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STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

24 APR '17 PM4:06

April 11, 2017 - 9:09 a.m.  
Concord, New Hampshire

RE: DE 17-049  
LIBERTY UTILITIES (GRANITE STATE  
ELECTRIC) CORP. d/b/a LIBERTY  
UTILITIES:  
*Annual Retail Rate Adjustment.*

**PRESENT:** Chairman Martin P. Honigberg, Presiding  
Commissioner Robert R. Scott  
Commissioner Kathryn M. Bailey  
  
Sandy Deno, Clerk

**APPEARANCES:** Reptg. Liberty Utilities (Granite  
State Electric) Corp. d/b/a  
Liberty Utilities:  
Michael J. Sheehan, Esq.  
  
Reptg. PUC Staff:  
Paul B. Dexter, Esq.  
Rich Chagnon, Electric Division

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

**CERTIFIED  
ORIGINAL TRANSCRIPT**



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

<b>EXHIBIT NO.</b>	<b>D E S C R I P T I O N</b>	<b>PAGE NO.</b>
1	Annual Retail Rate Adjustment filing, comprised of the Direct Testimony of John D. Warshaw, with attachments; Direct Testimony of Heather M. Tebbetts, with attachments; and the Direct Testimony of Steven E. Mullen, with attachments (03-23-17)	5
2	Stranded Cost Reconciliation	5
3	Calculation of RGGI Auction Excess Revenue Adjustment factor	5
4	FERC Financial Report	6
5	NHPUC Tariff 20 - Terms and Conditions	6
6	Reconciliation of Contract Termination Charge to GSEC	6
7	Technical Statement of Timothy S. Lyons	6

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

1  
2 CHAIRMAN HONIGBERG: We're here in  
3 Docket DE 17-049, which is Liberty Utilities  
4 (Granite State Electric) Corp. Annual Retail  
5 Rate Adjustment proceeding.

6 Before we do anything else on that,  
7 let's take appearances.

8 MR. SHEEHAN: Good morning,  
9 Commissioners. Mike Sheehan, for Liberty  
10 Utilities (Granite State Electric) Corp.

11 MR. DEXTER: Paul Dexter, on behalf  
12 of the Commission Staff. And joining me is  
13 Rich Chagnon from the Electric Division.

14 CHAIRMAN HONIGBERG: All right. Any  
15 preliminary matters we need to deal with?

16 MR. SHEEHAN: Thank you. We, Granite  
17 State, proposes marking three exhibits.  
18 "Exhibit Number 1" is the initial filing, Bates  
19 Page 001 through 070. We've had an informal  
20 tech session last week during which we  
21 discussed a couple issues, the results of which  
22 are two additional exhibits. We are marking as  
23 "Exhibit 2" revised Pages 42 and 43 of the  
24 filing, and they're so marked. And, as

1 "Exhibit 3", revised Pages 52 and 53. And  
2 Ms. Tebbetts will explain what numbers have  
3 changed in those exhibits.

4 That's what we have. I understand  
5 Staff has additional exhibits.

6 (The documents, as described,  
7 were herewith marked as  
8 **Exhibit 1, Exhibit 2,** and  
9 **Exhibit 3,** respectively, for  
10 identification.)

11 CHAIRMAN HONIGBERG: Any other  
12 preliminary matters?

13 MR. DEXTER: Staff has --

14 CHAIRMAN HONIGBERG: Mr. Dexter.  
15 Sorry.

16 MR. DEXTER: Sorry. Staff has four  
17 exhibits they would like to mark for  
18 identification at this time, and they have been  
19 distributed.

20 The first one is a couple of pages  
21 from the Company's FERC Form 1 2015 -- 2016  
22 results. Sorry, 2015 results. Which I've  
23 marked as "Exhibit 4", labeled as "Exhibit 4".

24 The second is a couple of pages from

1 the Company's tariff. This is a tariff  
2 submittal that was made in the recent rate  
3 case. I understand it's still pending. But I  
4 just wanted to use it as an aid in asking some  
5 questions today. And the tariff pages have to  
6 do with the rates that are at issue today in  
7 the Stranded Cost Charge and in the  
8 Transmission Charge. And I've marked that as  
9 "Exhibit 5".

