike out some potential redirect questions.

3 Would the Commission allow us ten
4 minutes?

5 CHAIRMAN GOLDNER: Sure. Of course.
6 No, of course. Mr. Dexter?

7 MR. DEXTER: No objection.

8 CHAIRMAN GOLDNER: Okay. Thank you.
9 Let's -- we have kind of an in-between deal on
10 the clock there. Let's return at 2:25.

11 MR. TAYLOR: Thank you.

12 CHAIRMAN GOLDNER: Thank you. Off the
13 record.

14 *(Recess taken at 2:13 p.m., and the*
15 *hearing resumed at 2:27 p.m.)*

16 CHAIRMAN GOLDNER: Mr. Taylor, before
17 you begin, we do want to wrap up, in a sense,
18 from the Commission perspective, with a record
19 request. We can do that before or after your
20 wrap-up, whatever you prefer?

21 MR. TAYLOR: Why don't we just take the
22 record request.

23 CHAIRMAN GOLDNER: Okay. Very good. I
24 think this will expedite the order and getting us

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 to a -- getting us to an implementation of the
2 step as quickly as possible.

3 I would sort of begin by saying, with
4 some of the challenges unearthed in today's
5 hearing, I think we're probably looking more like
6 an August 1st implementation and ten months
7 spread versus July 1st. Because I don't think --
8 it's our belief that we're not going to be able
9 to issue the order in time, do all the
10 calculations, given that there will be some --
11 there are likely some changes. So, we wish to
12 mention that it looks more like August 1st to us.

13 From a record request perspective, what
14 we'd like to do is, first, make clear that the
15 Commission's position, no longer the Chair's
16 position, but now the Commissioners' position, is
17 that, of those 407 million in beginning assets,
18 it's our position that those are -- there's no
19 growth component to that 407 million. So, when
20 we make this record request, it's under those
21 sort of guidelines.

22 And what we'd like to do is just have
23 the Company first calculate the revenue
24 requirement, assuming that there are no growth

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 plant additions made in 2021. So, just like we
2 walked through.

3 Second, calculate the revenue
4 requirement for the non-growth assets added in
5 2021. Again, just like we did a few moments ago.

6 And, then, third, just sum one and two
7 to determine the revenue requirement.

8 And, at that point, we can -- we can, I
9 think, move fairly quickly towards the step
10 increase and implement it in a timely fashion.

11 So, that's the record request. Any
12 questions on the record request?

13 *[No verbal response.]*

14 CHAIRMAN GOLDNER: Okay. Very good.

15 *[Record request reserved.]*

16 CHAIRMAN GOLDNER: Mr. Taylor, I'll
17 turn it back over to you.

18 MR. TAYLOR: Before we do that, can I
19 just read back the record request as I've written
20 it down, just so we can make sure we get it
21 right?

22 Does the Commission intend to issue
23 that in any sort of written form? If not, that's
24 okay. I just want to make sure that we get it

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 right.

2 CHAIRMAN GOLDNER: We can, if it's
3 helpful. We can issue a short procedural order,
4 if that's helpful.

5 MR. TAYLOR: My understanding of what
6 the Commission is asking is, using -- assuming
7 that the 407 million in beginning assets contains
8 no growth component, calculate the revenue
9 requirement assuming no growth additions are made
10 in 2021. Do I have that part right?

11 CHAIRMAN GOLDNER: Yes, sir.

12 MR. TAYLOR: Calculate the revenue
13 requirement for non-growth assets added in 2021.
14 Do I have that right?

15 CHAIRMAN GOLDNER: Yes, sir.

16 MR. TAYLOR: Sum one and two to
17 determine the revenue requirement.

18 CHAIRMAN GOLDNER: Correct.

19 MR. TAYLOR: Okay. Well, and some of
20 my direct *[sic]* is oriented towards that
21 question. So, no disrespect to my questions,
22 just some things I want to clear up with my
23 witnesses.

24 **REDIRECT EXAMINATION**

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 BY MR. TAYLOR:

2 Q This is a question for the panel, but more likely
3 Mr. Goulding and Mr. Nawazelski.

4 Is the calculation described by
5 Commissioner Goldner earlier consistent with the
6 Settlement Agreement among the Parties?

7 A (Goulding) No, it is not.

8 Q Is it consistent with the Company's understanding
9 of the Commission's order requiring that growth
10 net plant be subtracted from total change in net
11 plant?

12 A (Goulding) No, it is not.

13 Q And why would the calculation proposed by the
14 Commissioner -- or, the Commission result -- why
15 would the calculation proposed by the Commission
16 not result in change in net plant?

17 A (Goulding) The calculation is no longer the
18 change in net plant associated with non-growth
19 investments. It is the non-growth additions,
20 less total depreciation for the year. So, it
21 doesn't give you the change in net plant
22 associated with non-growth investments.

23 Q And why would effectively assigning all
24 depreciation expense in the year to non-growth

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 plant additions only result in a number that is
2 different than change in non-growth net plant?

3 A (Goulding) Because assigning that total
4 depreciation lowers the overall net -- change in
5 net plant non-growth number. So, it's
6 essentially assuming that all depreciation
7 expense in the current year is non-growth
8 related.

9 Q Perhaps another way of stating it would be to say
10 that it would result in a number that is the
11 change in non-growth net plant, plus an
12 additional downward adjustment, to bring in
13 depreciation associated with assets that were not
14 non-growth net plant?

15 A (Goulding) Correct.

16 Q There was some discussion earlier about the
17 capitalization of components, like overheads,
18 payroll, and some other items. And Mr. Hevert
19 indicated, as well as others, that that was
20 standard utility practice.

21 Are the Company's accounting practices
22 consistent with FERC accounting rules?

23 A (Goulding) Yes, they are.

24 Q And, just finally, I think there was some

[WITNESS PANEL: Goulding|Nawazelski|Sprague]

1 discussion about the records that the Company
2 provided. Following February 28th, was the
3 Company ready, available to answer any and all
4 questions and answer discovery with respect to
5 its filing?

6 A (Goulding) Yes, we were.

7 Q And, to the extent that it did get questions, did
8 it answer those questions promptly?

9 A (Goulding) Yes, we did.

10 MR. TAYLOR: That's all I have for
11 redirect of my witnesses.

12 CHAIRMAN GOLDNER: Okay. Thank you.
13 All right. Well, thank you to the Company
14 witnesses today. The witnesses are excused.
15 Thank you very much.

16 All right. We'll invite Mr. Dudley to
17 the witness box. And then, Mr. Patnaude, if you
18 could swear him in please.

19 (Whereupon **Jay Dudley** was duly sworn by
20 the Court Reporter.)

21 CHAIRMAN GOLDNER: All right. Please
22 proceed, Mr. Dexter.

23 MR. DEXTER: Thank you.

24 **JAY DUDLEY, SWORN**

[WITNESS: Dudley]

DIRECT EXAMINATION

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BY MR. DEXTER:

Q Would us please state your name, position, and title with the Department of Energy?

A My name is Jay Dudley. I'm a Utilities Analyst for the Regulatory Support Division, in the Electric Division, for the Department of Energy.

Q And, Mr. Dudley, did you look at the materials that were submitted by the Company in this case in support of the step adjustment?

A Yes, I did.

Q And were you also involved in the base rate case that led to this step adjustment, DE 21- --

A Yes.

Q -- 030?

A Yes.

Q And you don't have any prefiled testimony in this case, but we did mark three exhibits earlier. They're Exhibits 5, 6, and 9. Are you familiar with the contents of those exhibits?

A Yes, I am.

Q Okay. And we can refer to those during our testimony today?

A Yes.

[WITNESS: Dudley]

1 Q Thank you. So, this morning, in questioning, the
2 Department of Energy expressed concern that it
3 was not convinced that the Phase 2 of the Concord
4 Project wasn't already included in the test year
5 rate base. You were here for all that
6 conversation, correct?

7 A Yes, I was.

8 Q And, in fact, if I go to Exhibit 9, which is an
9 excerpt of your testimony from the underlying
10 case, and I go to the Bates page marking, which
11 is in red ink, Bates Page Number 002, I see a
12 list of projects that you addressed in your rate
13 case testimony for the base case. Is that what
14 that list is?

15 A Yes, it is.

16 Q And I've only included -- we've only included, in
17 this excerpt, the projects that are titled
18 "Concord Downtown Conversion Projects", right?

19 A Correct.

20 Q And the last one of the projects in that list, on
21 Line 21, is called "Conversion Concord Part 2",
22 with an actual spend of \$448,000, correct?

23 A Yes.

24 Q Is it your understanding that that's the same

[WITNESS: Dudley]

1 project that Mr. Sprague was testifying to this
2 morning?

3 A It's my -- yes, it is. But it's my
4 understanding, from Mr. Sprague, that that was
5 actually a continuation of the project into 2021.

6 Q Well, this morning we were talking about a
7 circuit being shifted from one substation to the
8 other, to allow flexibility to serve load and to
9 serve increased load. That's the project we're
10 talking about here on Line 21, right?

11 A Yes, it is.

12 Q Okay. All right. And you had made some
13 recommendations, in the underlying case,
14 regarding this entire Concord Project, which
15 totaled \$5.2 million on this sheet, in the
16 underlying rate case. And it essentially
17 amounted to less than full recovery, traditional
18 rate base recovery for the Company in this
19 instance. Would you agree with that?

20 A Yes, I would.

21 Q Okay. And, again, I'm going to paraphrase to
22 move it along quickly. But my understanding of
23 your recommendation in the underlying case
24 amounted to, rather than full rate base inclusion

[WITNESS: Dudley]

1 of the investments related to the Downtown
2 Project, but a phasing in, if you will, until the
3 next rate case, to -- sort of in proportion to
4 the new load that had actually been realized from
5 this Project?

6 A Yes.

7 Q Is that a fair summary?

8 A Correct. Yes.

9 Q Okay. And, in the underlying rate case, this
10 issue was never brought to the Commission,
11 because it was subsumed in the Settlement that
12 was presented and approved to the Commission,
13 right?

14 A Correct.

15 Q And, so, you never testified on this concept, and
16 the Company never put in any rebuttal or anything
17 like that?

18 A That is correct. Yes.

19 Q Okay. Okay. So, we've actually expressed two
20 concerns this morning, as I recall through
21 questioning. One was whether or not this Project
22 was, in fact, in the test year rate base. And,
23 then, secondly, you know, we were trying to get
24 an update of the load that had been hooked up

[WITNESS: Dudley]

1 since the underlying part of the case. Do you
2 remember that?

