

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

June 12, 2012 - 10:14 a.m.
Concord, New Hampshire

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RE: DG 12-128
ENERGYNORTH NATURAL GAS, INC.,
d/b/a NATIONAL GRID NH:
*Cast Iron/Bare Steel Replacement
Program Results.*

PRESENT: Chairman Amy L. Ignatius, Presiding
Commissioner Michael D. Harrington

Sandy Deno, Clerk

APPEARANCES: Reptg. EnergyNorth Natural Gas, Inc.,
d/b/a National Grid NH:
Patrick H. Taylor, Esq. (McLane, Graf...)

Reptg. PUC Staff:
Alexander F. Speidel, Esq.
Randall Knepper, Director/Safety Division
Stephen Frink, Asst. Dir./Gas & Water Div.

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

ORIGINAL

I N D E X

	PAGE NO.
WITNESS PANEL:	
THOMAS FINNERAL	
MINDY ROSEN	
Direct examination by Mr. Taylor	7
Cross-examination by Mr. Speidel	18
Interrogatories by Cmsr. Harrington	28
Interrogatories by Chairman Ignatius	38

* * *

<i>CLOSING STATEMENTS BY:</i>	<i>PAGE NO.</i>
Mr. Speidel	47
Mr. Taylor	48

E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	Direct Testimony of <i>Thomas Finneral</i> and <i>Mindy Rosen</i> , including attachments (05-15-12)	7
2	Revised Page 5 of 5 to Attachment C	7
3	Attachment Staff 1-4(B) Page 1 of 1	7
4	RESERVED (Record request to provide an understanding of the abandonment of footage re: two projects (Line 6 & 8) in Attachment B)	46

1 P R O C E E D I N G

2 CHAIRMAN IGNATIUS: Let's open the
3 hearing in DG 12-128, which is EnergyNorth Natural Gas,
4 doing business as National Grid New Hampshire. And,
5 presumably, to be doing business under a different name
6 soon to come, the Cast Iron/Bare Steel Replacement
7 Program. There are certain proposals that the Company has
8 made with calculations that, if approved as filed, would
9 increase residential heating customers 42 cents for a
10 customer using 1,250 therms per year, or a 0.03 percent
11 increase.

12 Let's take appearances please.

13 MR. TAYLOR: Patrick Taylor, from
14 McLane, Graf, Raulerson & Middleton, here today on behalf
15 of National Grid -- or, EnergyNorth Natural Gas, doing
16 business as National Grid New Hampshire. With me today
17 are Thomas Finneral and Mindy Rosen from the Company and
18 they will be providing testimony today.

19 CHAIRMAN IGNATIUS: Good morning.

20 MR. SPEIDEL: Good morning,
21 Commissioners. Alexander Speidel, on behalf of Staff. I
22 have with me Steve Frink, of the Gas & Water Division, and
23 also Randall Knepper, Director of the Safety Division.

24 CHAIRMAN IGNATIUS: Good morning. I see

1 before us a couple of documents that are premarked as
2 "Exhibits 2" and "3". Is that for this morning?

3 MS. DENO: Yes.

4 CHAIRMAN IGNATIUS: Good. Thank you.
5 So, are there any procedural matters to take up before we
6 begin with witnesses?

7 MR. SPEIDEL: Not necessarily. Would
8 you like to hear Staff's opinion regarding the Motion for
9 Confidential Treatment before or after witnesses?

10 CHAIRMAN IGNATIUS: Might as well take
11 it up now, why don't we. Thank you.

12 MR. SPEIDEL: Commissioners, Staff
13 supports the Motion for Confidential Treatment filed by
14 the Company.

15 CHAIRMAN IGNATIUS: All right. And, we
16 don't have any other parties here, so we don't have to be
17 concerned about others' access to it and any restrictions
18 that might be needed. All right. We will --

19 (Chairman Ignatius and Commissioner
20 Harrington conferring.)

21 CHAIRMAN IGNATIUS: All right. We will
22 grant the Motion for Confidential Treatment. Thank you
23 for reminding me, Mr. Speidel.

24 MR. SPEIDEL: Thank you.

1 CHAIRMAN IGNATIUS: Mr. Taylor.

2 MR. TAYLOR: Thank you, Chairman. The
3 Company calls Thomas Finneral and Mindy Rosen to the
4 stand. And, while they're getting ready, I'll note that
5 the Company is going to mark three exhibits. Exhibit 1 is
6 the Company's May 15, 2012 filing in this case. I have
7 provided a copy to the Clerk. I can provide copies to the
8 Commission, if you wish, but it looks like you already
9 have them.

10 Exhibit 2 is a schedule illustrating the
11 CIBS-related revenue collections by fiscal year, which Ms.
12 Rosen will use to illustrate a revision and clarification
13 to the Company's filing. This exhibit was provided to
14 Staff as an attachment, Data Request Staff 1-4(B). And,
15 actually, I'm going to correct myself, that is actually
16 Attachment -- Exhibit 3. Sorry, I changed the order up.
17 But they're marked properly.

18 So, I'm sorry, Exhibit 2 is a Revised
19 Page 5 to Attachment C of the Company's filing, which
20 illustrates revised bill impacts that Ms. Rosen will
21 explain during her direct testimony. Exhibit 3 is the
22 schedule that I previously mentioned, illustrating the
23 CIBS-related revenue collections by fiscal year.

24 CHAIRMAN IGNATIUS: Thank you. Is there

[WITNESS PANEL: Finneral~Rosen]

1 any objection for these three being marked for
2 identification?

3 MR. SPEIDEL: No.

4 CHAIRMAN IGNATIUS: Thank you very much.
5 (The documents, as described, were
6 herewith marked as **Exhibit 1, Exhibit 2,**
7 and **Exhibit 3,** respectively, for
8 identification.)

9 CHAIRMAN IGNATIUS: Please proceed.
10 (Whereupon **Thomas Finneral** and
11 **Mindy Rosen** were duly sworn by the Court
12 Reporter.)

13 **THOMAS FINNERAL, SWORN**

14 **MINDY ROSEN, SWORN**

15 **DIRECT EXAMINATION**

16 BY MR. TAYLOR:

17 Q. Mr. Finneral, please state your name and business
18 address for the record.

19 A. (Finneral) Thomas Finneral, 40 Sylvan Road, Waltham,
20 Mass.

21 Q. By whom are you employed and what is your position with
22 the Company?

23 A. (Finneral) National Grid USA Service Company. I'm the
24 Program Manager within Gas Construction New England.

[WITNESS PANEL: Finneral~Rosen]

1 Q. And, what is your role in the matter presently before
2 the Commission?

3 A. (Finneral) I'm responsible for managing and tracking
4 the Cast Iron/Bare Steel Program for New Hampshire.

5 Q. Mr. Finneral, the filing marked as "Exhibit 1" contains
6 joint testimony bearing your name. Was this testimony
7 prepared by you or under your direction?