10 As "Exhibit 6", I brought in a couple  
11 of pages from National Grid's CTC filing, which  
12 is at issue in this case, just to bring in the  
13 source document.

14 And "Exhibit 7" is a technical  
15 statement from the rate case, has to do with  
16 the lead/lag study that was done -- that was at  
17 issue in the recent rate case. There's a  
18 corresponding calculation in this case  
19 regarding working capital on transmission  
20 costs. And, so, I want to use that as a basis  
21 for asking some questions, and that's marked as  
22 "Exhibit 7".

23 (The documents, as described,  
24 were herewith marked as

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1                   **Exhibit 4, Exhibit 5, Exhibit 6,**  
2                   and **Exhibit 7**, respectively, for  
3                   identification.)

4                   CHAIRMAN HONIGBERG: All right.  
5                   Anything else?

6                   MR. SHEEHAN: Otherwise, we propose  
7                   to put the three witnesses on the stand.

8                   CHAIRMAN HONIGBERG: All right. Why  
9                   don't the three witnesses move toward the stand  
10                  then.

11                  Mr. Patnaude.

12                                (Whereupon **Heather M. Tebbetts,**  
13                                **John D. Warshaw,** and **Steven E.**  
14                                **Mullen** were duly sworn by the  
15                                Court Reporter.)

16                  CHAIRMAN HONIGBERG: Mr. Sheehan.

17                  MR. SHEEHAN: Thank you.

18                  **HEATHER M. TEBBETTS, SWORN**

19                  **JOHN D. WARSHAW, SWORN**

20                  **STEVEN E. MULLEN, SWORN**

21                                **DIRECT EXAMINATION**

22                  BY MR. SHEEHAN:

23                  Q. Mr. Warshaw your name and your position with  
24                  the can company.

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 A. (Warshaw) Yes. My name is John D. Warshaw.  
2 And I am the Manager of Electric Supply for  
3 Liberty Utilities Service Corp.

4 Q. And you filed testimony in this matter, which  
5 has been marked that's Page 1 of "Exhibit 1",  
6 is that correct?

7 A. (Warshaw) Yes.

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

9 A. (Warshaw) No.

10 Q. And if I were to ask you the same questions  
11 today orally that are in your written  
12 testimony, would your answers be the same?

13 A. (Warshaw) Yes.

14 Q. And do you adopt your testimony here today?

15 A. (Warshaw) Yes.

16 Q. Ms. Tebbetts, same question, your name and  
17 position with the Company?

18 A. (Tebbetts) My name is Heather Tebbetts. And I  
19 work for Liberty Utilities Service Corp. I  
20 work in the Rates and Regulatory Group. And  
21 I'm responsible for rate-related services for  
22 Granite State Electric.

23 Q. And you also filed testimony in this matter?

24 A. (Tebbetts) Yes.

{DE 17-049} {04-11-17}

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 Q. And that appears at Page 25 of Exhibit 1?

2 A. (Tebbetts) Yes.

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

4 A. (Tebbetts) The only corrections I have are in  
5 the Exhibit 2 and Exhibit 3, which have already  
6 been described.

7 Q. Okay. We'll get to an explanation of those in  
8 a minute. With those corrections, if I asked  
9 you the questions in your testimony today,  
10 would your answers be the same?

11 A. (Tebbetts) Yes.

12 Q. And do you adopt your testimony here today?

13 A. (Tebbetts) Yes.

14 Q. Mr. Mullen, the same question, your position  
15 with the Company please?

16 A. (Mullen) My name is Steven Mullen. I am the  
17 Manager of Rates and Regulatory for Liberty  
18 Utilities Service Corp.

19 Q. And you also filed testimony in this matter  
20 that appears at Page 55 of Exhibit 1?

21 A. (Mullen) That is correct.

22 Q. And do you have any changes or corrections to  
23 your testimony?

24 A. (Mullen) I do not.

{DE 17-049} {04-11-17}

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 Q. And if I ask you the questions today that are  
2 in your written testimony, would your answers  
3 be the same?

4 A. (Mullen) Yes, they would.

5 Q. And do you adopt your testimony here today?

6 A. (Mullen) I do.

7 Q. Ms. Tebbetts, why don't you walk us briefly  
8 through Exhibit 2 and Exhibit 3, and show where  
9 the changes were and why.

