

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

April 14, 2015 - 10:02 a.m.  
Concord, New Hampshire

NHPUC APR21 '15 AM 8:47

RE: DE 15-087  
LIBERTY UTILITIES (GRANITE STATE  
ELECTRIC) CORP. d/b/a LIBERTY UTILITIES:  
*Reliability Enhancement Plan and  
Vegetation Management Plan Report.*

PRESENT: Michael J. Sheehan, Esq.  
(Presiding as Hearings Examiner)

Sandy Deno, Clerk

APPEARANCES: Reptg. Liberty Utilities (Granite State  
Electric) Corp. d/b/a Liberty Utilities:  
Sarah B. Knowlton, Esq.

Reptg. Residential Ratepayers:  
Susan Chamberlin, Esq., Consumer Advocate  
Office of Consumer Advocate

Reptg. PUC Staff:  
Suzanne G. Amidon, Esq.  
Leszek Stachow, Asst. Director/Electric Div.  
Grant Siwinski, Electric Division

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

ORIGINAL

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

**I N D E X**

**PAGE NO.**

**WITNESS PANEL:**           **HEATHER M. TEBBETTS**  
                                  **JEFFREY CARNEY**  
                                  **KURT F. DEMMER**

Direct examination by Ms. Knowlton	10
Cross-examination by Ms. Chamberlin	16
Cross-examination by Ms. Amidon	18, 27
Cross-examination by Mr. Stachow	25
Interrogatories by Mr. Sheehan	28
Redirect examination by Ms. Knowlton	34

\*       \*       \*

**CLOSING STATEMENTS BY:**

Ms. Chamberlin	41
Ms. Amidon	42
Ms. Knowlton	43
Questions by Mr. Sheehan	47

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

**E X H I B I T S**

<b>EXHIBIT NO.</b>	<b>D E S C R I P T I O N</b>	<b>PAGE NO.</b>
1	Direct Testimony of Christian Brouillard and Jeffrey Carney (03-13-15)	8
2	Reliability Enhancement Plan and Vegetation Management Plan Report (03-13-15)	8
3	Direct Testimony of Heather M. Tebbetts, with attachments (03-13-15)	8
4	Technical Statement of Heather M. Tebbetts, with attachments (04-10-15)	8

**P R O C E E D I N G**

1  
2 MR. SHEEHAN: For those of us who don't  
3 know, my name is Mike Sheehan. I've been appointed as the  
4 Hearings Examiner for today's hearing. This is Docket DE  
5 15-087, titled "Calendar Year 2014 Reliability Enhancement  
6 and Vegetation Management Plan Results and  
7 Reconciliation". In this docket, Liberty seeks first to  
8 recover \$2.2 million in capital costs for its Reliability  
9 Enhancement Program (REP) incurred during 2013 and 2014  
10 through a revenue requirement increase of about \$380,000.  
11 Second, Liberty requests to recover over the course of one  
12 year about \$35,000 in O&M costs related to the programs.  
13 And, third, Liberty provided the Commission with its  
14 annual report on these two programs.

15 The Petition also notes that FairPoint  
16 Communications did not contribute about \$440,000 towards  
17 the vegetation program that Liberty expected over the  
18 prior two years.

19 I noticed in the Docketbook that Liberty  
20 filed the affidavit of publications, which have dates that  
21 comply with the Order of Notice.

22 Why don't we start with appearances.  
23 And, as we go through, if anyone has a idea of how to  
24 proceed with this hearing, let me know and we will go from

1 there.

2 MR. KNOWLTON: Good morning, Hearing  
3 Examiner. My name is Sarah Knowlton. I'm here today for  
4 Liberty Utilities (Granite State Electric) Corp. And,  
5 with me today from the Company is Steven Mullen, and Kurt  
6 Demmer, Heather Tebbetts, and Jeffrey Carney.

7 MR. SHEEHAN: Thank you. Good morning.

8 MS. CHAMBERLIN: Good morning. Susan  
9 Chamberlin, Consumer Advocate for the residential  
10 ratepayers.

11 MR. SHEEHAN: Good morning.

12 MS. AMIDON: Good morning, Attorney  
13 Sheehan. Suzanne Amidon, for Commission Staff. And, with  
14 me today is Les Stachow, who is an Assistant Director with  
15 the Electric Division, and Grant Siwinski, an Analyst with  
16 that division.

17 MR. SHEEHAN: And, how do we plan on  
18 going forward today? Any ideas?

19 MR. KNOWLTON: Yes. I have a few  
20 administrative matters I'd like to take up. The Company  
21 would propose that its witnesses sit as a panel. And,  
22 Jeffrey Carney, Heather Tebbetts, and Kurt Demmer is our  
23 proposed panel. Christian Brouillard is out of the  
24 country. And, so, Mr. Demmer is prepared to adopt his

1 testimony, and he's very familiar with all of the  
2 reliability enhancement measures that are the subject of  
3 this docket. So, I would propose that the three of them  
4 sit together as a panel.

5 I have distributed an exhibit list,  
6 where I would propose to mark for identification as  
7 "Exhibit 1" the Joint Testimony of Mr. Brouillard and  
8 Carney; as "Exhibit 2", the Calendar Year 2014 Reliability  
9 Enhancement Plan and Vegetation Management Plan; as  
10 "Exhibit 3", the Direct Testimony of Heather M. Tebbetts;  
11 and then, as "Exhibit 4", a Technical Statement of  
12 Ms. Tebbetts and a series of rate schedules that was filed  
13 last week. And, that's Bates numbered 001 through 039.

14 I would note that Staff recommended, and  
15 I agree that it's a good idea, that next year what we do  
16 is we put together this whole testimony and report as one  
17 package and Bates number it sequentially from 001 to the  
18 end, instead of having all these separate exhibits. And,  
19 we will do that next year. It's a good suggestion.

20 The last thing that I wanted to just  
21 alert the Commission to is we did file the affidavits of  
22 publication, and the Order of Notice was published in a  
23 timely manner. But we did encounter pretty substantial  
24 difficulty with the Valley News in getting the affidavit

1 of publication from them. And, this has been something  
2 that's been ongoing. I think this has been the worst that  
3 we've had so far. But we spend a lot of time chasing the  
4 newspapers to get the affidavits of publication. And,  
5 this time, the Valley News told us that they could not get  
6 us the affidavit of publication by the deadline, because  
7 their notary was on vacation, and that they couldn't, you  
8 know, they weren't able to locate another notary in their  
9 area. So, we literally offered to pay to drive a notary  
10 to Lebanon to get it notarized, which we ended up not  
11 having to do.

