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8
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10
11
12
13
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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

June 4, 2015 - 9:08 a.m.
Concord, New Hampshire

NHPUC JUN24'15 PM 3:51

RE: DG 15-104
LIBERTY UTILITIES (ENERGYNORTH NATURAL
GAS) CORP. d/b/a Liberty Utilities:
2015 Cast Iron/Bare Steel Replacement
Program Results.

PRESENT: Chairman Martin P. Honigberg, Presiding
Commissioner Robert R. Scott

Sandy Deno, Clerk

APPEARANCES: **Reptg. Liberty Utilities (EnergyNorth Natural**
Gas) Corp. d/b/a Liberty Utilities:
R. J. Ritchie, Esq.

Reptg. Residential Ratepayers:
Wayne R. Jortner, Esq.
James Brennan, Finance Director
Office of Consumer Advocate

Reptg. PUC Staff:
Michael J. Sheehan, Esq.
Randall S. Knepper, Director./Safety Division
Robert Wyatt, Asst. Dir./Safety Division
Stephen P. Frink, Asst. Dir./Gas & Water Div.

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.

STATEMENTS BY:

Mr. Jortner 6

Mr. Sheehan 6

**WITNESS PANEL: GWYN M. CASSETTY
 IAN T. CRABTREE
 DAVID B. SIMEK**

Direct examination by Mr. Ritchie 9

Cross-examination by Mr. Jortner 24

Cross-examination by Mr. Sheehan 29

Interrogatories by Cmsr. Scott 41

Interrogatories by Chairman Honigberg 50

Redirect examination by Mr. Ritchie 52

WITNESS: RANDALL S. KNEPPER

Direct examination by Mr. Sheehan 55

Cross-examination by Mr. Jortner 66

Cross-examination by Mr. Ritchie 67

Interrogatories by Commissioner Scott 77

* * *

CLOSING STATEMENTS BY:

PAGE NO.

Mr. Jortner 87

Mr. Sheehan 88

Mr. Ritchie 90

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**

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	2015 Cast Iron/Bare Steel Replacement Program Results, including the Joint Direct Testimony of Gwyn M. Cassetty and Ian T. Crabtree, with attachments, and the Direct Testimony of David B. Simek, with attachments (04-15-15)	11
2	Revised Attachments GMC/ITC-1 and GMC/ITC-2 (05-22-15)	11
3	Revised Testimony of David B. Simek and Revised Attachments DBS 1, DBS-2, DBS-3, and DBS-4 (05-22-15)	11
4	Direct Testimony of Randall S. Knepper, including attachments (06-02-15)	15
5	Company Responses to OCA Data Requests 1-1, 1-2, 1-3	25

P R O C E E D I N G

1
2 CHAIRMAN HONIGBERG: We're here this
3 morning on Docket DG 15-104, which is Liberty Utilities
4 (EnergyNorth Natural Gas) Corp.'s filing regarding its
5 Cast Iron/Bare Steel Replacement Program results. Liberty
6 is seeking a permanent increase in its base distribution
7 rates of \$311,610 to be effective July 1. The Program
8 results and request for rate increase have been filed
9 pursuant to the Settlement Agreement in Docket DG 11-040,
10 which was a National Grid docket from -- order was issued
11 in 2012. That's enough summary.

12 We're here to hear the request. The
13 Staff filed testimony a couple of days ago. And, I know
14 the OCA is here. Before we go further, why don't we take
15 appearances.

16 MR. RITCHIE: Good morning,
17 Commissioners. My name is R. J. Ritchie. I'm here on
18 behalf of Liberty Utilities (EnergyNorth Natural Gas)
19 Corp. With me today are the Company's three witnesses:
20 Gwyn M. Cassetty, Ian T. Crabtree, and David P. -- David
21 B. Simek. And, with me at counsel's table are Steve
22 Mullen and Chris Brouillard.

23 MR. JORTNER: Good morning,
24 Commissioners. This is Wayne Jortner, representing the

1 Office of Consumer Advocate. And, with me today is James
2 Brennan, Finance Director.

3 MR. SHEEHAN: Good morning. Mike
4 Sheehan, for Commission Staff. Present is Staff's
5 witness, Randy Knepper, the Safety Director. Also, at
6 counsel's table is Robert Wyatt, Assistant Safety
7 Director, and Stephen Frink, Assistant Director of the Gas
8 and Water Division.

9 CHAIRMAN HONIGBERG: All right. How are
10 we proceeding this morning?

11 MR. SHEEHAN: I think the plan is to
12 have the Company's witnesses testify as a panel on their
13 proposal. And, then, Mr. Knepper will testify separately
14 afterwards, based on his prefiled testimony.

15 CHAIRMAN HONIGBERG: I know the OCA
16 hasn't filed anything, is that right, Mr. Jortner?

17 MR. JORTNER: That's correct.

18 CHAIRMAN HONIGBERG: And, are you
19 planning on having any testimony at all or are you just
20 going to question the witnesses who are presented by
21 others?

22 MR. JORTNER: We'll just have a very few
23 questions for the witnesses. We won't have any testimony.

24 CHAIRMAN HONIGBERG: I think it would be

1 helpful to me, it might be helpful to Commissioner Scott,
2 I can't speak for him, if OCA and Staff would briefly
3 summarize the position they expect to be taking on the
4 Company's request. Since having received nothing from OCA
5 and having received something from the Staff, I think I
6 know what Staff's ultimate position is going to be, but it
7 might help us get some context for what we're going to
8 hear.

9 So, Mr. Jortner, if you wouldn't mind?

10 MR. JORTNER: Sure. After reviewing the
11 Company's filings, the OCA has not identified any major
12 issues to bring to the Commission. We think the Company
13 has essentially complied with the Program as it should be
14 complied with. And, we have a few questions. We have one
15 issue that we'll raise through some questioning today.

16 CHAIRMAN HONIGBERG: Thank you.

17 Mr. Sheehan.

18 MR. SHEEHAN: Likewise, on the substance
19 of the filing, the Staff has no objection. There has been
20 a amended filing. So, the number that you read in your
21 opening is different than what they will be requesting.
22 And, there was some change made in the filing that will
23 reduce their request to about \$250,000 increase. On that,
24 we have no objection.

1 And, as you saw from Mr. Knepper's
2 testimony, as he has in the past, he gives a basic
3 overview of the Program, the good parts of what he sees
4 and areas he sees for improvement, and it's that kind of a
5 high-level going-forward kind of testimony. He does point
6 out what he sees as some mistakes in the past. We have no
7 intention of seeking any change to past filings. It is
8 more of a heads-up, "going forward, this is what Staff
9 will be looking at." So, that's the nature of
10 Mr. Knepper's testimony.

11 CHAIRMAN HONIGBERG: Thank you. That's
12 helpful. And, you are correct. I was reading from the
13 original Order of Notice, and I know that there were
14 amended filings.

15 So, Mr. Ritchie, unless there's anything
16 else we need to deal with, is there anything else we need
17 to deal with before we start with witnesses?

18 MR. RITCHIE: As a preliminary matter,
19 the Company would like to request that the Commission
20 grant the Company's Motion for a Protective Order and
21 Confidential Treatment that was filed, I believe, on
22 June 1st. It's with respect to the Company's response to
23 a information response that was asked by Staff at a
24 technical session. And, specifically, it was Staff

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 Technical IR 1-b.

2 CHAIRMAN HONIGBERG: I have the
3 confidential version of the response. Commissioner Scott
4 has the motion, but I don't think I do. Is there any
5 objection to the motion?

6 MR. SHEEHAN: There is none from the
7 Staff.

8 MR. JORTNER: No objection from OCA.

9 CHAIRMAN HONIGBERG: We will grant the
10 motion.

11 MR. RITCHIE: Thank you.

12 CHAIRMAN HONIGBERG: Now are we ready to
13 do witnesses then? All right. Mr. Ritchie, why don't you
14 have your witnesses take the stand.

15 MR. RITCHIE: Yes. The Company calls
16 Gwyn Cassetty, Ian Crabtree, and David Simek to the stand.

17 (Whereupon **Gwyn M. Cassetty,**
18 **Ian.T. Crabtree,** and **David B. Simek** were
19 duly sworn by the Court Reporter.)

20 MR. RITCHIE: And, as Staff mentioned
21 earlier, Ms. Cassetty, Mr. Crabtree, and Mr. Simek will be
22 appearing as a panel. But I would like to do some brief
23 direct for each of the witnesses.

24 **GWYN M. CASSETTY, SWORN**

{DG 15-104} {06-04-15}

1 **IAN T. CRABTREE, SWORN**

2 **DAVID B. SIMEK, SWORN**

3 **DIRECT EXAMINATION**

4 BY MR. RITCHIE:

5 Q. Ms. Cassetty, would you please state your full name for
6 the record.

7 A. (Cassetty) Gwyn M. Cassetty.

8 Q. And, by whom are you employed?

9 A. (Cassetty) Liberties Utilities Services Corp.

10 Q. And, what is your position with the Company?

11 A. (Cassetty) I'm the Construction Manager.

12 Q. And, what do your duties include?

13 A. (Cassetty) I oversee all the contractors with the
14 installation of mains, installation and main
15 re-lay/replacement on our distribution system.

16 MR. RITCHIE: And, Commissioners, if I
17 may at this time, we propose to mark for identification as
18 "Exhibit 1" and "Exhibit 2" -- well, first, I should say,
19 "Exhibit 1", which is the original filing made by the
20 Company on April 15th, 2015, which includes the joint
21 testimony of Ms. Cassetty and Mr. Crabtree, along with
22 the -- along with exhibits. And, we'd also like to mark
23 as "Exhibit 2" a revised version of the two exhibits that
24 were filed on April 15th, that were filed by the Company

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 on May 20th. And, specifically, those were Attachments
2 GMC/ITC-1 and 2.

3 CHAIRMAN HONIGBERG: But you're
4 proposing, just to be clear, you're proposing to mark them
5 as -- collectively as "Exhibit 2"?

6 MR. RITCHIE: I'd like to -- I'd like to
7 mark the initial filing of April 15th, 2015 as "Exhibit
8 1". And, then, the two attachments that I mentioned will
9 be "Exhibit 2".

10 CHAIRMAN HONIGBERG: Right. So, the May
11 20th filing, essentially, is "Exhibit 2"?

12 MR. RITCHIE: Not exactly. Just because
13 the May 20th filing also includes some direct testimony
14 from Mr. Simek, which I will propose to mark as "Exhibit
15 3".

16 CHAIRMAN HONIGBERG: All right.

17 MR. RITCHIE: And, I might as well -- I
18 might as well ask to have that marked as "Exhibit 3" now.

19 CHAIRMAN HONIGBERG: Just give us a
20 second. Then, we're going to have to separate out that
21 packet.

22 MR. RITCHIE: Sure.

23 CHAIRMAN HONIGBERG: All right. So,
24 Exhibit 1 is the April 15th filing, Exhibit 2 is the two

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 revised exhibits?

2 MR. RITCHIE: Right. Specifically,
3 Attachments GMC/ITC-1 and 2.

4 (The documents, as described, were
5 herewith marked as **Exhibit 1** and
6 **Exhibit 2**, respectively, for
7 identification.)

8 CHAIRMAN HONIGBERG: And, then, Exhibit
9 3 is going to be the revised testimony of Mr. Simek?

10 MR. RITCHIE: Along with the attachments
11 DBS-1 through 4.

12 CHAIRMAN HONIGBERG: Got it.
13 (The document, as described, was
14 herewith marked as **Exhibit 3** for
15 identification.)

16 MR. RITCHIE: Thank you.

17 BY MR. RITCHIE:

18 Q. Ms. Cassetty, do you have before you a copy of what has
19 been marked "Exhibits 1" and "2"?

20 A. (Cassetty) Yes.

21 Q. And, this contains the Fiscal Year 2015 Cast Iron/Bare
22 Steel Program Report and the joint testimony of you and
23 Mr. Crabtree?

24 A. (Cassetty) Yes, it does.

{DG 15-104} {06-04-15}

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 Q. Was your testimony that's contained in these exhibits
2 prepared by you or under your direction?

3 A. (Cassetty) Yes.

4 Q. And, would you please explain your responsibility for
5 the CIBS Program?

6 A. (Cassetty) Yes. I oversee, like I said, all the
7 contractors that do the work, the replacement of the
8 pipe, in mostly the Cities of Manchester, Concord, and
9 Nashua. And, then, I compile all of the financial data
10 and come up with the unit cost, and report on how many
11 services we replaced, as well as the mileage of main
12 that we replaced.