8 A. (Finneral) Yes, it was.

9 Q. Do you have any corrections or changes that you'd like
10 to make?

11 A. (Finneral) Yes. One correction. On Page 12 of the
12 testimony, Line Number 19, there's an extraneous
13 reference to "Attachment B". I'd like that stricken
14 from the record reference.

15 Q. Subject to that correction --

16 CHAIRMAN IGNATIUS: I'm sorry. So,
17 would the sentence just be end with "2%.", and that final
18 citation be taken out?

19 WITNESS FINNERAL: Correct.

20 CHAIRMAN IGNATIUS: Thank you.

21 BY MR. TAYLOR:

22 Q. Subject to that correction, is the testimony true and
23 correct to the best of your knowledge and belief?

24 A. (Finneral) Yes.

{DG 12-128} {06-12-12}

[WITNESS PANEL: Finneral~Rosen]

1 Q. Mr. Finneral, there's a report attached as "Attachment
2 A" to the joint testimony. Have you reviewed that
3 report?

4 A. (Finneral) Yes.

5 Q. Okay. And, to the best of your knowledge and belief,
6 is the report true and accurate?

7 A. (Finneral) Yes, subject to clarification that Ms. Rosen
8 will explain.

9 Q. Mr. Finneral, there's also a table provided as
10 "Attachment B" to the joint testimony. Did you prepare
11 that attachment?

12 A. (Finneral) Yes.

13 Q. Do you have any corrections or changes to Attachment B
14 that you'd like to present at this time?

15 A. (Finneral) No.

16 Q. Is Attachment B true and correct to the best of your
17 knowledge and belief?

18 A. (Finneral) Yes.

19 Q. Mr. Finneral, you provide an overview of the CIBS
20 Program and its intended purpose in your joint
21 testimony, is that correct?

22 A. (Finneral) Yes.

23 Q. What is the process briefly by which the Company
24 selects mains for replacement under the program?

{DG 12-128} {06-12-12}

[WITNESS PANEL: Finneral~Rosen]

1 A. (Finneral) Our system integrity engineers will analyze
2 every segment of the cast iron/bare steel main within
3 New Hampshire and run it through an algorithm that will
4 generate a list of possible candidates based on the
5 risk. We'll then review the direct assessments on the
6 pipe conditions that we get back from the field, and
7 use that to generate an overall list of candidates.

8 The engineers will then prepare initial
9 designs and a very high-level estimate for the program,
10 and that gets submitted to the Staff. The Company then
11 sits down with Staff at a technical session and
12 evaluates each proposed project, and the Staff
13 generally makes recommendations on each project.

14 Q. And, what does the Company do when it receives those
15 recommendations?

16 A. (Finneral) If necessary, we'll re-evaluate the projects
17 based on the feedback from Staff, and ultimately
18 choosing the Company's most prudent alternative. We
19 then finalize the designs. Construction will perform a
20 field walkdown of each project, generate a field
21 estimate based on the current contract pricing. Once
22 all the designs are finalized and the projects are
23 estimated, along with any expected carry over costs,
24 the Company assembles the final program scope and cost,

{DG 12-128} {06-12-12}

[WITNESS PANEL: Finneral~Rosen]

1 we submit it to Staff for their review.

2 Q. Mr. Finneral, after you initially met with Staff in
3 2011 to discuss the Fiscal Year 2012 CIBS Plan, did the
4 Staff provide comments on that plan to you?

5 A. (Finneral) Yes, they did.

6 Q. Did you re-evaluate the Fiscal Year 2012 Program as a
7 result of Staff's comments?

8 A. (Finneral) Yes, we did. I believe there were three,
9 three projects they had recommended changing; I believe
10 we changed two of the projects.

11 Q. And, the projects that were ultimately agreed upon by
12 the Company and Staff, those are shown on Attachment B?

13 A. (Finneral) Yes, they are.

14 Q. Just briefly, could you provide an overview of those
15 projects?

16 A. (Finneral) Sure. As shown on Attachment B, the Company
17 had proposed 13 projects in total, three additional
18 projects --

19 (Court reporter interruption.)

20 **BY THE WITNESS:**

21 A. (Finneral) Yes. Thirteen projects in total, with three
22 additional projects having Fiscal 2011 carry over costs
23 due to final restoration. The 13 projects totaled an
24 estimated 1.7 miles of main to be installed, with 72

[WITNESS PANEL: Finneral~Rosen]

1 nonplastic services. The overall estimated cost of the
2 program was \$2,932,831.

3 BY MR. TAYLOR:

4 Q. And, can you briefly describe the results of the Fiscal
5 Year 2012 Program as it was implemented?

6 A. (Finneral) Yes. The Company actually installed
7 1.56 miles of main, with 59 bare steel services
8 replaced, for a total cost of \$2,678,223.

9 Q. And, what accounts for the variance between the
10 estimated cost and the actual total cost to the
11 program?

12 A. (Finneral) The largest variance for the program is
13 driven by a project that we couldn't execute, Valley
14 Street, in Manchester. We had found out it was
15 recently resurfaced, and we could not permit the job.
16 This project was estimated at \$296,637, for 775 feet of
17 main replacement.

18 Q. So, that being the case, the actual installed mileage
19 and the cost for Fiscal Year 2012 were quite close to
20 the estimated numbers, correct?

21 A. (Finneral) Yes, they were. When you strip out the
22 Valley Street Project, the expenditure of \$2,678,223 is
23 within 2 percent of the approved amount for the Fiscal
24 2012 Program.

[WITNESS PANEL: Finneral~Rosen]

1 Q. And, Mr. Finneral, what steps does the Company take to
2 control the costs of the CIBS Program?

3 A. (Finneral) In an effort to control contractor labor
4 costs, we recently went through an RFP process, where
5 we solicited pricing for a three year main and services
6 contracts, ultimately selecting the most competitive
7 bidder. In addition to that, the Company meets with
8 Staff to go over the proposed program, receive
9 feedback, with an outlook to identify the most prudent
10 alternative. The Company also controls direct
11 construction costs by exercising direct oversight of
12 all of the projects, utilizing construction
13 supervisors, a construction inspector, essentially, to
14 mitigate any changes to the project scope and to ensure
15 strict adherence to the unitized contract.

16 Q. And, are there any factors related to costs in the CIBS
17 Program that are outside of the Company's control?

18 A. (Finneral) Yes. There's a few costs that are out of
19 the Company's control. The first is the final
20 restoration requirements, which are mandated by the
21 municipalities. Specifically, in the Cities of
22 Manchester, Concord, and Nashua, this particularly adds
23 approximately \$60 to \$100 per linear foot to the cost
24 of the projects.

{DG 12-128} {06-12-12}

[WITNESS PANEL: Finneral~Rosen]

1 Another uncontrollable cost are
2 degradation fees that are currently being imposed by
3 the Cities of Concord and Manchester. The fees are
4 assessed on the final restoration, which does include
5 the cutbacks of the trench. It's a varying fee
6 schedule based on the area disturbed. For example,
7 whether it's under pavement, in the sidewalk, or in the
8 shoulder of the road. But, typically, that adds
9 approximately \$30 a linear foot to the cost of the
10 project, direct cost.