12 But I would like to, you know, ask that  
13 the Commission consider having some forum for discussion  
14 of alternate methods of publication. I know this has come  
15 up before, but we spend a lot of money publishing in the  
16 newspaper, not convinced that our customers necessarily  
17 see it. Because one would have to, you know, purchase the  
18 newspaper that day or go to the library to read it that  
19 day, and randomly notice that there was something about  
20 the Company in the paper. And, so, the Company is very  
21 interested in exploring with Staff and the Consumer  
22 Advocate other alternatives, so that public notices  
23 made -- is out there to its customers in a meaningful way,  
24 in a way that's cost-effective, and also in a way that

1 doesn't, you know, take up an inordinate amount of company  
2 time chasing these newspapers, which literally is phone  
3 calls and emails every single day until we have it in our  
4 hands, because we're so worried that we're going to miss  
5 the Commission's deadline. So, I wanted to put that out  
6 there for the Commission's consideration.

7 MR. SHEEHAN: Last thing first, I agree  
8 with you, there's sort of a disconnect between this kind  
9 of publication and how we actually get notice. And, I  
10 know we've kicked it around internally, and there is kind  
11 of a web of statutes that don't all talk to each other  
12 specifically. So, I'm sure we'd be happy to receive some  
13 suggestions, and wonder how it plays out into a -- I'm not  
14 sure. But, yes. We are aware of that issue, and we do  
15 occasionally dive in. And, at some point, maybe we should  
16 reach critical mass and do something about it.

17 MR. KNOWLTON: Thank you.

18 MR. SHEEHAN: On the exhibits, we'll  
19 take those, or we'll mark those as suggested, and we'll  
20 address whether they are admitted at the end of the  
21 hearing.

22 (The documents, as described, were  
23 herewith marked as **Exhibit 1** through  
24 **Exhibit 4**, respectively, for

[WITNESS PANEL: Tebbetts~Carney~Demmer]

1 identification.)

2 MR. SHEEHAN: Ms. Amidon, is that an  
3 okay way to proceed this morning?

4 MS. AMIDON: Yes, I agree with that.  
5 And, just to address that last comment of Ms. Knowlton  
6 regarding publication. Until most recently also had a  
7 problem and had to actually formally request a delay of  
8 one day because they couldn't arrange for publication.

9 But I will talk with the electric  
10 distribution utilities off line about this. Thank you.

11 MR. SHEEHAN: Ms. Chamberlin, are you  
12 okay with that procedure?

13 MS. CHAMBERLIN: Yes, that's fine. We'd  
14 like to participate. We understand the concern that the  
15 publication process is not really effective. And, we're  
16 interested in having one that is cost-effective and  
17 reaches all of the consumers in interest.

18 MR. SHEEHAN: Thank you. And, you're  
19 okay with the procedure for today's hearing?

20 MS. CHAMBERLIN: Yes.

21 MR. SHEEHAN: Ms. Knowlton, then the  
22 show is yours.

23 MR. KNOWLTON: Thank you. The Company  
24 calls Mr. Demmer, Mr. Carney, and Ms. Tebbetts.

{DE 15-087} {04-14-15}

[WITNESS PANEL: Tebbetts~Carney~Demmer]

1 (Whereupon *Heather M. Tebbetts*,  
2 *Jeffrey Carney* and *Kurt F. Demmer* were  
3 duly sworn by the Court Reporter.)

4 **HEATHER M. TEBBETTS, SWORN**

5 **JEFFREY CARNEY, SWORN**

6 **KURT F. DEMMER, SWORN**

7 **DIRECT EXAMINATION**

8 BY MR. KNOWLTON:

9 Q. Good morning. Mr. Demmer, I'll start with you. Would  
10 you please state your full name for the record.

11 A. (Demmer) Kurt Fredrick Demmer.

12 Q. And, by whom are you employed?

13 A. (Demmer) Liberty Energy Utilities (New Hampshire) Corp.

14 Q. What is your position with the Company?

15 A. (Demmer) Director of Electric Operations.

16 Q. In that capacity, do you have any responsibility for  
17 the Company's Reliability Enhancement Plan?

18 A. (Demmer) I oversee the maintenance, construction, and  
19 operations of the electric distribution system for New  
20 Hampshire.

21 Q. Okay. Are you familiar with the testimony that was  
22 filed by Christian Brouillard and Jeffrey Carney on  
23 May -- or, I'm sorry, March 13th, 2015?

24 A. (Demmer) Yes, I am.

{DE 15-087} {04-14-15}

[WITNESS PANEL: Tebbetts~Carney~Demmer]

1 Q. Have you reviewed that testimony?

2 A. (Demmer) Yes, I did.

3 Q. And, do you adopt that testimony as your own today?

4 A. (Demmer) Yes, I do.

5 Q. Do you have any corrections or changes to that  
6 testimony?

7 A. (Demmer) No, I do not.

8 Q. If I were to ask you the questions contained in the  
9 testimony, would the answers be the same?

10 A. (Demmer) Yes.

11 Q. Thank you. Mr. Carney, would up please state your full  
12 name for the record.

13 A. (Carney) Jeffrey Carney.

14 Q. What is your position with the Company?

15 A. (Carney) I'm employed by Liberty Energy (New Hampshire)  
16 as the Vegetation Supervisor.

17 Q. What do your job duties entail?

18 A. (Carney) In my capacity as the Program Manager for  
19 Vegetation and Inspections, I support electric  
20 operations, plan and budget and manage Granite State's  
21 inspection and veg. management programs, vendor  
22 performance, storm and regulatory support on  
23 distribution and sub transmission assets.

24 Q. Are you familiar with the Direct Testimony of Christian

{DE 15-087} {04-14-15}

[WITNESS PANEL: Tebbetts~Carney~Demmer]

1 Brouillard and Jeffrey Carney that was marked for  
2 identification as "Exhibit 1"?

3 A. (Carney) Yes, I am.

4 Q. And, to the extent that the testimony relates to  
5 vegetation management services and the Vegetation  
6 Management Plan, was that testimony prepared by you or  
7 under your direction?

8 A. (Carney) Yes, it was.

9 Q. Do you have any changes or corrections to the  
10 testimony?

11 A. (Carney) No, I do not.

12 Q. If I were to ask you the questions contained in the  
13 testimony today, would your answers be the same?

14 A. (Carney) Yes, they would.

15 Q. Thank you. Ms. Tebbetts, would you please state your  
16 full name for the record.

17 A. (Tebbetts) Heather Tebbetts.

18 Q. By whom are you employed?

19 A. (Tebbetts) Liberty Energy (New Hampshire) Corp.

20 Q. What is your position with the Company?

21 A. (Tebbetts) I'm a Utility Analyst in our Rate &  
22 Regulatory Department.

23 Q. What are your areas of responsibility in that position?

24 A. (Tebbetts) Rate-related services.

{DE 15-087} {04-14-15}

[WITNESS PANEL: Tebbetts~Carney~Demmer]

1 Q. And, do you focus on just electric or do you do  
2 electric and gas?

3 A. (Tebbetts) I just do electric.

4 Q. Are you familiar with your testimony that's been marked  
5 for identification today as "Exhibit 3"?

6 A. (Tebbetts) Yes.

7 Q. Was that prepared by you or under your direction?

8 A. (Tebbetts) Yes.

9 Q. Do you have any corrections or changes to your  
10 testimony?

11 A. (Tebbetts) No.

12 Q. If I were to ask you the questions contained in your  
13 testimony today, would the answers be the same?

14 A. (Tebbetts) Yes.

15 Q. Ms. Tebbetts, the Company filed your Technical  
16 Statement, which we've marked for identification as  
17 "Exhibit 4". Do you have that before you?