13 Q. Thank you. Do you have any corrections to your
14 testimony at this time?

15 A. (Cassetty) No, I don't.

16 Q. And, if I were to ask you the same questions today that
17 are contained in your testimony, would your answers be
18 the same?

19 A. (Cassetty) Yes, they would.

20 Q. Thank you. Mr. Crabtree, would you please state your
21 full name for the record.

22 A. (Crabtree) Ian T. Crabtree.

23 Q. And, by whom are you employed?

24 A. (Crabtree) Liberty Utilities Services Corp.

{DG 15-104} {06-04-15}

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 Q. And, what is your position with the Company?

2 A. (Crabtree) I'm a Senior Engineer.

3 Q. And, your duties in that position include what?

4 A. (Crabtree) My main duties is selecting the projects for
5 the CIBS Replacement Program, as well as dealing with
6 any complex projects. And, I'm also highly involved
7 with any sales projects that involve any main
8 extensions.

9 Q. And, do you have before you a copy of what has been
10 marked as "Exhibits 1" and "2"?

11 A. (Crabtree) Yes.

12 Q. And, this includes the joint testimony of you and Ms.
13 Cassetty, is that correct?

14 A. (Crabtree) Yes.

15 Q. And, was your testimony that's contained in these
16 exhibits prepared by you or under your direction?

17 A. (Crabtree) Yes.

18 Q. And, what specific responsibilities do you have with
19 respect to the CIBS Program?

20 A. (Crabtree) I'm responsible for analyzing, prioritizing,
21 and selecting the gas main replacements through the
22 CIBS Program. I also prepare the estimates and the
23 work packages that are dispatched to Construction.

24 Q. Do you have any corrections to your testimony at this

{DG 15-104} {06-04-15}

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 time?

2 A. (Crabtree) No.

3 Q. And, if I were to ask you the questions that are
4 contained in your testimony today, would your answers
5 be the same?

6 A. (Crabtree) Yes.

7 Q. And, lastly, Mr. Simek, would you please state your
8 name for the record.

9 A. (Simek) David B. Simek.

10 Q. And, by whom are you employed?

11 A. (Simek) Liberty Utilities Services Corp.

12 Q. And, what is your position with the Company?

13 A. (Simek) I'm a Lead Utility Analyst.

14 Q. And, your duties in that position include what?

15 A. (Simek) Regulatory and rate analysis for EnergyNorth.

16 Q. And, do you have a copy of what has been marked as
17 "Exhibit 3" before you?

18 A. (Simek) Yes.

19 Q. And, was your testimony that's contained in Exhibit 3
20 prepared by you or under your direction?

21 A. (Simek) Yes, it was.

22 Q. And, would you just briefly explain what your
23 responsibilities with respect to the CIBS Programs are?

24 A. (Simek) Sure. I'm responsible for calculating the

{DG 15-104} {06-04-15}

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 revenue requirement and the rate impact of the CIBS
2 Fiscal Year 2015 Program.

3 Q. And, do you have any corrections to your testimony at
4 this time?

5 A. (Simek) No, I do not.

6 Q. And, if I were to ask you the questions that are
7 contained in your testimony today, would your answers
8 be the same?

9 A. (Simek) Yes.

10 MR. RITCHIE: Thank you. At this time,
11 I would like to ask the Company's witnesses some brief
12 questions with respect to the testimony that was filed by
13 Mr. Knepper on June 2nd, 2015. I don't know if it's
14 necessary to mark his testimony as an exhibit now or if I
15 should just go forward?

16 CHAIRMAN HONIGBERG: It's going to
17 happen soon, right?

18 MR. SHEEHAN: Exhibit 4 would be fine,
19 Mr. Chairman.

20 CHAIRMAN HONIGBERG: Why don't we make
21 Mr. Knepper's filing "Exhibit 4".

22 (The document, as described, was
23 herewith marked as **Exhibit 4** for
24 identification.)

{DG 15-104} {06-04-15}

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 CHAIRMAN HONIGBERG: All right. Why
2 don't you go ahead, Mr. Ritchie.

3 MR. RITCHIE: Okay. Thank you.

4 BY MR. RITCHIE:

5 Q. Mr. Crabtree, I'd like to start with you. If you could
6 please refer to Page 6 of Mr. Knepper's testimony,
7 beginning at Line 3. And, there Mr. Knepper discusses
8 "written condition reports". Do you see that?

9 A. (Crabtree) Yes.

10 Q. And, do those condition reports include a bacterial
11 analysis of soil samples surrounding sections of main
12 that were replaced?

13 A. (Crabtree) Yes.

14 Q. Are those bacterial analyses used for planning future
15 CIBS work?

16 A. (Crabtree) No. Although bacterial testing can gauge a
17 corrosive environment for metallic piping, the soil
18 samples we take near the bare steel mains that we are
19 essentially eliminating and re-laying with new plastic
20 pipe, it provides minimal, if any, value to selecting
21 future bare steel replacements.

22 Q. And, are there costs associated with gathering these
23 samples?

24 A. (Crabtree) Yes. The Company estimates a total loaded

{DG 15-104} {06-04-15}

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 cost to collect one sample to be about \$4,000.

2 CHAIRMAN HONIGBERG: Mr. Ritchie, can
3 you get us to the page again? Neither of us understood
4 where you were directing the witness.

5 MR. RITCHIE: Sure. Sure. It's
6 Mr. Knepper's testimony. It's Page 6. And, it starts on
7 Line 1.

8 CHAIRMAN HONIGBERG: Okay. You can
9 continue. I'm sorry to interrupt.

10 MR. RITCHIE: Oh, no problem. Thank
11 you.

12 BY MR. RITCHIE:

13 Q. Related to the samples that we're discussing, Mr.
14 Crabtree, is the Company also required to cut out
15 sections of the replaced mains and provide these
16 sections to Staff?

17 A. (Crabtree) Yes.

18 Q. Is there a cost associated with removing those
19 sections?

20 A. (Crabtree) Yes. As I stated before, the cost to
21 collect both the bare steel sample and the soil sample
22 and the testing amounts to approximately \$4,000 loaded.

23 Q. And, that's for each?

24 A. (Crabtree) That's for each sample. So, based on what

{DG 15-104} {06-04-15}

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 we collected in the FY '15 Program, we can estimate an
2 annual cost of about \$28,000 loaded.

3 Q. Thank you. And, given that the CIBS Program has been
4 in existence for a number of years now, and the Company
5 is proposing an accelerated replacement schedule for
6 the remaining leak-prone pipe in the ground, do you
7 think the continued need to perform bacterial analysis
8 and remove sections of main are subjects that should be
9 discussed further with Staff as we look to the future
10 of the Program?

11 A. (Crabtree) Yes.

12 Q. If you could turn to Page 7 of Mr. Knepper's testimony,
13 Mr. Crabtree, and look to Lines 18 and 19. And, on
14 this page, and also on Page 16, Mr. Knepper had
15 comments about the sizes of mains on which the Company
16 should focus in its CIBS -- should focus its CIBS
17 replacement efforts. Can you address whether the
18 Company has been concentrating its efforts as Mr.
19 Knepper suggests?

20 A. (Crabtree) Yes. The Company has been concentrating on
21 3-, 4-, and 6-inch cast iron mains, which is about
22 90 percent of our cast iron inventory and 90 percent of
23 our cast iron leaks.

24 With regards to our larger diameter cast

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 iron, that's something the Company is looking to either
2 eliminate or use rehabilitating methods in the latter
3 part of our 10-year program. Unless there's other
4 segments that deem problematic, and we'll, obviously,
5 take care of those sooner.

6 Q. Thank you. I'm going to -- I'm going to ask Ms.
7 Cassetty with respect to -- a couple of questions with
8 respect to Mr. Knepper's testimony. Ms. Cassetty, have
9 you reviewed the testimony in Exhibit 4?

10 A. (Cassetty) Yes.

11 Q. If you could please turn to Page 12. And, there
12 Mr. Knepper states that "internal overheads have been
13 increasing from year to year", although he acknowledges
14 that, on a unit cost basis, there has been "some
15 improvement...as overheads are spread over more miles."
16 Do you, Ms. Cassetty, agree that the internal overheads
17 that have been increasing each year in a manner that
18 Mr. Knepper describes as "unsustainable"?

19 A. (Cassetty) No, I don't.

20 Q. Would you want to elaborate on that?

21 A. (Cassetty) Well, if you look at the data request, one
22 of the data requests that we had, we pretty much listed
23 out what all the overheads are. And, the percentage --
24 the percentage of the direct spend, compared to the

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 contractor and labor amounts, is pretty consistent
2 since we became Liberty Utilities. It's around
3 6 percent. Where, when we were National Grid, it was
4 in the 20s. So, I think -- actually, I'm sorry, it was
5 higher than that. So, I think that the spread of
6 our -- our overhead burden on rates that we apply to
7 our Company labor and our contractor vendor spend is
8 significantly lower than it was in prior years.

9 Q. And, the information request response that you're
10 referring to, is that the one that is set out as "RSK
11 Attachment 3", in Exhibit 4? It's also marked as
12 "Request Number Staff 1-2"?

13 A. (Cassetty) Yes. That's the one.

14 Q. If you could now turn to Page 17 of Mr. Knepper's
15 testimony. And, there you'll see, Ms. Cassetty, that
16 Mr. Knepper discussed the carryover cost provisions of
17 Settlement Attachment J, Section 20. Given his
18 comments on this page, do you think this is an issue
19 that warrants further discussion with Staff at a future
20 tech session?

21 A. (Cassetty) Yes. Yes, I do.

22 Q. If you could please turn to Page 19, and focus
23 specifically on Line 8 of Exhibit 4. And, there Mr.
24 Knepper states that Liberty should "start the

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 projects" -- should "start the [CIBS] projects as early
2 in the season as possible". Could you please address
3 this comment, with respect -- specifically noting if
4 there are any factors outside of the Company's control
5 that can and do impact when certain CIBS projects are
6 started?

7 A. (Cassetty) Certainly. CIBS projects, for the most
8 part, our construction season starts on April 1st.
9 But, for the first month, month and a half, we are
10 concentrating on completing all the restoration from
11 the prior year, which includes CIBS work, includes
12 City/State work, and it includes some growth work.

13 Cities and towns don't grant us permits
14 in April or even into May, because the backlog of
15 paving is so high. So, we don't have our full -- we're
16 not ramped up and we don't have our full complement of
17 crews starting April 1st. Also, at the beginning of
18 the season, a lot of the cities and towns, especially
19 Nashua and Manchester, they're focused on their own
20 City/State work. So, it's -- the priority at the
21 beginning of the season is typically to do the jobs
22 that we have planned for the City/State construction.

23 So, CIBS, although it sounds like it's
24 not a priority, it is a priority. But there's things

{DG 15-104} {06-04-15}

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 that trump it at the beginning of the season.

2 Q. Thank you. Lastly, I'd just like to ask the panel
3 regarding the recommendations that Mr. Knepper makes on
4 the last two pages of his testimony. First, Mr. Simek,
5 regarding the first recommendation, found on Pages 19
6 and 20 of Exhibit 4, specifically with respect to
7 including additional columns in the spreadsheet to show
8 the impact, if a rate case is not filed in Fiscal Year
9 2016, and also incorporating the results of the DG
10 14-180 rate case. Do you believe this is an issue that
11 should be included in further discussions with Staff,
12 to make sure that the most useful information is
13 provided as we move forward?

14 A. (Simek) Yes, I do.

15 Q. And, next, Ms. Cassetty and Mr. Crabtree, with respect
16 to the second recommendation set forth on Page 20,
17 would it be a problem to include additional information
18 in the finalized spreadsheets about the numbers of
19 services, as suggested by Mr. Knepper?

20 A. (Cassetty) No, it wouldn't.

21 Q. And, this is -- this is really for the panel. With
22 respect to the third recommendation, on Page 20,
23 specifically on Line 9, considering the Company's
24 testimony, as well as Staff's testimony about marketing

{DG 15-104} {06-04-15}

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 to non-gas customers along CIBS mains, do you think
2 there is -- I'm sorry -- do you think this is another
3 issue that should be included in further discussions
4 with Staff, so the costs and benefits of this can be
5 more fully explored?

6 A. (Crabtree) Yes.

7 A. (Cassetty) Yes.

8 Q. And, lastly, Mr. Simek, with respect to the fourth and
9 final recommendation, on Line 16 on Page 20, what is
10 the Company's views with respect to having the CIBS
11 costs audited on an annual basis?