3 A Yes. I do.

4 Q Okay. All right. Well, I want to talk first
5 about our concerns that this Project was already
6 included in rate base in the last case. And I'd
7 like to just ask you to describe how it is that
8 this Project, which is in your testimony, found
9 its way into your testimony in the base part of
10 the case?

11 A The origin of the examination of the Concord
12 Downtown Projects I took from Mr. Sprague's
13 testimony in the rate case. We, typically, what
14 we do when we look at these projects, we do look
15 at all of them that are submitted. But what we
16 do is we compile a sampling based upon the dollar
17 size of the project, whether the project was over
18 or under budget, the complexity of the project.
19 Those general considerations go into it.

20 But the Concord Downtown Project was
21 specifically highlighted in Mr. Sprague's
22 testimony, and we found that of interest.

23 Q Okay. So, your inquiry in the underlying case,
24 when you say the "Concord Project", including

[WITNESS: Dudley]

1 what's listed here as "Part 1", which is on Line
2 16, and "Part 2", which is on Line 21, as well as
3 all of the other lines here, these are all part
4 of the so-called "Concord Project", correct?

5 A Correct. This is a more specific rendition of
6 the table contained in Mr. Sprague's testimony.

7 Q Okay. And --

8 MR. TAYLOR: I'm just going to -- I'm
9 going to object. I can't believe I'm objecting
10 to my own witness's materials being hearsay. But
11 Mr. Dudley is making extensive reference to
12 things that are not in the record in this
13 document -- or, not in the record in this docket.

14 The Commission has before it costs
15 associated with 2021 investments. And it's
16 unclear to me why we are going back over rate
17 base -- over rate case materials. That is a
18 settled case. We should not be relitigating it.

19 CHAIRMAN GOLDNER: Mr. Dexter.

20 MR. DEXTER: I'm not sure what the
21 objection is to. I didn't follow. Is it the
22 reference to Exhibit 9?

23 MR. TAYLOR: No. My objection is to
24 the continued reference to materials that were

[WITNESS: Dudley]

1 submitted in the rate case that are not in the
2 record in this case.

3 MR. DEXTER: Okay. Well, you
4 referenced "Mr. Sprague's testimony". Is that --
5 is that what you're objecting to?

6 MR. TAYLOR: Yes. My objection is that
7 it's -- he's referencing materials from a prior
8 rate case, that has been settled. We are here on
9 a step adjustment. There are materials that have
10 been submitted in this case. That is what we
11 should be discussing. Not materials that are not
12 in the record before the Commission. That's my
13 objection.

14 MR. DEXTER: Well, I guess what we're
15 trying to be sure is that the 424,000 that's at
16 issue in this case was not closed to plant in
17 2020 and in rate base in 2020.

18 And I do have a specific reference to
19 Mr. Sprague's testimony from the rate case, that
20 goes directly to that question that I haven't
21 gotten to yet, but I'm about to. That document
22 was submitted as "Exhibit 6" in the underlying
23 rate case. And it starts at Bates Page 471.
24 It's Mr. Sprague's testimony. I think it's

[WITNESS: Dudley]

1 useful to the conversation. It's not -- it
2 certainly strikes me as relevant.

3 I agree that the other case is settled.
4 We're not raising any objections to the portions
5 of the Concord Project that aren't before the
6 Commission today. This is all just by way of
7 background, as to why we have this question as to
8 whether or not this 424,000 was already included
9 in the rate base in the last case.

10 CHAIRMAN GOLDNER: I think it's helpful
11 for the Commission to know if the 424K has
12 already been counted in the rate case. So, we
13 need to understand if that's a problem or not.
14 So, we do need to understand that.

15 Now, how we get there from an exhibit
16 perspective, perhaps needs more discussion. But
17 the Commission does need to understand, if it's
18 already been counted in the rate case, then we
19 would need to know that, because then we would,
20 of course, have to disallow it.

21 Mr. Dexter, do you have any advice on
22 how we can continue with the current exhibits in
23 front of us?

24 MR. DEXTER: Well, with more time, I

[WITNESS: Dudley]

1 might have gone through the exercise that I did
2 with Exhibit 9, which was to mark it, would be to
3 mark Mr. Sprague's testimony from the last rate
4 case, and put it on the exhibit list, and I guess
5 we would have had this discussion earlier today.
6 And I didn't do that.

7 I don't think it's uncommon to reach
8 back into the record of another case that's been
9 before this Commission for purposes of
10 discussion, as to where the Department's state of
11 mind is on these dollars. And, in particular,
12 because the document I'm reaching back to look at
13 is authored by a witness who's in this case, and
14 is in the room, and will have the opportunity, I
15 guess, to rebut his own prior written testimony,
16 or our interpretation of it, if we've
17 misunderstood.

18 I think we ought to get to the bottom
19 of this today. And it strikes me as highly
20 relevant, and not prejudicial, in that -- in the
21 sense that Mr. Sprague is here, and will have the
22 opportunity to provide rebuttal.

23 I'm just trying to explain to the
24 Commission where our questions came from, in

[WITNESS: Dudley]

1 terms of this \$442,000 [\$424,000?].

2 CHAIRMAN GOLDNER: I think, Mr. Taylor,
3 my comment would just be, if we can find a way to
4 resolve this today, rather than having warring
5 briefs later, and it could take months to get to
6 a resolution. If Mr. Sprague is available after,
7 perhaps that would be acceptable?

8 MR. TAYLOR: Sure. Yes. I guess I
9 would only say that, typically, when we're going
10 to discuss an exhibit, it's helpful to have it in
11 advance, be able to prepare for and understand
12 what we're going to be looking at.

13 I will also say, I may be
14 misremembering, I thought our witnesses swore
15 under oath that the amount that we're seeking for
16 in this case was not included in rate base in the
17 last case.

18 If that isn't on the record, I'm sure
19 we'll be happy to get up and say that later.

20 CHAIRMAN GOLDNER: Okay. Thank you.
21 Please proceed, Mr. Dexter.

22 MR. DEXTER: Okay. Thank you.

23 BY MR. DEXTER:

24 Q So, Mr. Dudley, you had said that your testimony

[WITNESS: Dudley]

1 in the last case, which is Exhibit 9, was
2 essentially built from information that you
3 gathered from Mr. Sprague's testimony from the
4 last rate case. And that's, I think, where our
5 discussion ended.

6 Do you have a specific reference in
7 Mr. Sprague's testimony from the last case that
8 would indicate why we have this question about
9 whether or not the 424,000 was included in the
10 rate base last time? And, if so, could you
11 provide that reference? And then, I'll ask you
12 some questions about it.

13 A Yes. On Bates Page 371 of Mr. Sprague's
14 testimony, he replies to a question about the
15 Concord Downtown Conversion. And one of his
16 comments, on Line 13, is about the Concord
17 Downtown Project as a whole, he states that "This
18 project was placed in service used and useful in
19 2020."

20 Q Now, before you go on, you gave some Bates
21 numbers, and this is going to get confusing. I
22 understand the Bates numbers you're giving were
23 from the original cases -- the original case as
24 it was submitted. When it moved to an exhibit in

[WITNESS: Dudley]

1 that case, the Bates numbers changed. I believe
2 that --

3 A I believe that was Exhibit 6, Mr. Dexter.

4 Q Right. And I believe the Bates number you're
5 quoting from from Exhibit 6 is 471?

6 A Yup. Yes.

7 Q Okay. And, if you read a little bit further, is
8 there more detail about that?

9 A Well, he's asked, on Line 15, if he can identify
10 which projects were included in the Downtown
11 Conversion, and then he provides a table listing
12 all the projects. And, then, on the following
13 page, the table carries over to the next page, he
14 lists all of them. And let me just look back
15 here.

16 But, on the page where the table
17 starts, I see, and he lists all of these
18 according to authorization number, he lists
19 "Authorization Number 200124", and that is
20 identified as "Conversion of Downtown
21 Concord - Part 2", for "\$447,840".

22 Q And you believe that that's the same project that
23 we've been talking about today for the step
24 adjustment, correct?

[WITNESS: Dudley]

1 A Yes.

2 Q And what's the basis for that belief?

3 A The basis for that belief is that the
4 construction authorization that was provided to
5 us in the step increase is identical, in all
6 respects, to the project -- to the construction
7 authorization that was provided in discovery in
8 the rate case.

9 Q And the dollar figure associated with that
10 project, on Bates Page -- I believe it's 471 of
11 Exhibit 6 from the prior case, is fairly close to
12 the amount that we've been talking about today,
13 424,000, is that right?

14 A Yes, it is.

15 Q What's the amount that's in that table?

16 A In the table, it's "447,840". In the step
17 adjustment, Exhibit 1, Part 1, the project
18 listing, and, if I can read the fine print, it's
19 Line 36. And the amount of install is "424,394".
20 So, it's off by about \$3,000 [sic].

21 Q Okay. So, is it fair to say then that -- well,
22 I'll just leave it at. That's the -- is it fair
23 to say that that's the basis -- well, let me just
24 leave it at that.

[WITNESS: Dudley]

1 A Now, Mr. Dexter, if I may, I did examine the cost
2 detail that was provided on all of these projects
3 for the Concord Conversion Project Part 2. And
4 one thing that I noticed in the cost detail is
5 the vast majority of those expenses were for
6 2020. There were a few for 2021, but the vast
7 majority of those expenditures were for 2020.

8 Q Right. And we went over that earlier this
9 morning with Mr. Sprague, right? Those were the
10 same costs that we were talking about?

11 A Correct.

12 Q Okay. All right. And, when you got the project
13 documents in the underlying rate case that
14 included -- in the underlying rate case, when you
15 asked for project documents, you were provided
16 this Authorization 200124, correct?

17 A Yes. Correct.

18 Q Okay. And you didn't have any understanding at
19 the time that this wasn't in rate base in the
20 last case, because you included it in your
21 testimony, correct?

22 A Yes.

23 Q In other words, if you had known it was -- it
24 hadn't been closed to plant, you wouldn't have

[WITNESS: Dudley]

1 bothered to address it in your testimony in the
2 last case, correct?

3 A Correct. There was no indication in any of the
4 documentation provided by Unitil that it was not
5 in rate base.

6 Q Okay. All right. So, then, having -- I want to
7 move on to the second area that we discussed this
8 morning, and that has to do with your review of
9 the load additions that were projected, versus
10 the load additions that were -- that were
11 realized. And I recall a figure from your rate
12 case testimony of "25 percent", or "30 percent".
13 Let me see if I can find that reference.

14 Can you expand on that, what you were
15 trying to get at in your testimony in the
16 underlying part of the case, in the underlying
17 base rate case?