18 A. (Tebbetts) Yes.

19 Q. Would you start by explaining -- the Technical  
20 Statement is one page and then has a series of Bates  
21 numbered schedules attached to it. Would you begin by  
22 just explaining for the Commission what the purpose of  
23 the Technical Statement is?

24 A. (Tebbetts) Yes. So, the purpose of the Technical

{DE 15-087} {04-14-15}

[WITNESS PANEL: Tebbetts~Carney~Demmer]

1 Statement primarily was that, in one of the schedules  
2 we had used a Federal Income Tax rate of 35 percent,  
3 rather than 34 percent, which originally stemmed from  
4 Mr. Mullen's testimony in Docket 13-063, which was the  
5 Granite State rate case. And, so, we had used the  
6 incorrect tax rate. So, to update that tax rate then  
7 required an update to all the schedules, which also  
8 required an update to bill impacts.

9 Q. Will the Company be using the 34 percent Federal Income  
10 Tax rate in the future with its filings?

11 A. (Tebbetts) Yes.

12 Q. And, is there another purpose to filing your Technical  
13 Statement?

14 A. (Tebbetts) Well, we had found that the rate had changed  
15 for the overall rate impact for customers. So, it went  
16 from a rate increase of 1.09 percent to a rate increase  
17 of 1.08 percent.

18 Q. And, that's the result of the income tax change?

19 A. (Tebbetts) Yes.

20 Q. And, since the Company made its filing on March 13th,  
21 2015 in this docket, were there any other rate changes  
22 that took effect for the Company?

23 A. (Tebbetts) Yes. There was the Energy Service rate that  
24 will take effect for May 1st. And, that was actually a

{DE 15-087} {04-14-15}

[WITNESS PANEL: Tebbetts~Carney~Demmer]

1 significant decrease for customers of about \$46 a month  
2 for the average residential customer.

3 Q. If I understand your Technical Statement correctly,  
4 there will be a series of rate changes that all take  
5 place -- will take place on May the 1st, 2015?

6 A. (Tebbetts) Yes.

7 Q. And, would you just list what categories of rates will  
8 change on that date?

9 A. (Tebbetts) Yes. The Distribution charges will change;  
10 the Energy Service charges will change; the  
11 Transmission charge will change; and the Stranded Cost  
12 charge will change. The Distribution charge will be an  
13 increase; Transmission will be an increase; Energy  
14 Service will be a decrease; and Stranded Cost will also  
15 be a decrease.

16 Q. And, are your schedules that are in this Exhibit 4,  
17 starting on Bates 002, and going all the way through to  
18 Bates 033, do these schedules -- I'm sorry, to Bates  
19 039, do these schedules reflect the entire impact of  
20 those four changes together?

21 A. (Tebbetts) Yes, they do.

22 Q. And, for residential customers using an average of 655  
23 kWh, what is the overall impact of the four rate  
24 changes?

{DE 15-087} {04-14-15}

[WITNESS PANEL: Tebbetts~Carney~Demmer]

1 A. (Tebbetts) An overall decrease of \$46.03 per month, or  
2 29.8 percent.

3 MR. KNOWLTON: Thank you. The Company  
4 has no further questions for the panel.

5 MR. SHEEHAN: Ms. Chamberlin.

6 MS. CHAMBERLIN: Thank you.

7 **CROSS-EXAMINATION**

8 BY MS. CHAMBERLIN:

9 Q. Ms. Tebbetts, in your -- either your original testimony  
10 or your Technical Statement, you discuss a charge based  
11 on FairPoint's failure to pay a bill. Is that being  
12 included as one of the rate increases for customers?

13 A. (Tebbetts) Yes. So, let me turn to my original  
14 testimony please. Okay. So, on Bates Page 007 of my  
15 original testimony filed on March 15th [13th?], I  
16 discuss a total amount owed to Granite State for 2014  
17 and 2013 calendar years. So, because we did not  
18 receive those dollars from FairPoint, the REP  
19 adjustment factor, which is a calculation for the O&M  
20 costs associated with reliability enhancements is  
21 actually an increase to customers.

22 If we had received the dollars  
23 associated with the tree trimming and other items that  
24 are in our joint agreement, then the customers would

[WITNESS PANEL: Tebbetts~Carney~Demmer]

1 have actually seen a decrease. And, we would be  
2 crediting customers 0.00017 cents per kilowatt-hour,  
3 rather than charging them the 0.0006.

4 Q. And, the debt is based on a contractual relationship  
5 between Liberty and FairPoint that the costs for  
6 maintaining the poles is a shared cost, is that  
7 correct?

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

9 Q. And, had FairPoint met its debt obligation according to  
10 this contract, there would be no increase to customers  
11 for this particular charge, is that correct?

12 A. (Tebbetts) Yes. That's correct.

13 Q. Do you have a base -- what is your basis for charging  
14 customers a debt from a telecom company?

15 A. (Tebbetts) We have a contract with them that provides  
16 how we will share costs when it comes to tree-trimming  
17 and various other items. And, without receiving those  
18 costs for two years, not just one year, we didn't  
19 receive them in calendar year '13 or '14, so, we feel  
20 that it's appropriate for customers to, you know, pay  
21 for the costs associated with the REP Program. We're  
22 hoping that we can work this out with FairPoint and  
23 receive the money. At that point, we will then credit  
24 customers all of the money we receive from FairPoint.

{DE 15-087} {04-14-15}

[WITNESS PANEL: Tebbetts~Carney~Demmer]

1 So, there's a lag, because we aren't receiving these  
2 funds.

3 Q. So, you're having customers loan you -- loan the  
4 Company money for FairPoint's debt, is that a fair  
5 characterization?

6 A. (Tebbetts) Well, I wouldn't say -- I would not  
7 characterize that as a "loan", such as we're not  
8 charging customers interest or, you know, I mean, we  
9 haven't received the funds for two years. And, we are  
10 requesting that customers, you know, pay for the  
11 vegetation enhancement and -- the Reliability  
12 Enhancement and the Vegetation Management Program.  
13 Until we receive FairPoint funds, these are the costs  
14 associated with those programs.

15 Q. And, the basis for FairPoint's charge is that FairPoint  
16 uses the poles for telecom infrastructure, correct?

17 A. (Tebbetts) Yes.

18 MS. CHAMBERLIN: Thank you. I have  
19 nothing else.

20 MR. SHEEHAN: Okay. Ms. Amidon.

21 MS. AMIDON: Thank you.

22 **CROSS-EXAMINATION**

23 BY MS. AMIDON:

24 Q. Just to follow along on that, this program was

{DE 15-087} {04-14-15}

[WITNESS PANEL: Tebbetts~Carney~Demmer]

1 continued in the Company's most recent distribution  
2 rate case, the REP/VMP Program was continued from a  
3 prior agreement that was approved regarding National  
4 Grid, when National Grid owned Granite State, is that  
5 right?