12 A. (Simek) Yes. The Company believes that that would be
13 fine. We just -- there's always a scheduling issue, it
14 seems, related to CIBS. And, we would need to be able,
15 if they want to have everything audited prior to the
16 hearing, we would just need to have ample time
17 scheduled ahead of time to work with the auditors and
18 be able to provide all the appropriate information.

19 MR. RITCHIE: Thank you, Mr. Simek. The
20 Company has no further direct examination.

21 CHAIRMAN HONIGBERG: Thank you.
22 Mr. Jortner.

23 MR. JORTNER: Thank you. The OCA just
24 has a few questions. And, any of the witnesses should

1 feel free to respond to the questions.

2 **CROSS-EXAMINATION**

3 BY MR. JORTNER:

4 Q. So, I want to ask a few questions about the bacterial
5 analysis and the costs that we discussed at the
6 technical conference. So, in response to the OCA's
7 Data Request 1-1 and 1-2, Mr. Crabtree stated that
8 "analysis of bacterial conditions in the soil do not
9 play a role in the selection of mains to be replaced",
10 and that bacterial analysis generally "does not provide
11 any beneficial data for future bare steel replacement
12 projects". Is that true?

13 A. (Crabtree) Yes.

14 Q. And, the reasoning is that the testing occurs on bare
15 steel mains that are being replaced with new plastic
16 main under the CIBS Program regardless of the condition
17 of the soil. Is that the reasoning?

18 A. (Crabtree) Yes.

19 Q. Okay. So, given those facts, would the Company agree
20 that it should no longer incur costs under the CIBS
21 Program that are related to soil analysis?

22 A. (Crabtree) Yes.

23 Q. And, that would suggest a probable savings of
24 approximately \$28,500 for the 2015 CIBS Program?

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 A. (Crabtree) Yes.

2 MR. JORTNER: Thank you. And, I could
3 mark for identification, if the Commission wishes, those
4 three responses to Data Requests OCA 1, 2 and 3?

5 CHAIRMAN HONIGBERG: That would be fine.
6 We don't have them.

7 MR. JORTNER: Okay.

8 CHAIRMAN HONIGBERG: So, you'd need to
9 provide them to us.

10 MR. JORTNER: I will do that.

11 CHAIRMAN HONIGBERG: Do you want to --
12 do you have copies for everyone right now?

13 MR. JORTNER: I'll make copies and bring
14 them back as soon as the hearing ends. I have just one
15 copy with me.

16 CHAIRMAN HONIGBERG: Is that okay with
17 everyone?

18 MR. SHEEHAN: No objection.

19 CHAIRMAN HONIGBERG: And, so, that will
20 be "Exhibit 6".

21 MR. JORTNER: Thank you.

22 CHAIRMAN HONIGBERG: I'll remind
23 everyone that -- "5", "Exhibit 5".

24 (The document, as described, was

{DG 15-104} {06-04-15}

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 herewith marked as **Exhibit 5** for
2 identification.)

3 CHAIRMAN HONIGBERG: I'll remind
4 everyone that data responses, unless there's some reason
5 to have them filed, don't make it to the Commissioners.
6 So, we don't have them until someone gives them to us.

7 MR. JORTNER: Thank you. That's
8 certainly a change in my experience, and I'll be adapting
9 to that. Thank you.

10 BY MR. JORTNER:

11 Q. Mr. Simek, in your testimony, you discuss the "repairs
12 tax deduction", starting on Page 7 of your testimony.
13 And, I just have a few questions about that.

14 A. (Simek) Sure.

15 Q. According to the IRS Code 263 and 162, would you agree
16 that all of the expenses under the CIBS Program now
17 become fully tax deductible? Is that the import of
18 that, those codes?

19 A. (Simek) Yes.

20 Q. Thank you. And, when did that tax deductibility begin
21 for these type of main replacements?

22 A. (Simek) I don't know that answer off the top of my
23 head. I can guess. I believe it happened about three
24 years ago was when that was implemented.

{DG 15-104} {06-04-15}

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 Q. Okay. And, is the first year that Liberty would be
2 employing this tax deduction?

3 A. (Simek) No, it is not.

4 Q. So, this has been -- this has been a deduction you've
5 incorporated into all prior years?

6 A. (Simek) Absolutely.

7 Q. Okay. Currently, the Company's net operating income is
8 in a positive state, is that correct?

9 A. (Simek) I'm sorry, could you repeat that?

10 Q. The Company has positive net operating income, correct?

11 A. (Simek) Correct.

12 Q. For tax purposes, --

13 A. (Simek) Yes.

14 Q. -- in relation to this deduction? So, has the Company
15 calculated the overall revenue requirement impact from
16 the repair deduction?

17 A. (Simek) No, it hasn't.

18 Q. Okay. Now, on Page 7 you discuss the phrase "unit of
19 property", which is in quotes. And, I assume that
20 comes from the Internal Revenue Code?

21 A. (Simek) Correct.

22 Q. Could you just explain briefly what's the significance
23 of the "unit of property" concept.

24 A. (Simek) In this example, we're talking more about

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 what's classified as a "company's gas subsystem", and
2 how that's defined and qualify for the repairs tax
3 deduction. So, in other words, the "unit of property"
4 is what qualifies for the tax deduction, and that again
5 is what we use for the company's gas subsystem.

6 Q. And, my final question is, has there been any update on
7 the litigation with the Cities of Concord and
8 Manchester?

9 A. (Simek) The trial did conclude last week.
10 Unfortunately, I don't have any data further than that.
11 So, we should be hearing something fairly soon on
12 where -- what the outcome is.

13 Q. So, you're waiting for a decision from the court?

14 A. (Simek) Correct.

15 Q. Okay. And, if there's a decision in favor of Liberty,
16 how will -- well, there will be refunds, I presume?

17 A. (Simek) Correct. That's outlined under our Revised
18 Attachment DBS-3. And, then, Revised Attachment DBS-4
19 is, if it's not a favorable outcome to Liberty, what
20 the impacts would be.

21 Q. Okay. So, after the court's decision, then there will
22 be a process where you'll be incorporating that
23 retroactively into the CIBS rates?

24 A. (Simek) Correct.

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 MR. JORTNER: Thank you. That's all I
2 have. Thank you very much.

3 CHAIRMAN HONIGBERG: Thank you,
4 Mr. Jortner. Mr. Sheehan.

5 MR. SHEEHAN: Thank you.

6 BY MR. SHEEHAN:

7 Q. Just that last note, Mr. Simek, while it's fresh. On a
8 high level, with these degradation fees, you have been
9 accounting as if they had been paid all along, is that
10 correct?

11 A. (Simek) Yes. Our Company books has been accounting for
12 them, yes.

13 Q. So, a victory in the court would be a refund, again, as
14 a lay term, is that correct?

15 A. (Simek) Correct.

16 Q. As opposed to having to come up with new money to pay
17 for what is an adverse court decision?

18 A. (Simek) Correct. I just do want to point out that it
19 is handled differently between the Cities of Manchester
20 and Concord. Where Manchester, for the last two years,
21 those fees have not been included to the -- charged to
22 the customer, where Concord has.

23 Q. Okay. But you've been --

24 A. (Simek) But the Company books still account for it

{DG 15-104} {06-04-15}

1 fully.

2 Q. Okay. Mr. Crabtree, on the bacteria testing issue, are
3 you aware that that is a term in the Settlement
4 Agreement?

5 A. (Crabtree) Yes.

6 Q. And, so, to be able to stop doing that, we would have
7 to change that Settlement Agreement?

8 A. (Crabtree) I think we need to have further discussion
9 with the Staff to --

10 Q. Okay. And, as I understand the Company's position on
11 that is as follows: If you're going to replace an
12 entire section of pipe, you don't really need to know
13 what's in the soil, because there's not going to be
14 steel pipe there any longer. Is that a fair overview?

15 A. (Crabtree) Correct.

16 Q. And, the Company does not see a benefit from knowing
17 what caused this particular pipe to fail, because you
18 can't seem to apply to maybe some other situation
19 that's still in the ground. I guess, why don't I ask
20 it as a question.

21 If you knew that Pipe A failed, in part
22 because the soil was Condition X, even though you're
23 replacing all of that pipe, could there be some benefit
24 from knowing "soil condition here was X", and maybe

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 it's the same somewhere else, and maybe that's a pipe
2 you should be focused on? If that's not the case, why
3 not?

4 A. (Crabtree) I believe soil conditions can change from
5 location to location. So, to get a real analysis of
6 the bacteria at that particular location, you'd have to
7 take a sample at that location. I see bacterial
8 analysis, the only benefit to me would be testing soil
9 where there would be bare steel main that continues to
10 stay active, and then determining if -- how corrosive
11 that environment is, that, you know, we'll find that
12 will be beneficial in knowing that, you know, this bare
13 steel pipe is in a corrosive environment, and maybe we
14 should, you know, replace that next.

15 But, as it relates to CIBS, we're taking
16 the sample of a bare steel segment that we're
17 essentially abandoning and re-laying with new plastic
18 main. And, that location provides no value for future
19 bare steel replacement work, because there's no more
20 active bare steel at that location.

21 Q. So, the distinction is between testing an area where
22 the pipe -- all the steel is being removed, as opposed
23 to testing where it may stay in, and you're looking at
24 whether it should stay in?

{DG 15-104} {06-04-15}

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 A. (Crabtree) Correct.

2 Q. Okay. And, you're not asking for any particular
3 Commission order on this topic. You're suggesting this
4 is something we should talk about and maybe incorporate
5 down the road?

6 A. (Crabtree) Yes.

7 Q. And, is there -- you also mentioned the cost of the
8 testing is about 4,000 per sample. And, you also
9 mentioned that there's a requirement that you cut out a
10 section of the pipe. Is that part of that \$4,000? If
11 so, how much, and not a dollar amount, but an idea?

12 A. (Crabtree) The estimate is based on time and material
13 of a crew, approximately four hours to open up the
14 street, cut out a segment of main and collect a sample.
15 So, it's all combined in that time and material cost.

16 Q. But that would be for a situation where you're not
17 replacing the pipe?

18 A. (Crabtree) No. We're replacing the pipe. The reason
19 why we have to go back, we want to cut out a poor
20 condition piece of bare steel. And, that's typically
21 not where we're tying into the new mains. So, it's
22 typically somewhere in the middle of the job. We can't
23 cut out this piece until the job is complete and the
24 gas main is purged out of service. So, typically, it's

{DG 15-104} {06-04-15}

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 the following day a crew -- we have to get a crew back
2 out there to take swing ties to an existing, you know,
3 repair clamp, where we know we have poor condition
4 pipe, to cut it out and take a sample.

5 Q. I'll portray my ignorance. You're replacing a 10-foot
6 section of pipe. Most of the work is done on the two
7 joints. You got the new pipe. You don't have to dig a
8 trench for the whole 10 feet?

9 A. (Crabtree) We do.

10 Q. Okay.

11 A. (Crabtree) So, we'll see the exposed piece --

12 Q. Okay.

13 A. (Crabtree) Yes. But we cannot cut it out until all the
14 services are transferred to the new main, and the old
15 main is purged out of service.

16 Q. And, by the time that's happened, things have been
17 filled back in, is that what --

18 A. (Crabtree) Yes.

19 Q. Okay. Because common sense says "why don't you just
20 pull the old pipe out and cut out a piece", and why --
21 I'm just trying to get you to say why that requires
22 extra time to do that?

23 A. (Crabtree) Because, typically, on the last day, all the
24 new main is gassed and all the new services are tied

{DG 15-104} {06-04-15}

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 over to the new main, and they're cutting off the old
2 main. And, as I said, they typically aren't going to
3 take a sample of cutting off the main, because they're
4 not going to tie into a bad piece of pipe. And,
5 typically, with our accelerated program, we're allowed
6 to expand on projects and tie into plastic pieces.

7 Q. Right.

8 A. (Crabtree) And, also, the trenches are backfilled
9 daily. We're not allowed to, you know, complete and
10 leave the holes open.

11 Q. So, by the time you're ready to remove the bad section
12 of pipe, it's been covered up and you have to go back
13 and dig a new hole to get it out?

14 A. (Crabtree) Correct.

15 Q. Okay. The second issue you commented on, Mr. Crabtree,
16 was Mr. Knepper's suggestion that you concentrate on
17 the 3-, 4-, and 6-inch pipe. And, you indicate that
18 you are, in fact, doing that?

19 A. (Crabtree) Yes.

20 Q. And, it's for the reasons that Mr. Knepper described,
21 that the larger pipes tend to be more stable and
22 holding up fairly well?

23 A. (Crabtree) Correct.

24 Q. And, they're, as you say, will be done at the end of

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 the roughly 10-year schedule?