11 Q. And, the Company is currently in the process of
12 challenging those fees, correct?

13 A. (Finneral) Yes. The Company has brought a suit against
14 the Cities of Concord and Manchester seeking an
15 injunction. The Company prevailed in a summary
16 judgment in the Concord matter. Oral arguments are
17 scheduled before the Supreme Court tomorrow, June 13th.
18 The Manchester litigation is on hold pending the
19 outcome of the Concord matter. And, the Company is
20 currently paying the fees under protest in Concord.
21 And, we're accruing the fees in the City of Manchester.

22 Q. And, if the Company were to prevail in its litigation
23 would that have the likely effect of mitigating unit
24 costs in Concord and Manchester?

{DG 12-128} {06-12-12}

[WITNESS PANEL: Finneral~Rosen]

1 A. (Finneral) In Concord and Manchester, yes, it would.

2 Q. Thank you, Mr. Finneral. Mrs. Rosen, please state your
3 name and business address for the record.

4 A. (Rosen) Mindy Rosen, 40 Sylvan Road, Waltham,
5 Massachusetts.

6 Q. By whom are you employed and what is your position with
7 the Company?

8 A. (Rosen) I'm Lead Financial Analyst, Revenue
9 Requirements, for National Grid USA Service Company.

10 Q. And, what is your role in connection with the matter
11 currently before the Commission?

12 A. (Rosen) I have the responsibility to prepare the
13 revenue requirement associated with the Fiscal Year
14 2012 Cast Iron/Bare Steel Program. And, I've also
15 prepared Amendments C, D, and E -- or, excuse me,
16 Attachments C, D, and E to the joint testimony filed in
17 this matter.

18 Q. Ms. Rosen, the filing marked as "Exhibit 1" contains
19 joint testimony bearing your name. Was this testimony
20 prepared by you or under your direction?

21 A. (Rosen) Yes.

22 Q. Do you have any corrections or changes that you'd like
23 to make?

24 A. (Rosen) Yes. I have two corrections. First of all, on

{DG 12-128} {06-12-12}

[WITNESS PANEL: Finnereal~Rosen]

1 Attachment C, Page 3 of 5, the heading on that column
2 says "Estimate", it should say "Actual". So, it's
3 Column (d), should not say "Estimate" for fiscal '12.
4 I also have a clarification that I need to make to the
5 bill impacts on Page 5 of the revenue requirement,
6 Attachment C of the filing. A revised Page 5 has been
7 provided as "Exhibit 2". As explained in my testimony,
8 at Page 19, on Lines 3 through 6, the Company reduced
9 its fiscal '12 revenue requirement of \$153,362 by
10 \$98,794, to account for an overstatement in the
11 previous year's CIBS revenue requirement. This results
12 in a Fiscal 2012 incremental revenue requirement of
13 \$54,568. Based on this, the Company's filing indicates
14 that the Company is seeking to increase in base rates
15 -- excuse me, an increase in base delivery rates of
16 \$54,568.

17 However, the Company has subsequently
18 determined that that is not accurate. The Company has
19 designed rates which will actually result in a
20 reduction in annual revenues by \$44,226. Please refer
21 to Exhibit 3. The cumulative amount charged in base
22 rates through Fiscal 2011 was "\$1,001,352", as shown on
23 Line 6(b). In Fiscal 2012, the Company's revenue
24 requirement is shown in Column (c). The amount is made

[WITNESS PANEL: Finneral~Rosen]

- 1 up of the Fiscal '10 revenue requirement, \$479,762.
2 The corrected Fiscal '11 revenue requirement of
3 \$422,796, and the Fiscal '12 revenue requirement of
4 \$153,362. These amounts total \$1,055,920. Then, we
5 need to deduct the one-time refund of \$98,794. For a
6 total amount of revenue to be included in base rates of
7 "\$957,126", as shown on Line 6(c). Therefore, in
8 Fiscal 2012, there's actually a \$44,226 reduction from
9 the current cumulative revenues in base rates of
10 \$1,001,352.
- 11 Q. And, this being the case, is there any specific
12 correction in your testimony that you'd like to make at
13 this time?
- 14 A. (Rosen) In my testimony, I state that the bill impact
15 for a Residential Heating customer using 1,250 therms
16 would be a "42 cent increase". In actuality, it will
17 be a 34 cent decrease. This is shown on Exhibit 2, my
18 correction to Page 5 of Attachment C, on Line 22(d).
- 19 Q. Thank you, Ms. Rosen. Subject to the clarification
20 you've just described, is your testimony true and
21 correct to the best of your knowledge and belief?
- 22 A. (Rosen) Yes.
- 23 Q. And, at the risk of seeming redundant, Ms. Rosen, there
24 is a schedule attached as "Attachment C" to your joint

1 testimony?

2 A. (Rosen) Yes.

3 Q. And, did you prepare that schedule?

4 A. (Rosen) I prepared that schedule.

5 Q. And, --

6 A. (Rosen) And, I have a revision on Page 5 of Exhibit C
7 [Attachment C?] that has been provided as "Exhibit 2".
8 With that, this attachment is true and correct.

9 MR. TAYLOR: That's going to conclude my
10 direct examination.

11 CHAIRMAN IGNATIUS: Thank you.

12 MR. TAYLOR: And open it to cross.

13 CHAIRMAN IGNATIUS: Mr. Speidel.

14 MR. SPEIDEL: Thank you very much,
15 Mr. Taylor.

16 **CROSS-EXAMINATION**

17 BY MR. SPEIDEL:

18 Q. I'd like to address this first question to Mr.
19 Finneral. And, it might be helpful for us to have
20 specific reference to certain schedules. So, let's
21 begin, just want to make sure that we have the correct
22 correspondence of schedules. Yes. Very good. I'd
23 like to make reference to Attachment B to the filing,
24 if possible, which has been noted as "Exhibit 1". And,

[WITNESS PANEL: Finneral~Rosen]

1 I think I can also make reference to a specific page
2 number, that would be "2 of 2". Now, Mr. Finneral,
3 what is your general understanding of how abandoned
4 pipe is treated in the CIBS Program?

5 A. (Finneral) Abandoned pipe as it's replaced?

6 Q. Yes. Or, abandoned pipe as it's applied generally in
7 the program. And, if you need to refresh your memory,
8 there is some testimony provided in an attachment.
9 Let's see, just a second please. There's Attachment A
10 to the filing. And, there's a segment that reads
11 "Section 1: Actual Capital Expenditures". And, that
12 would be on Page 4 of 13. And, if you go down
13 approximately five or six lines there, there's a
14 Footnote Reference 3. Are you there, Mr. Finneral?

15 A. (Finneral) I'm getting there.

16 Q. Okay. I'll give you a chance.

17 A. (Finneral) Thank you. Did you say "Page 13"?

18 Q. Page 4 of 13. It's confusing, because it has number
19 "2" at the bottom of it, but, on the upper right-hand
20 corner, it reads "Attachment A Page 4 of 13". Do you
21 see it?