6 A. (Tebbetts) Yes. I believe that's correct.

7 Q. Is there anything in the Settlement Agreement that was  
8 approved in 13-063 that permits the Company to collect  
9 funds that are not paid by FairPoint from customers?

10 A. (Tebbetts) I don't know, actually. I can look into  
11 that.

12 Q. Subject to check, would you agree that it does not  
13 provide -- have a provision to allow the Company to  
14 recover from customers any shortfalls from FairPoint?

15 MR. KNOWLTON: I'm going to object. The  
16 witness indicated that she didn't know.

17 MR. SHEEHAN: Sustained.

18 MS. AMIDON: Fine.

19 BY MS. AMIDON:

20 Q. And, how much money is it total that FairPoint has not  
21 paid?

22 A. (Tebbetts) \$444,442 for calendar years 2013 and 2014.

23 Q. And, absent that, you indicated that the customers  
24 would actually receive a credit in the reconciliation

{DE 15-087} {04-14-15}

[WITNESS PANEL: Tebbetts~Carney~Demmer]

1 factor instead of a charge, is that right?

2 A. (Tebbetts) Yes.

3 Q. Okay. Now, regarding your Technical Statement,  
4 Ms. Tebbetts, do you plan to use -- does the Company  
5 plan to use the calculations that are contained in  
6 Exhibit 4 to develop rates for this docket for May 1?

7 A. (Tebbetts) Yes.

8 Q. So, in other words, it's almost a correction to your  
9 testimony, is that fair to say?

10 A. (Tebbetts) Yes.

11 Q. Okay. And, in your calculation, I notice that you  
12 included the amounts associated with the deferral in  
13 Docket 14-340 that was the Company's retail rate  
14 reconciliation filing for 2014. Am I characterizing  
15 that right?

16 A. (Tebbetts) In the bill impacts?

17 Q. Yes.

18 A. (Tebbetts) Yes. I included those changes.

19 Q. Okay. And, do you -- on your bingo sheets attached to  
20 your Technical Statement, can you show us how those  
21 amounts contribute to the overall cost increase  
22 anticipated for May 1, I mean, not the cost increase in  
23 overall rates, but connected with this filing for  
24 May 1?

{DE 15-087} {04-14-15}

1 A. (Tebbetts) Yes. So, if you want to turn to Bates Page  
2 035 of my -- of Exhibit 4. Okay. So, if you take a  
3 look at Bates Page 035, these rates here are the  
4 December 1 rate levels that all are in effect, other  
5 than the Energy Service portion, as we did have a rate  
6 change on November 1st, and then -- so, this is all  
7 based on what, like I said, the December 1 rates.

8 If you take a look at Bates Page 036,  
9 you'll see the overall rate levels to be in effect for  
10 May 1st, 2015. These are the proposed rates. So, you  
11 can see like, for example, Domestic Rate D includes  
12 multiple groups of rates. So, that's the overall rate,  
13 retail rate for the group, that class. That includes  
14 the new Transmission rates, the new Stranded Cost  
15 charge, and a blended Energy Service rate, which,  
16 again, we had a rate change for November 1. And, these  
17 calculations are based on the proposed May 1, 2015 Step  
18 Adjustment rates. So, back on December 1st, we were to  
19 have a rate reduction for distribution rates, which we  
20 have. And, those rates were to then go back to rate  
21 levels based on the settlement in the distribution  
22 case. So, these calculated rates are based on those  
23 proposed May 1st rates for that time.

24 Bates Page 037 shows you the change in

[WITNESS PANEL: Tebbetts~Carney~Demmer]

1 those rates from December 1st to May 1st. Bates Page  
2 038 shows you the overall change in rates as a  
3 percentage of each rate component, so, each class. So,  
4 you can see, for example, Domestic Rate D, the overall  
5 distribution rate change is actually 2.86 percent.  
6 And, again, that is because of the proposed rates in  
7 the settlement that were to go back up for May 1st. We  
8 had a rate decrease for December 1, and they were to go  
9 back up May 1st.

10 If you look at Bates Page 039, those are  
11 the rate changes showing the percentage of change of  
12 revenue for each class.

13 Q. Yes. This is very helpful. It shows that there is a  
14 large increase in the transmission component of the  
15 rates?

16 A. (Tebbetts) Yes. That's correct.

17 Q. And, that was approved by the Commission last December,  
18 and the Commission allowed the Company to defer  
19 recovery of that and associated interest until rates  
20 beginning May 1 this year, is that right?

21 A. (Tebbetts) Yes. That's correct.

22 Q. And, then, you can see the distribution rate increase  
23 there, too?

24 A. (Tebbetts) Yes.

[WITNESS PANEL: Tebbetts~Carney~Demmer]

1 Q. And, the reduction overall to the stranded cost  
2 revenue, as you pointed out earlier in your testimony?

3 A. (Tebbetts) Yes. And also Energy Service.

4 Q. Thank you. That was helpful. I'm trying to -- I don't  
5 know which of you would -- would be Mr. Carney or Mr.  
6 Demmer would be able to answer, a question regarding  
7 the Report itself and the SAIDI/SAIFI statistics. And,  
8 that is, I believe it's Exhibit 2, at Page 011. We do  
9 have a graph here, but I thought it would be helpful if  
10 you explained what the trend was. And, also address a  
11 statement in the report on that page, which says, it's  
12 about four lines from the bottom, it says "In summary,  
13 the Company did not meet its SAIFI and SAIDI targets of  
14 1.49 and 146.86 minutes respectively." So, who would  
15 be the best to address that question?

16 A. (Demmer) That would be me.

17 Q. Okay. However you can help me out.

18 A. (Demmer) Okay. I'm sorry, I was a little late getting  
19 to the page. But your question is about the actual not  
20 meeting the SAIDI and SAIFI?

21 Q. Well, there is that one statement. But, also, when you  
22 look at the graph above, there appears to be an upward  
23 trend in the -- I think it's the SAIDI, and the  
24 five-year SAIDI and SAIFI between 2013 and 2014.

{DE 15-087} {04-14-15}

[WITNESS PANEL: Tebbetts~Carney~Demmer]

1 There's an upward trend, when there should be a  
2 downward trend, am I right on that?

3 A. (Demmer) Correct.

4 Q. So, just explain generally what we see in this graph,  
5 and then that sentence, if you will, please.

6 A. (Demmer) Okay. Just to go back to that graph. That  
7 graph, I don't want to say it's "misleading", but it's  
8 a little short on the actual window of a trending type  
9 of SAIDI and SAIFI performance. When you look at SAIDI  
10 and SAIFI for electric utilities, there are a lot of  
11 factors that factor into year to year. And, the  
12 overall REP approach is to look at a downward trend  
13 over the course of years, rather than from one year to  
14 the next. Because you could have some one-off type  
15 events or weather events that may create an upward tick  
16 in the SAIDI and SAIFI.