2 A. (Crabtree) Unless we deem that a segment is
3 problematic, then we'll take care of it earlier.

4 Q. And, Ms. Cassetty, Mr. Knepper had some comments on the
5 "carryover cost" issue. And, without getting into the
6 nitty-gritty, you agree that's something we can talk
7 about in a off-line, so to speak. It's not anything
8 that requires Commission action as far as you're
9 concerned, is that correct?

10 A. (Cassetty) Correct.

11 Q. That does dovetail into one of the recommendations you
12 commented on, and that was trying to start the CIBS
13 projects earlier. The carryover costs are usually
14 related to paving that wasn't able to be finished in
15 the fall before?

16 A. (Cassetty) Always related to paving.

17 Q. Always. Okay. So, the projects done in the fall,
18 paving doesn't get finished because it gets cold, and
19 so you have to wait for the next season to pave.

20 A. (Cassetty) Uh-huh.

21 Q. So, then, it becomes sort of a chicken-and-egg thing.
22 If you don't finish the paving, you can't start, and
23 it's hard to break that cycle. Fair enough?

24 A. (Cassetty) Exactly.

{DG 15-104} {06-04-15}

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 Q. Again, that's probably something we can talk about is
2 how can we break that cycle, so then you don't have to
3 do the paving logjam at the beginning of the season.

4 Is that fair?

5 A. (Cassetty) Yes.

6 Q. Any thoughts on how we could do that? So, for example,
7 catch up this year, and so next year we don't have to
8 do the paving. Is that something you guys kick around
9 ideas, and then I assume -- I understand there's a lot
10 of players involved?

11 A. (Cassetty) We actually have been talking about a few
12 different options that we have with our additional
13 contractors on the property this year. We got pricing
14 from three different contractors for their paving and
15 their restoration. And, we've been talking to them
16 informally, nothing is set in stone yet. We've also
17 been talking with the cities and towns about different
18 ways that we can restore the roads quicker, cheaper,
19 easier, better restoration for them. So, we are -- it
20 is on our plate and something we've been addressing.
21 But there's still more, more work to be done.

22 Q. And, I would assume the cities would rather not have
23 this lack of paving sit over the winter as well,
24 correct?

{DG 15-104} {06-04-15}

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 A. (Cassetty) Absolutely.

2 Q. This was something we discussed at the tech session.

3 If you could just, again, give us a high-level view of
4 the new contractors. And, why there are new
5 contractors and what the Company has done?

6 A. (Cassetty) Why there are new contractors?

7 Q. Yes.

8 A. (Cassetty) Is because of the work that we have to get
9 done. We have an aggressive growth plan in place. We
10 also, with the CIBS Program going from 20 to 10 years,
11 there's more piping replaced this year and in the
12 coming years. So, we need more crews. The contractor
13 that we've had on the property for the last few years,
14 there's no way they could have supplied us with the
15 number of crews we needed to get all the work done.
16 When the contract expired, obviously, we put out a
17 competitive bid to see if we could reduce our costs and
18 get better pricing, and that's what we were able to
19 accomplish by bringing in the three -- the three
20 contractors.

21 Q. So, the Company has or is in the process of signing up
22 three contractors for this coming season?

23 A. (Cassetty) We've already --

24 Q. Okay, that's done?

{DG 15-104} {06-04-15}

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 A. (Cassetty) We've already signed a contract, yes.

2 Q. And, the total number of crews is higher than in the
3 past?

4 A. (Cassetty) Yes.

5 Q. Can you give us the before-and-after numbers of crews,
6 roughly?

7 A. (Cassetty) Last year, we had approximately 15 crews on
8 the property doing main replacement, main installation
9 and service replacement and service installation. This
10 year, we'll be somewhere in the vicinity of 20 to 25.

11 Q. And, in addition to being able to replace more pipe,
12 you say this may also help with the paving issue that
13 started this back-and-forth?

14 A. (Cassetty) Yes.

15 Q. Counsel finished his questions with comments on some of
16 Mr. Knepper's suggestions. And, I think, unless anyone
17 disagrees, there was agreement to discuss with Staff
18 work on the spreadsheet that sort of drive the
19 underlying numbers here. And, we could certainly
20 involve Staff's Audit Division to see what they would
21 like to see, and that's something that the Company is
22 willing to work with, as I understand it, is it not?

23 A. (Simek) Yes.

24 A. (Cassetty) Yes.

{DG 15-104} {06-04-15}

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 A. (Crabtree) Yup.

2 Q. And, another issue that the Company said it was willing
3 to talk to Staff on was the marketing concept. As I
4 read the filing, there was a sense that the Company was
5 not pleased with its marketing efforts. It seems like
6 the tone was "we spent money, we had some good results,
7 but we're not sure it was worth it." Is that a fair
8 characterization or not?

9 A. (Cassetty) I would say that's a fair characterization.

10 Q. Okay. And, the number of new customers you acquired
11 this past season was significantly higher than prior
12 years, is that correct?

13 A. (Cassetty) Yes.

14 Q. You're giving me that "yes, but not really" look?

15 A. (Cassetty) Well, it was 17.

16 Q. You had 17 new this past year?

17 A. (Cassetty) Yes.

18 Q. Out of -- and, then, again, just to make clear, when
19 you replace a main, there are X number of customers,
20 and some of them don't have service, you're trying to
21 get those customers signed up, correct?

22 A. (Cassetty) Yes.

23 Q. And, that was 17 out of how many possible, again,
24 ballpark is fine?

{DG 15-104} {06-04-15}

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 A. (Cassetty) I think there was 70 or --

2 A. (Crabtree) I think 47.

3 A. (Cassetty) Oh. Sorry. Forty-seven (47).

4 Q. Forty-seven (47). Okay. So, a third, roughly, you
5 were able to sign up?

6 A. (Cassetty) Uh-huh.

7 Q. The year before it was much smaller, was it not?

8 A. (Cassetty) There was one.

9 Q. There was one out of whatever was available?

10 A. (Cassetty) Uh-huh.

11 Q. One out of 50 or so?

12 A. (Witness Cassetty nodding in the affirmative).

13 Q. Yes?

14 A. (Cassetty) Yes.

15 Q. Okay. And, -- okay.

16 MR. SHEEHAN: Those are all the
17 questions I have. Thank you.

18 CHAIRMAN HONIGBERG: Commissioner Scott.

19 CMSR. SCOTT: Thank you. Good morning.

20 WITNESS SIMEK: Good morning.

21 WITNESS CASSETTY: Good morning.

22 CMSR. SCOTT: My usual caveat, which is,
23 whoever feels they have a good answer, they can pipe in
24 please.

{DG 15-104} {06-04-15}

1 BY CMSR. SCOTT:

2 Q. On the towns, I was curious, what kind of outreach do
3 you have with the towns? In context, do the towns
4 understand what you're doing when -- I understand they
5 know you're going to be digging up and doing main work,
6 do they know, for instance, it's not a new service,
7 meaning a new customer service, it's a safety issue,
8 "we're replacing old mains", that type of thing? What
9 kind of communications happens so the towns understand
10 it's a safety issue that you're working on?

11 A. (Crabtree) Typically, every year we have some sort of
12 conversations with the cities and towns about our
13 upcoming work that we have planned. We send out what
14 we call "paving letters" in January, which include a
15 list of our work, also requesting what work those
16 municipalities have as well for the upcoming year. In
17 wake of the FY '16 CIBS Program, I set up face-to-face
18 meetings with the involved municipalities earlier, and
19 basically provided an overview map of all our potential
20 replacement work, and a list of streets, and the
21 context of the type of work that it was including.
22 Each municipality is aware that we have vintage cast
23 iron and bare steel pipe, they're aware of our CIBS
24 Program and that we're trying to replace it.

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 And, another reason that I wanted to
2 have this face-to-face meeting earlier on is because we
3 are trying to accelerate that program. So, we want to
4 just give them a heads-up, you know, "we're going to be
5 in your streets a lot more in the upcoming year." So,
6 that's what the type of communication we have with
7 them.

8 Q. So, your comment inferred, and I assume it's the case,
9 so, you work with, as early as possible, with the
10 municipalities and try to synergize the roadwork
11 they're going to do with the impact of roads that you
12 plan also, correct?

13 A. (Crabtree) Correct. We try our best to kind of
14 synergize, as you say, to do that.

15 Q. And, are you -- are your projects agile enough so, if a
16 water main breaks over here, they're going to be
17 digging up anyways, it's obviously unplanned, are you
18 able to be agile enough to go in and take advantage of
19 that type of situation?

20 A. (Crabtree) It depends. We do have, you know, we're
21 able to move jobs around, if necessary. That's why I
22 like to set up those meetings early on, and include the
23 water company, too, and kind of pick their brain on
24 areas that they want to have, you know, they need water

{DG 15-104} {06-04-15}

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 main replacements, because we typically will get
2 encroached on our cast iron main.

3 So, it's really just keeping everybody
4 involved. I present them with a list of projects, you
5 know, over and above then what we plan to do, just in
6 case we have to move some around. If the city doesn't
7 want us to go here on this street --

8 (Court reporter interruption.)

9 WITNESS CRABTREE: Sorry. I think I
10 lost my train of thought.

11 CHAIRMAN HONIGBERG: I think what you
12 were saying was that sometimes the city may have reasons
13 why they don't want you in a particular place, because
14 they may have just paved recently. And, you have to work
15 with the city and adjust what your plans are, based on
16 what they're doing and what they're planning then, is the
17 point you were making?

18 WITNESS CRABTREE: Yes.

19 CHAIRMAN HONIGBERG: Fair enough?

20 WITNESS CRABTREE: Fair enough.

21 CHAIRMAN HONIGBERG: Okay.

22 MR. PATNAUDE: I'm sorry.

23 WITNESS CRABTREE: That's okay. I
24 apologize.

{DG 15-104} {06-04-15}

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 BY CMSR. SCOTT:

2 Q. So, in that -- this is in the mode of educating me, so
3 don't --

4 A. (Crabtree) No, that's fine.

5 Q. So, in a case where the city is going to be digging up
6 the road, or let's say the water utility for the city
7 is going to be digging up, and you, for want of a
8 better word, piggyback on that, who pays? Is there a
9 sharing issue going on? Or, it's whoever said "I need
10 to dig that up" is the one paying, and then, whoever
11 comes in after, gets kind of a freebie, if you will?

12 A. (Crabtree) It depends on the municipality. I know,
13 with our City/State work in Nashua, if they're
14 reconstructing the road, and we have to do gas work and
15 the water company has to do water work, it's split
16 three ways. There was some work done in Manchester,
17 where both water and gas were re-layed. And, just both
18 of us, instead of doing, you know, a 2-foot cut-back
19 and being invoiced Manchester degradation fees, that we
20 made a deal with them that the City will just overlay
21 the street and us and the water company will split the
22 cost, which ultimately ends up being cheaper and the
23 City gets a better product. So, yes. There is a CIBS
24 job in Concord proposed for this year, which they're

{DG 15-104} {06-04-15}

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 paving or resurfacing the road next year. And, you
2 know, I was able to get them to waive the degradation
3 fee, since they were paving the street anyway, so --

4 Q. Good. And, the CIBS work is -- I'm under the
5 impression it's effectively all contractors do that,
6 you don't use Liberty employees?

7 A. (Cassetty) All contractor.

8 Q. Okay. And, we've seen in other contexts looking at
9 increased costs, you know, flaggers, having police,
10 depending on the road, that type of thing, those costs
11 have increased for other utilities. Are you seeing
12 that also?

13 A. (Cassetty) Yes.

14 Q. And, this, again, probably for Mr. Crabtree. So, I see
15 in the testimony, and I -- before I make an assumption,
16 I assume, when you dig up old main that's been there
17 forever, there's a discussion about ledge removal.
18 Obviously, there wouldn't be ledge where the original
19 dig happened, because they would have removed it to put
20 the original piping in there. So, I'm assuming you
21 have to dig a larger hole. Is that why ledge removal
22 is an issue?

23 A. (Crabtree) Yes. It's typically a larger hole, and it's
24 a very slow process. They have to hoe ram and break it

{DG 15-104} {06-04-15}

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 up, and, you know, opposed to digging in sand, where
2 they can get a lot more footage in in a day, that their
3 efficiency drops. And, it's a separate line item in
4 the bid unit, so it's extra costs that gets incurred.