18 A Yes. Well, one of the concerns that we had, and
19 I discuss in my testimony, is that a significant
20 number of projects were not taking load, only a
21 handful of projects were taking load. Actually,
22 what the table, let me just get the reference for
23 you, the revised table in Exhibit 6, shows us, on
24 Page 2, and this is -- this is Data Response DOE

[WITNESS: Dudley]

1 5-5 -- 1-5. And what we see in the table, on
2 Page 2, is that we see seven projects that are in
3 service, and we see nine projects that are not in
4 service.

5 And we had requested this table at
6 least twice before in the rate case. And, so, my
7 purpose in requesting it again was to find out
8 how many additions to load growth had occurred in
9 the interim, which is approximately a year ago.
10 And what we found was that there's only been one
11 addition since that time, and that is toward the
12 bottom of the table, that is "8-14 Dixon Avenue",
13 at "200 kVA".

14 All the other projects that we had
15 looked at in the rate case that were not
16 receiving service still are not receiving
17 service.

18 Q And, for purposes of -- and let me start again.
19 And your recommendation in the underlying case,
20 again, I think we may have gone over this
21 already, was not a permanent rate base exclusion
22 for these investments, but a hold until the next
23 rate case, to see if the load developed. Is that
24 right?

[WITNESS: Dudley]

1 A Yes. That's correct. In the rate case, I
2 essentially did a "needs-based" analysis, based
3 on used and unused. And what I found, although
4 it's been updated, I updated it for the step
5 increase, it's -- the percentage breakout, it
6 goes according to percentages, according to the
7 percentage breakout, based on total kVA, 37
8 percent is in service and 63 percent is not
9 taking service.

10 And what I did in the rate case was I
11 applied those percentages to the total amount of
12 5.2 million, and then broke it into the two
13 components. And my recommendation was that the
14 unused portion, which at that time was
15 approximately 70 percent, that that be deferred
16 to the next rate case, so that we could see what
17 kind of developments took place in the interim
18 concerning additional load.

19 And that was based on the fact that, to
20 us, it was pretty apparent that that part of the
21 project was not used and useful.

22 Q And, when you say "deferred", you don't mean
23 "deferred" in the accounting sense, you mean not
24 put it into rate base at this time, but not

[WITNESS: Dudley]

1 permanently excluded as, you know, not
2 permanently excluded?

3 A Correct. Correct.

4 Q As a rate base exclusion, permanent rate base
5 exclusion?

6 A Correct. It's not -- it's not a disallowance, in
7 terms of an absolute disallowance. It was our
8 conclusion that, because this wasn't used, this
9 portion wasn't used and useful, it wasn't
10 providing a benefit to ratepayers. And,
11 therefore, ratepayers shouldn't be paying for it.

12 Q Okay. And now, moving towards -- to this case,
13 you've updated that percentage, correct?

14 A Yes, I did.

15 Q Based on load that's been added since the
16 underlying base case, correct?

17 A Yes. Based on the addition of Dixon Avenue.

18 Q And what's the new percentage, if you looked at
19 it?

20 A The new percentage is 37 percent in service, 63
21 not taking service.

22 Q Okay. Now, you heard Mr. Sprague's testimony
23 this morning, did you not, about how it's -- how
24 utility companies will build to projected load,

[WITNESS: Dudley]

1 correct?

2 A Yes, I did.

3 Q As a matter of standard practice?

4 A Yes.

5 Q Okay. And, in this case, it steams like you're
6 recommending an adjustment to the recovery of
7 those costs based on load realized versus load
8 projected, right?

9 A Yes. Correct.

10 Q Now, why do you believe that's a reasonable
11 approach in this step adjustment, given this
12 Concord Project?

13 A Well, again, we found in the rate case that,
14 although service had been installed at these
15 different locations, at these nine different
16 locations, without any occupants, without any
17 tenants, there was no load being taken. Service
18 was not being taken. Thus, our conclusion that
19 that portion of the Project was not used and
20 useful.

21 Now, we don't dispute the fact that
22 that this Project was reasonable and appropriate.
23 I say in the beginning my testimony that I did
24 find it reasonable. What we dispute is how and

[WITNESS: Dudley]

1 the way in which the Company is incrementally
2 placing, not incrementally, but placing these
3 different projects into rate base.

4 Q Now, so, it's a rate -- it sounds like it's a
5 ratemaking concern you're expressing. And the
6 concern, if I understand it, is that the way the
7 rate case works is, the full amount of the
8 project goes into rate base, and it would be
9 offset by any revenues in the revenue requirement
10 calculation in the rate case.

11 But, in this case, for those 75
12 percent, there was no revenue. And, so, there
13 was a -- what you viewed as sort of an in -- not
14 an "inconsistency", but an imbalance, an inequity
15 in the ratemaking treatment that would have
16 happened for this particular project. Is that a
17 fair summary?

18 A That's correct. There is -- we have 75 percent
19 of the Project that's not taking any service.

20 Q Now, in this --

21 A Or generating any revenue.

22 Q Generating any revenue. In this step phase, if
23 this 424,000 would go into rate base, and all the
24 customers were to take service the next day, what

[WITNESS: Dudley]

1 would happen to those revenues, from a revenue
2 requirement perspective?

3 A Those revenues would be realized in the next rate
4 case.

5 Q And in between the next rate case, they would be
6 kept by the Company, correct?

7 A Correct.

8 Q And, then, in the next rate case, when you say
9 "realized", they would be factored into the
10 revenue requirement in the next case, correct?

11 A That is correct. Yes.

12 Q But in the -- and that's the whole purpose, isn't
13 it, why, traditionally, only non-growth assets
14 are collected through step adjustments, because
15 of this imbalance between cost collection and
16 revenue recognition?

17 A That's correct.

18 Q Is that right?

19 A Yes.

20 Q Okay. And, again, your recommendation in this
21 case is not a permanent exclusion of the 424,000,
22 assuming that it was not included in the rate
23 case last time. But, under this growth analysis,
24 this "needs-based analysis", you would recommend

[WITNESS: Dudley]

1 that a portion be excluded from rate base, and
2 that it be relooked at in the next rate case,
3 correct?

4 A Yes. Correct.

5 Q Okay.

6 A And that was my recommendation in the rate case
7 as well.

8 Q Right. And we didn't have an opportunity to put
9 in prefiled testimony in this case. So, I'm just
10 trying to -- trying to get it out there, so that
11 we know where we stand in this case.

12 Now, this morning, through questioning
13 of the panel, I tried to demonstrate some of the
14 difficulties we had in analyzing the T&D blanket
15 projects. Do you recall that?

16 A Yes, I do.

17 Q And, without going through all of that again and
18 rehashing it, would it be fair to say that, in
19 future step increases, the Department, based on
20 this experience, would be hesitant to include
21 blanket projects in step adjustments?

22 A Yes, we would. Only because the amount of
23 information contained within these projects,
24 which consist of hundreds of individual projects,

[WITNESS: Dudley]

1 it's nearly impossible for us to discern which
2 ones were actually rated -- added to rate base
3 and which ones were not.

4 Particularly, in the cost schedules
5 that we received from Unitil, as you went through
6 this morning, Mr. Dexter, a lot of those entries
7 were from 2020, there were some from 2021, there
8 were others from 2022. We had great difficulty
9 trying to provide support for the amounts that
10 Unitil had put in the step adjustment rate base.
11 It was just impossible to tell.

12 Q And you understand the notion, as Mr. Sprague
13 described it, that a project could span multiple
14 years, and only end up in rate base at the end of
15 its final year. And, therefore, you might see
16 costs from, say, 2019, 2020, and 2021. Correct?
17 You understand that?

18 A Yes.

19 Q But that appeared not to be the case for the
20 blankets. It appeared that we were presented
21 with information with those out-of-period charges
22 that never -- that never found their way into the
23 revenue requirement at issue in this case,
24 correct?

[WITNESS: Dudley]

1 A That's correct. We have no way to tie it back.

2 MR. DEXTER: Okay. All right. I think
3 that's all the questions -- that is all the
4 questions I have.

5 CHAIRMAN GOLDNER: Thank you, Mr.
6 Dexter. Mr. Taylor.

7 MR. TAYLOR: Commissioners, can I take
8 five or ten minutes, just to organize my notes?
9 And some of what I heard today is new to me. So,
10 I need some time.

11 CHAIRMAN GOLDNER: Sure. Do you want
12 to -- did you want to step out or did you want to
13 caucus here? We can -- the Commissioners can
14 stay or step out, either why?

15 MR. TAYLOR: If you can give me ten
16 minutes, I'll step out, and then return.

17 CHAIRMAN GOLDNER: Okay. Let's resume
18 at 3:15. Off the record.

19 *(Recess taken at 3:07 p.m., and the*
20 *hearing resumed at 3:20 p.m.)*

21 CHAIRMAN GOLDNER: All right. Back on
22 the record. Mr. Taylor.

23 MR. TAYLOR: Thank you, Commissioners.
24 Good afternoon, Mr. Dudley.

[WITNESS: Dudley]

1 WITNESS DUDLEY: Good afternoon.

2 MR. TAYLOR: There's a sign here
3 telling me to "slow down". So, I'm going to do
4 my best.

5 **CROSS-EXAMINATION**

6 BY MR. TAYLOR:

7 Q So, Mr. Dudley, I know Mr. Dexter -- or, Attorney
8 Dexter had said that you had not put in prefiled
9 testimony in this case, so that traditional Q&A
10 outlining your professional and educational
11 qualifications are not before the Commission.
12 So, I'll just walk through that a little bit.

13 You do not have a degree in Electric
14 Power Engineering, correct?

15 A Correct.

16 Q And, in fact, you don't have a degree in any
17 engineering discipline, correct?

18 A Correct.

19 Q You don't have any professional training as an
20 engineer, electric or otherwise, is that correct?

21 A That is correct.

22 Q So, this is all to say then, you are not and you
23 do not hold yourself out as an engineer, correct?

24 A Correct.

[WITNESS: Dudley]

1 Q You don't have any professional experience in
2 electric distribution system planning, correct?

3 A Correct.

4 Q And you have no experience in load forecasting
5 for electric distribution systems, correct?

6 A Other than reviewing load forecasting, that would
7 be correct, yes. I believe your question was if
8 I had any "experience".

9 Q That's correct.

10 A I have --

11 Q If you have any doing load forecasting?

12 A I have experience in reviewing and analyzing load
13 forecasts. But, no, I have never done a load
14 forecast.

15 Q Do you hold your -- well, you do not hold
16 yourself out as an expert on matters of electric
17 system engineering, electric system planning, or
18 any matters related to those areas or
19 disciplines, correct?