10 A. (Tebbetts) Okay. So, if we start with Exhibit  
11 2, which is Revised Bates Page 042, we found in  
12 our discussions with Staff that, under Column  
13 (a), from March 2016, there were formula errors  
14 in the calculation for the beginning balance.  
15 And, so, the beginning balance was updated from  
16 "\$1,952" to "\$2,687". And, by making that  
17 change, the cumulative over/under collection of  
18 the CTC changed to "\$86,834".

19 Q. Is there any change to Page 43?

20 A. (Tebbetts) Yes. So, the "\$86,834" carries over  
21 into Line [1].

22 Q. And was there -- go ahead.

23 A. (Tebbetts) And by dividing that value by the  
24 forecasted kilowatt-hour deliveries, there was

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 actually no rate change for the adjustment  
2 factor because it goes out to the fifth  
3 decimal.

4 Q. And, as for Exhibit 3, which is Bates Page R052  
5 and 053?

6 A. (Tebbetts) Yes. So, when we originally made  
7 the filing, we had actually -- we had filed an  
8 incorrect page. The information on the page  
9 hasn't changed, with regards to the rates that  
10 were shown on Bates Page 041, which is HMT-1,  
11 Schedule HMT-1. But we had inserted the  
12 incorrect page. So, this just substitutes the  
13 correct page.

14 Q. But, as you said, the resulting calculations on  
15 HMT-1, the rates, the impacts all stay the  
16 same. This was simply the wrong page?

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

18 Q. And that's true for 052 and 053?

19 A. (Tebbetts) And that's correct as well. So,  
20 when we had inserted Page 052 and 053, the  
21 resulting Transmission Charge was showing the  
22 incorrect rate. And, so, the calculation for  
23 the residential bill was incorrect. So, we had  
24 inserted the incorrect page on that. And,

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 again, HMT-1, Bates Page 041, those are the  
2 correct rates. There are no changes to the  
3 rates. We just provided the wrong page.

4 MR. SHEEHAN: Thank you. I have no  
5 further questions for these witnesses.

6 CHAIRMAN HONIGBERG: Mr. Dexter.

7 MR. DEXTER: Thank you.

8 **CROSS-EXAMINATION**

9 BY MR. DEXTER:

10 Q. Just looking at what's been marked as "Exhibit  
11 2" for a moment please. It looks as though  
12 some of the footnotes, which are the formulas  
13 and the references, have been updated versus  
14 the original Exhibit 2 -- the original exhibit  
15 and what's now Exhibit 2. Is that true, some  
16 of the footnotes have been updated?

17 A. (Tebbetts) Yes.

18 Q. So, I wanted to start by sort of putting the  
19 rates at issue in perspective. And I'm looking  
20 at Bates Page 041, which is Exhibit HMT-1. And  
21 as I understand, in this case there's two rates  
22 proposed for approval, Net Stranded Cost Charge  
23 and a Net Transmission Charge, is that correct?

24 A. (Tebbetts) Yes.

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 Q. And the Net Stranded Cost Charge appears on  
2 Column (c) and the Net Transmission Charge  
3 appears in Column (g), is that right?

4 A. (Tebbetts) Yes.

5 Q. Okay. And, looking at the Net Stranded Cost  
6 Charge, Column (a), the rate in Column (a)  
7 intends to collect \$444,000, is that right?

8 A. (Tebbetts) I don't know where you're looking at  
9 that "\$444,000".

10 Q. Well, what is the rate -- the stranded cost  
11 rate intended to recovery in Column (a)?

12 A. (Tebbetts) So, Column (a) is a rate from Docket  
13 DE 17-015, which is New England Power's filing  
14 of their Contract Termination Charge, which  
15 flows through to our customers.

16 Q. Okay. And I've handed out Exhibit C [6?] in  
17 this case, which is the documents from that  
18 case that you just mentioned. And, if you were  
19 to turn to the third page in the exhibit, --

20 CMSR. BAILEY: Which exhibit?

21 CHAIRMAN HONIGBERG: I'm sorry. What  
22 exhibit are you looking at, Mr. Dexter?

23 MR. DEXTER: Exhibit 6.

24 CHAIRMAN HONIGBERG: Six. Off the

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 record.

2 [Brief off-the-record discussion  
3 ensued.]