5 Q. And, a larger issue we've seen in the past, and my
6 guess is it's more for distribution beyond the mains,
7 but is mapping of the piping, where it is, and the
8 utilities knowing where the piping is, are you -- how
9 are you doing on that, generally? I mean, obviously,
10 do you know where the mains are? Let me ask you that,
11 I don't mean exactly, but --

12 A. (Crabtree) Yes, we do. The Company is still taking,
13 you know, taking the swing ties and measurements from
14 things in the field, whether it's a telephone pole,
15 hydrant, a house. On top of that, we're also
16 collecting GPS points, and that's getting implemented
17 into our GIS as well. So, we should, especially our
18 newer facilities, we should have very accurate records.

19 Q. Thank you. And, we talked -- the discussion with Staff
20 was a little bit about marketing. So, how do new
21 customers -- can you describe what you do a little bit
22 more? So, I'm not a customer, but I'm on the route, if
23 you will, so, I'm a potential customer. How do I know
24 what's going on? And, am I charged the same, if I say

{DG 15-104} {06-04-15}

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 "yes, I want to sign up", as if I had just said it some
2 other time? What's the benefit to me?

3 A. (Cassetty) Well, to answer the first part of your
4 question we send out abutters letters at the beginning
5 of the season, for all of the jobs that we're going to
6 be doing for CIBS and City/State work. And, then, the
7 Sales Team has gone, I don't know that they're going
8 continuously, but they go door-to-door and do
9 door-hangers. And, plus our crews are out there. And,
10 when they see our crews out there, a lot of people will
11 come out and talk to them. The supervisors go through
12 pre-construction walk-throughs. So, we're very visible
13 along the routes of the CIBS Program.

14 And, as far as the cost goes, it's in
15 the tariff that anything under 100 feet is free. And,
16 most of these CIBS jobs are in the inner cities. So,
17 they're pretty much going to be less than 100 feet.
18 So, it's no cost to the customer.

19 Q. And, I appreciate that being in a tariff, obviously.
20 What I was wondering is, is there -- there's a
21 convenience factor for the utility, but what's, if I'm
22 a potential customer, what's going to make me jump now,
23 compared to "well, I'll wait a year instead"? What's
24 the incentive?

{DG 15-104} {06-04-15}

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 A. (Cassetty) Well, you can't really wait a year, because,
2 once the street, you know, if the street were to get
3 paved, a lot of the streets have moratoriums where it's
4 not a year, it's been five years or three years.

5 What's going to make them jump is how badly they want
6 gas. I mean, the prices of oil is up and down, gas is
7 up and down. So, it's really, you know, how badly do
8 they want gas.

9 Q. So, is it -- is that part of your marketing, that,
10 obviously, gas is -- "here's all the advantages of
11 gas", I assume you say that?

12 A. (Cassetty) Yes.

13 Q. And, "if you act now, because", is that part of the
14 marketing?

15 A. (Cassetty) Yes.

16 Q. Thank you.

17 A. (Cassetty) For the most part, the customers that are
18 along these routes, they don't have gas for a reason.
19 I mean, the pipes that have been delivering gas to
20 these neighborhoods have been in the ground for
21 decades. So, I mean, it could be that they're afraid
22 of gas, it could be that they just don't want gas or
23 it's too expensive, or they just converted to oil, you
24 know, a couple years ago and got a new whatever. So, I

{DG 15-104} {06-04-15}

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 mean, typically, there's reasons why customers don't
2 want to convert along the CIBS routes.

3 Q. You mentioned a lot of this is different connotations,
4 but this is New Hampshire "inner city", which implies
5 to me a lot of that may be rental also?

6 A. (Cassetty) Uh-huh.

7 Q. So, how do you get the word to the property owner,
8 right? So, if it's a rental property and a
9 door-knocker or a mailing goes to the occupant --

10 A. (Cassetty) The Sales -- I don't want to speak for the
11 Sales Department, but they do do a lot of
12 investigation, as far as cross-referencing names on the
13 accounts, and who's a non-gas customer versus a gas
14 customer. So, I don't want to speak for them too much,
15 because that is their role in this program. But they
16 do do a lot of cross-referencing, and letters go out
17 and the door-hangers. And, they're very -- they're
18 visible in the field, as well as my crews and
19 supervisors.

20 Q. So, your -- I'll use an assumption, to not put you in a
21 bad place for them, your understanding is that they do
22 do due diligence and actually contact the property
23 owner and not just the occupant?

24 A. (Cassetty) Yes.

{DG 15-104} {06-04-15}

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 CMSR. SCOTT: Thank you. That's all I
2 have.

3 CHAIRMAN HONIGBERG: I only want to talk
4 about that same issue.

5 BY CHAIRMAN HONIGBERG:

6 Q. The number having gone from one new customer the prior
7 year on however many miles you were doing, to 17, seems
8 like a really, really impressive improvement. You're
9 concerned about how much effort and the costs that's
10 going into acquiring those new customers, isn't that
11 what I heard you say?

12 A. (Cassetty) Yes.

13 Q. Someone is doing some in-depth analysis of how much it
14 costs and the value of each customer, is that right?

15 A. (Cassetty) I think it was a high-level -- it was a
16 high-level summary, analysis of the hours, the time
17 spent.

18 Q. It seems like -- it seems like this is an issue that
19 should be a really high priority for you, because
20 customers are money in the long run. And, once you get
21 them, they're there for a long time.

22 A. (Cassetty) Uh-huh.

23 Q. And, so, I mean, that high-level summary is good to get
24 the process started. But it would -- wouldn't you

{DG 15-104} {06-04-15}

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 agree that a somewhat deeper dive into that data would
2 make a lot of sense, as you're working on this and, you
3 know, finding out the most efficient, effective way of
4 getting those customers?

5 A. (Cassetty) Yes. And, I can address the jump from one
6 to 17. Our Sales Department, in the last year and a
7 half, it probably tripled in size. So, they had the
8 resources to go and to market to these customers along
9 the CIBS route. But, again, when I say "high-level
10 summary", it was the time spent traveling to all the
11 different locations, the time spent walking up and down
12 the streets, the time spent, you know, sending the
13 letters and researching the owners and all that.
14 That's what I meant by that.

15 Q. I understand that. But I do think that, and I think
16 you agree, that this is an issue that, going through
17 the data with Staff, so that the Staff understands, and
18 therefore we collectively understand, just how
19 labor-intensive it is and how expensive it can be,
20 because the opportunities are never going to be as good
21 as when you have the grounds opened up. If you can add
22 those customers, even if it, in the one, two, three
23 year timeframe, that's not where your return is, you
24 sell people on longer returns all the time, and that

{DG 15-104} {06-04-15}

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 I'm sure is how you guys view things as well.

2 I don't think there's any real
3 disagreement here. I think this is just something we
4 all collectively see as an important thing for you to
5 be doing. And, I think you do, too. I think we're all
6 on the same page. Do it more.

7 A. (Cassetty) No, I agree. I agree. And, with our
8 visibility out in the field, I mean, the contractor is
9 there, the supervisors are there, we're there weeks
10 prior to the job being started. So, we are visible.
11 And, I think we do do everything that we can do to try
12 to get these customers to convert.

13 CHAIRMAN HONIGBERG: All right. I don't
14 have any other questions. Commissioner Scott, do you have
15 anything else? Mr. Ritchie, do you have any further
16 questions for your witnesses?

17 MR. RITCHIE: I do, actually. Just a
18 couple of brief, brief questions.

19 **REDIRECT EXAMINATION**

20 BY MR. RITCHIE:

21 Q. One for Mr. Simek. Mr. Simek, do you recall a line of
22 questioning from OCA with respect to the capital
23 repairs tax deduction?

24 A. (Simek) Yes.

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 Q. And, when it was started?

2 A. (Simek) Yes. I went back to my testimony and I saw
3 that it began in 2009.

4 Q. Thank you. And, also, do you recall some questions
5 with respect to the degradation fee case appeal?

6 A. (Simek) Yes.

7 Q. And, when we -- I believe it was probably from OCA and
8 Staff, where they talked about what the effect might be
9 if Liberty received a favorable decision, do you recall
10 that?

11 A. (Simek) Yes.

12 Q. Is it possible, even if Liberty does receive a
13 favorable decision, that we won't -- that the Company
14 won't be able to make any refunds immediately due to an
15 appeal of any judgment?

16 A. (Simek) Yes.

17 Q. Mr. Crabtree, do you recall some questions from Staff
18 with respect to the soil samples and removing old pipe
19 that was old main that was replaced?

20 A. (Crabtree) Yes.

21 Q. Is it typically the Company's practice to abandon in
22 place old main that is replaced as part of the CIBS
23 Program?

24 A. (Crabtree) Yes.

{DG 15-104} {06-04-15}

[WITNESS PANEL: Cassetty~Crabtree~Simek]

1 Q. Lastly, Ms. Cassetty, with respect to the marketing
2 efforts and the Company's efforts with respect to
3 adding customers along CIBS main routes, do you recall
4 getting questions on that from the Commissioners, as
5 well as from the Staff?

6 A. (Cassetty) Yes.

7 Q. If you turn to Page 16 of your testimony, which would
8 be Exhibit 1, your joint testimony with Mr. Crabtree.
9 Actually, I should have said "Page 15". Could you just
10 note for the record, what was the saturation rate along
11 CIBS routes for Fiscal Year 2015?

12 A. (Cassetty) Eighty-seven (87) percent.

13 Q. And, that number can, obviously, go up or down,
14 depending on the year and what the CIBS main routes is,
15 is that correct?

16 A. (Cassetty) Yes.

17 Q. And, so, it's hard to project how many customers we
18 might be able to add along CIBS routes in another year,
19 just because the circumstances change?

20 A. (Cassetty) Yes.

21 MR. RITCHIE: That's all the -- that's
22 all of the redirect the Company has.

23 CHAIRMAN HONIGBERG: All right. Is
24 there anything else we need to do with these witnesses

{DG 15-104} {06-04-15}

[WITNESS: Knepper]

1 before they can be excused?

2 (No verbal response)

3 CHAIRMAN HONIGBERG: All right. These
4 witnesses can return to their seats.

5 Mr. Knepper is next, correct?

6 MR. SHEEHAN: Yes. Staff calls Randall
7 Knepper please.

8 (Whereupon **Randall S. Knepper** was duly
9 sworn by the Court Reporter.)

10 **RANDALL S. KNEPPER, SWORN**

11 **DIRECT EXAMINATION**

12 BY MR. SHEEHAN:

13 Q. Your name, sir?

14 A. My name is Randall Knepper.

15 Q. And, your position here at the PUC?

16 A. The Director of Safety and Security.

17 Q. With regard to the CIBS Program, what are your duties?

18 A. The CIBS Program, we do a review to see if it's in
19 compliance with the Settlement Agreement. We also meet
20 with the Company to see what their -- we react to the
21 projected main replacement rates that they're going to
22 give us and the projects. We go through each of the
23 projects on a project-by-project basis. I think we
24 have many discussions throughout the year. We use our

{DG 15-104} {06-04-15}

[WITNESS: Knepper]

1 inspection team to monitor some of that. So, we send
2 our inspectors to CIBS projects and non-CIBS projects,
3 but that's another feedback loop. And, then, we do a
4 review at the end to see how well the estimates were
5 versus actuals, and to kind of tweak the program going
6 forward.

7 Q. We've marked as "Exhibit 4" a document that's titled
8 the "Director Testimony of Randall Knepper". Do you
9 have that in front of you?

10 A. Yes.

11 Q. And, was that testimony prepared by you?

12 A. Oh, yes.

13 Q. And, if you were to be asked the same questions today,
14 would you be giving the same answers that are in that
15 Exhibit 4?

16 A. I do have a couple corrections.

17 Q. Okay. Let's make the corrections, and then I'll ask
18 you that question.

19 A. Okay.

20 Q. Do you have any corrections to your testimony?

21 A. I do have one on Page 10. I don't think these are
22 significant. But, Line 2, I said "196", and I think it
23 should be "198". So, I think that's a typo. On Line
24 5, I said there was "179 services", it's "159

{DG 15-104} {06-04-15}

[WITNESS: Knepper]

1 services", and that would make it consistent with what
2 is on Table 1 of Page 9. And, I think there is some
3 adjustments that the "\$6.978 million" number is --
4 could be slightly adjusted a little bit lower. But, at
5 the end of the day, I don't think it's going to change
6 the numbers too materially.

7 Q. And, where was that figure?

8 A. That was in Line 3.

9 Q. Okay. Other than those changes, if I were to ask you
10 the same questions, would you give the same answers?

11 A. And, there's one more, if you don't mind. Lines 5
12 through 8.

13 Q. On the same page?

14 A. On the same page, Page 10. We do do a cost per mile
15 main, and that is talking about the "recovered cost per
16 mile main" versus the "actual cost per mile main". So,
17 it may not give, you know, a true -- the best way of
18 comparing the estimate is to the actuals. So, as you
19 know, just conceptually, we have estimates, we got
20 actuals, and then we have recoverables. So, we got
21 these different buckets, which the Company has to put
22 things in.