20 A Correct. But I do hold myself out as an expert
21 to the matters that I discuss in my testimony.

22 Q Well, the matters in your testimony refer or
23 pertain directly to the Company's engineering and
24 planning practices, correct?

[WITNESS: Dudley]

1 A It does, yes.

2 Q And you are not an expert in those fields,
3 correct?

4 A I am not. But I do have access to Staff
5 engineers, and I have consulted with them before,
6 and, in particular, in the rate case.

7 Q And none of those people are on the stand today,
8 correct?

9 A That is correct.

10 Q None of those people have put in testimony in
11 this case, correct?

12 A Correct.

13 Q And none of those people are referenced in your
14 testimony, correct?

15 A Correct.

16 Q Referring to Hearing Exhibit 9, at Bates Page
17 042, you indicate that the Department of Energy
18 is "increasingly concerned with projects built to
19 serve highly speculative load without the
20 necessary background research." And I just --

21 A I'm sorry, I am confused as to the Bates
22 reference, Mr. Taylor.

23 MR. DEXTER: So, when we submitted
24 the --

[WITNESS: Dudley]

1 MR. TAYLOR: Ah. I see what the
2 problem is. I was using an old Bates number.

3 BY MR. TAYLOR:

4 Q This would be on Bates Page 005 of Hearing
5 Exhibit 9.

6 A Okay.

7 Q Okay. And you indicate that the "Department of
8 Energy is increasingly concerned with projects
9 built to serve highly speculative load without
10 the necessary background research." Have I read
11 that correctly?

12 A Yes.

13 Q Now, you've not disputed that the Company was
14 informed of or became aware of the listed
15 projects that we've been discussing in this case
16 coming onto its system in downtown Concord,
17 correct?

18 A I have no knowledge of the degree of interaction
19 or discussions or agreements that Unitil has had
20 with the developers.

21 Q That's not the question that I asked. You're not
22 disputing, we have a list, you've gone through
23 that list. You're not disputing that those
24 customers have informed the Company or that the

[WITNESS: Dudley]

1 Company has otherwise become aware of those
2 customers coming onto its system?

3 A My presumption is that they're aware. But,
4 again, to the specificity and extent of those
5 understandings that Unitil has had with them, I
6 have no knowledge of that.

7 Q Certainly something that you could have educated
8 yourself on in this case, and in prior cases,
9 correct?

10 A Yes. It's a possibility, sure.

11 Q Your testimony references a lack of "necessary
12 background research". Your testimony doesn't
13 actually describe what the "necessary background
14 research" would include, correct?

15 A Correct.

16 Q And having already established that you're not an
17 expert in these matters, you have no experience
18 or training or education whatsoever in electric
19 system planning, you're really not qualified to
20 say what the necessary -- "necessary background
21 research" would be, correct?

22 A No. I believe that I am, because I have reviewed
23 a number of area studies. And what I found with
24 the one, the Concord Downtown Area Study, was

[WITNESS: Dudley]

1 that the study itself does not consider any of
2 the potential risks involved regarding what would
3 happen if the load does not materialize, or only
4 if some of the load materializes. Those risks
5 were never addressed in the Concord Downtown
6 Study. However, in other studies that I've
7 reviewed, those risks are addressed.

8 Q But, I'm sorry, when you talk about "risk", are
9 you talking about relative to the specific
10 projects?

11 A No.

12 Q Okay. So, you're talking about the Company's use
13 of its historic load?

14 A No. I'm talking about the risk of whether or not
15 that load -- that projected load will be
16 realized. And, if it is not realized, then, why?
17 What would be the cause? And how would the
18 Company address that?

19 Q Okay. And you heard Mr. Sprague earlier say that
20 the Company does, in fact, conduct historical
21 research, correct?

22 A Yes.

23 Q Do you have any reason to think that Mr. Sprague
24 was not being truthful when he said that?

[WITNESS: Dudley]

1 A No, not at all.

2 Q Okay. All right. On the same page, you indicate
3 a concern about projects being built "without
4 considering different scenarios under which those
5 loads may or may not occur." Correct?

6 A Yes.

7 Q But your testimony doesn't describe or list what
8 those different scenarios ought to be, correct?

9 A That's not my burden. That's the utility's
10 burden. It's not up to me to do the risk
11 analysis for the Company.

12 Q Well, but you've just sort of -- you've suggested
13 that there "should be different scenarios", but
14 you've not actually described what those ought to
15 be, correct?

16 A I would have no idea what those scenarios would
17 be. It's up to the utility to describe what
18 those scenarios would be. All I'm pointing out
19 is that they were missing, and not addressed.

20 Q Okay. But we've already established that you're
21 not actually an expert in utility system
22 planning, load forecasting, and the like. So,
23 you're really not qualified to say, one way or
24 the other, what the Company should be doing in

[WITNESS: Dudley]

1 its load forecasting, correct?

2 A I'm not telling the Company what they should or
3 should not be doing. I'm only reporting on what
4 the Company did not provide, in terms of
5 information.

6 Q Well, Mr. Dudley, respectfully, that's exactly
7 what you're doing, because you're telling the
8 Company that it cannot recover on its investment,
9 based on its historic load planning and its
10 actual load information, because you have found
11 it deficient. But you're not actually qualified
12 to assess whether the Company is deficient or
13 not?

14 A Well, I think there are deficiencies there, in
15 terms of the used and usefulness of what the
16 infrastructure that the Company has built, and
17 the lack of customers able to take that load.
18 That's what I mean by "speculative load", is that
19 these -- this entire Project was largely based on
20 speculation of load that may or may not
21 materialize. And what we've seen so far, and as
22 the record demonstrates, is a lot of that load
23 has not materialized.

24 Q Okay. But, when you say that, you're referring

[WITNESS: Dudley]

1 specifically to that list of projects not
2 materializing, correct?

3 A Yes.

4 Q Okay. And, so, you say it's "highly
5 speculative". But you don't dispute that those
6 customers requested service from the Company or
7 that the Company otherwise became aware of those
8 projects coming onto the system, correct?

9 A I do not know that, again, I do not know the
10 extent of the understandings or agreements that
11 Unitil had with these customers. What I do know
12 is that, for some of these projects, some of
13 these locations, there are no customers.

14 Q Okay. So, Mr. Dudley, let's kind of dig into
15 that for a sec.

16 In your testimony, and in the
17 Department's letter dated June 9th, and
18 throughout the direct examination, no reference
19 was made whatsoever to the COVID-19 pandemic,
20 correct?

21 A Correct.

22 Q Okay. Was that an omission or did you
23 deliberately withhold that from your testimony?

24 A No, I did not withhold with from my testimony. I

[WITNESS: Dudley]

1 believe that I -- subject to check, I believe I
2 did address that issue in other areas of my
3 testimony, but I did not address it here in this
4 particular excerpt that was filed.

5 Q But, in this particular excerpt, which is
6 relevant to this particular project, you make no
7 reference to the effect that the COVID-19
8 pandemic had on the pace at which customers came
9 onto the system, correct?

10 A Correct. But I don't have that information. I
11 don't --

12 Q You're unaware of when the COVID-19 pandemic --

13 A More of that, but your question was "the pace",
14 "affecting the pace of customers coming on line".
15 And the only thing I have to go on is what
16 Mr. Sprague said, that it was -- that it was an
17 impact. But I have no numbers to look at. I
18 have no specifics about which customers didn't
19 come on specifically because of the pandemic.
20 All I have is a general reference.

21 Q Is it the Department of Energy's position that
22 the Company should have modeled the possibility
23 of a globally disruptive pandemic, with its
24 attended impacts on human life, working life, the

[WITNESS: Dudley]

1 global supply chain, domestic economy, and so on
2 and so forth, into its load forecasts?

3 A No.

4 Q And, presumably, the Department does not expect
5 the Company, or really any utility company, to
6 factor in the possibility of some calamitous
7 *force majeure* event into its decision-making
8 process for every project that it undertakes,
9 correct?

10 A Correct.

11 Q Okay. You criticize the Company for relying
12 exclusively on its own load projections. But
13 your testimony doesn't explain what other load
14 projections that the Company should factor into
15 its planning, correct?

16 A Correct.

17 Q Earlier, you described a -- you said that you
18 "conducted a needs-based analysis" of the
19 Project. When you say a "needs-based analysis",
20 what you're really just doing is taking the
21 customers that came on, looking at their load,
22 and then using that as a ratio against the total
23 projected load?

24 A Yes. That formula was developed by the Illinois

[WITNESS: Dudley]

1 Commission back in the 1990s, when they were
2 trying to determine used and usefulness of
3 nuclear power plants that were not generating
4 power up to their projected power generation.
5 And what they used was a simple needs-based
6 formula, based on capacity that was being
7 generated and capacity that was not.

8 It's fairly common. It's a
9 formulaic -- a simple formulaic way of analyzing
10 these used and useful projects.

11 Q Well, you say it's a "fairly common" way of doing
12 it. That's never been adopted in New Hampshire
13 to assess the used and useful nature of a
14 project, correct?

15 A I'm not aware, if it was or if it wasn't.

16 Q And just to kind of refer to some things that
17 Mr. Sprague said earlier. Mr. Sprague indicated
18 that the Downtown Conversion Project was not
19 simply the basis of the requested load that was
20 coming on, but also historic load projections,
21 correct? Or, an historic load analysis, correct?

22 A That was a factor, yes.

23 Q Okay. And he had indicated that it had been a
24 concern for the Company for some period of time,

[WITNESS: Dudley]

1 correct?

2 A Yes.

3 Q But you base the entirety of your "deferral", I
4 guess we'll call it, on those 16 projects,
5 correct, and whether they're taking service from
6 the Company or not?

7 A Yes.

8 Q So, there's no accounting at all for other
9 loading issues that may play into the Project,
10 correct?

11 A Well, my understanding of Mr. Sprague's testimony
12 is that this was all based on projected load.
13 That the reason that -- what caused the need for
14 the Project was projected load, based on
15 additions that would come in line -- is on line,
16 as part of the overall Downtown Conversion
17 Project.

18 Q Well, there were those specific projects, but the
19 Company also forecasted load based on other
20 factors, correct, including historic load?

21 A Historic load, yes.

22 Q So, I guess I'll re-ask the question. Let's say,
23 hypothetically, there was a need that the Company
24 had recognized for a long time, and then a series

[WITNESS: Dudley]

1 of projects tipped that need into the need for
2 new investment. Why should the -- let's sort of
3 take your analysis of used and usefulness at face
4 value, why should the need for that investment be
5 based solely on those 16 projects, and not the
6 need of the area as a whole?