22 A. (Finneral) Yes, I do.

23 Q. Okay. And, there's a sentence that is quite lengthy,
24 it begins "Through a series of technical sessions...

[WITNESS PANEL: Finneral~Rosen]

1 Commission Staff and the Company have agreed". And,
2 you can go to subsection (i), that begins "replacement
3 or abandonment of cast iron and bare steel mains", and
4 there's a footnote that reads there, number "3". And,
5 --

6 A. (Finneral) "Abandonments such as mains that are not
7 servicing a customer via a service will not be allowed.
8 Other abandonments will be considered by Staff" --

9 (Court Reporter interruption.)

10 BY MR. SPEIDEL:

11 Q. Sure. You can read that again, if you like, the full
12 footnote.

13 A. (Finneral) "Abandonments such as mains that are not
14 servicing a customer via a service will not be allowed.
15 Other abandonments will be considered by Staff on a
16 case by case basis."

17 Q. Okay. So, you have a little bit of background on that.

18 A. (Finneral) Yes.

19 Q. Perhaps you can give us a little bit of background
20 explanation, getting back to Attachment B, the table
21 here. On Page 2, there are a couple line items at
22 Lines 6 and 8. And, just for simplicity, I'll describe
23 the columns here. You have Column "Y", which reads
24 "Install Footage", and then you have Column "Z" that

[WITNESS PANEL: Finneral~Rosen]

1 reads "Abandon Footage", and then you have Column "AA",
2 which reads "Total Footage". Do you see that?

3 A. (Finneral) Yes, I do.

4 Q. Okay. So, there's interesting things here, in that, if
5 you look at Line 6, line items -- well, let's see, one,
6 two, three, four, well, let's start with -- it's
7 labeled as "Line Item 6", but it's four rows down. You
8 can see that, under Column Y, "Install Footage",
9 there's a number that reads "255".

10 A. (Finneral) Correct.

11 Q. And, then, there's a figure that reads, under "Abandon
12 Footage", "485".

13 A. (Finneral) Correct.

14 Q. And, then, it says "Total Footage", "740".

15 A. (Finneral) Correct.

16 Q. If you go down two rows, there's a similar set of
17 numbers, but they're applied differently. "Install
18 Footage" there reads "845", "Abandon Footage" reads
19 "345", and then "Total Footage" reads "845". So,
20 you're not adding those figures in on that line?

21 A. (Finneral) Correct.

22 Q. Could you give us a little insight as to why there's
23 differential treatment between these two lines here, or
24 why there might be?

{DG 12-128} {06-12-12}

[WITNESS PANEL: Finneral~Rosen]

1 A. (Finneral) I'd really have to look at the specific
2 project to give you an accurate answer.

3 Q. Well, if it helps you refresh your memory, the first
4 one where the abandoned footage is added in?

5 A. (Finneral) Yes.

6 Q. Is described as "Orange Street, Manchester & Beech
7 Street". And, the next project is "Webster Street", in
8 "Manchester". So, perhaps it would be fruitful to have
9 a record request made, for just an explanation of the
10 difference, since we're just curious.

11 A. (Finneral) We will. Absolutely.

12 Q. Thank you.

13 CHAIRMAN IGNATIUS: All right. And, are
14 you clear on what the specific request is or should we
15 refine that in any way?

16 MR. SPEIDEL: Just to reiterate, we
17 would be interested in understanding the reasons for the
18 differential treatment and how abandoned footage was added
19 into the total footage for the two projects referred to.

20 CHAIRMAN IGNATIUS: And, that's clear,
21 Mr. Finneral?

22 WITNESS FINNERAL: Yes, it is.

23 CHAIRMAN IGNATIUS: Great. Thank you.

24 MR. SPEIDEL: Excellent. Thank you for

[WITNESS PANEL: Finneral~Rosen]

1 that.

2 BY MR. SPEIDEL:

3 Q. We have heard from you in your direct testimony that
4 one of the cost reduction efforts that the Company has
5 been engaged in related to the CIBS Program has been
6 the implementation of an RFP process. Would you agree
7 that that is the only cost reduction effort that has
8 been made or are there ancillary efforts that you'd
9 like to describe for us today?

10 A. (Finneral) Well, I would say there are two. I mean,
11 that would certainly be the biggest one that we have
12 direct control over. The other cost control measures,
13 meeting with Staff and conferring with them. They
14 generally have a local knowledge of the area. They
15 provide valuable feedback to the program, a lot of
16 times proposing less-cost alternatives that we take
17 back, re-evaluate, and sometimes we change the plan to
18 go along with those alternatives.

19 Q. So, Mr. Knepper and other inspection staff have been
20 involved in giving direct advice on cost reduction?

21 A. (Finneral) On a proposed -- yes. On a proposed plan,
22 yes.

23 Q. On the proposed plan, very good. Okay. If we can turn
24 to Page 8 of your testimony presented in the filing.

{DG 12-128} {06-12-12}

[WITNESS PANEL: Finneral~Rosen]

1 And, we're interested in a small clarification here.

2 And, there's something, beginning on Line 15, there's a

3 sentence that reads: "Thus, for example, when a

4 municipality is resurfacing a street and the Company

5 can coordinate its own replacement work in that area in

6 advance of the municipality's restoration efforts, the

7 Company will do so." And, then, on Line 18, it reads:

8 "This ultimately lowers the Company's unit cost and

9 improves customer satisfaction in those areas." Now,

10 we had -- the Staff had the general understanding that

11 cast iron/bare steel costs do not embrace paving costs.

12 Could you perhaps provide a little bit of explanation

13 for this statement? Do paving costs get fed into the

14 cast iron/bare steel costs? And, how?

15 A. (Finneral) Yes, they do. And, it's a direct cost on

16 the cost of the projects.

17 Q. Okay. So, if there is a situation where a municipality

18 is resurfacing a street, and the Company can coordinate

19 its own replacement work in that area, the paving costs

20 to the Company are reduced, and thereby the total CIBS

21 costs are reduced?

22 A. (Finneral) Yes. For this reference, I really wasn't

23 referring to CIBS projects. This is work outside of

24 the CIBS Program.

[WITNESS PANEL: Finneral~Rosen]

1 Q. Aah, yes.

2 A. (Finneral) It's really city/state construction work
3 outside of the CIBS Program. I mean, we replace
4 leak-prone pipe under other avenues, not just under the
5 CIBS work. We take a look at the CIBS work based on
6 risk, we evaluate the pipes, again, through the
7 algorithm. We determine these are the pipes that we
8 want to replace.

9 Outside of that, there are other efforts
10 that we coordinate with cities and towns. We get their
11 paving lists, any roadwork that they're doing, and we
12 try to coordinate with them, to try to get leak-prone
13 pipe in those areas as well. So, this is really
14 outside of the CIBS, the CIBS projects.

15 Q. That's correct. So, this reference is to outside of
16 CIBS replacement work, and the Company is just saying
17 here that it is reducing its per unit cost for such
18 work?