23 Q. And, the estimates are just that, they're estimates
24 that are prepared, it seems like, mostly by Mr.

{DG 15-104} {06-04-15}

[WITNESS: Knepper]

1 Crabtree, but I'm sure he has input, and they are
2 reviewed with Staff, is that correct?

3 A. Yes. I would say the estimates are put together by,
4 collectively, Ian and Gwyn, as in their testimony,
5 they -- I think one does one aspect of it, and another
6 one follows up with the other aspect. So, I think it's
7 a combination of the two.

8 Q. And, then, the actual costs are just that, the bills
9 that the Company receives from the various contractors
10 and other costs of the project, correct?

11 A. That's correct.

12 Q. And, the recoverables is -- why would the recoverables
13 be different than the bills?

14 A. The recoverables are different than the actuals because
15 our Settlement Agreement says you can't recover all
16 costs incurred. So, for instance, if there's coated
17 steel services that are attached to an old cast
18 iron/bare steel, you don't get to recover those in the
19 CIBS. You would get to recover it in a later rate
20 case. So, it's a bucket that they have to kind of put
21 that in and recover later, the same thing with
22 plastic. Same thing, if you could have abandoned the
23 main the entire time, we don't believe that should be
24 in. So, there's, in the Settlement Agreement, which is

{DG 15-104} {06-04-15}

[WITNESS: Knepper]

1 in I think it's my Attachment 2, you will see a list of
2 things that are allowable and you will see a list of
3 things that are not allowable.

4 Q. Part of Staff's process in evaluating the program is to
5 look at those various items to make sure what's in the
6 CIBS Program belongs in the CIBS Program?

7 A. That's correct. It's a Cast Iron/Bare Steel
8 Replacement Program. It is not an all, anything that
9 touches a cast iron/bare steel replacement program.

10 Q. We won't go through your testimony in detail,
11 Mr. Knepper, but I would like to ask you a couple broad
12 questions. At a high level, what do you see as the
13 successes of the Company's program that's at issue in
14 this proceeding, last year's program?

15 A. Well, I think this is our eighth year of doing this
16 program. So, I would say (a) the program should
17 continue going guard; I think (b) it's a collaborative
18 approach that we do between the Company and Staff. So,
19 I think that's a -- that's good. I think they picked
20 up more mileage this year on the cast iron/bare steel
21 replacement that they initiated. These cast iron/bare
22 steels are self-initiated by the Company, meaning
23 they're not municipal-initiated. So, we had more
24 mileage than the previous years. They picked up more

{DG 15-104} {06-04-15}

[WITNESS: Knepper]

1 bare steel service replacements than they have in the
2 past. So, I would consider that a success.

3 In my mind, in the increased marketing
4 and focus on existing customers along the way, getting
5 one-third out of 47 -- roughly one-third out of 47
6 customers is a success. And, compared to before, where
7 you'd just get one out of 50, or some years, you know,
8 two, I think that that is successful. So, I was happy
9 when I saw those kind of results. I thought that takes
10 a lot of work, it takes increased effort. But there's
11 a reason why these customers are not customers now.
12 And, so, we think it only makes sense, when you're
13 doing all this work, and to pick up those. So, I think
14 that's a success.

15 And, then, I think they did have some
16 improvements with their communications with the
17 municipalities, which I think has -- we have echoed or
18 I testified in the past that I said that needed to
19 increase. I think you just heard Mr. Crabtree say that
20 he's had, I guess, more increased communication,
21 they're meeting with them face-to-face, versus just
22 doing communications via mail or phone calls. And, I
23 think that has a big difference. And, it was one of
24 the 28 -- one of the 23 projects that they were able to

{DG 15-104} {06-04-15}

[WITNESS: Knepper]

1 complete this year in Nashua, they were able to get the
2 cut-backs reduced. And, I think, I don't have the
3 number, I could look it up, but it's roughly a
4 significant amount of dollars they were able to save
5 just on doing that. So, that's a good sign going
6 forward. As in my testimony, I'd like to expand that
7 going forward into other projects in Nashua, and then
8 even further beyond into cast iron/bare steel
9 replacements in Manchester and Concord. So, that's
10 progress.

11 Q. And, just --

12 A. And, then, one last one for the progress is the legal,
13 I think they have made some legal progress on the
14 disputes about the degradation fees. We saw some
15 tangible events that happened this year on the legal
16 forum.

17 Q. I just wanted you to explain briefly, to the extent --
18 just to make it clear about the cut-backs. My
19 understanding is that a pilot in Nashua, the City
20 allowed them to dig a trench that was one foot wide, or
21 whatever the width was, narrower than they had in the
22 past, is that correct?

23 A. I think they did do a 3-foot cut-back, and now it's
24 down to 1-foot. So, that's, you know, one-third of the

{DG 15-104} {06-04-15}

[WITNESS: Knepper]

1 paving costs, and that saves a lot of money.

2 Q. And, what do you see, again, as a similar high view, as
3 the areas the Company could improve on in the CIBS
4 Program? What should they work on going forward?

5 A. Well, I think one of my things that we have to do,
6 whether it's collaboratively, whether it's the Company
7 or the Staff, I think is the program is expanding and
8 getting bigger as you put more mains in the ground that
9 are being replaced and more projects out there, and the
10 dollars are getting bigger, I recommend that there is
11 an audit that goes through this. Right now, the Safety
12 Division is doing that audit. And, it's in a
13 compressed schedule. It's in a compressed timeframe,
14 when they get the actual final numbers submitted to us,
15 to look at that to see -- to be able to make comments
16 on estimates versus actuals and things like that. I
17 think, if we bring our safety -- or, our auditing
18 skills that we have here at the PUC into the process, I
19 think that will help.

20 I do think there's value in doing the
21 corrosion testing and cutouts for bare steel. I do
22 think that that should continue.

23 Q. Why don't we just stop there. We'll come back to that.

24 A. Okay.

{DG 15-104} {06-04-15}

[WITNESS: Knepper]

1 Q. Why don't you give us your list.

2 A. I do think that targeting customers along the CIBS
3 routes, there's value in that and that should continue.
4 I do think that starting jobs and completing the jobs
5 in the year, if you look at the Settlement Agreement,
6 it's really based on a "construction season" concept.
7 And, the more you morph and go into various different
8 years, as you alluded to, that self-fulfilling prophesy
9 occurs that, if I don't finish, I'm now behind going in
10 going forward. So, it helps with tracking costs,
11 estimates, and things like that, which then would help
12 us to decide what the impacts to customers are going to
13 be in that year. The consistent part of it is that
14 each July they want to -- the recovery is there to be
15 put in rates, but we're not getting all the work in
16 that timeframe from July to July. So, I think we would
17 like to do that.

18 And, then, the last thing is, I think
19 I'm in agreement that, if the Company can expand these
20 paving restrictions and get them reduced, that will
21 make a big impact to the projects going forward. So,
22 those communications with Manchester and in Concord,
23 although it's probably not going to be as big a savings
24 as they experienced on their pilot with Nashua, it's

{DG 15-104} {06-04-15}

[WITNESS: Knepper]

1 still something that they should pursue.

2 Q. Going back to the testing, why do you think there's
3 a -- besides the fact it's in the Settlement Agreement
4 and that would be a legal hurdle to address if it were
5 to be changed, on the merits of soil testing, what do
6 you see the advantages to be?

7 A. Well, so, number one, I kind of read their -- I want to
8 point out is, in their testimony, I believe in the
9 thing, in the testimony that they provided, and I can
10 tell you the page, so let me take a second. It's
11 Appendix A, Page 9 of 9 of Liberty's Final Condition
12 Report. And, that's all part of -- yes. So, that's
13 part of their original testimony. It says on Page 5,
14 you know, recommendations and conclusions, 5 and 6, is
15 that they should do those results and incorporate those
16 results from the sulphide tests. So, I think that that
17 leads -- that, you know, that is the way I think as
18 well.

19 So, why do I think that way? So,
20 Distribution Integrity Management would tell you that,
21 if I get results of one place, they may be applicable
22 to be able to be used in another place. So, if I find
23 corrosion that's organically initiated, I guess is the
24 easier way to say it in layman's terms, there are other

{DG 15-104} {06-04-15}

[WITNESS: Knepper]

1 places within their system to be -- that that initiated
2 organically can be applied, and then you can use that
3 in your projections. If that is considered a threat,
4 as it is in the Distribution Integrity Management Plan,
5 integrity management plans require you to address those
6 kind of threats. The only way to address those kind of
7 threats is to collect that kind of data and make those
8 projections.

9 So, for instance, if I have that kind of
10 corrosion, it's not just because it's on bare steel,
11 but, if the bare steel main is now going to be
12 connected and replaced with plastic, but it's connected
13 to a coated steel main, right, it still has corrosion.
14 So, you want to look to see if those kind of conditions
15 can affect that coated steel main as well. That's just
16 in the vicinity. But you also want to look at segments
17 that are maybe in the remaining part of the system
18 where they would have the kind of similar constraints
19 that you would have for the microbiological testing.

20 So, I think there is -- there is
21 rationale to do that. I think they should make it part
22 of the selection process. Yes, and I do know that --
23 so, for instance, if I have bare steel remaining
24 somewhere else, the results of that may be able to be

{DG 15-104} {06-04-15}

[WITNESS: Knepper]

1 incorporated in the selection process going forward.

2 Q. And, it sounds like --

3 A. That's the benefit.

4 Q. And, it sounds like it could also be a data point for
5 uses beyond CIBS?

6 A. Yes.

7 MR. SHEEHAN: Those are all the
8 questions I had for Mr. Knepper.

9 CHAIRMAN HONIGBERG: Mr. Jortner, do you
10 have any questions for Mr. Knepper?

11 MR. JORTNER: Yes. I have just one or
12 two questions. Thank you.

13 **CROSS-EXAMINATION**

14 BY MR. JORTNER:

15 Q. With respect to the bacteriological testing, is it your
16 understanding that the Company no longer uses the
17 information it gets from that for selection of mains to
18 be replaced?

19 A. I guess so. They should.

20 Q. So, in order for your rationale to apply, we would have
21 to have discussions with the Company and get them to
22 somehow apply that information to their selecting
23 decisions?

24 A. Yes. But, I think, if you look at code requirements of

[WITNESS: Knepper]

1 Distribution Integrity Management, it says to do just
2 that.

3 MR. JORTNER: Understood. Thank you.

4 CHAIRMAN HONIGBERG: Mr. Ritchie, do you
5 have any questions for Mr. Knepper?

6 MR. RITCHIE: The Company does have a
7 few questions for Mr. Knepper. And, they're mostly with
8 respect to issues that the Company believes warrant
9 further discussion with the Staff. But just a few
10 questions to touch on those issues.

11 BY MR. RITCHIE:

12 Q. Good morning, Mr. Knepper. If you could please turn to
13 Page 8 of your testimony, and look at Figure 3 on that
14 page.

15 A. Yes. Page 8. Yes.

16 Q. And, that chart is labeled "Liberty Utilities CIBS
17 Program Equivalent Cost/Foot of Mains Replaced", is
18 that correct?

19 A. Correct.

20 Q. And, would you agree that the cost per foot depicted on
21 this chart for calendar year -- or, I should say for
22 Fiscal Year 2014 is at the lowest level since 2009?

23 A. Based on what that chart says, yes.

24 Q. So, with that in mind, would you agree that the cost

{DG 15-104} {06-04-15}

[WITNESS: Knepper]

1 per foot basis -- that on a cost per foot basis the
2 costs are headed in an encouraging direction, in that
3 they are decreasing?

4 A. From last year. Meaning, it's been -- almost taken
5 five years to get to where we were in 2009. And, the
6 other thing to look at, and maybe I should probably
7 change that chart, is that's just the cost per foot.
8 You can look at things on a cost per foot basis, and
9 you can also look at it on a cost per foot with the
10 service replacements, too, which becomes a total mains
11 and services, which that chart doesn't talk about. But
12 it's the services that are just as important as well
13 that we're replacing. The risk is to the bare steel
14 services as well. So, you know, going forward, I might
15 change that to include both, so you can have that
16 comparison.

