



**STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION**

Docket No. IR 14-190

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities
Investigation into Line Extension Policies

**JOINT TESTIMONY
OF
HEATHER M. TEBBETTS
AND
KURT F. DEMMER**

June 19, 2015

1 **I. INTRODUCTION**

2 **Q. Please state your names, business address and position.**

3 A. My name is Heather M. Tebbetts and my business address is 15 Buttrick Road,
4 Londonderry, NH 03053. I am a Utility Analyst for Liberty Utilities Service Corp.
5 (“Liberty”), which provides services to Liberty Utilities (Granite State Electric) Corp.
6 (“Granite State” or “the Company”) and in this capacity, am responsible for providing
7 rate-related services for the Company.

8 My name is Kurt F. Demmer and my business address is 15 Buttrick Road, Londonderry,
9 NH 03053. I am Director of Electric Operations at Liberty Utilities Service Corp. and in
10 this capacity, am responsible for the oversight of operations, maintenance and
11 construction activities, and have acted as the Regional Incident Commander of Storm
12 restoration.

13 **Q. Please briefly describe your educational backgrounds and training.**

14 **Ms. Tebbetts**

15 A. I graduated from Franklin Pierce University in 2004 with a Bachelor of Science degree in
16 Finance. I received a Master’s of Business Administration from Southern New
17 Hampshire University in 2007.

18 **Mr. Demmer**

19 I graduated from Merrimack College in North Andover, Massachusetts with a Bachelor
20 of Science degree in Electrical Engineering in 1987. In 2002, I received a Master’s in

1 Electrical Engineering from Worcester Polytechnic Institute in Worcester, Massachusetts.

2 I am a registered professional engineer in the State of New Hampshire.

3 **Q. What are your professional backgrounds?**

4 **Ms. Tebbetts**

5 A. In October 2014, I joined Liberty as a Utility Analyst. Prior to my employment at
6 Liberty, I was employed by Eversource Energy from 2010 to 2014 as a Senior Analyst in
7 NH Revenue Requirements (formerly Rate and Regulatory Services). Prior to my
8 position in NH Revenue Requirements, I was a Staff Accountant in Eversource's
9 Property Tax group from 2007 to 2010, and a Customer Service Representative III in its
10 Customer Service Department from 2004 to 2007.

11 **Mr. Demmer**

12 In June 1988, I joined Massachusetts Electric Company as an Operational Field Engineer.
13 In 1996, I became a Senior Engineer for Massachusetts Electric Company. In 2000, I
14 accepted a position as Area Supervisor for the Salem area of Granite State Electric and
15 was responsible for all distribution engineering and construction in the Salem/Pelham
16 areas. In 2008, I became Manager of Electric Operations in New Hampshire responsible
17 for the operations, construction and maintenance functions for the electric distribution
18 organization. In 2010, I became Director of Electric Operations in New Hampshire.

19 **Q. Have you both previously testified or participated in proceedings before the**
20 **Commission?**

1 A. Yes. We have testified on numerous occasions before the Commission.

2 **II. PURPOSE OF TESTIMONY**

3 **Q. What is the purpose of your testimony?**

4 A. The Commission Staff has held several technical sessions to discuss with parties how to
5 develop common line extension policies between the distribution utilities. As a result,
6 Staff made several recommendations in its April 2, 2015, letter for the Commission's
7 consideration, including a recommendation that the Commission require Granite State to
8 take ownership of and maintain line extensions for all new residential underground
9 service lines, which is consistent with the practice of Eversource and Unitil. The purpose
10 of this testimony is to provide information about how the Company currently handles
11 underground residential service lines, the costs the Company would incur and the
12 complications that would ensue if it were required to own underground residential service
13 lines.

14 **III. CURRENT PRACTICE**

15 **Q. Please describe Granite State's line extension policy in place today.**

16 A. **Line Extension Policy**

17 In Order No. 25,638 issued March 17, 2014, in Docket No. DE 13-063 (Petition for
18 Permanent Rate Increase), the Commission approved a settlement agreement between the
19 Company and Commission Staff which included current revised line extension policy.
20 The revised policy (which is currently in effect) includes four different policies covering
21 individual residential customers, residential developments, individual commercial and

1 industrial customers, and commercial and industrial developments. Of those various
2 policies, the relevant policy for this proceeding is underground Line Extension Policy 1:
3 Line Extension Policy for Individual Residential Customers (see Attachment 1.) For
4 underground residential developments, Line Extension Policy 1 applies once the
5 underground primary distribution in the public way has been constructed and the
6 customer has requested to have the service to the dwelling connected to the Company's
7 facilities.