17 In this case, where it's such a short  
18 window, from 2010 to 2014, you see a slight increase,  
19 because the actual graph, I guess you call it the "X"  
20 axis is kind of small. If you look at Bates 021, which  
21 is an actual calendar year graph, a calendar year table  
22 that shows from 2000-2014, and you look at the  
23 five-year average SAIFI and the five-year average  
24 SAIDI, you'll start to see a downward trend. And, the

{DE 15-087} {04-14-15}

[WITNESS PANEL: Tebbetts~Carney~Demmer]

1 reason why we do it on a five-year average is because  
2 of that. Where you have these type of weather events  
3 and these one-off type events, the five-year smooths  
4 that out and gives you an average over five years,  
5 rather than doing it on an individual year. So, you  
6 start seeing more of a trending line there, going from,  
7 basically, 2.15 from 2008, all the way down to 1.56.  
8 So, yes, did not meet last year's SAIDI and SAIFI  
9 targets. However, if you look at this from a table  
10 standpoint, it's still in a downward trend.

11 Q. Okay. Thank you.

12 MS. AMIDON: One moment please.

13 (Atty. Amidon conferring with Mr.  
14 Stachow.)

15 MS. AMIDON: Mr. Stachow has a question  
16 please?

17 MR. SHEEHAN: Sure.

18 BY MR. STACHOW:

19 Q. Could you clarify the --

20 (Court reporter interruption.)

21 BY MR. STACHOW:

22 Q. Okay. Could you clarify the anomaly in the numbers for  
23 2014 relative to 2013?

24 A. (Demmer) Sure. There were eight to nine events, but I

[WITNESS PANEL: Tebbetts~Carney~Demmer]

1 like to categorize them as --

2 WITNESS DEMMER: I'm sorry.

3 (Court reporter interruption.)

4 **CONTINUED BY THE WITNESS:**

5 A. (Demmer) There were roughly eight events that I would  
6 consider kind of "one-off events". Three were  
7 significant enough to -- we actually have them in the  
8 report here that we show in the report. One of the  
9 largest ones was a distribution supply line outage that  
10 was roughly 27 of the minutes, SAIDI minutes, that  
11 happened in Salem. The second one was an outage that  
12 happened up in Lebanon, due to a breaker failure to  
13 isolate a fault. And, the third one was a fatality  
14 that happened up in Enfield, that where there was pole  
15 damage, there was some circuit -- circuit customers  
16 that were off for the duration of the investigation of  
17 the State Police. And, it happened back in May. I'm  
18 not sure if anyone remembers that. That was a truck  
19 incident where someone was actually killed. So, there  
20 were three events that happened last year that  
21 significantly increased the SAIDI and SAIFI for 2014,  
22 that I would consider as "one-off events" that have  
23 been addressed in 2014.

24 BY MR. STACHOW:

{DE 15-087} {04-14-15}

[WITNESS PANEL: Tebbetts~Carney~Demmer]

1 Q. So, would it be true to say that what we should look is  
2 at the five-year trend, and not at that one specific  
3 year, and so, therefore, our expectation would be that,  
4 in 2015, the number would continue to fall?

5 A. (Demmer) That's correct. It actually has. In our  
6 first three months of January, February, and March, our  
7 SAIDI and SAIFI has been significantly less than our  
8 five-year average.

9 MR. STACHOW: Okay. Thank you.

10 WITNESS DEMMER: No problem.

11 BY MS. AMIDON:

12 Q. And, I just have one more question. The Staff noted in  
13 this filing that there was a carryover capital  
14 investment from 2013 to 2014, and that actually was  
15 more than the capital investment in 2014. Could you  
16 explain the reasons why that's included in this filing?

17 A. (Demmer) Sure. There were six projects that were in  
18 2013 that carried over -- I guess you'd called it  
19 "carried over" into 2014, as far as two of the projects  
20 were completed in January 2014. The remaining four  
21 projects were completed in 2013 or in service. There  
22 was some previous testimony on the -- I don't want to  
23 call it "lack of a 106 account", but there were some  
24 charges that were brought over from 2013 and 2014

{DE 15-087} {04-14-15}

[WITNESS PANEL: Tebbetts~Carney~Demmer]

1 because of that, that lack of that account, that  
2 created the charges in the books on those projects,  
3 even though they were in service in 2013.

4 Q. And, when you reference that account, you mean a FERC  
5 account?

6 A. (Demmer) The FERC account, yes, 106.

7 Q. Okay. So, in other words, it was a timing issue?

8 A. (Demmer) It was a timing issue.

9 Q. Okay.

10 A. (Demmer) Thank you.

11 MS. AMIDON: Thank you. That's all I  
12 have. Thanks.

13 MR. SHEEHAN: I have a few questions.

14 BY MR. SHEEHAN:

15 Q. Taking this last point, Mr. Demmer. So, the 2013  
16 capital costs that were rolled into 2014, obviously,  
17 you did not start -- you could have asked for those in  
18 2013 at the time the issue had arisen, and you would  
19 have had them in rates, presumably, as of last year's  
20 hearing like this?

21 A. (Demmer) Correct.

22 Q. So, it's not double-counting. It's simply you didn't  
23 get it in 2013, you're asking for it to be included  
24 now?

{DE 15-087} {04-14-15}

[WITNESS PANEL: Tebbetts~Carney~Demmer]

1 A. (Demmer) Yes. The customers got a whole year pretty  
2 much of us having those without the recovery, correct.

3 Q. And, on the anomalies you discussed with Mr. Stachow,  
4 if you had removed those three worst "one-offs", as you  
5 call them, do you know what impact that would have had  
6 on those metrics that you described?

7 A. (Demmer) Roughly, 30 -- roughly, a third of the SAIDI  
8 minutes. And, I want to say I think it was about a  
9 quarter of the SAIFI numbers. So, we would have been  
10 significantly less, probably around the 120s, actually,  
11 if you wanted me to figure it out, the figure was 115  
12 to 120, around there.

13 Q. There's a reference in the testimony Ms. Amidon pointed  
14 out that you did not meet "the targets". Who sets  
15 those targets?

16 A. (Demmer) We set those targets as a goal going against  
17 the five-year average. So, every year we have the  
18 five-year average from the previous five years, and  
19 that's our goal for that year.

20 Q. Mr. Carney, I'm sorry, I don't have questions for you.  
21 But my best friend from high school went to Paul  
22 Smith's College, and it's nice to run into someone else  
23 who did.

24 On the FairPoint issue, I guess

{DE 15-087} {04-14-15}

[WITNESS PANEL: Tebbetts~Carney~Demmer]

1 Ms. Tebbetts, perhaps Ms. Knowlton may better address  
2 this in the closing, what efforts have been made to  
3 collect the money? What's the likelihood of getting  
4 the money? Can you give us any head's up on that?  
5 Again, if this is something better for Ms. Knowlton,  
6 I'm happy to wait for her.