17 Q. And, on Page 10 of your testimony, specifically Lines
18 13 through 15, you state there "my concern is that we
19 are not gaining sufficient ground on one of the most
20 important objectives of the overall replacement rate
21 (both from CIBS and from municipal projects) to
22 accelerate the timeframe for replacing these
23 problematic pipelines." Is that correct?

24 A. That's what it says, yes. And --

{DG 15-104} {06-04-15}

[WITNESS: Knepper]

1 Q. That --

2 A. Go ahead.

3 Q. I was just going to ask a question. That statement
4 seems to contradict the Company's planned accelerated
5 replacement schedule, for which you had positive
6 comments on Page 16 of your testimony. In light of the
7 accelerated schedule, could you just reconcile those
8 two positions?

9 A. Well, the first position would be probably the
10 statements are really reflective of Table 2, which is
11 on Page 11. And, so, we're looking at the overall
12 replacement of cast iron/bare steel, which is -- that's
13 within the CIBS Program, which are self-initiated by
14 the Company, and municipal work, which is externally
15 initiated. And, so, the average has been, over that
16 nine year period, of 5.66, which is just really where
17 we've been.

18 If you want to look at it in terms of
19 just the CIBS this year, CIBS did better than before,
20 but the municipal work has kind of dropped off. So, in
21 totality, we haven't been able to gain it going
22 forward -- going to date. So, my statement was, for to
23 date, I wasn't able to see an increase from the 5.66
24 average that we had. And, in fact, it came in exactly

{DG 15-104} {06-04-15}

[WITNESS: Knepper]

1 at the average.

2 Going forward, my statements are the
3 Company is trying to reduce that 20-year rate to 10.
4 And, so, it's next year's project that they're actually
5 going to -- are projecting to go at an increased rate
6 that's going to be beyond that average. I believe
7 they're projecting seven plus miles of cast iron/bare
8 steel, with some municipal work of around two. So,
9 that would start to increase that rate.

10 Q. And, that would be moving closer towards gaining the
11 sufficient ground?

12 A. Yes. That starts to, that's going to happen going
13 forward.

14 Q. Right. Thank you. On Page 13 of your testimony,
15 specifically at Lines 13 through 15.

16 A. Page 13, 15 -- can you say that again please?

17 Q. Sorry. Page 13. And, then specifically Lines 13
18 through 15.

19 A. Okay.

20 Q. And, there you touch on marketing to non-gas customers
21 along CIBS routes. And, there you, if I can quote from
22 your testimony, it reads "Even though [there] is a
23 labor-intensive proposition that may require multiple
24 visits to some project locations, the benefits to the

{DG 15-104} {06-04-15}

[WITNESS: Knepper]

1 Company should make these efforts a high priority."

2 Did I read that correctly?

3 A. Yes.

4 Q. And, where do the costs of these labor-intensive
5 marketing efforts enter into the analysis or where
6 should they enter into the analysis?

7 A. Well, I don't think you want to compare them against
8 ones that are less labor-intensive, i.e., you don't
9 want to get the lower-hanging fruit. These are
10 customers along the route that don't have gas, and
11 haven't had gas there for a long time. And, so,
12 there's an extra reason why they don't. And, so, you
13 have to target them differently, and that requires more
14 work. But I think the benefit to the Company is, we
15 have crews in the area, I'm not going to have to go
16 back and dig a hole later, which I believe we just kind
17 of heard Mr. Crabtree at \$4,000 a hole, you get to save
18 that cost. And, so, where you're spending it more on
19 having to work at it, you're getting it because I'm
20 getting the cost incurred -- the construction cost
21 incurred to be at a lower rate.

22 Q. Did you read -- or, I should say, are you familiar with
23 the joint testimony of Ms. Cassetty and Mr. Crabtree,
24 where they explained that there was a much lower return

{DG 15-104} {06-04-15}

[WITNESS: Knepper]

1 on investment for marketing to non-customers along CIBS
2 routes because the saturation rate is so high?

3 A. Yes, I saw that. That the "87 percent" number that you
4 referred to?

5 Q. Yes. Do you disagree with their statement that the
6 return on investment is much lower?

7 A. If you compare it against other ones where you don't
8 have to do that, yes. But I don't believe that should
9 be the metric to compare against.

10 Q. Okay. Do potential customers along CIBS routes offer
11 more benefits than customers -- more benefits to the
12 Company than new potential customers along non-CIBS
13 lines?

14 A. Well, you're now optimizing the gas that's going
15 through the mains, which we've already invested in,
16 right? So, you've sized the pipe to be able to carry
17 load. And, when it's not getting 100 percent
18 saturation or you're not getting it, you're not
19 optimally using the capacity, which we've already
20 invested in. So, I think it's -- you can't compare it
21 that way. I think you -- you're trying to make it as
22 efficient or as optimized of the investment of what it
23 is. So, if you have a 4-inch diameter main, and it's
24 sized to be able to get all those kind of customers,

{DG 15-104} {06-04-15}

[WITNESS: Knepper]

1 you want to be able to optimize it, other than that,
2 you won't be able to.

3 Q. So, just generally, you don't believe that the Company
4 should take into account the lower return on investment
5 that it gets from marketing to non-customers along a
6 CIBS main?

7 A. I think they're different buckets. And, so, you
8 shouldn't kind of compare across the buckets.

9 Q. What should it compare it to?

10 A. I think you should compare from one year to the next on
11 those customers that are doing conversion work versus
12 those that are just brand new, where I have to extend a
13 gas main and the costs are lower because there's no
14 lower, the costs are lower because it's an extension,
15 and there's really no work to do. Meaning, I might
16 have to work harder to pick up that one customer along
17 the main that's existing, than picking up a development
18 that's 12. So, I don't think it's a fair comparison.

19 CHAIRMAN HONIGBERG: Mr. Knepper, I'm
20 going to help Mr. Ritchie, I think. I think he asked you
21 "what should they be comparing to?" I think you just
22 re-answered "what shouldn't they be comparing to?" Is
23 your answer "they should be comparing year over year"?

24 WITNESS KNEPPER: Within the bucket of,

{DG 15-104} {06-04-15}

[WITNESS: Knepper]

1 you know, the previous year they did one out of 50, and
2 the year before they did zero. So, I think -- I looked at
3 it as 15 [17?] was a success. And, that it requires work,
4 it's not just going to come to you. But I think it's a
5 success. So, yes, that's how I would do the comparison.

6 BY MR. RITCHIE:

7 Q. Do you think this issue warrants further discussion
8 with the Company to gain a better understanding of the
9 related costs and benefits, maybe through a technical
10 session?

11 A. I think further discussion is always beneficial.

12 Q. Beginning on Page 17 of your testimony, you discuss the
13 "carryover cost provision" on Settlement Attachment J,
14 Section 20. Do you see that?

15 A. Yup.

16 Q. Now, are those provisions more about the timing of the
17 completion of jobs, particularly road restoration work?

18 A. Yes.

19 Q. So, your concerns are not whether carryover costs were
20 excessive or imprudent, is that correct?

21 A. My concern is it's not being done in accordance with
22 the Settlement, which is one of the things that I
23 initially said that we review against.

24 Q. But the costs themselves, you don't find them to be

[WITNESS: Knepper]

1 excessive or imprudent?

2 A. The costs are going to eventually get recovered,
3 whether it's in the CIBS bucket or whenever the Company
4 comes in for a rate case. So, the costs are
5 recovery -- are recovered. So, we haven't -- I don't
6 think we've said that they're imprudent.

7 Q. Okay. Thank you. And, just generally, the main
8 purpose of the CIBS Program is the replacement of
9 leak-prone pipe, is that correct?

10 A. Yes. And, it's for projects self-initiated by the
11 Company.

12 Q. Do you agree that, regardless of any carryover
13 restoration costs, the leak-prone pipe has been
14 replaced during the program year so that -- that we're
15 seeking recovery for in the CIBS filing?

16 A. Yes.

17 Q. So, just to clarify. So, the effective carryover costs
18 really is that those costs are recovered from customers
19 a year later than they otherwise would have been, but
20 for the carryover?

21 A. Right. And, they shouldn't be just a year later. It
22 should be whenever that future rate case might be, five
23 years, two years, four years, I don't know what that
24 will be, but it shouldn't just go from year to year.

{DG 15-104} {06-04-15}

[WITNESS: Knepper]

1 If you're just doing it from year to year, it kind of
2 defeats the purpose of that carryover cost provision.

3 Q. And, lastly, Mr. Knepper, on Page 17, again, if you
4 could just look on Line 16. And, there you quote from
5 the Settlement Agreement, where it reads, actually, it
6 starts on Line 14, where it reads "carryover costs in
7 aggregate exceeding 5 percent of the approved estimated
8 total expenditures under the CIBS Program for the
9 construction year, unless approved by the Safety
10 Division."

11 A. Correct.

12 Q. Would you just -- if you could speak just briefly about
13 the approval -- the language that notes the "approval
14 of the Safety Division" and how that's worked in the
15 past?

16 A. To my knowledge, the Company hasn't approached us for
17 that approval.

18 Q. And, similar to some of these other issues, do you
19 think that is something that probably would benefit
20 from a further dialogue between the Staff and the
21 Company?

22 A. I think that dialogue is always good. And, I said
23 initially this is "collaborative". But I do believe
24 that the basis of this whole program is to get it done

[WITNESS: Knepper]

1 in that construction year. And, so, at some point in
2 time, if we don't finish projects this year, and they
3 get pushed into next, and that puts us further behind
4 in starting and working, it will always be a
5 self-fulfilling prophecy. And, so, that's not what was
6 initially envisioned in that Settlement Agreement.

7 Q. So, carryover costs up to 5 percent are fine, but over
8 5 percent is what you have an issue with?

9 A. Yes. The Settlement was, it's a small amount so that
10 it would be an encouragement for the Company to get
11 that quicker recovery, that lead/lag to go away, so
12 that it would be an incentive for them to finish
13 projects earlier.

14 MR. RITCHIE: Thank you. That's all the
15 Company has for Mr. Knepper at this time.

16 CHAIRMAN HONIGBERG: Thank you,
17 Mr. Ritchie. Commissioner Scott.

18 CMSR. SCOTT: Thank you. Good morning,
19 Mr. Knepper.

20 WITNESS KNEPPER: Good morning.

21 BY CMSR. SCOTT:

22 Q. The Company now, in their filing, has a -- I'll call it
23 a "10-year plan". So, they expect to be complete by
24 2024, is that correct?

{DG 15-104} {06-04-15}

[WITNESS: Knepper]

1 A. That's what they projected.

2 Q. Is that an appropriate timeframe in your opinion?

3 A. Yes. I think I agreed, and I think that is in response
4 to some of our testimony last year, that we wanted it
5 cut in half, basically, from a 20-year to 10-year.

6 Q. And, you're involved nationally for this type of -- the
7 job you have involves you nationally, so you get a good
8 chance to see what other states are doing and what
9 other utilities are doing generally, is that a correct
10 statement?

11 A. That's correct.

12 Q. The progress that's being made to date on this, under
13 this program -- well, let me back up. Are there
14 similar programs in other utilities in other states?

15 A. Thirty-eight (38) in other states.

16 Q. So, how does the progress that's being made here
17 compare to your understanding what's happening in other
18 jurisdictions?

19 A. It depends on how you measure that progress. So, for
20 instance, one of the progress I like to look at is
21 "what's the percentage of cast iron/bare steel
22 remaining as part of the program?" So, for instance,
23 if New York says they have 4,000 miles of cast
24 iron/bare steel, but they have a larger percentage of

{DG 15-104} {06-04-15}

[WITNESS: Knepper]

1 non-cast iron/bare steel, because it's a bigger state,
2 I want to look at it on a percentage basis of how we
3 are. Are we 6 percent of our inventory? Are they at
4 9 percent of their inventory? Those are the kind of
5 things I look at to kind of strip out these magnitude
6 things.

7 So, I think ten years is good. You
8 know, Connecticut just took one of theirs from 60, down
9 to 17. That was a big swing from one of their
10 utilities. That cut off about three-quarters of what
11 their projected rate was.

12 So, -- but I try to balance it here is,
13 we have other initiatives going on, we have different
14 other safety things that are included. And, I'm trying
15 to do this over a sustainable amount that the customers
16 can bear, without -- and hoping that that 10-year rate
17 is acceptable.

18 Q. Thank you. And, similarly, and maybe you don't have
19 this information, but you had some discussion about the
20 "cost per foot" and "is that the right metric?" Do you
21 have a feel for how this program is comparing, again,
22 in other jurisdictions on the cost?