19 A. (Finneral) Correct.

20 Q. And, that it tries to engage in coordination between
21 CIBS projects and non-CIBS projects?

22 A. (Finneral) Correct.

23 Q. That's very helpful. Thank you very much. There is an
24 estimate provided on Page 7 of your testimony, and this

[WITNESS PANEL: Finneral~Rosen]

1 would be around Lines 14 through 16. You might be able
2 to provide us with a little bit of background on these
3 estimated \$669,000 in carry over costs for final
4 restoration work and the associated degradation fees.
5 Now, in a given CIBS year, if these carry over costs
6 end up being underestimated or overestimated, so that,
7 in fact, these carry over costs are either smaller or
8 larger than estimated, how is that treated and applied
9 as part of the program recovery mechanism?

10 A. (Finneral) We will recover the actual costs next fiscal
11 year. They're part of next year, Fiscal 2013's
12 program.

13 Q. Uh-huh.

14 A. (Finneral) So, those -- we'll recover those costs under
15 that program, the actual costs. Right now, we're
16 providing an estimate.

17 Q. And, so, the actual costs will be tendered as part of
18 next year's filing?

19 A. (Finneral) Correct. They're part of the 2013 filing.

20 Q. Correct. And, then, in that instance, you will simply
21 state that the estimate was either higher or lower?

22 A. (Finneral) Correct.

23 Q. And, that these are the actual costs?

24 A. (Finneral) Correct. Yes. Similar to what we did this

[WITNESS PANEL: Finneral~Rosen]

1 year for Fiscal 2011 carry over costs.

2 Q. Very good. Thank you very much for that explanation.
3 You did provide some background, I believe, to this,
4 Mr. Finneral, earlier. But could you provide a
5 succinct explanation of why, in the Company's view, its
6 per unit costs are higher for replacement, versus other
7 gas utilities in the state? And, you did make mention
8 of degradation fees and some of these ancillary
9 road-related fees. Are there other elements that you
10 and in the Company's view would be relevant to
11 explaining some of the differences?

12 A. (Finneral) I do not know the costs associated with the
13 other utilities, so I can't -- I can't make a
14 comparison to that. I can tell you that the costs,
15 compared to some of the other service territories that
16 National Grid services, they are higher.

17 Q. Uh-huh.

18 A. (Finneral) And, again, I keep going back to the
19 degradation fees, as well as the restoration
20 requirements, that we don't have in a lot of the other
21 municipalities. Those are really the two drivers that
22 are driving it up.

23 Q. And, I think, in your testimony, you made reference to
24 a figure of something like "92 percent" of the projects

[WITNESS PANEL: Finneral~Rosen]

1 within this program year are in Concord and Manchester,
2 which are communities with the degradation fees?

3 A. (Finneral) Correct. Yes. Most of the replacement work
4 we've been doing over the last couple of years have
5 been centered in Concord and Manchester.

6 Q. Has there been any consideration given, while you have
7 the degradation fee issue over your heads, of perhaps
8 focusing more efforts in Nashua?

9 A. (Finneral) There is. But, again, we look at it
10 risk-based. We kind of go after the riskiest pipe
11 regardless of where it's located.

12 Q. And, there tends to be more of that in Concord and
13 Manchester versus Nashua or other communities?

14 A. (Finneral) Correct.

15 MR. SPEIDEL: Very good. Thank you. I
16 think that would be all of Staff's cross-examination
17 questions for today.

18 CHAIRMAN IGNATIUS: Thank you.
19 Commissioner Harrington.

20 CMSR. HARRINGTON: Good morning.

21 BY CMSR. HARRINGTON:

22 Q. Since we're on the subject, why don't we start with the
23 restoration and degradation charges. Can you just
24 explain, I mean, in your testimony you give some

[WITNESS PANEL: Finneral~Rosen]

1 information -- get the right page here. I guess it's
2 on Page 10, and you talk about the -- and this is
3 restoration costs. The "requirements imposed by New
4 Hampshire municipalities, including Manchester, Nashua,
5 and Concord, are considerably higher than those imposed
6 by municipalities in other states", and it goes on to
7 explain various things. And, it even goes down there
8 and talks about, in Massachusetts, "in 1993, the
9 Department of Public Utilities issued [an] order which
10 standardized the requirements that public utilities
11 must comply with when restoring a roadway." What
12 exactly is involved in a restoration requirement that's
13 so different in Nashua, Manchester, and Concord as
14 compared to other places?

15 A. (Finneral) In Concord and Manchester, we'll install our
16 gas main, --

17 (Court reporter interruption.)

18 **BY THE WITNESS:**

19 A. (Finneral) In Concord and Manchester, we'll install our
20 gas main, pave the trench. After a settlement period,
21 we need to go back, cut back two feet on each side of
22 the trench, dig that out. So, essentially, we're
23 dipping out a six foot area, and --

24 BY CMSR. HARRINGTON:

{DG 12-128} {06-12-12}

[WITNESS PANEL: Finneral~Rosen]

1 Q. And, that's where I'm just kind of losing you on the
2 process here. When you say -- so, you've taken up the
3 old pipe?

4 A. (Finneral) Correct.

5 Q. Put the new pipe in to replace it. Then, you fill it
6 in with whatever backfill you're using, and then pave
7 the surface?

8 A. (Finneral) Correct. So, you've got a two-foot trench
9 paved, flush to grade.

10 Q. Okay. And, then, you come back sometime later to do
11 what?

12 A. (Finneral) We cut back the existing asphalt. Meaning,
13 if you've got a two-foot trench, we'll cut back two
14 feet on one side and two feet on the other side, --

15 Q. Excuse me, does "cut back" mean "remove"?

16 A. (Finneral) Yes, we'll saw cut.

17 Q. Okay.

18 A. (Finneral) Saw cut a straight line, parallel to the
19 trench, and remove 6 feet of asphalt.

20 Q. So, the two feet on either side, as well as the two
21 feet over the top of the trench?

22 A. (Finneral) Correct.

23 Q. And, then, -- and, what's the purpose of that?

24 A. (Finneral) It's a requirement from the municipality.

[WITNESS PANEL: Finneral~Rosen]

1 They think it leaves a better -- a better product at
2 the end.

3 Q. So, you -- I'm just trying to get this straight. You
4 pave it, and then you wait some period of time, you go
5 back and you remove the paving, and then you replace it
6 again. Are they trying to make up for compression on
7 the part of the backfill?

8 A. (Finneral) Well, we -- I mean, we guarantee 95 percent
9 compaction on our trench. I mean, if there's any
10 depressions, we go back and make the repair. I mean,
11 we're -- it's our obligation. This is
12 above-and-beyond.

13 Q. Maybe I'm being thick a little bit, but is there
14 anything being accomplished by this other than making
15 the guy who sells you paving material happy?

16 A. (Finneral) I'm sure there is, in the municipalities'
17 eyes.

18 Q. But there's nothing that you're aware of, as the person
19 who is responsible for this, that you're implying --
20 imposing any value added by this going back and redoing
21 the pavement sometime later?