8 Granite State's current individual residential line extension policy (Line Extension Policy
9 1) provides that the customer owns and maintains the underground service between the
10 Company's facilities to the meter. Line Extension Policy 1 also provides customers
11 detailed information about applicability, construction of facilities, customer
12 responsibilities and payment requirements. In Section 1C on Original Pages 13 and 14 of
13 the Company's tariff, responsibilities of both the customer and the Company are defined.
14 Under the policy, the customer is responsible for providing documentation for easements,
15 owning and maintaining foundations, cable, conduit, etc., and installing, owning and
16 maintaining all service conduit and cable from the Company's equipment to the meter.
17 The Company's policy of requiring the customer to own and maintain the underground
18 service is a continuation of the policy that was in place under the Company's prior
19 ownership by National Grid and dates back many years.

1 **Q. Please explain why the Company adopted the policy of its prior owner, National**
2 **Grid, not to own underground residential services.**

3 A. Privately owned residential underground service installations go back decades. Changing
4 that policy would require significant changes to the Company's operations and
5 procedures. If the Company were required to now own new individual residential
6 underground service installations, the Company's mapping system would need to be
7 revised to designate premise-by-premise whether the service was customer owned or
8 Company owned. These changes would be necessary to differentiate between the
9 ownership of facilities in the event of failure of an underground service line. It is unclear
10 to the Company why this policy should be changed, especially since it was approved just
11 months before this docket was opened. This is particularly important when considering
12 the additional cost of modifying the policy, as described below.

13 **Improvements to Safety**

14 **Q. In terms of providing information regarding the location of the services, have any**
15 **improvements been made since the transfer of ownership?**

16 A. Yes. In Docket No. DG 11-040, Joint Petition for Authority to Transfer Ownership of
17 Granite State Electric and EnergyNorth Natural Gas, Inc. to Liberty Energy Utilities
18 Corp., David Pasieka, President of Liberty Utilities (Canada) Corp. ("Liberty Utilities
19 Canada"), which is the holding company for Liberty Utilities Co. ("Liberty Utilities"),
20 stated in his testimony at p. 7 of 23, lines 4 and 5:

21 "We believe that there is no adequate substitute for local management, local decision-
22 making, and local operational control for a utility that is serious about achieving the

1 highest level of customer satisfaction and maintaining strong regulatory relationships.

2 We believe that small and medium sized utilities can best meet the needs of their
3 customers and regulators when the people making the operating decisions affecting the
4 communities they serve are located near those customers and are in easy, regular, close
5 contact with customers and regulators.”

6 One subject the Commission’s Director of Safety and Security believed was important in
7 achieving the highest level of customer satisfaction was the fact that Granite State did not
8 have a policy in place to mark out privately owned underground services. The
9 Commission’s Director of Safety and Security stated in his testimony:

10 “...that Liberty consider a mark-out policy that extends to the house meter, as is
11 currently followed by PSNH. Commitment to such a policy would contribute
12 toward consistency and uniformity in mark-out procedures executed throughout
13 much of New Hampshire. Such consistency in underground damage prevention
14 and safety procedures would reduce confusion on the part of customers, as well as
15 excavators. In addition, a commitment to this method of mark-outs would allow
16 the Safety Division a measurable benefit regarding Liberty’s commitment to
17 ‘*achieving the highest level of customer satisfaction and maintaining strong*
18 *regulatory relationships*’. Pasiaka Testimony at p. 7 of 23, lines 4 and 5.”

19 In the DG 11-040 Settlement Agreement, Attachment J, pages 18-19, the Company
20 committed to instituting a new Locating/Mark-Out Policy within the existing
21 Underground Damage Prevention Program within 120 days of the Closing Date of the

1 acquisition. Under the requirements of the policy, the Company would mark privately
2 owned, residential underground facilities up to the meter and including the service
3 entrance.

4 **Q. Please describe the Locating/Mark-Out Policy Liberty has in place today.**

5 A. Liberty hired On Target as the contractor to perform the Locating/Mark-Out Policy. In
6 the addendum to the Request for Proposal, Granite State requested On Target be
7 responsible for the Underground Utility Locating Service, providing information in
8 accordance with the following specifications:

9 *Within Granite State Electric's franchise territory, Granite State will mark*
10 *privately owned, residential underground facilities up to the meter and including*
11 *the service entrance upon receipt of notifications received via the One Call*
12 *Notification System. The electrical service includes primary service voltage*
13 *levels as well as secondary voltage levels. The electrical service also includes*
14 *service from aerial distribution systems as well as underground systems. Field*
15 *Mark-outs made under this contract shall clearly indicate private electrical*
16 *facilities that are not owned or operated by Granite State Electric. Granite State*
17 *will not be required to mark such services defined in this Policy where the*
18 *customer refuses Granite State access or denies such mark-out service.*