4 CHAIRMAN HONIGBERG: All right. We  
5 all have Exhibit 6 in front of us now.

6 MR. DEXTER: Thank you.

7 BY MR. DEXTER:

8 Q. So, if you turn to the third page in Exhibit 6,  
9 can you find the number that the Stranded Cost  
10 Charge is intended to collect?

11 A. (Tebbetts) Yes. Line (56).

12 Q. Line (56). And what's that amount?

13 A. (Tebbetts) It's "0.04 cents" per kilowatt-hour.

14 A. (Mullen) The dollars are "444,000".

15 Q. Okay. So, the rate that you just mentioned is  
16 intended to collect \$444,000?

17 A. (Tebbetts) Yes. According to the schedule.

18 Q. Okay. And back on HMT-1, which is Bates 041,  
19 the next rate is called the "Stranded Cost  
20 Adjustment Factor". Is it correct that that's  
21 intended to recover roughly \$86,000 that shows  
22 up on Bates 042?

23 A. (Tebbetts) Yes.

24 Q. Okay. And moving to the Transmission Charge,

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 Column (d), is it correct that the transmission  
2 rates that are proposed are intended to collect  
3 roughly \$21 million that show up on HMT-3,  
4 which is Bates 044?

5 A. (Tebbetts) Yes.

6 Q. And those figures are detailed in Mr. Warshaw's  
7 testimony and exhibits, is that correct?

8 A. (Tebbetts) Yes.

9 Q. And the Transmission Adjustment Factor, which  
10 is Column (e), is it correct that that's  
11 intended to recover roughly \$3,940,000, which  
12 shows up on HMT-3, Page 5, which is Bates 048?

13 A. (Tebbetts) Yes.

14 Q. And that actually has three components, is that  
15 true?

16 A. (Tebbetts) Yes.

17 Q. And, finally, Column (f) is intended to  
18 recover, I'll have to go to the revised exhibit  
19 for that I believe, 1,304,000 of RGGI auction  
20 proceeds, is that correct?

21 A. (Tebbetts) Yes.

22 Q. Okay. And I've submitted Exhibit 4, which is a  
23 couple of pages from the Company's most recent  
24 FERC Form 1. And I understand that this is not

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 from -- that this is from 2015. But, if I were  
2 to turn to the last page in that exhibit, Line  
3 198, it's actually Page 323. There's a figure  
4 for Total O&M Expense of roughly \$84 million.  
5 Do you see that?

6 A. (Mullen) Yes.

7 Q. And, so, is it correct that the rates at issue  
8 in this case are roughly 25 percent of the  
9 Company's expenses? And now I understand  
10 there's a mismatch in the years here, but  
11 generally speaking?

12 A. (Mullen) The rates in this case, you're talking  
13 about the transmission and stranded costs?

14 Q. Yes, the rates -- yes. Well, no. I guess I'm  
15 talking about the transmission costs, you're  
16 correct.

17 A. (Mullen) Okay. And the transmission costs show  
18 on what is shown as Page "321" of that handout.  
19 Those are "\$19.6 million", on Line -- actually,  
20 no, it's 19 -- yes, on Line 112, 19. -- almost  
21 19.7. So, the percentage is 19.7 divided by  
22 84. So, it's a little under 25 percent.

23 Q. A little under 25 percent. Okay. So, I wanted  
24 to turn in detail now to the first charges

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1           which are proposed, which is the Stranded  
2           Cost -- the Net Stranded Cost Charge. And  
3           that's composed of two components, is that  
4           correct?

5   A.   (Tebbetts) Yes.

6   Q.   And the first one is called the "Stranded Cost  
7           Charge", correct?

8   A.   (Tebbetts) Yes.

9   Q.   And the second one is called a "Stranded Cost  
10          Adjustment Factor", is that right?

11   A.   (Tebbetts) Yes.

12   Q.   Now, I've handed out, as "Exhibit 5", some  
13          tariffs that were proposed in the recent  
14          Granite State rate case. Now, I understand  
15          they're not approved, but they're pending. And  
16          I don't think there's -- well, I'll just say  
17          that, that they're pending.

18                 Now, if I go to Page 2 of Exhibit 5, the  
19          heading under Paragraph 36 is called "Stranded  
20          Cost Adjustment Factor", is that right?

21   A.   (Tebbetts) Yes.

22   Q.   Now, is it correct that the tariff describes  
23          both the stranded cost charges that are set  
24          forth on Page 041?