7 A. (Tebbetts) I'll let Mr. Demmer address that.

8 Q. Oh. Mr. Demmer, if you know?

9 A. (Demmer) Sure. We have been working with FairPoint  
10 throughout 2014 to collect those monies. And, there  
11 was, it's -- right now, we're in talks with FairPoint.  
12 It looks like we possibly may agree to mediation, not  
13 "mediation", arbitration for the -- is it "mediation?  
14 "Mediation", right? I'm sorry.

15 Q. One of those.

16 A. (Demmer) I got it wrong. Sorry. But, anyways, it has  
17 been a frustrating journey for us, because we've gone  
18 over the -- these are both in the IOP, which is the  
19 Inter-Operating Procedures, and the MOU. These are all  
20 contractual items that have been stated before that we  
21 should be receiving from FairPoint, along with tree  
22 trimming, and some pole sets also. So, it goes much  
23 further into not just the tree trimming part that goes  
24 beyond this docket.

{DE 15-087} {04-14-15}

1                   So, it has been a long process trying to  
2                   get them to the table. And, we have to go through  
3                   these certain procedures according to the IOP and the  
4                   MOU before we get to this point. Now, we're at this  
5                   point, we're looking to get those monies from  
6                   FairPoint.

7   Q.   Okay.

8   A.   (Demmer) So, it's been a long process.

9   Q.   And, I note from Ms. Tebbetts' testimony that, I don't  
10           have the exact numbers, but about 240 of it was 2014  
11           and about 200 of it was 2013. How was the 2013 failure  
12           to pay calculated into last year's or was it, last  
13           year's hearing on this, do you know?

14   A.   (Demmer) I don't know the answer to that.

15   Q.   I just scanned that briefly, and I didn't see a  
16           reference. But I frankly wasn't looking for FairPoint  
17           when I went through that.

18   A.   (Tebbetts) So, I believe that, for last year's hearing,  
19           we had incorporated the FairPoint dollars. And, if you  
20           take a look at, let's see, if you take a look at Bates  
21           Page 012 on Exhibit 4.

22   Q.   Okay.

23   A.   (Tebbetts) We had included the assumption that we would  
24           receive vegetation management expenses from FairPoint.

[WITNESS PANEL: Tebbetts~Carney~Demmer]

1 We did not.

2 Q. Can you help me find that on --

3 A. (Tebbetts) Oh, yes. I apologize. If you look at Bates  
4 Page 012, Line 11, all the way to "Calendar Year Stub  
5 2013". So, it's the second to last column.

6 Q. Okay. Bates Page 012 to what?

7 A. (Tebbetts) Exhibit 4.

8 Q. Which is?

9 A. (Tebbetts) My updated testimony.

10 MR. KNOWLTON: I think she's in Exhibit  
11 3.

12 MR. SHEEHAN: Her testimony?

13 MR. KNOWLTON: Direct testimony.

14 WITNESS TEBBETTS: I apologize.

15 MR. SHEEHAN: That's okay.

16 WITNESS TEBBETTS: I am in Exhibit 3.

17 MR. SHEEHAN: And, I had numbered them a  
18 different way before today. Okay.

19 WITNESS TEBBETTS: Are you in Exhibit 3?

20 MR. SHEEHAN: I'm in the attachment to  
21 your testimony.

22 WITNESS TEBBETTS: Okay.

23 MR. SHEEHAN: Original testimony.

24 WITNESS TEBBETTS: Okay. So, Exhibit 3,

{DE 15-087} {04-14-15}

[WITNESS PANEL: Tebbetts~Carney~Demmer]

1 yes. So, if you take a look at --

2 MR. SHEEHAN: Oh, there it is.

3 WITNESS TEBBETTS: -- Line 11, and you  
4 can see that we did include the reimbursements from  
5 FairPoint. But we did not receive them.

6 BY MR. SHEEHAN:

7 Q. Okay. And, that's part of the discussion, if you will,  
8 with FairPoint now, is you're trying to get the 2013  
9 paid, in addition to the 2014. And, it begs the  
10 question, why are you treating it differently this year  
11 than last year? As far as, this -- last year you  
12 included as if you got the money, and whatever impact  
13 on rates. This year, you made the choice not to  
14 include it, and that results in a tiny increase in the  
15 rates. But is there a reason why it was treated  
16 differently?

17 A. (Tebbetts) Yes. We felt that it would be appropriate  
18 at the time, since we are in talks, merely in talks  
19 right now dealing with this issue. And, we have two  
20 years so far that we have not received payment. And,  
21 at the time that we do receive payment, which we are  
22 working towards soon, customers will receive all of  
23 that money when we receive it, at the same time. So,  
24 if we were to receive it in the year of 2015, then,

{DE 15-087} {04-14-15}

[WITNESS PANEL: Tebbetts~Carney~Demmer]

1           once we do this next year, if we receive all 445,000,  
2           then customers will see all of that into their  
3           calculation.

4                           MR. SHEEHAN: That's all I have.  
5           Ms. Knowlton, any questions based on mine or the other  
6           parties?

7                           MR. KNOWLTON: Yes, I have a few  
8           questions.

9   **REDIRECT EXAMINATION**

10          BY MR. KNOWLTON:

11          Q.    For Mr. Carney or Mr. Demmer, whether FairPoint pays or  
12               not for the maintenance trimming, does the same  
13               trimming have to be performed?

14          A.    (Carney) Yes, it does.

15          Q.    Why is that?

16          A.    (Carney) We have a responsibility to keep our lines  
17               clear for reliability, safety, inspection. So, that's  
18               what our plan revolves around. Whether they  
19               contribute or not, we still have to do the same amount  
20               of work.

21          Q.    Will customers benefit from that maintenance trimming?

22          A.    (Carney) Yes, they will.

23          Q.    Mr. Carney, if you're -- this question would be for  
24               you, if you're familiar with what happened

[WITNESS PANEL: Tebbetts~Carney~Demmer]

1 historically. When the REP plan for this year was  
2 reviewed with Staff, do you know whether there was any  
3 discussion about how this issue with FairPoint should  
4 be treated, in terms of their historic failure to pay  
5 in 2013 for the maintenance trimming?

6 A. (Carney) Could you repeat the question?

7 Q. Do you recall whether the Company discussed with the  
8 Staff --

9 A. (Carney) Yes.

10 Q. -- how we would address the -- how the Company would  
11 address this FairPoint's failure to pay in this year's  
12 filing?

13 A. (Carney) Yes, I do.

14 Q. What do you recall?

15 A. (Carney) I recall having a meeting with Staff, I  
16 believe it was last fall, talking about a number of  
17 items around the 2014 REP/Veg., to give some  
18 transparency to the Staff as to how things were going.  
19 And, we talked specifically about this particular  
20 special project on the 14L2 Pelham circuit, and the  
21 fact that FairPoint had not been contributing to the  
22 program at all. And, the duration of -- and an  
23 estimate as to how much they were into it for, just  
24 again to bring that and keep it at a high level of

{DE 15-087} {04-14-15}

1 discussion.