23 A. Yes, Commissioner. I mean, I've tried to do that. It
24 gets really difficult. If I were to take it on face

[WITNESS: Knepper]

1 value, when I get the cost from Baltimore Gas &
2 Electric on their cost per foot, and I get the cost
3 from Con Ed, or I get the cost from another one, ours
4 seem higher, okay? But, without knowing the context,
5 as you can see the discrepancies just in the data
6 that's provided within here, I don't know if it's
7 really that helpful. You have to know, you know,
8 what's in those numbers, what's behind those numbers.
9 Is it loaded costs? Is it unloaded costs? Is it --
10 are they including bringing inside meters to out? Are
11 they stripping out the things that we're doing? It's
12 really difficult.

13 So, I'm tempted to look at it compared
14 to others nationally, but I'm also very cautious.

15 Q. That makes sense. Thank you. On the soil testing
16 issue, so, if I understood correctly, there's a hole
17 dug; the utility puts in the new non-steel piping;
18 there's a cutover that happens; and the other -- the
19 old main is buried in place. Does that sound correct?

20 A. Correct.

21 Q. So, is there -- I understood your discussion about
22 trying to get some good data points on soil properties
23 vis-à-vis corrosion impact. How necessary is it for a
24 sample of the actual piping to be taken? Could a

{DG 15-104} {06-04-15}

[WITNESS: Knepper]

1 visual inspection do almost as good, obviously would be
2 the cost savings?

3 A. Well, I mean, you know, if you -- if you saw that
4 Appendix A that they attached, that's not going to
5 happen unless you cut it out, right? You're not going
6 to be able to get that penetration wall loss.
7 Initially, what happened was the Company would just cut
8 back to here [indicating]. And, so, they keep "oh,
9 here's what we initially estimated to cut out this
10 section. Oh, well, we don't get a good pipe." So,
11 now, we're going to here [indicating]. And, they would
12 just give me samples at the good pipe end. What I'm
13 trying to show is, this was the appropriate selection.
14 That we are -- that the work that Ian's picking and
15 which segments we're targeting are the correct ones.
16 And, so, this becomes our feedback mechanism. If we
17 start getting things back where it's whole pipe, and,
18 you know, it's only at 12 percent wall loss, then we
19 can maybe say "hey, we can slow down this 10
20 percent" -- or, "10-year program, and we can extend the
21 life." But I haven't to date, in the nine years, I
22 have not gotten to that point yet -- or the eight
23 years, I'm sorry.

24 Q. And, are there any surrogates, less costly surrogates

{DG 15-104} {06-04-15}

[WITNESS: Knepper]

1 that could be used, rather than cutting the pipe out,
2 that you're aware of?

3 A. Not that I'm aware of. Maybe the Company has some
4 proposals for that.

5 Q. So, there's not some kind of non-destructive testing
6 that could be done or that type of thing?

7 A. No. But maybe they can cut it out at the same time
8 that they're pressurizing it and testing it, so they
9 don't have to go back and dig it the next day. So, the
10 whole idea is, I think the majority of their cost is,
11 any time they have to go back and dig a hole, that's
12 the majority of their costs. And, so, if they're doing
13 it the next day, maybe they can do it the same day that
14 they're doing the pressure test on the plastic main
15 while the crew's out there, because you're still going
16 to have to do the final paving.

17 Q. And, if I understood correctly, they have to refill at
18 the end of the workday, is that right?

19 A. They do that, yes, every day, on any job.

20 Q. And, that's a safety issue?

21 A. Well, the towns aren't going to want people to fall in
22 the holes. So, they have to refill. They're
23 constantly, you know, digging a trench. If they get
24 pipe laid in, they're filling it back up. Then, the

{DG 15-104} {06-04-15}

[WITNESS: Knepper]

1 next day they're going back in, digging that trench and
2 retying in. So, occasionally, and depending upon how
3 long that project is, that they will allow them to
4 steel plate certain things, but --

5 Q. That was my next question. Why couldn't just put
6 plates over the top?

7 A. Those turn into discussions that they're going to have
8 to have with each municipality as to how big a traffic
9 area that is and how much people are going over it and
10 those kind of things. It becomes the difference
11 between pipeline safety issues and just general safety
12 issues for construction projects.

13 Q. And, I would think a one-foot cut, rather than a
14 three-foot cut, would help facilitate that type of
15 activity?

16 A. Well, the one-foot cut-back and three-foot cut-backs
17 are specifications that I believe they have given the
18 Company, as to "You're digging in our streets, this is
19 how we want you to do it."

20 Q. Thank you. You made some statements regarding
21 "carryover costs" in your testimony. You allege it's
22 not properly recorded. Why don't you believe it should
23 be readjusted at this time?

24 A. Well, I mean, the filing, the testimony is already in,

[WITNESS: Knepper]

1 and within probably some of that costs may have to get
2 adjusted. You're in the process of another hearing
3 going on with a rate case, it may affect that. My
4 point is -- excuse me -- as the project gets larger and
5 gets more expanded in the future, the point was to
6 point it out in testimony that going forward I think
7 it's worthwhile to make -- keep a note on that, and the
8 numbers that we have in there will probably only get
9 larger. If you're going to have a larger number of
10 projects, you're probably going to get more and more
11 unfinished, if you don't get them started.

12 Q. And, similarly, you express some concerns over
13 "internal overhead". Did you have recommendations on
14 how to reduce that?

15 A. I don't. I mean, it's hard for me to give
16 recommendations on that from the Company. They own all
17 the data, they own all the components that go in. It's
18 easier to just take the denominator and spread it out
19 and say "on a per unit basis, we're doing better",
20 right? And, if you shrink the program, then they're
21 doing worse. But the key is to try to get the
22 numerator down. And, you know, I'll probably need some
23 help from the Gas Department on that, they're always
24 looking at those kind of costs and overheads that

{DG 15-104} {06-04-15}

[WITNESS: Knepper]

1 apply. So, I think, and you got to be careful,
2 because, if you take it out of the CIBS, and you look
3 at overheads that are just applied to that, are they --
4 were they ones that are not applied in the municipal or
5 vice versa and looking at it on a larger context.

6 So, we keep making it, we've been making
7 that same statement all along that, if you can get
8 these costs reduced, you know, some of these same costs
9 are the same costs it takes to do new services and new
10 growth and a bunch of other things. So, it's that
11 total overhead that's being attributed to the CIBS.

12 Q. This may be more fairly addressed to the Company. But
13 since, in the context we're talking about other
14 jurisdictions and your knowledge, are there "best
15 practices" to be looked at in other jurisdictions that
16 the Company should be looking at, vis-à-vis these type
17 of costs?

18 A. I would hope that the Company is looking at "best
19 practices" all the time on all -- any, you know,
20 throughout all their operations, in terms of
21 construction costs and restoration. But the more
22 planning that you can do, the more you don't have to
23 keep going back to the same spot over and over and
24 over, that really is where you have the savings. So,

{DG 15-104} {06-04-15}

[WITNESS: Knepper]

1 if they can get the customer while the crew's out there
2 digging the hole, all that coordination, and it's a
3 changing, you know, this is not -- this work, this
4 amount of work is changing throughout the year, it's
5 constantly being in flux. But that's what they're, you
6 know, supposed to manage, that's what they should be
7 good at. And, that's what we're constantly trying to
8 monitor.

9 Q. Thank you. On the marketing discussion, and it sounds
10 like there will be more discussion between Staff and
11 the utility at a later date, is it fair that it may be
12 one of the appropriate inputs on whether the
13 cost/benefit is appropriate for that marketing the
14 long-term benefit of a customer and what provides to
15 the utility, is that a fair statement?

16 A. Sure. Absolutely.

17 CMSR. SCOTT: Thank you. That's all I
18 have.

19 CHAIRMAN HONIGBERG: I have no questions
20 for Mr. Knepper.

21 Mr. Sheehan, do you have any further
22 questions?

23 MR. SHEEHAN: I do not. Thank you.

24 CHAIRMAN HONIGBERG: All right. Mr.

1 Knepper, thank you. You can return to your seat.

2 There's no other witnesses, correct?

3 MR. SHEEHAN: Correct.

4 CHAIRMAN HONIGBERG: No objection to
5 striking the ID from the exhibits that have been
6 introduced?

7 MR. SHEEHAN: No, sir.

8 CHAIRMAN HONIGBERG: Mr. Jortner, you'll
9 be providing the data responses that are going to turn
10 into Exhibit 5, is that correct?

11 MR. JORTNER: Yes, I will. Thank you.

12 CHAIRMAN HONIGBERG: All right. Is
13 there anything else we need to do before the Parties sum
14 up?

15 (No verbal response)

16 CHAIRMAN HONIGBERG: Didn't think so.
17 Mr. Jortner, you get to go first.

18 MR. JORTNER: Thank you. The OCA,
19 having reviewed the Company's filings, finds that the
20 Company is largely in compliance with the CIBS Program
21 according to the original Settlement. With the exception
22 of a few issues that arose at this hearing that, you know,
23 may be subject to further talks between Staff, hopefully
24 OCA, and the Company, there's some moderate changes to the

1 Company's activities. We think the Company's CIBS update
2 should be approved subject to those further discussions
3 and further modifications. Thank you.

4 CHAIRMAN HONIGBERG: Mr. Sheehan.

5 MR. SHEEHAN: Thank you. Staff supports
6 the Company's request for approximately \$253,000 revenue
7 requirement increase based on the CIBS filing.

8 And, with the following, not conditions,
9 but things that carry over from prior orders. Last year,
10 the Commission changed the filing date to April 15, which
11 the Company met this year, and we ask that that continue.
12 The hope was to give us more time. For other reasons, we
13 got squeezed here because of hearings unavailability this
14 month. But, hopefully, next year, that April filing date
15 will give us a couple extra weeks breathing room to go
16 through some of these issues in a more regular pace.

17 Second, the last year's order required
18 the Company to file a marketing report, which they did,
19 and we would ask that that continue for this year as well,
20 to keep us apprised of their efforts.

21 And, the other issues that came out of
22 this hearing I do think are appropriate for discussion,
23 and, of course, the OCA will be included in those
24 discussions. And, that is the auditing of the future

1 numbers, I don't think that needs to be part of an order.
2 It sounds like all parties agree to that. And, we will
3 help coordinate what the Audit Division would like to
4 receive from the Company and what format, *etcetera*.

5 We'll continue the discussion over the
6 soils test. Again, that's part of the Settlement
7 Agreement. So, we can't change it until we change the
8 Settlement Agreement. But we'll have that discussion, as
9 well as some others.

10 So, again, we support the request. And,
11 we appreciate the Company's willingness to participate in
12 this give-and-take over these issues. This is an
13 important program. I think the Company sees it as one, as
14 does Staff. And, it looks like we're turning the corner
15 into a 10-year timeframe, and not the 20-year plan we were
16 on before. So, thank you.

17 CHAIRMAN HONIGBERG: Just so I
18 understand, the scheduling availability problem, that was
19 Commissioners' availability?

20 MR. SHEEHAN: Yes. I mean, typically,
21 this hearing is a week or two before July 1. And, so, a
22 combination of that hearing being squeezed.

23 CHAIRMAN HONIGBERG: Yes. I'll note for
24 the record that I'm sure will already reflect it, there

1 are only two of us up here. And, if we had a third
2 Commissioner, it might have made scheduling a little bit
3 easier.

4 MR. SHEEHAN: We'll mail that section of
5 the transcript downtown.

6 CHAIRMAN HONIGBERG: Yes. It might
7 help. Who knows? Mr. Ritchie.

8 MR. RITCHIE: Thank you. The Company is
9 here today seeking approval of \$253,694 revenue deficiency
10 in connection with its CIBS work conducted in Fiscal Year
11 2015. For an average residential customer, this
12 translates into only a \$1.22 rate increase per year. This
13 is money that is well spent to mitigate risk and is
14 certainly in the public interest.

15 The Company requests that the Commission
16 find that the requested rate increase is just and
17 reasonable, and respectfully asks the Commission to
18 encourage the Company to continue its CIBS work and to
19 approve the requested rate increase to take effect
20 July 1st, 2015.

21 Lastly, the Company welcomes the
22 opportunity to enter into a dialogue with Staff and OCA on
23 some of the issues that were raised during the course of
24 today's hearing. That's it. Thank you.

1 CHAIRMAN HONIGBERG: Thank you all. If
2 there's nothing further, we will adjourn, understanding
3 that we need to get an order out for rates to take effect
4 July 1, correct?

5 MR. SHEEHAN: Yes. July 1.

6 MR. RITCHIE: Yes.

7 CHAIRMAN HONIGBERG: We are adjourned.

8 **(Whereupon the hearing was adjourned at**
9 **11:01 a.m.)**

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