22 A. (Finneral) No.

23 Q. Okay. That covers the --

24 A. (Finneral) Excuse me. That was Concord and Manchester.

{DG 12-128} {06-12-12}

[WITNESS PANEL: Finneral~Rosen]

1 If I may, I'll just --

2 Q. Sure.

3 A. (Finneral) In Nashua, we've got to do a three-foot
4 cutback.

5 Q. Same idea, just a little bit smaller?

6 A. (Finneral) No. Same idea, but we've got to actually
7 dig down 18-inches for that whole area, remove the
8 gravel, remove the hot-top, replace with fresh gravel,
9 and then repave.

10 Q. And, there's no measuring -- or, in other words, if you
11 go in there, I'm assuming, when you backfill, you're
12 using compactors to pack the soil down and everything.
13 And, if there's no defatation to the asphalt, you have
14 to cut it up anyways?

15 A. (Finneral) Correct. It's a requirement.

16 Q. And, then, what's the purpose of taking out the top 18
17 inches of backfill?

18 A. (Finneral) Again, they think it leaves a better
19 product.

20 Q. Has there been instances in the past, for example,
21 when, you know, sometime later when this wasn't
22 performed, that the road falls apart or something?

23 A. (Finneral) I'm not aware of when it wasn't performed.
24 I've only been involved with the program when we've

{DG 12-128} {06-12-12}

1 been doing this. Again, we do not do this in other
2 areas. In other areas of New Hampshire, we don't do
3 it.

4 Q. And, this example you give in Massachusetts, this is --
5 that restoration, does that involve this cutting the
6 asphalt out and reputting it down again?

7 A. (Finneral) No. We pave the trench. We'll pave it
8 binder coarse, and then we'll finish it with a topcoat,
9 and that's how we leave the job.

10 Q. And, presumably, if something happens, you're
11 responsible to come back and fix it?

12 A. (Finneral) Correct. Correct.

13 Q. So, you're saying "Massachusetts makes more sense than
14 New Hampshire", I don't like to hear that. Okay. How
15 about "degradation fees", this seems to be something
16 different?

17 A. (Finneral) That's the new fee that was imposed by
18 Concord and Manchester, I think two years ago, 2010 it
19 originated, or at least that's when we started seeing
20 it. That is on top of our current permit fees.
21 Really, that just -- it's a fee for them because we've,
22 I guess, deteriorated the life of their roadway, by
23 cutting into it.

24 Q. Okay. Once again. So, they say you're limiting the

[WITNESS PANEL: Finneral~Rosen]

1 life of the road, because of the fact you cut into it
2 and then repaved it?

3 A. (Finneral) We're degrading their road, yes.

4 Q. Okay. Do they charge these fees to other utilities
5 or --

6 A. (Finneral) I believe they do.

7 Q. Okay. How about the water utilities that are
8 municipal-owned?

9 A. (Finneral) I do not know that.

10 Q. And, these are just simply -- this is just simply what
11 they say is a "decreasing in value of the road, because
12 its life isn't going to last as long"?

13 A. (Finneral) Correct.

14 Q. By the fact you dug it up?

15 A. (Finneral) Correct.

16 Q. And, it looks like these are fairly substantial, going
17 to Attachment B, just a quick look down the list is
18 it's well in excess of \$100,000 these degradation fees.
19 One project "44,000", another one "30,000", and
20 "21,000", "15,000", and so on. So, that's just,
21 basically, it's a fee due to shortening of the life of
22 the road in their opinion?

23 A. (Finneral) Correct.

24 Q. But you don't pay that in any of the other places in

[WITNESS PANEL: Finneral~Rosen]

1 New Hampshire?

2 A. (Finneral) We do not.

3 Q. Do you pay that in other states?

4 A. (Finneral) We do not.

5 Q. Okay. That's interesting. Just a couple of other
6 questions. On Attachment A to your testimony, there's
7 a -- starting on Page 11 of 13, you give an example.
8 And, on there, just one thing out of curiosity, because
9 I used to run into this in my previous life. The "APB"
10 is that -- is 1,000 bacteria colonies per I assume it's
11 "milliliter", is that considered high? Low? Or, is
12 that actually causing the problem? Is it
13 bacterial-induced corrosion that's causing the problem?

14 A. (Finneral) To be honest with you, I'm not sure of the
15 bacterial component.

16 Q. But, just getting onto the pipes, you see the pictures
17 of these pipes. I mean, they've got holes in them.

18 A. (Finneral) Correct.

19 Q. So, where's the gas going?

20 A. (Finneral) It's held in by the earth.

21 Q. And, the earth makes it so that this doesn't present, I
22 mean, if someone is walking over this gas line and
23 dropping a cigarette butt and crushing it out isn't
24 going to take a ride?

{DG 12-128} {06-12-12}

[WITNESS PANEL: Finneral~Rosen]

1 A. (Finneral) No.

2 Q. Okay. But how long before the gas would tend to
3 migrate out and not be held in by the earth? Do you
4 have any idea on it?

5 A. (Finneral) It really depends on the area. I mean, if
6 it's curb-to-curb paving, if it's a real tight area, it
7 may take a little while for the gas to permeate up.

8 Q. And, what would a "little while" be? Six weeks or six
9 years?

10 A. (Finneral) Again, it really depends on the soil
11 conditions. I really can't answer that.

12 Q. Because, I mean, these holes look pretty
13 dramatic-looking here. You know, I wouldn't want a gas
14 line going down my street that had that many holes in
15 it. So, --

16 A. (Finneral) I wouldn't either. I mean, I think it
17 demonstrates that the candidates that were chosen this
18 year were warranted.

19 Q. And, just once again, can you just give a little more
20 information on how you decide where to go? I mean,
21 there's miles and miles of these, of bare pipe. And,
22 obviously, who whoever picked this one out did a good
23 job, because it's full of holes.

24 A. (Finneral) Right.

{DG 12-128} {06-12-12}

[WITNESS PANEL: Finneral~Rosen]

1 Q. But how do you make that determination of how to
2 concentrate on which ones? You said you had some kind
3 of an algorithm or something?

4 A. (Finneral) Yes. Our Engineering Department uses an
5 algorithm, really, a computer model. They've got all
6 the, I guess, pipe attributes within the system. It
7 really just runs up against, you know, leak
8 classifications, number of leaks, vintage of pipe,
9 severity of -- severity of leaks, then kind of grades
10 them or risk ranks them, based on a number of those
11 factors.

12 Q. So, a lot of that, I suppose, would be age and material
13 type then would be some of the determining factors?

14 A. (Finneral) Correct. Yes, and there's other -- there's
15 other determining factors.

16 Q. Do you do soil testing in various places as well then?

17 A. (Finneral) As part of the Corrosion Group, we do.

18 Q. Just a quick question. On Page 6, down the bottom, the
19 very bottom of the page, it says: "The program will
20 also include the replacement of 72 associated
21 nonplastic services." Is this the -- meaning a metal
22 line, I'm assuming, that ran to some customer, from the
23 main, is that what that refers to?