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 A. (Tebbetts) Yes.

2 Q. So, then, is it correct that the figures in  
3 Column (c), which are called "Net Stranded Cost  
4 Charge", are actually covered under this  
5 "Stranded Cost Adjustment Factor" on the  
6 proposed tariff?

7 A. (Tebbetts) Yes.

8 Q. Okay. So, looking at the Column (a) on HMT-1,  
9 which is Bates 041, the "\$0.00040" charge  
10 that's proposed is the same as last year's, is  
11 that true?

12 A. (Tebbetts) Subject to check, I believe it is.

13 A. (Mullen) Yes. And that agrees with the CTC  
14 filing.

15 Q. Okay. So, no change. So, now, if I go to your  
16 testimony, Ms. Tebbetts' testimony, at Bates  
17 030, on Lines 15 and 16, it says that there's a  
18 proposed "increase" in the rate, and I'm  
19 confused about which rate's going up, and I'm  
20 confused by that statement, frankly, because I  
21 think that rate is staying the same. But if  
22 you could just read those Lines 15 and 16 and  
23 just explain to me what was being discussed in  
24 the testimony versus the fact that the CTC rate

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 is staying the same from last year.

2 A. (Tebbetts) So, I mean, maybe I could have been  
3 a little more clear describing this, but the  
4 rate is increasing -- the overall rate is  
5 increasing, where the CTC itself has stayed the  
6 same.

7 Q. So, the figure on Line 16 refers to what's in  
8 HMT-1 as the Net Stranded Cost Charge, not the  
9 Stranded Cost Charge?

10 A. (Mullen) Would you give us a second?

11 Q. Sure.

12 *[Witnesses conferring.]*

13 WITNESS TEBBETTS: Okay. Could you  
14 please repeat the question.

15 BY MR. DEXTER:

16 Q. Sure. What does Line 15 and 16 refer to, in  
17 your testimony, at Bates 030?

18 A. (Tebbetts) So, the uniform charge in 2016 was  
19 actually \$0.0004, okay? There was no  
20 adjustment factor portion for almost every  
21 rate, other than municipal street lighting,  
22 which was 0.00001, and it was a credit to those  
23 customers. And, so, in describing what was  
24 going on in 2016 with regards to reconciling

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 this rate, the CTC didn't change, but the  
2 overall stranded cost rate did change. And I  
3 guess that is what I was trying to describe  
4 here.

5 Q. Okay.

6 A. (Mullen) And, so, to put those things -- to  
7 put those words into more of a visual, if you  
8 refer to Bates 041, which is HMT-1, the  
9 "0.00049" rate that is referred to in  
10 Ms. Tebbetts' testimony, is the combination of  
11 the Stranded Cost Charge and the Stranded Cost  
12 Adjustment Factor. Last year, the similar  
13 combination had a zero where the 0.0009 is for  
14 the Stranded Cost Adjustment Factor. So, that  
15 follows right along with her testimony, in  
16 terms of saying "the Stranded Cost Charge  
17 increased".

18 Q. Okay. Now, looking at the Stranded Cost  
19 Adjustment Factor for a moment. So, your  
20 testimony at Page Bates 029 through 030, says  
21 that the Stranded Cost Adjustment Factor is  
22 class-specific. And, yet, Bates 041, the  
23 Stranded Cost Adjustment Factor seems to be the  
24 same for each class. So, could you explain

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 that?

2 A. (Mullen) I think that's just a fact -- a matter  
3 of the fact that the Stranded Cost Charge has  
4 been in effect for quite a while. The dollar  
5 amounts used to be much higher. As you get to  
6 smaller dollar amounts, you're not going to get  
7 much variation between the classes. And that's  
8 kind of where we are now with the Stranded Cost  
9 Charge.

10 Q. So, did it work out this way mathematically  
11 class by class or did you just combine it  
12 for -- did you combine it?

13 A. (Tebbetts) So, I originally had it separated as  
14 we used to do it, and then it ended up being  
15 the same. And, so, I combined it to make the  
16 schedules cleaner.