7 A Well, the only thing that I had to review, the
8 only thing the Company offered me was information
9 on those 16 projects. I am not aware of or --
10 and I don't know the specifics on any of the
11 other specific infrastructure causes that would
12 spur the need for that Project, in addition to
13 the Downtown Conversion Project. The only
14 thing -- the only information I had to go on is
15 what the Company provided in terms of those 16
16 projects.

17 Q Okay. You say that the Company provided you "no
18 other information". You've actually included, as
19 an attachment here, the Concord Downtown Area
20 Study?

21 A Yes. That's correct.

22 Q Would that not be relevant to the other factors,
23 other than the 16 customers coming on?

24 A Well, my understanding of the study is that it

[WITNESS: Dudley]

1 tries to address what needs to be done in order
2 to service the projected new load. What I find
3 in the study, the study is actually a very
4 10,000-foot level study. It's not as specific as
5 others that we have seen. It does go through the
6 various options of improvements and alternatives.
7 But there's no cost figures in here, there's no
8 costing, which is one of the problems we have
9 with the study. You know, it doesn't really say
10 what the costs of these alternatives are.

11 But there are -- there are concerns
12 regarding loading at certain substations, and
13 transformers exceeding their capacity, their
14 nameplate capacity. But all of that, those are
15 existing conditions, but those conditions would
16 be triggered by a large growth project that would
17 bring those concerns into play.

18 But, again, it's all based on
19 projections. Yes, there are deficient -- yes,
20 there are conditions of deficiencies. But those
21 deficiencies are made -- or, reach critical mass
22 only when these projects actually come on line
23 and are developed.

24 Q So, to that point, you've included here a list, I

[WITNESS: Dudley]

1 believe it is Hearing Exhibit 6, Bates Page 002.
2 So, just kind of looking down here --

3 MR. TAYLOR: And, Commissioners, do you
4 have that in front of you? I just want to make
5 sure that I'm not getting ahead of you.

6 CHAIRMAN GOLDNER: Where are you,
7 Mr. Taylor?

8 MR. TAYLOR: Hearing Exhibit 6, Bates
9 Page 002.

10 CHAIRMAN GOLDNER: Okay.

11 BY MR. TAYLOR:

12 Q So, just looking down, second line, "20 South
13 Main Street", proposed load "500 kVA". Says it's
14 not in service, but the "developer is meeting
15 with the City Department in June for approvals
16 for a project to begin in the fall".

17 Moving down two lines, "1000 kVA", "32
18 to 34 South Main Street, "residential development
19 planned to begin Fall of 2022".

20 Moving down again, "1 to 4 Depot
21 Street", "residential project", it's engineered
22 "to be in service by the end of Summer 2022."

23 "80 Storrs Street", "2 restaurants",
24 "construction to begin June 2022".

[WITNESS: Dudley]

1 And below that, a project looking for
2 "approval 2022", "construction to begin in 2023".

3 So, is it the Department's position
4 that the Company's system should not be ready to
5 absorb these loads within the next several months
6 to a year?

7 A No. First of all, the Company has no way of
8 knowing whether it's going to be several months,
9 or a year, or two years or three years. All of
10 these projects are in process. And any of them
11 could drop out at any time. For example, my --
12 our understanding is that 32-34 South Main Street
13 has been cancelled, because the purchaser pulled
14 out of its transaction with the City of Concord.

15 So, anything can happen in the interim.
16 And I understand the Company can't predict that.
17 But, again, we're not -- we're not challenging
18 the fact that the Company put in this
19 infrastructure. What we're challenging is that a
20 lot of it is unused. And ratepayers should not
21 have to bear the expense of that. The
22 shareholders of the Company should bear the
23 expense of that, and the risks that go with it.

24 Q But, Mr. -- hold on, Mr. Dudley. So, your

[WITNESS: Dudley]

1 position is that, if the Company is informed by a
2 project that is coming onto the system, and the
3 Company reacts by sizing its system to ensure
4 that the entire area in which that project exists
5 receives safe and reliable service, that despite
6 the fact that the Company can have no control
7 over what that developer does in the future, has
8 no control over global health issues, that the
9 Company, if that load does not materialize,
10 despite all of the information provided to the
11 Company indicating that that load will, in fact,
12 come on, that the Company should not be allowed
13 recovery on that investment?

14 A Unitil takes that risk. And Unitil should bear
15 that risk, not the ratepayers.

16 Q But your position, if that is your position, then
17 your position is that every utility in this state
18 should bear that risk, correct?

19 A Depends on the circumstances. In this
20 circumstance, there is a lot of load that's not
21 being used. The backbone is already in, a lot
22 of the infrastructure is already in. Yes, we
23 know that. But there are a number of "noes" on
24 this page, Mr. Taylor. And, frankly, I have no

[WITNESS: Dudley]

1 way of knowing whether any of these are going to
2 come on line tomorrow, or next month, or next
3 year, and neither does Unitil. Anything can
4 happen. Any of these projects can drop out at
5 any time.

6 Q But that's true of any investment that any
7 company makes, isn't that true?

8 A It is.

9 Q Okay. So, what you're suggesting --

10 A But the risks shouldn't be borne by ratepayers.
11 The risks should be borne by Unitil.

12 Q So, if the Company makes an investment that is
13 used and useful and ready to serve the customers
14 who have indicated that they will be coming on
15 line, shareholders and investors should bear the
16 risk that anything beyond the Company's control
17 will happen to affect that load coming on?

18 A If there's no customer, then it's not used and
19 useful.

20 Q But that is a fundamentally different way, what
21 you're proposing is fundamentally different than
22 the way that "used and useful" is actually
23 analyzed in this state, correct?

24 A I disagree.

[WITNESS: Dudley]

1 MR. DEXTER: I want to interject for a
2 second, because I think we've gone beyond step
3 adjustment and gone to rate case. And Mr.
4 Dudley's position in the rate case on this was
5 settled. That is not before the Commission now,
6 and it was taken care of in the Settlement.

7 If Mr. Taylor's questions are with
8 respect to a step adjustment and the hypothetical
9 questions are with respect to the step
10 adjustment, which is at issue in this case, I
11 think it would be helpful to the conversation if
12 it's posed that way.

13 But the way the last couple of
14 questions were posed, sounded to me more like
15 general rate case questions, not step adjustment
16 questions. So, I would request a clarification.

17 CHAIRMAN GOLDNER: Mr. Taylor.

18 MR. TAYLOR: Well, why don't I just --
19 I'll maybe drop that line.

20 BY MR. TAYLOR:

21 Q Mr. Dudley, as somebody who is not an engineer,
22 you're not really qualified to render an opinion
23 on whether load is or should be proportionate to
24 investment, correct?

[WITNESS: Dudley]

1 A "Whether load should be proportionate to
2 investment"?

3 Q Well, let me -- let me sort of step back for a
4 moment.

5 So, is it your position that the
6 Company, Unitil, or really any company, should
7 invest in its system in a manner that is directly
8 proportionate to load that actually comes onto
9 the system?

10 A Well, in this particular case, that's load that's
11 actually coming onto the system, and then there's
12 load that is projected to come onto the system.
13 And I think that's the problem that we're
14 grappling with here, is that, yes, there is, as
15 the table that you've brought up, and the
16 discovery request shows, yes, there is existing
17 load that has come on line.

18 The problem is -- the question that
19 we're thinking about in the Department is that,
20 okay, you have a projected load, that you've put
21 in the infrastructure and the backbone to serve
22 that load. But, if the load itself has a highly
23 speculative nature, and I would argue that this
24 does, then the Company can't expect to place all

[WITNESS: Dudley]

1 of that risk on the shoulder of ratepayers, who
2 are receiving no benefit from load that isn't
3 there.

4 That is something that the Company has
5 to take on. It's a risk that the Company takes.
6 That's a part of doing business. But, in this
7 particular case, those risks shouldn't be borne
8 by the ratepayers. Those risks should be borne
9 by the shareholders of Unitil.

10 And, in the Settlement, we did have a
11 requirement in the Settlement, reporting
12 requirement from Unitil, so that we could kind of
13 keep track of what new load would come on in the
14 coming years, prior to the next rate case, to see
15 how that all shakes out.

16 But, at this point in time, this is
17 highly speculative, as to what -- as to what will
18 come on line and what will not come on line. We
19 have no way of knowing that.

20 Q You keep saying it's "highly speculative", Mr.
21 Dudley. But these are specifically identified
22 projects, with specifically identified loads,
23 that the Company was aware was coming onto the
24 system. How can you call it "highly

[WITNESS: Dudley]

1 speculative"?

2 A It's highly speculative, because the developers
3 themselves don't know when their own projects are
4 going to come on line or when their own projects
5 are going to be finished. They have a
6 projection. Some of them don't, some of them are
7 waiting. Like this one customer, "Dubois
8 Avenue", says "Owner has held off on developing
9 this parcel - waiting for economy to recover."

10 They don't know. They don't -- sure,
11 in a perfect world, they probably have done their
12 own projections, and they say -- and they have
13 come to you and said "Yes, this is probably the
14 load that we're going to need."

15 But it hasn't happened. Some of them
16 don't know when that's going to happen. Some of
17 them don't know whether they're going to be fully
18 rented out or rented out at all. With some of
19 these projects, renovations are still ongoing.

20 So, yes. The amount of unknowns
21 involved with this Project lead us to believe
22 that it is speculative.

23 Q Mr. Dudley, everything you're talking about right
24 now, in terms of where the projects are

[WITNESS: Dudley]

1 currently, all of this follows the onset of
2 COVID-19, which came after the Company planned
3 this Project, correct?

4 A Yes.

5 Q Do you genuinely believe -- does the Department
6 believe that the COVID-19 pandemic is totally
7 irrelevant in this analysis?

8 A What the Department believes is that regulation
9 does not protect utilities from uneconomic
10 outcomes or bad luck. Those are the risks that
11 utilities take.

12 Q So, if the Company -- if everything the Company
13 knew at the time that it went into this Project
14 was that this load would come on and that it was
15 necessary, it was taking the risk that a disease
16 would ravage the planet, and completely bring
17 everything to a standstill for several years,
18 we're still coming out of it, that was the risk
19 that utilities are expected to take on?

20 MR. DEXTER: Objection. Again, we're
21 here about the step adjustment. This was the
22 issue that we were going to bring before the
23 Commission in the base part of the case, which we
24 didn't, because we settled.