2 Q. Mr. Demmer, you indicated that there was some problems  
3 that the Company experienced with regard to delayed  
4 pole settings by FairPoint. Were any of those projects  
5 where FairPoint was slow to set poles projects that  
6 were part of the REP/VMP Program?

7 A. (Demmer) The two projects that carried over into 2014,  
8 from 2013, that did not finish until January 2014, were  
9 two of the projects where there were delayed pole sets.

10 Q. And, in the past year, has the Company undertaken any  
11 efforts to address those delays by FairPoint?

12 A. (Demmer) Yes, we have. We have gone through the  
13 process, again, it being part of the IOP process, we  
14 need to go through certain steps. And, we have been  
15 setting poles where FairPoint has been considered in  
16 default for setting poles. So, we have been setting  
17 those poles going through the process, and we have done  
18 that for some of our capital construction projects.

19 Q. Why does the Company do that?

20 MS. AMIDON: Mr. Sheehan, while I won't  
21 object at this point, I just wonder how far we're going to  
22 get into the pole-setting issue, when this docket refers  
23 to REP/VMP Programs?

24 MR. SHEEHAN: Understood. I think

1       there's some discussion of the delay in getting the 2013  
2       dollars in 2014. Understanding that's, I think, the  
3       context, it makes it relevant. Ms. Knowlton, you can  
4       continue.

5       BY MR. KNOWLTON:

6       Q.     And, this is really my last question. Why does the  
7       Company go ahead and set the poles? Why don't you just  
8       wait for FairPoint to come out and do the work?

9       A.     (Demmer) It's a benefit to our customers and our  
10      reliability.

11     Q.     Mr. Demmer, you indicated that the Company is  
12      projecting a lower SAIDI and SAIFI for 2015. If you  
13      would go to the REP and VMP Report, which is Exhibit 2,  
14      and go back to that chart on Bates Page 21.

15     A.     (Demmer) I have it.

16     Q.     Are you there?

17     A.     (Demmer) Yes.

18     Q.     Okay. And, at the bottom of the chart, there's a  
19      highlighted yellow line that shows the 2015 projection  
20      for SAIFI and SAIDI.

21     A.     (Demmer) That's correct.

22     Q.     Are those numbers still accurate, from your  
23      perspective?

24     A.     (Demmer) They're actually lower now. When this report

[WITNESS PANEL: Tebbetts~Carney~Demmer]

1 was done, it was only January at the time that was  
2 captured. And, now, we have February and March  
3 captured. So, the actual projected SAIDI and SAIFI is,  
4 I would say, probably 10 to 15 minutes lower, and  
5 probably another 0.1 to 0.15 lower on the SAIFI.

6 Q. What is the basis for that reduction?

7 A. (Demmer) We take the actuals, which, in this case, now  
8 we know is January, February, and March. And, then,  
9 for the remaining months, such as April through  
10 December, we take the five-year average, and we add  
11 that, and that's our projected.

12 Q. And, are there particular upgrades that the Company has  
13 made in the past year that we're seeing the benefit of  
14 that are bringing those numbers down?

15 A. (Demmer) Yes. And, a lot of those are the  
16 reconductoring projects that we have in 2013 and 2014.  
17 That's the reason why I said a lot of these reliability  
18 enhancement projects span over a downward trend of  
19 years, rather than just one year. And, in this case,  
20 looking back at even March, where we had the March 17th  
21 windstorm, where we had 51 mile-an-hour gusts in Salem,  
22 and a lot of our neighboring utilities had some  
23 significant issues, Liberty Utilities came in at a peak  
24 of roughly 159 customers out during that windstorm, as

{DE 15-087} {04-14-15}



1 Q. Do you have confidence about the projections for the  
2 SAIDI and SAIFI for 2015 continuing downward?

3 A. (Demmer) Yes. If the weather events are such where we  
4 have the same type of weather we've had in January,  
5 February, and March, yes. I expect that our SAIDI and  
6 SAIFI will be lower than last year's, by a significant  
7 amount.

8 MR. KNOWLTON: Thank you. I have  
9 nothing further for the witnesses.

10 MR. SHEEHAN: Ms. Amidon, do you intend  
11 to put any witnesses on?

12 MS. AMIDON: No. Thank you.

13 MR. SHEEHAN: For closings, I'd  
14 appreciate, especially -- well, I appreciate hearing the  
15 following from the OCA and Staff. I've heard very little  
16 about the work done, and, aside from the FairPoint issue,  
17 the dollars. If you don't have any objection to those, it  
18 would be great to hear that specifically. And, for all  
19 three counsel, it seems, on the FairPoint issue, there's a  
20 question of who should bear the risk of the nonpayment.  
21 And, it sounds like last year the Company put the risk on  
22 itself and was trying to collect the money, and this year  
23 they're proposing to put the risk on the customers. Aside  
24 from the choices or legal basis for one or the other, and,

1 Ms. Knowlton, any further updates on the status, it would  
2 be appropriated.

3 So, if someone could remind me of the  
4 proper order for closings, we can -- Ms. Chamberlin, you  
5 go first? Thank you.

6 MS. CHAMBERLIN: Sure. I'll go first.  
7 The OCA does not have objections to the general capital  
8 costs for the Reliability Enhancement Program. We  
9 discussed the timing issue of the 106 FERC account in  
10 another docket. And, my understanding is that that has  
11 been resolved going forward. So, we won't have these  
12 timing differences in the future. So, we don't object to  
13 that.

14 On the FairPoint debt of about \$440,000,  
15 it's -- FairPoint has assets on the pole, the debt is a  
16 contractual debt. That is a telecom debt. There's simply  
17 no authority to collect that money from electric  
18 customers. If FairPoint is not meeting its contractual  
19 obligations, then it has to be removed from pole. It's  
20 not up for the electric customers to then foot the bill.  
21 So, that's a contract dispute that should be resolved, but  
22 not -- the electric customers simply have no duty to pay  
23 that, to pay that money. There's simply not authority for  
24 that. So, we object to having that particular amount

1 included in the recovery, but don't object to the other  
2 amounts.

3 MR. SHEEHAN: Thank you.

4 Ms. Knowlton -- or, Ms. Amidon.

5 MS. AMIDON: Thank you. Staff reviewed  
6 the filing, and we conducted discovery with the Company.  
7 And, we believe the Report correctly reflects what the  
8 Company's activities were in the last calendar year. And,  
9 we believe that they appropriately setted their priorities  
10 and conducted those activities appropriately as well.

11 And, we understand, as you heard today,  
12 that they were given authority by the Commission to  
13 include in rates today distribution and transmission costs  
14 that were deferred from the December order. And, we  
15 believe that was also appropriately calculated.

16 However, we do share concerns about the  
17 Company imposing costs on the customers that is really an  
18 obligation of FairPoint. I know that the Company  
19 customers may benefit from this, from these activities,  
20 but so does FairPoint. That's the very nature of the  
21 agreement. FairPoint benefits from the Company's REP/VMP  
22 activities and they pay for a share of it.