24 A. (Finneral) Correct. Yes.

{DG 12-128} {06-12-12}

[WITNESS PANEL: Finneral~Rosen]

1 CMSR. HARRINGTON: That's all I have at
2 this time. Thank you.

3 CHAIRMAN IGNATIUS: Thank you. I have a
4 few questions.

5 BY CHAIRMAN IGNATIUS:

6 Q. Maybe still building on the question about "gas into
7 the ground", and you said it can "vary how long it will
8 take for it to permeate the surface". When it does,
9 what risk, if any, does that pose?

10 A. (Finneral) I guess it really depends on the location of
11 the facility. I mean, we monitor -- we monitor the
12 pipelines. We ride them, we'll patrol them for leaks.
13 If it permeates, and it's out of, I guess, our leak
14 survey cycle, generally it gets called in by the
15 public. We'll go out and we'll investigate it and
16 classify it.

17 Q. And, people can smell it as it comes up?

18 A. (Finneral) Correct.

19 Q. Is there a fire hazard with it coming up?

20 A. (Finneral) Not if -- I guess, again, it depends on
21 where it is. If this was adjacent to a house, and it
22 got into the house, and there was gas in the
23 atmosphere, that would be a hazard. If it got into a
24 confined space, that would be a hazard. If it's

[WITNESS PANEL: Finneral~Rosen]

1 venting in a field, that would not be a hazard.

2 Q. And, if it's coming up in a street where someone's
3 starting up their car?

4 A. (Finneral) That's not a hazard, not in that
5 concentration.

6 Q. Okay. The Valley Street Project that you had to pull
7 back on, because the City of Manchester had just
8 repaved it, is that right?

9 A. (Finneral) Correct. Yeah, I'm not sure of the age when
10 it was repaved. When we originally looked at the
11 project, we thought we could obtain a permit for it.
12 It didn't look like it was brand-new. Come to find
13 out, it was under a moratorium.

14 Q. Is that the one on Line 14, in your Attachment B, the
15 first page?

16 A. (Finneral) Yes, it is.

17 Q. If it had met the algorithm test you put it to for a
18 candidate for replacement, are we --

19 A. (Finneral) Correct.

20 Q. -- should we be concerned about safety by not going
21 forward with this project right now?

22 A. (Finneral) No.

23 Q. And, why not?

24 A. (Finneral) If it was a safety concern, we would replace

{DG 12-128} {06-12-12}

[WITNESS PANEL: Finneral~Rosen]

1 it regardless of the paving.

2 Q. Well, don't all of the projects you select, you said
3 they're "based on risk". I guess I assumed "risk"
4 meant "safety". So, why don't you explain why it is
5 considered to be "risky", and yet leaving it alone is
6 okay?

7 A. (Finneral) So, I guess there's -- there's different
8 levels of risk. You know, we risk rank all these pipes
9 against each other. The Valley Street Project was
10 ranked fairly low on this list. If this was within
11 another service territory, this probably wouldn't even
12 rise to level of being replaced. This is not a pipe
13 that we would consider to be a "risky" pipe. We survey
14 it, we leak survey it, we monitor it. If there's a
15 leak, we repair it. And, we'll continue to do that.

16 Q. Looking at Attachment B, I was struck that, of the 13
17 projects you initially had, one dropped off, you
18 explained because of the City's moratorium. So, of the
19 12 remaining projects, the way I interpreted the
20 comment boxes were that only two of them are actually
21 complete this year, all the costs are in. Eight of
22 them have restoration work to be done next year?

23 A. (Finneral) Yes.

24 Q. And, one of them has a degradation fee on hold,

{DG 12-128} {06-12-12}

[WITNESS PANEL: Finneral~Rosen]

1 presumably, because of all the litigation?

2 A. (Finneral) Litigation, yes.

3 Q. Is that unusual, to have so many that are still not
4 complete, and some costs that will add up, being put
5 into next year's program?

6 A. (Finneral) It's higher than it has been over the past
7 few years of the program, certainly. I guess the
8 biggest -- the biggest reason for that is we
9 front-loaded our construction work plan with a lot of
10 the municipal work, because we had to get in advance of
11 the towns' paving their streets, doing water work, so
12 we didn't impede their schedules. So, the cast
13 iron/bare steel stuff were executed later in the year.
14 So, you know, we were starting a lot of this work in
15 the August/September time frame. By the time the
16 projects actually got completed, it's too late in the
17 year to pave. If it gets that cold, we can't do the
18 final paving. So, that's really why the costs are
19 spilling over to next year, because the -- we
20 front-loaded the work plan with a lot of the other
21 work, to kind of coordinate with the cities and towns.
22 That's why this work happened later in the year.

23 Q. And, if you're successful in the litigation in knocking
24 out the restoration fee -- excuse me, I guess it's a

{DG 12-128} {06-12-12}

[WITNESS PANEL: Finneral~Rosen]

1 "degradation fee" from the City of Manchester, what's
2 the mechanism for returning that to ratepayers? It's
3 already been paid, correct?

4 A. (Rosen) Yes. If you look at Attachment E, that's an
5 illustrative example of what we would do to return the
6 credit to ratepayers. So, Attachment E shows that
7 currently in the program there's "\$372,736" of expenses
8 for these degradation fees. As soon as we either
9 receive a refund or are told that we longer need to
10 accrue the liability, we would reverse the liability,
11 accept the refund, and turn around and give the refund
12 back to customers.

13 Q. And, when you say "refund to customers", would it be
14 rolled into next year's, or that whatever next year
15 you're doing a revenue requirement, roll it in as a
16 credit?

17 A. (Rosen) Yes.

18 Q. Did the going to an RFP result in lower rates?

19 A. (Finneral) If you refer to Data Request 1-1.

20 Q. I'm sorry, to what?

21 A. (Finneral) The response to Data Request Number Staff
22 1-1.

23 Q. Which we may not have.

24 MR. SPEIDEL: Yes. We haven't entered

[WITNESS PANEL: Finneral~Rosen]

1 that into the record. So, what we could do is, I could
2 prepare copies for the Commissioners to take a look at,
3 and we could enter it into the record as an exhibit.

4 MR. TAYLOR: I was going -- I mean, --

5 MR. SPEIDEL: Speak to it at a high
6 level.

7 MR. TAYLOR: -- you can speak to it
8 without reference to the data request.

9 WITNESS FINNERAL: Yes. I can speak to
10 it at a high level.

11 CHAIRMAN IGNATIUS: That's fine.

12 **BY THE WITNESS:**

13 A. (Finneral) Yes. Just to give you an example, what we
14 did was we took all the actual charges, all the
15 contractor labor charges specifically that we incurred
16 in Fiscal 2012, as well as any of the carry over
17 restoration charges that hit in Fiscal 2013, because
18 those have already been completed and been invoiced.
19 Compared those to our estimated unit cost for Fiscal
20 '13, using the new bid book, using the new contract
21 pricing. So, if you look at just the contractor labor
22 piece, for Fiscal 2012 -- quoted the wrong figure.
23 Fiscal 2012, the linear foot cost for contractor labor
24 was \$133 per linear foot. For the estimated Fiscal

{DG 12-128} {06-12-12}

[WITNESS PANEL: Finneral~Rosen]

1 '13, I believe it was \$115 per linear foot.