[WITNESS: Dudley]

1 So, I would ask that Mr. Taylor limit
2 his questions to the step adjustment phase, not
3 broad policy questions that would apply to cases
4 beyond what's before the Commission.

5 MR. TAYLOR: Well, I think the
6 Commission -- if I may? Sorry, I don't mean to
7 cut you off. I was just going to respond to the
8 objection.

9 The Department of Energy is asking the
10 Commission to take a pretty radical position with
11 respect to investments. It's going to affect a
12 lot of other cases.

13 CHAIRMAN GOLDNER: I understand. I'm
14 just noting that the rate case was a lot shorter
15 than the step hearing. So, I'm just noting the
16 difficulty of the current step discussion.

17 But, yes, Mr. Taylor, if you could,
18 we'll just stay focused on the step, if you can.
19 And do you have much more for Mr. Dudley?

20 MR. TAYLOR: You know, I can -- I can
21 move on.

22 BY MR. TAYLOR:

23 Q There was some -- there was a question raised
24 about whether the approximately \$424,000 in

[WITNESS: Dudley]

1 investment related to the Concord Project was in
2 the prior base rate case, and whether -- or,
3 whether it had already been included in the prior
4 rate case.

5 So, is it the Department's position
6 that the Company is trying to double-recover on
7 this investment?

8 A We don't know. What we have for information is
9 identical to what was presented in the rate case.
10 I think I stated earlier with Mr. Dexter that the
11 construction authorization that we were provided
12 in the rate case for this Project, which is
13 Part 2 of the Concord Project, is identical in
14 all respects, right down to the dollar costing of
15 the construction authorization that was presented
16 to us in the step adjustment. So, it calls into
17 question, if the expenses that are being included
18 in the step are really separate and apart from
19 what was included in the rate case, then there is
20 no documentation to support that, that
21 expenditure. Because the justifications and
22 description in the construction authorization
23 that were provided in the step adjustment is
24 identical to that provided in the rate case.

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[WITNESS: Dudley]

1 So, we're left with the question of
2 "Where is this 400,000?" Is it in the rate case?
3 Is it in the step? Is it in both places? We
4 don't know. We have no information from the
5 Company to discern that.

6 Q So, it's in the Company's sworn testimony, and
7 you heard on the stand today that the Company,
8 under oath, that it was not in the prior rate
9 case, and it's in this step.

10 Do you feel that the Company is not
11 being truthful before the Commission?

12 A I'm confused by the fact that Mr. Sprague
13 testified in the rate case that it was included
14 in rates in the base rate case.

15 Q And where did he do that?

16 A It was in his written testimony.

17 Q Well, while my co-counsel gets that up, that
18 portion of the testimony listed a number of
19 discrete projects, with discrete authorization
20 numbers, correct?

21 A Yes.

22 Q Okay. And, when you referenced the cost records
23 relative to this particular project, you noted
24 that there are a number in -- that many were in

[WITNESS: Dudley]

1 2020, but that there were also some in 2021,
2 correct?

3 A Yes.

4 Q Okay. Is it the Department's position that
5 projects that are in CWIP at the end of the test
6 year should be included in the test year?

7 A "In the test year"?

8 Q Sure.

9 A I'm sorry, I don't understand your question.

10 Q In a base rate case, --

11 A Yes.

12 Q -- if a project is in CWIP, and not placed in
13 service at the end of the test year, I presume
14 that the Department's position is that it should
15 not be included within the test year for the rate
16 case. Is that fair to say?

17 A Yes.

18 Q Okay. And, so, if this project was still
19 incurring costs in 2021, and did not close until
20 2021, was not placed into service until 2021,
21 then it should have been excluded from the test
22 year, correct?

23 A Yes.

24 Q And it should have been included in this step

[WITNESS: Dudley]

1 adjustment, correct?

2 A Yes.

3 Q And the Company has testified that that is, in
4 fact, what happened, correct?

5 A Well, the testimony -- the Company seems to want
6 it both ways. Because, in the rate case
7 testimony, Mr. Sprague testifies that the project
8 was complete, and used and useful in 2020, and is
9 in rate base.

10 Q Okay. Well, let me -- let me make this maybe
11 simple, and perhaps we'll solve it just by
12 calling our witness.

13 If our witness testified under oath
14 today that it was "not included in the prior rate
15 case", which Mr. Dexter has gone to pains to say
16 that we shouldn't be talking about, and was, in
17 fact, "included in this step", would you have any
18 reason to believe that the Company is not being
19 truthful to the Commission, under oath, when it
20 states that?

21 A I think the Commission has a right to know what
22 led up to that contradiction.

23 Q We'll let Mr. Sprague sort it out. You said
24 earlier that the excess capacity in the system

[WITNESS: Dudley]

1 "provides no benefit to ratepayers". Do you
2 consider safe and reliable service to be a
3 benefit?

4 A Yes.

5 Q Okay. Do you consider the availability for new
6 customers, to be able to service new customers to
7 be a benefit?

8 A It is, when it's used. But, if it's sitting
9 idle, unused, no.

10 Q Do you think that -- Is it the Department's
11 position that it would be better for customers to
12 have to wait an extended period of time to take
13 service, when they need new service, so the
14 Company can, I guess, catch up to them?

15 A I don't know how long those time periods would
16 take place. I have no information on that.

17 Q I guess the final thing that I'll say is that
18 there's been a lot of discussion today, and, I
19 guess, in particular, about the T&D blankets,
20 about how the Department would have no way of
21 being able to evaluate the material that was
22 placed before it.

23 But the Department was provided with
24 the filing on February 28th, correct?

[WITNESS: Dudley]

1 A Yes.

2 Q And that was consistent with what the Parties
3 agreed to in the Settlement, correct?

4 A Yes. But that information was provided in the
5 midst of settlement. However, we had no way of
6 knowing at that time whether or not the
7 Settlement was going to be approved. We did not
8 receive actual approval from the Commission until
9 May 3rd.

10 Q Okay. So, you waited until May 3rd to actually
11 start looking at the information?

12 A Yes.

13 Q Okay.

14 A We had -- we had several other dockets ongoing.
15 And there was that uncertainty out there that the
16 Settlement may be approved or it may not.

17 Q And you had opportunities to ask discovery of the
18 Company, correct?

19 A I'm sorry, could you say that again?

20 Q You had opportunities to ask discovery to the
21 Company, correct?

22 A Yes, we did. After the Commission's decision was
23 known, yes.

24 Q Well, you had an opportunity before that, too,

[WITNESS: Dudley]

1 right?

2 A No. There was no -- there was no opportunity for
3 discovery prior to settlement.

4 Q No, no. I mean, after we made our -- after we
5 made our filing, you could have asked questions
6 about it, correct?

7 A Well, my experience has been, and I'm not a
8 lawyer, but my experience has been that discovery
9 is part of a procedural schedule that's agreed to
10 by all the parties. I'm not aware of any
11 procedural schedule at that time.

12 Q Well, but anyways, within the time, you could
13 have asked the Company discovery, correct?

14 A Well, I believe I would --

15 Q After May 3rd, you could have asked the Company
16 discovery?

17 A Oh, after May 3rd, yes, of course. And we did.

18 Q And you did, in fact, ask the Company questions?

19 A We had two rounds of discovery, plus a tech
20 session, in June.

21 MR. TAYLOR: I actually have no further
22 questions for -- well, actually, just a moment.

23 *[Short pause.]*

24 MR. TAYLOR: I have no further

[WITNESS: Dudley]

1 questions for Mr. Dudley.

2 CHAIRMAN GOLDNER: Okay. We'll move to
3 the Commissioner questions. Commissioner
4 Chattopadhyay?

5 CMSR. CHATTOPADHYAY: I don't have any
6 questions.

7 CHAIRMAN GOLDNER: Okay. I think I'll
8 keep it brief, Mr. Dudley. Maybe one or two
9 things.

10 BY CHAIRMAN GOLDNER:

11 Q I just want to make sure I understand the amount
12 in dispute today between the Department and the
13 Company. We talked previously about that 424K
14 number, maybe it's a little bit less than that.
15 Can you -- can you just help me quantify the
16 amount in dispute today, so the Commission
17 understands what exactly we're talking about, in
18 terms of numbers?

19 A Well, the amount in dispute is what they have put
20 into their exhibits, in Exhibit 1, which, again,
21 I'm reading the fine print.

22 Q I understand. It's "424,394", I think is the
23 number?

24 A Correct. On Line 36, yes.

[WITNESS: Dudley]

1 Q Okay. So, the Department is, not today, asking
2 the Commission to rule against Unitil on the "T&D
3 improvement" lines, it's -- you're kind of a
4 one-issue candidate, in terms of this 424.4K
5 number?

6 A Yes.

7 Q Okay. Okay. So, I think I understand. But
8 there was discussion before about "30 percent
9 less" and this kind of thing. You would say it's
10 424 or zero? Either it's in -- either it was in
11 the prior rate case, or it wasn't. The
12 Department's position is, if it was in the prior
13 rate case, fine. It was already counted in rate
14 base.

15 A Right.

16 Q If it wasn't, then the Department's position is
17 it should be counted in the step?

18 A Yes, if it wasn't.

19 Q If it wasn't. Okay. Thank you.

20 A Yes.

21 CHAIRMAN GOLDNER: Okay. Perfect. Mr.
22 Dudley, thank you.

23 WITNESS DUDLEY: Yes.

24 CHAIRMAN GOLDNER: Okay. I think

[WITNESS: Dudley]

1 that's it for Commissioner questions.

2 I will move to Mr. Dexter for redirect.

3 MR. DEXTER: Yes. Just following up on
4 that last line of questioning from the
5 Commission. And, again, normally, we would put
6 this in prefiled testimony. So, today's hearing
7 is a bit complicated.

8 **REDIRECT EXAMINATION**

9 BY MR. DEXTER:

10 Q But, Mr. Dudley, if the 424,000 were appropriate
11 for review in this step adjustment, because it
12 had been determined that it was not already
13 included in the test year rate base, your
14 position in this case would be that your
15 needs-based percentage allowance would apply to
16 that number in the step adjustment. And I
17 believe what you said was, you would recommend
18 67 percent of the 424 not be put in rate base at
19 this time, but be reviewed in the next rate case
20 to see how the load materialized. Is that right?

21 A That's actually "63 percent".

22 Q "63 percent", okay.

23 A Yes.

24 Q Okay.

[WITNESS: Dudley]

1 A Yes.

2 Q With respect to the tech session that we had,
3 that was referenced a few minutes earlier, I was
4 at the tech session, and I know you were at the
5 tech session. My recollection of the tech
6 session is that we spent most of it sort of
7 having the Company give us a roadmap on how to
8 analyze the 4,300 pages we were given. Is that
9 your recollection?