19 *Notifications received for underground excavation involving commercial*
20 *properties are not included in the waiver or this Program. The location and*
21 *marking of excavations involving underground electrical facilities beyond the*

1 *meter, such as from a house to a barn, lamp post, pool, shed and other structures,*
2 *are not included in this program.*

3 *The Underground Utility Locating Service is required to provide the following*
4 *reports to Granite State Electric on a monthly basis.*

- 5 • *Number of Residential Underground location requests received*
- 6 • *Number of mark-outs performed*
- 7 • *Address and locations of mark-outs*
- 8 • *Number of customer refusals received*
- 9 • *Address and locations of residential mark-out refusals.*
- 10 • *Dates of Service performed*
- 11 • *Any additional information collected pertinent to the residential*
12 *underground location process.*
- 13 • *Cost to provide this service to Granite State Electric for performance*
14 *and reporting.*

15 **Q. Please provide how many mark-outs have been completed on privately owned**
16 **residential facilities since the July 3, 2012 date of acquisition.**

17 A. The table below provides the number of mark-outs since July 3, 2012.

18 Mark-outs Completed on Privately Owned, Residential Facilities

| <u>Year</u> | <u>#</u> | <u>Cost</u> |
|-------------|----------|-------------|
| 2012 | 71 | \$1,090 |
| 2013 | 174 | \$1,750 |
| 2014 | 170 | \$1,700 |

1 **Q. Did the Mark-Out policy that the Company adopted satisfy the concerns that Staff**
2 **had regarding customer ownership of underground facilities?**

3 A. We believe that it did. The policy has now been in effect for nearly three years and has
4 not resulted in any complaints from customers of which we are aware.

5 **Q. Do you know why Staff has recommended modifying the line extension policy to**
6 **require all utilities to own underground facilities?**

7 A. No. We became aware of Staff's desire to modify the policy when we received the
8 Staff's recommendation in this docket. We believe that implementing that
9 recommendation will result in higher costs to customers with no associated benefits,
10 other than the benefit to the individual customer who installs the line extension, since any
11 cost savings to an individual customer (the avoidance of the cost of installing the
12 underground facilities) would be recovered from all other customers. In addition, we are
13 concerned about the potential confusion that this change in policy could have for those
14 working out in the field. This concern is explained in further detail below.

15 **IV. COSTS AND CONCERNS ASSOCIATED WITH OWNERSHIP**

16 **Q. Please describe the costs associated with undertaking ownership of new residential**
17 **individual line extensions.**

18 A. **Labor**

19 Granite State's current practice to connect its distribution system to a customer's
20 underground service is as follows: a troubleshooter (one-man crew, used to connect
21 secondary/service risers, replace streetlights, pull fuses, etc.) connects the secondary

1 underground service cable. At this point, the service will have been trenched with
2 conduit, wired by the customer or the customer's electrician, and brought to a hand-hole
3 or up to a pole via a riser pipe. The service is then connected to the Company's
4 secondary cable in the hand-hole or transformer. By using a troubleshooter, the cost of
5 connection is less than what it would be if a lineman performed the connection.

6 Troubleshooters are primarily used to repair the system, as they are a one-person crew,
7 while linemen are primarily used to install and replace the distribution system because
8 there work two people to a crew, allowing them to work on more labor-intensive work
9 requests.

10 If the Company were required to install, own and maintain underground residential
11 services, a two-person line crew would be needed for all such installations, as they are
12 equipped to pull wire through conduit. A troubleshooter is not equipped to complete this
13 type of work. The cost to install a service would significantly increase and would be
14 passed on to all customers through higher distribution rates, as noted below, even if the
15 single customer requesting the work paid the excess cost for that single line extension.

16 When a customer requests the connection be completed, a trench inspector is not required
17 by Granite State, as the Company does not own the facilities placed in the trench. A
18 town inspector is required to determine if the trench meets local codes, and the customer
19 is responsible for arranging such inspection. For underground residential developments
20 (which are covered under Policy 2), the Company hires a trench inspector for the job to
21 inspect the trenching. Trench inspection is completed on a case-by-case basis as the

1 trenching for each standard residential service is usually completed at the same time,
2 requiring the trench inspector to work limited hours. In order to complete the task of
3 inspecting all Company-owned underground services, a full-time trench inspector would
4 need to be hired.