2 CMSR. HARRINGTON: What was the first
3 number, I'm sorry? One hundred twenty-three (123)?

4 WITNESS FINNERAL: One hundred
5 thirty-three (133).

6 CMSR. HARRINGTON: One hundred
7 thirty-three (133).

8 CHAIRMAN IGNATIUS: I wrote down "113".
9 I like your first number better.

10 WITNESS FINNERAL: Yes. I'm trying to
11 find the actual.

12 (Court reporter noted that he heard
13 "133".)

14 CHAIRMAN IGNATIUS: The stenographer
15 heard "133", and his ears are "professionally trained".
16 So, I think we'll take his number.

17 WITNESS FINNERAL: The unit cost for
18 2012 was 133, 1-3-3. And, yes, for Fiscal '13, it's
19 estimated at \$115 per linear foot. And, again, that's
20 strictly the contractor labor piece. It doesn't include
21 any of the municipal charges or police details that are
22 outside of the contract labor pricing.

23 BY CHAIRMAN IGNATIUS:

24 Q. So, it's a little hard to know, because, as you say,

[WITNESS PANEL: Finneral~Rosen]

1 it's not an all-in number, but --

2 A. (Finneral) Yes. And, it really depends on the units
3 that you use as well. I mean, I just compared it on
4 the units that we actually installed last fiscal year
5 to the units that we expect to install next fiscal
6 year. I mean, there's plenty of other units within the
7 contract. And, you know, the pricing varies among
8 those.

9 CHAIRMAN IGNATIUS: All right. All
10 right, I think that concludes our questions. Thank you.
11 Is there any redirect, Mr. Taylor?

12 MR. TAYLOR: If I may just take a
13 moment?

14 CHAIRMAN IGNATIUS: Please.

15 MR. TAYLOR: Could I take a moment to
16 consult with my witness before I do redirect?

17 CHAIRMAN IGNATIUS: That's fine.

18 (Atty. Taylor conferring with the
19 witnesses.)

20 CHAIRMAN IGNATIUS: All right.

21 Mr. Taylor.

22 MR. TAYLOR: Actually, after all that,
23 I'm not going to do any cross.

24 CHAIRMAN IGNATIUS: All right.

{DG 12-128} {06-12-12}

[WITNESS PANEL: Finneral~Rosen]

1 MR. TAYLOR: Or, redirect, I'm sorry.

2 CHAIRMAN IGNATIUS: All right.

3 MR. TAYLOR: Thank you very much.

4 CHAIRMAN IGNATIUS: That's fine. Then,
5 I think, now that you've gotten back in your seats, you're
6 excused.

7 Let's mark for identification the record
8 request we've held as "Exhibit 4".

9 **(Exhibit 4 reserved)**

10 CHAIRMAN IGNATIUS: And, could that be
11 produced -- well, Mr. Taylor, how long do you think you
12 need to get that in?

13 MR. TAYLOR: A week's time?

14 MR. SPEIDEL: That would be fine, yes.

15 CHAIRMAN IGNATIUS: All right. Thank
16 you. Is there any --

17 (Chairman Ignatius and Commissioner
18 Harrington conferring.)

19 CHAIRMAN IGNATIUS: We were -- just a
20 little clarification. On Exhibit Number 3, it I assume is
21 a stand-alone exhibit, it says "Attachment Staff 1-4".
22 But had it come from a response to a data request?

23 MR. TAYLOR: Yes. That is a response to
24 a data request that was previously provided to Staff, but

{DG 12-128} {06-12-12}

1 we wanted to provide it at this hearing for illustrative
2 purposes.

3 CHAIRMAN IGNATIUS: Okay. So, the fact
4 that we don't have the rest of the papers is okay. It's a
5 stand-alone document?

6 MR. TAYLOR: Yes. It was provided for a
7 purpose that you can look at while Ms. Rosen testified.

8 CHAIRMAN IGNATIUS: Thank you. I assume
9 Staff is not putting on a witness, is that correct?

10 MR. SPEIDEL: That's correct. Not
11 today. And, we do have a closing statement.

12 CHAIRMAN IGNATIUS: All right. So,
13 let's -- is there any objection to striking the
14 identification of the exhibits and entering them as full
15 exhibits?

16 MR. SPEIDEL: No.

17 CHAIRMAN IGNATIUS: Seeing none. We
18 have closings. Staff.

19 MR. SPEIDEL: Yes. Thank you,
20 Commissioners. Staff, in general terms, does support the
21 Company's revised Cast Iron/Bare Steel Program Results
22 Filing. And, we would support the inclusion of the
23 revisions to the revenue requirement of the Company.

24 Specifically, we do appreciate the

1 Company taking the initiative and making a downward
2 adjustment as appropriate to those figures. However, and
3 we don't mean to sound like a broken record, or to nag the
4 Company, but it is our job to always make sure that the
5 Company is aware, for the coming program year, to apply a
6 sharp pencil to their expenses, to maximize pipe replaced,
7 minimize costs, if at all possible, and to continue the
8 good work of this program to replace pipe that is degraded
9 and in poor shape in this state.

10 So, to that end, we have Mr. Randall
11 Knepper of Staff working one-on-one with Company
12 representatives, offering ongoing operational-related
13 advice, in addition to his review of program materials
14 that are submitted in writing. And, we would ask that the
15 Company continue to take Staff input under advisement and
16 to apply cost-control innovations, such as the RFP
17 process, where appropriate. Thank you.

18 CHAIRMAN IGNATIUS: Thank you.
19 Mr. Taylor.

20 MR. TAYLOR: Thank you. I think a key
21 takeaway from this year's filing and today's testimony is
22 that the Company's actual cost for the Fiscal Year 2012
23 Program were very close to the estimated cost, coming in
24 at a 2 percent overall variance approximately. This is,

1 we believe, a considerable improvement over earlier years
2 of the program, and consistent with the Company's
3 continued efforts to meet with Staff, solicit input, and
4 refine the program accordingly, to select the best option
5 from a prudence and cost perspective.

6 The Company is very appreciative of the
7 Staff's support for its filing, as well as its cooperation
8 and input throughout the project selection and
9 implementation process. The Company is also appreciative
10 of the prior support that the Staff and the Commission
11 have shown the CIBS Program, which is worthwhile and has
12 enabled the Company to work with Staff over the last
13 several years to make considerable, positive improvements
14 to its system. The Company remains committed to working
15 with Staff to control those costs to the greatest extent
16 possible, and is, of course, open to any input the Staff
17 or Commission can provide. And, that's -- I'll end my
18 statement there. Thank you, Commissioner.

19 CHAIRMAN IGNATIUS: All right. Thank
20 you. We will take all of this under advisement. We look
21 forward to the results of the Supreme Court argument
22 tomorrow, we'll be watching for that. And, we appreciate
23 everyone's efforts this morning. So, we stand adjourned.

24 **(Whereupon the hearing ended at 11:15 a.m.)**