23 So, I have to concur with Attorney  
24 Chamberlin, that I don't see the nexus between a

1 obligation by a telecom company and the obligation of  
2 electric ratepayers to pay those costs. As you pointed  
3 out yourself, Attorney Sheehan, the Company had made a  
4 decision last year to budget the receipts in anticipation  
5 of receiving those amounts. And, I believe that, if the  
6 Company is allowed to recover the approximately \$450,000  
7 from customers in this instance, it will give them less  
8 incentive to pursue a settlement with FairPoint.

9 So, with that exception, I think that  
10 any resulting rates taking out the FairPoint collection  
11 would be just and reasonable within the meaning of RSA  
12 378. Thank you.

13 MR. SHEEHAN: Thank you. Ms. Knowlton.

14 MR. KNOWLTON: Thank you. The Company  
15 is -- requests that the Commission approve the proposed  
16 rates as set forth in Ms. Tebbetts' testimony, and the  
17 accompanying REP/VMP Plan Report that was filed. The  
18 Company believes that this program is of great benefit to  
19 its customers, despite the fact that there was a slight  
20 uptick in the reliability metrics this year. As Mr.  
21 Demmer has testified, we've already seen improvements in  
22 the first part of this year in the SAIDI and SAIFI, and  
23 expect that those will continue on a downward trend.

24 With regard to the issue of FairPoint

1 and who should bear the risk of the maintenance trimming  
2 that the Company has done pursuant to the MOU between  
3 FairPoint and the Company, I would note that it's common  
4 practice that utilities include in their rates legal  
5 obligations of third parties that are not carried out. I  
6 can think of many examples. I'll start with a few.

7           The first is bad debt of our customers.  
8 Our customers enter into a contract with us, and that  
9 contract is the tariff. Pursuant to the tariff, we  
10 provide utility service to our customers, and they're  
11 legally obligated to pay under that tariff. When they  
12 don't, we book that as bad debt, and we flow that through  
13 to all of our other customers who pay for those customers  
14 who don't pay their bills. That's one example.

15           Another example that I can think of is  
16 we have, unfortunately, situations where people hit our  
17 poles. As Mr. Demmer indicated, in this case, there was a  
18 car accident that took out a utility pole. That's damage  
19 to our system. If the driver was negligent and, you know,  
20 thus at fault for that accident that took out our assets,  
21 even though we incur costs to go out and repair the pole,  
22 and it may be overtime and the cost of the pole, you know,  
23 we undertake efforts to pursue recovery from the driver of  
24 the car for the cost of the pole. But, if we're not

1 successful in those efforts, those are still costs that  
2 are necessary to run our business to the benefit of our  
3 customers. And, so, we're ultimately going to flow those  
4 costs through our customers, you know, in our next  
5 distribution rate case.

6 So, I mean, those are just two examples.  
7 I'm sure there are others that are out there. But I don't  
8 think that this is necessarily, you know, unusual. I  
9 think probably what's piqued, you know, everybody's  
10 interest or attention is that it's another utility, you  
11 know, as opposed to a driver of a car or a customer who  
12 hasn't paid their bill. You know, and I understand the  
13 frustration with that, and we certainly share the Staff  
14 and OCA's frustration towards FairPoint.

15 We are very actively, as Mr. Demmer  
16 indicated, pursuing resolution of this with FairPoint.  
17 FairPoint has requested to take the matter to mediation.  
18 I think there is one last discussion that we're going to  
19 have with FairPoint, before we agree to go to mediation,  
20 to see whether, you know, is there a way that we can  
21 settle this without incurring the cost of mediation,  
22 because, you know, we'll incur the cost of outside  
23 counsel, and we'll split the cost of a mediator. And,  
24 again, that's costs our customers will bear. So, there

1 will be a cost to, you know, to get payment from them.

2 Under the MOU, which I would note was  
3 filed with the Commission in the docket involving the sale  
4 of Verizon to FairPoint, when this issue was first raised,  
5 the MOU requires that the parties mediate first. And,  
6 then, if the mediation fails, that the aggrieved party can  
7 bring the matter either to the Commission for resolution  
8 or to Superior Court. I have raised the issue with  
9 FairPoint that, you know, we don't want to mediate in  
10 vain, and only end up having to bring a proceeding here,  
11 you know, go to court and have to pay all the costs  
12 associated with litigation. And, FairPoint has indicated  
13 that they will mediate in good faith with us. So, I am  
14 hopeful that we can resolve this.

15 But I will say that we've been meeting,  
16 the presidents of the two companies, for about a year,  
17 have been in, you know, literally face-to-face meetings  
18 about this. So, it does have our highest level of  
19 attention on both sides.

20 We certainly will keep Staff and OCA  
21 up-to-date on our progress with FairPoint in resolution of  
22 this. But, I think, until we have a resolution, it is  
23 appropriate to flow these costs through to customers.  
24 They certainly will be credited with any amounts that we

1 receive from FairPoint, with regard to maintenance  
2 trimming, and any other outstanding dispute, to the extent  
3 that it relates to pole-setting fees.

4 So, with that, I thank the Commission  
5 and Staff and OCA for its time on this docket.

6 MR. SHEEHAN: Sure. Ms. Knowlton, two  
7 clarifications. Is there a -- is FairPoint giving a  
8 reason why they're not paying that you can put in a  
9 sentence or two or --

10 MR. KNOWLTON: Sure. They don't have  
11 any reason on the maintenance trimming, as far as I can  
12 tell. And, I have actually checked with the other  
13 electric utilities to see if they're being paid, and I  
14 believe they are.

15 I think the dispute really centers  
16 around the fees that are charged for pole-setting.  
17 FairPoint claims that Liberty owes it approximately in the  
18 range of \$900,000 for pole-setting. And, the reason why  
19 we haven't been able to resolve that is that they're  
20 seeking payment for pole-setting that dates back to the  
21 year 2000. And, our view is that there's a three-year  
22 statute of limitations in New Hampshire, and that the time  
23 for seeking payment is long past. We have been paying  
24 FairPoint for any poles that they've set for us since

1 2012. But they basically have stopped all payments to us,  
2 because they claim that they are the ones who is aggrieved  
3 and owed all the money. And, so, we disagree on that  
4 point.

5 MR. SHEEHAN: Okay. And, the last  
6 clarification, in this proceeding, there were two numbers  
7 for the FairPoint, the 2013 number, the 2014. Are both  
8 included in this? Or, as we pointed -- was the 2013  
9 number included in last year's? I didn't articulate that  
10 very well. Are you asking for recovery of the 2014  
11 nonpayment only or both years?

12 MR. KNOWLTON: Correct. Just the 2014  
13 nonpayment.

14 MR. SHEEHAN: Okay. Thank you. Any  
15 objection to accepting the four exhibits as full exhibits?

16 MR. KNOWLTON: No.

17 MR. SHEEHAN: Seeing none, they will be  
18 admitted as full exhibits. I will write a recommendation,  
19 as you know, for the Commission. And, we're all aware  
20 that this needs to be done by May 1.

21 So, with that, we'll adjourn.

22 **(Whereupon the hearing was adjourned at 11:00 a.m.)**