10 A Yes, it is.

11 Q Can you give us a little more detail about that
12 roadmap and what we learned that was important
13 for the review of that filing?

14 A Well, one of the questions we had was that the
15 *pdfs* that were provided and that are in Exhibit 4
16 and 5, where the cost detail is provided, the
17 *pdfs*, first of all, you had thousands of pages
18 for all of these different projects. And it was
19 very hard to pinpoint where we could find our
20 project that we were interested in in reviewing.
21 One of the complications was that the *pdfs* were
22 not searchable.

23 The other thing that we didn't
24 understand is how the projects were identified.

[WITNESS: Dudley]

1 And we found out in the tech session that they
2 were identified according to authorization
3 number. However, the authorization number, if
4 you look at the cost detail, is embedded in a
5 much larger number, which also incorporates the
6 work order number.

7 So, we ironed out those details with
8 the Company. And, with the Company's assistance,
9 we were able to then discern which portions of
10 the large file that we could quickly go to to see
11 the cost detail associated with those projects.

12 We also had additional questions
13 regarding the expense descriptions, which we
14 didn't quite understand. And the Company
15 provided information on that as well.

16 Q You referenced "Exhibit 4 and 5", but I think
17 you're talking about "Exhibit 1"?

18 A Yes. I don't have my exhibit list in front of
19 me. But, yes.

20 Q Okay. Exhibit 1 is the Company's initial filing?

21 A Yes.

22 MR. DEXTER: That's all the questions I
23 have.

24 CHAIRMAN GOLDNER: Mr. Dexter, if I

[WITNESS: Dudley]

1 could just ask, in closing, if you'll help
2 clarify the amount in dispute from the
3 perspective of the Department please. Thank you.

4 Okay. Very good. I think, next, we
5 were going to have Mr. Sprague back on the stand,
6 and excuse Mr. Dudley. Is that right? Thank
7 you, Mr. Dudley.

8 MR. TAYLOR: Yes. And I actually -- it
9 probably would be helpful to put the entire panel
10 back on the stand.

11 CHAIRMAN GOLDNER: Sure.

12 MR. TAYLOR: Just in case.

13 CHAIRMAN GOLDNER: Sure. Absolutely.
14 You can proceed. Thank you, Mr. Dudley.

15 (Whereupon **Kevin Sprague,**
16 **Christopher Goulding,** and **Daniel**
17 **Nawazelski** were recalled to the stand,
18 having been previously sworn.)

19 CHAIRMAN GOLDNER: Mr. Taylor.

20 MR. TAYLOR: Thank you. I'll direct
21 these questions to the panel. And I guess,
22 whoever is best suited to answer them, you can go
23 ahead and take them.

24 **KEVIN SPRAGUE, Previously Sworn**

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1 **CHRISTOPHER GOULDING, Previously Sworn**

2 **DANIEL NAWAZELSKI, Previously Sworn**

3 **REBUTTAL DIRECT EXAMINATION**

4 BY MR. TAYLOR:

5 Q So, there's been some discussion about the
6 Downtown Concord Conversion Project, and whether
7 the portion -- well, maybe step back for a
8 moment. That -- we've called it the "Downtown
9 Concord Conversion Project", because that's
10 actually an aggregation of seven distinct
11 projects, is that correct?

12 A (Sprague) That is correct.

13 Q And they all have distinct authorization numbers?

14 A (Sprague) That is correct.

15 Q And, of those seven projects, one of the
16 projects, I guess we'll call it "Concord Downtown
17 Conversion Part 2", is included for recovery in
18 this step adjustment, correct?

19 A (Sprague) That is correct.

20 Q And there has been some question raised by the
21 Department as to whether the costs related to
22 that project were actually included in rate base
23 in the Company's prior rate case, DE 21-030. Do
24 you recall that exchange?

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1 A (Sprague) I do recall that.

2 Q Can the Company say -- well, so, the discrete
3 Concord Downtown Conversion Project Part 2, that
4 was closed to plant in 2021, correct?

5 A (Sprague) That is correct.

6 Q And, so, it being closed to plant in 2021, it was
7 not included in the rate base that the Company
8 submitted in its last rate case, correct?

9 A (Sprague) That is correct.

10 Q Can you say definitively, today, that the costs
11 at issue related to Concord Downtown Conversion
12 Project Part 2 were not included in the Company's
13 rate case?

14 A (Goulding) Yes. Those costs were placed in
15 service in November of 2021. So, they were not
16 part of the rate case.

17 Q Okay. So, the Company would not be getting
18 double-recovery for those assets, if it were to,
19 let's say, hypothetically, receive full recovery
20 of those assets in this case, correct?

21 A (Goulding) Correct.

22 MR. TAYLOR: Those are the only
23 questions I have.

24 CHAIRMAN GOLDNER: Thank you,

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1 Mr. Taylor. Mr. Dexter.

2 MR. DEXTER: Yes.

3 **REBUTTAL CROSS-EXAMINATION**

4 BY MR. DEXTER:

5 Q In light of that exchange, which we appreciate,
6 can you explain why, in the prefiled testimony in
7 the last case, there is a statement that says
8 "The project was placed in service, used and
9 useful, in 2022 [2020?]", and then, immediately
10 following that statement, there's a table that
11 includes the "Concord Downtown Conversion
12 Part 2"? It strikes me as an inconsistency. I
13 welcome being cleared up on that issue.

14 A (Sprague) Right. So, part of this might be the
15 engineer saying what's "in service" versus what
16 the accounting group is saying "in service" is.
17 This Project has been discussed, it goes all the
18 way back to our least cost planning filing, and
19 that's where we first started putting tables
20 together to show capital spending. And that's
21 what the table is meant to show, capital
22 spending. It's not meant to show what has been
23 closed to plant and what has been necessarily
24 included in the rate base calculation.

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1 So, when I said it was "in service", I
2 meant "in the field, the work was done." But, as
3 with every project, there is a lot of work that
4 happens, reviewing invoices, making sure all
5 those invoices are in, making sure all the
6 charges have hit the project, before that project
7 is actually closed to plant, and then able to be
8 included in rate base.

9 Q Is there a date certain, a date specific, from an
10 engineering standpoint, that this particular
11 project was "in service", or was it more gradual?

12 A (Sprague) I'm not sure -- I know it was as -- in
13 2020, the project -- the work in the field was
14 complete. I'm not sure I can say, right off the
15 top of my head, what exact date that was. But
16 the work in the field was done towards the end of
17 2020. Then, the process, the internal process of
18 going through, making sure all the charges have
19 hit, and all of the charges are accurate, and the
20 project is closed to plant. It happens
21 subsequent to that.

22 Q And Mr. Goulding indicated that it was "November
23 of 2021", is that right?

24 A (Goulding) That's correct.

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1 Q And how do you know that date, Mr. Goulding?

2 A (Goulding) It's one of the data that comes from
3 our Power Plan System. So, one of the fields
4 shows the in-service date.

5 Q Is that something that the Department has had
6 access to in this case?

7 A (Goulding) I don't believe that the Department
8 asked the question, requesting the in-service
9 date of the Project.

10 Q No. Let me rephrase that. You mentioned a
11 "power something", I didn't catch what it was.
12 I'm just asking whether that's a document that
13 was included in either the step adjustment filing
14 or the underlying rate case?

15 Not that we couldn't have had it if we
16 had asked for it. I'm just wondering if it's
17 something we had, and overlooked?

18 A (Goulding) It was not provided as an exhibit.

19 Q In either case?

20 A (Goulding) Correct.

21 Q Okay. Can you tell me again what that was
22 called, "power"?

23 A (Goulding) The term "Power Plan System".

24 Q And that has an in-service date for every

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1 authorization?

2 A (Goulding) I'm only looking at one. But, yes, I
3 believe it would have an in-service date for all
4 authorizations.

5 Q Okay. So, is it typical that a project would be
6 in the field, in service per the engineer in
7 2020, but wouldn't be closed to plant for 11
8 months later, from an accounting standpoint? Do
9 you know if that's typical?

10 A (Sprague) Yes, that is. As you can see from some
11 of the projects that we've talked about today,
12 some of the charges date back several years. And
13 those projects have been in service, but just
14 have not been closed to plant.

15 MR. DEXTER: Okay. That's all we have.
16 Thanks.

17 CHAIRMAN GOLDNER: Thank you
18 Commissioner Chattopadhyay?

19 BY CMSR. CHATTOPADHYAY:

20 Q I am just curious whether the term "in service",
21 as an engineer, that's a standard term?

22 A (Sprague) To me, yes. That means it's energized
23 in the field, and the project is complete.

24 Q So, you probably know the date as well when that

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1 happens?

2 A (Sprague) I'm not sure that we specifically say
3 that. I do know that there is a time when the
4 project manager says "all right, the project is
5 complete", and then it's handed over to the Plant
6 Accounting group to do their work.

7 Q Do you have a documentation of that?

8 A (Sprague) I'm not sure I have that right in front
9 of me today.

10 Q But can you go back and see whether there is
11 some? Because, you know, I'm just -- you're
12 using a term, it's good to know that it's a
13 standard term, and, when you're using it, you
14 know exactly when that happens.

15 A (Sprague) Yes. We can get that date.

16 CMSR. CHATTOPADHYAY: Okay. Well,
17 would that be a record request or --

18 CHAIRMAN GOLDNER: We can add it, sure.
19 Maybe repeat it back, so that we capture --
20 Mr. Taylor and I capture it correctly.

21 CMSR. CHATTOPADHYAY: So, for the
22 project, can somebody mention where it's -- you
23 said "Exhibit 6" from the previous case. But,
24 particularly, is there a number that we can, you

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1 know, use? But, essentially, I'm trying to get a
2 sense of the engineering term "in service", for
3 the project in question, when did that happen?
4 When did it --

5 CHAIRMAN GOLDNER: So, maybe,
6 Commissioner, you're asking for really, I think,
7 two dates, really. You want to know, for the
8 Concord Project, you want to know when the
9 Engineering team signed off on it as being "in
10 service".

11 CMSR. CHATTOPADHYAY: Yes.

12 CHAIRMAN GOLDNER: And when the
13 Accounting team signed off on it as being "in
14 service". Correct?

15 CMSR. CHATTOPADHYAY: I'm more
16 interested in the engineering piece, because it
17 sounds -- I'm sensing it was November 2021.