5 Currently, Granite State has six line crews in Lebanon and five line crews in Salem. The
6 work completed by these crews does not include installing and maintaining new
7 underground services. In order to complete the additional work for residential
8 underground services in a timely manner, the Company would need to hire one more line
9 full-time employee (FTE) to complete the work requests. From January 1 through June
10 3, 2015, the Company has received 12 requests to connect a customer's underground
11 service to the Company's distribution system. In 2014, there were 36 requests for
12 Granite State to connect its facilities to an individual privately owned residential
13 underground service. If an additional FTE were hired, the cost of such FTE would be
14 recovered through Granite State's distribution rates following the next rate case.

15 **Materials**

16 At this time, the Company only stocks materials needed for work requests associated with
17 the type of facilities currently owned. If the Company were required to install and
18 maintain underground residential services, it would be required to stock many different
19 size wires and any other materials associated with underground installations to
20 accommodate each specific underground request. The total cost associated with
21 increased inventory is about \$25,000 per year due to stocking separate reels of wire.

1 **Ultimate Cost Estimate**

2 The incremental cost estimate based on labor rates of one additional FTE for the line
3 department is \$85,000, plus \$25,000 of additional material per year, \$80,000 in trench
4 inspector costs, along with the need for design of the underground services.

5 **Concerns**

6 Although creating identical line extension policies for the electric utilities in New
7 Hampshire may reduce confusion for customers moving between service territories,
8 changing the established policy would result in Granite State owning some underground
9 services (new services) and the customers owning others (existing services). This
10 situation causes the Company significant concern.

11 Consider an example where two customers in an underground residential development
12 share a single transformer (see Attachment 2, Lot Drawing A). One customer purchases
13 Lot 12 at the beginning of construction of the development. This customer's home is
14 built, the customer hires a contractor to construct the underground service, Granite State
15 connects the service to its distribution system and the customer moves in.

16 Assume the same developer does not have a buyer for Lot 13 at this time, so the
17 developer continues to build homes on the lots it has already sold. Following the time
18 that the customer moves into Lot 12, the Commission requires Granite State to modify its
19 line extension policy and own all new residential underground services. Two years later,
20 the builder sells Lot 13 and has begins construction on the home. The customer who

1 purchased Lot 13 now calls Granite State to construct the underground service. This
2 underground service will be connected to the same transformer as Lot 12, although the
3 Company will own it, not the customer.

4 Now assume that a few years after the home on Lot 13 is occupied, the transformer is
5 damaged due to a motor vehicle accident, and subsequently, so are the underground
6 services to the two homes. The Company would be responsible for repairing or replacing
7 the underground service to the home on Lot 13, but the customer owning the home on
8 Lot 12 would have to pay to have his service repaired by a contractor at the same time
9 that the Company is repairing his neighbor's underground service at no charge (see
10 Attachment 2, Lot Drawing B). There is no question that such a situation would cause a
11 significant amount of customer confusion

12 At this time, Granite State has twelve underground residential developments being
13 constructed. The Company believes this issue will occur if its line extension policy is
14 changed. The Company does not believe that this change in policy is in public or
15 customers' interest, and will create problems that do not currently exist.

16 **Q. What if the Commission were to require the Company to replace or repair all**
17 **underground services at no charge upon failure, even if they were owned by the**
18 **customer?**

19 A. Such a requirement would result in an entirely different set of concerns. First, without
20 knowing exactly what is below the surface of the ground, Granite State does not agree

1 that being required to replace or repair any underground services owned by the customer
2 upon failure is in the best interest of the Company or its customers. Issues such as the
3 location of leach fields and water and sewer lines on a customer's property could create
4 safety issues for our crews and the customer. Second, for the Company to undertake
5 installations at no charge to the customer would require base rates to reflect this change
6 due to increased labor and materials costs beyond of the aforementioned costs.
7 Therefore, while it may seem like an easy solution to simply require the Company to
8 repair or replace all failed services, the safety concerns and added costs associated with
9 such a policy outweigh any potential benefit.

10 **V. CONCLUSION**

11 **Q. Does Granite State believe that the policy in place today provides benefit to**
12 **customers?**

13 A. Yes. All of Granite State's customers have the benefit of overall lower cost service
14 because they are not subsidizing the aforementioned costs to install and maintain
15 residential underground services. The customers who choose to install the underground
16 service bear all of the costs to install and maintain their service. The benefits of mark-
17 outs since the inception of the Locating/Mark-Out Policy addressed Staff's safety
18 concerns during Docket No. DG 11-040. The cost associated with owning new
19 residential underground services and adding employees and materials to accommodate
20 these service requests is a cost that should not be borne by all customers.

1 **Q. What is Granite State's position on owning new residential underground services on**
2 **private property?**

3 A. The Company believes that the policy in place today is sufficient to serve its customers at
4 the lowest cost while providing reliable service.

5 **Q. Does this conclude your testimony?**

6 A. Yes, it does.