18 CHAIRMAN GOLDNER: Right.

19 CMSR. CHATTOPADHYAY: So, I already
20 have that. But, for the engineering, I would be
21 interested in knowing.

22 **BY THE WITNESS:**

23 A (Sprague) So, subject -- I will say "subject to
24 check", if we go back to -- I'm going to get my

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1 exhibits wrong here, but I believe it's
2 Exhibit 2, we've gone here several times today.

3 BY CMSR. CHATTOPADHYAY:

4 Q So, let me go there. Just a moment. I have too
5 many things open. It's hard to know -- I think
6 I'm there. No, this is Exhibit 1.

7 Yes, go ahead. I'm just -- I know
8 which one you're talking about.

9 A (Sprague) So, if we go down to Line 36 of that.

10 Q Okay.

11 A (Sprague) Scroll all the way over to the
12 right-hand side.

13 Q Yes.

14 A You'll see a date completed, that says
15 "February-21". So, I'm assuming that that is the
16 date at which the project manager said that this
17 project is complete in the field.

18 Q Okay. But that's in 2021?

19 A (Sprague) That is.

20 CMSR. CHATTOPADHYAY: Okay. Thank you.

21 CHAIRMAN GOLDNER: Maybe I'll just ask
22 you a question on process.

23 BY CHAIRMAN GOLDNER:

24 Q So, my recollection of the process in a different

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1 company, in a different environment, was we would
2 close -- the project manager would close the
3 project, and then he or she would chase the
4 accounting team out for maybe a year closing
5 accounts, because you might have an accounts
6 receivable open, accounts payable open, something
7 was open. You'd have to chase all that down from
8 an accounting perspective. And only after all of
9 that was closed out could you close the account.

10 Is that the way it works at Unitil?

11 A (Sprague) Yes. That's a fair statement.

12 Q Okay. And that our -- that my experience with
13 that is it could go on for a year, or two,
14 probably shouldn't have, but it could. You have
15 probably similar experiences, it looks like?

16 A (Sprague) Yes.

17 CHAIRMAN GOLDNER: Okay. Okay. That
18 comports with my unfortunate experience in that
19 area.

20 So, okay. Thank you. So, we'll move
21 to a redirect, Mr. Taylor.

22 MR. TAYLOR: Thanks. I just have a
23 couple brief questions.

24 **REBUTTAL REDIRECT EXAMINATION**

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1 BY MR. TAYLOR:

2 Q One, Mr. Goulding, you referenced, sorry, it's
3 "Power Plan" or "Power Plant"?

4 A (Goulding) "Power Plan".

5 Q Okay. I was a little embarrassed I didn't know
6 that by now. But given what just happened, I
7 think I can --

8 A (Goulding) It gets called both, I've heard it
9 called both. But I always thought it was called
10 "Power Plan".

11 Q Okay. And just -- Mr. Dexter had asked, and I
12 understand why he asked this, he asked whether
13 the Department had access to that. Just for
14 clarity, Power Plan is -- it's a complex software
15 system, correct?

16 A (Goulding) I probably won't do it justice. But
17 it's our fixed asset accounting system. So, it
18 has all of our assets in it. All the work order
19 data, plant in service data, cost records. So,
20 all of that data is in there, and that's what
21 gets used to track the different assets on our
22 system.

23 Q Right. But it is, in and of itself, a system.
24 It's not just a document that can be produced,

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1 correct?

2 A (Goulding) Correct.

3 Q And just going back, there was some discussion of
4 the project, and ended up being in service, and
5 so on and so forth. In this case, this
6 particular project that we're discussing, the
7 Concord Downtown Conversion Part 2, because that
8 was not closed to plant in 2020, it was not
9 included in the Company's rate base, correct?

10 A (Goulding) Correct.

11 Q Okay. And is it fair to say that, you know, the
12 Company not including a project like that in its
13 rate base, in addition to being, I guess,
14 consistent with accounting practices, is also
15 consistent with the Company's practice of
16 transparency in its filings?

17 A (Goulding) Yes. And not including construction
18 work in process in rate base.

19 MR. TAYLOR: That's all I have for
20 redirect.

21 CHAIRMAN GOLDNER: Okay. Thank you.
22 Okay. Thank you to the witnesses. You're
23 excused again. Thank you.

24 You can stay there or you can go back

1 to your other seats, whichever is more
2 comfortable. Okay, I think you'll stay there.
3 Sounds good.

4 So, without objection, we'll strike the
5 ID on Exhibits 1, 2, 3, 5, 6, 9, and 10, and
6 admit them as exhibits.

7 And we'll hold the record open for the
8 record requests. Commissioner Chattopadhyay, did
9 you want to make a record request or was the
10 answer of "February '21" sufficient?

11 CMSR. CHATTOPADHYAY: I think "February
12 '21", that is sufficient. And I don't need the
13 record request.

14 CHAIRMAN GOLDNER: Okay. Thank you.

15 And then, Mr. Taylor, you had read back
16 the record request. I'll add one. It's kind of
17 a corollary. And we can just make it 1 or 1a, or
18 make it a second one. I just want to make sure
19 that -- I think it was easier to understand if we
20 did it by subtraction, as opposed to addition.
21 So, you were highlighting in our -- in 26,623,
22 Page 25, we had highlighted the process. And
23 I'll posit that $a + b = c - d$, in
24 this case. But I want to give the company an

1 opportunity to do it both ways, so that it's
2 clear to everyone.

3 So, what I'll suggest for sort of a
4 second record request is, we go to that same
5 schedule on CGKS-5, and holding the same item
6 constant, that is the 407.9 beginning plant as
7 100 percent non-growth, that's true in both
8 record requests, calculate it by subtraction, in
9 other words, take the total investment year,
10 subtract off the growth piece, and that aligns
11 better with the Settlement. You'll get the same
12 answer, I'm confident.

13 But I think, doing it both ways, will
14 help illustrate to everyone that, you know, we
15 get the same answer no matter how we slice it.

16 MR. TAYLOR: So, just so I understand
17 again. Holding the 407.9 million as 100 percent
18 non-growth, holding that constant, subtract --
19 I'm sorry, I bungled this, subtract --

20 CHAIRMAN GOLDNER: Said differently,
21 you can take Column (b) on that schedule, and
22 just leave it alone, it's fine. And then, when
23 you subtract off the growth year to arrive at
24 your total number, just as you did on the

1 spreadsheet, the only difference is that the
2 depreciation in (c)6 will change. Because if
3 you -- if all 407.9 million are non-growth
4 assets, that depreciation number will change.

5 So, if you just calculate that out, it
6 will be the same as the first record request.
7 But I think it's useful to calculate it both
8 ways.

9 MR. TAYLOR: I guess I'm just going --

10 CHAIRMAN GOLDNER: I've puzzled Mr.
11 Goulding, I can tell. You wouldn't be very good
12 at poker, sir.

13 *[Laughter.]*

14 WITNESS GOULDING: I was doing the
15 calculation.

16 MR. TAYLOR: I'd just -- I'm going to
17 look to my witnesses and just ask, do they
18 understand the question as it's been asked?

19 WITNESS NAWAZELSKI: I understand.

20 CHAIRMAN GOLDNER: Thank you.

21 WITNESS GOULDING: We understand.

22 CHAIRMAN GOLDNER: Thank you. Okay.
23 Very good. That's it for the record requests.

24 *[Record request reserved.]*

1 CHAIRMAN GOLDNER: So, is there, and
2 before we move to closing, I'll ask the parties
3 if they prefer, given the hour, a written closing
4 or an oral closing? And the Commission is fine
5 either way.

6 MR. TAYLOR: I can tell you,
7 Commissioners, that my closing, as it is, is
8 already fairly long. And there are some things
9 coming out of today that I was going to add to
10 it. So, we would likely be kept here fairly
11 long, if we did them as oral closings.

12 So, I would suggest a written closing,
13 and that we could probably turn that around
14 fairly quickly.

15 Again, if the Commission's preference
16 is that we do it now, we'll do that. But I just
17 did want to warn you that mine is probably going
18 to be a bit long.

19 CHAIRMAN GOLDNER: Mr. Dexter, do you
20 have a preference?

21 MR. DEXTER: I could go either way, but
22 a written closing would work in this case. I'd
23 like to mull over what we heard today. We did
24 learn a lot. So, --

1 CHAIRMAN GOLDNER: Very good. Can I
2 suggest, I'll though out for both the record
3 requests and the closing, would the 20th, which
4 is a week from today, be too quick? I'll note
5 that Commissioner Chattopadhyay and I will be out
6 for some time. Although, we'll be working from
7 afar.

8 So would you -- would a week be okay or
9 would you prefer more time, either way?

10 MR. TAYLOR: I will say, next Monday is
11 a holiday for the Company.

12 CHAIRMAN GOLDNER: Okay.

13 MR. TAYLOR: That's Juneteenth, which
14 is a -- I believe also a now federal holiday. My
15 suggestion would be, if it's okay with the
16 Commission, that we maybe do next Wednesday.

17 CHAIRMAN GOLDNER: Okay. Mr. Dexter,
18 is that acceptable?

19 MR. DEXTER: That would be June 22nd,
20 correct?

21 CHAIRMAN GOLDNER: Correct.

22 MR. DEXTER: Let me just consult my
23 highly sophisticated scheduling tool here.

24 CHAIRMAN GOLDNER: Is that in Power

1 Plan?

2 MR. DEXTER: Yes. That would be fine.
3 June 22nd, which is a Wednesday?

4 CHAIRMAN GOLDNER: Yes, sir.

5 MR. DEXTER: Would be fine.

6 CHAIRMAN GOLDNER: Okay. That works
7 well for the Commission. So, we'll make both the
8 record requests and the written closings to be
9 completed by close of business on June 22nd.

10 And, again, just I'll reiterate, in
11 fairness to all the parties, that this, in all
12 likelihood, means that it will be an August 1st
13 implementation on the step. So, I don't think
14 we'll be able to close out on everything by the
15 end of July. I know that's perhaps
16 disappointing, but that's the best we can do, I
17 think.

18 Okay. Is there anything else today?

19 MR. TAYLOR: Only that we appreciate
20 the Commission making additional time for us
21 today. I understand that this became probably a
22 bit more complex by way of a hearing than the
23 Commission anticipated when it initially
24 scheduled it. So, thank you for your time.

1 CHAIRMAN GOLDNER: Oh, thank you. And
2 I'll thank everyone, and, in particular, the
3 witnesses today, again, very, very helpful. And
4 the Commission appreciates the quality of the
5 witnesses very much.

6 So, we'll take the matter under
7 advisement, issue an order. And we are
8 adjourned.

9 ***(Whereupon the hearing was adjourned***
10 ***at 4:28 p.m.)***

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