17 Q. Okay.

18 A. (Tebbetts) So, overall, class by class, that  
19 was actually a zero for everybody. And you can  
20 see that the beginning balance, which was  
21 calculated, was only -- it was less than \$2,700  
22 between all of the rate classes. Some classes  
23 only had like a \$4.00 over/under recovery.  
24 And, so, it didn't even move the decimal on

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 some of these. So, --

2 Q. So, the proposal is then to do it on a combined  
3 basis so that all classes have the same factor,  
4 is that -- am I understanding that correctly?

5 A. (Tebbetts) Well, actually, all classes did have  
6 the same factor. So, I combined it for  
7 purposes of the schedules. It wasn't that each  
8 class had a separate factor.

9 A. (Mullen) What we're trying to do is avoid  
10 having a separate schedule for each rate class.  
11 If the rate's not differentiating among the  
12 classes, to have all these other schedules that  
13 have like \$4.00 amounts and \$3.00 amounts in  
14 them, to try and make it a little easier to  
15 walk through these.

16 Q. Oh, I remember that from last year. So, next  
17 year, if I understand Exhibit 2, the projected  
18 over/under recovery for this is \$86,000. So,  
19 will next year go back to -- do you expect that  
20 there will be a different result class by class  
21 next year or we'll just have to wait and see?

22 A. (Tebbetts) I think we'll just have to wait and  
23 see.

24 Q. Okay.

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 A. (Mullen) Some of that is going to depend what  
2 comes through the CTC charge.

3 Q. Right. Now, I'd like to refer to Ms. Tebbetts'  
4 testimony at Bates 030, where it says, and I'm  
5 paraphrasing, basically, that the CTC will  
6 terminate in the year 2020. And I'd like to  
7 also refer to Mr. Mullen's testimony at Bates  
8 064, which talks about some uncertainties of  
9 the CTC going forward, some litigation and  
10 things like that. And, given those two --  
11 given those uncertainties, my question to the  
12 panel is, is there a possibility that the CTC  
13 will extend beyond 2020?

14 A. (Mullen) Yes.

15 Q. And can you explain a little more in detail  
16 why?

17 A. (Mullen) Sure. I went through that in my  
18 testimony. I can go through that again, if  
19 people would like. But the 2020 date comes  
20 from, if you look at a CTC filing, and you see  
21 the schedule of charges that are contained in  
22 that filing for power contracts, residual power  
23 contracts from New England Power. Those are  
24 scheduled to terminate, the last one of those,

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 in the year 2020. So, if you look at a CTC  
2 filing, that is the last year that you will see  
3 rates forecast for the CTC.

4 However, there are other, as explained in  
5 my testimony, there are other things that  
6 related to the CTC obligation, the most  
7 predominant of which is New England Power's  
8 former ownership in some nuclear plants. And  
9 there are some costs that could come up in the  
10 future, and there's also refunds that could  
11 come up in the future, related to that former  
12 ownership obligation. That, to my knowledge,  
13 does not have a termination date. So, any time  
14 you see "2020", that's just been referred to  
15 when people look at the schedules in the CTC.

16 But the overall obligation, related to  
17 those plants, related to some other plants that  
18 New England Power used to either have or buy  
19 power from, that obligation -- those  
20 obligations, as far as I'm concerned, and even  
21 as I look in the CTC Settlement Agreements, do  
22 not have specific termination dates.

23 So, there are no particular rates forecast  
24 for years beyond 2020 in the CTC filing. Those

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 are going to have to be depending on whatever  
2 flows through from New England Power in those  
3 years, whether they be charges or credits.  
4 And, so, we won't know those until they happen.

5 Q. And they, to the extent those charges and  
6 credits materialize after 2020, they would be  
7 presented to the Commission on schedules  
8 similar to what's presented here, is that true?

9 A. (Mullen) Yes. And also in the annual CTC  
10 filing by New England Power.

11 Q. All right. Okay. Thank you. I think that's  
12 all I had on stranded costs. So, I'd like to  
13 move to the transmission charges.

14 So, again, I want to start on Bates 041,  
15 which is HMT-1. And I think we've established  
16 that there are three elements to the net --  
17 what's called the "Net Transmission Charge" in  
18 Column (g), is that correct?

19 A. (Tebbetts) Yes.

20 Q. And, again, I want to move to the tariff for a  
21 minute, which I marked as "Exhibit 5". And the  
22 paragraph in the tariff that I think is  
23 relevant here is Paragraph 39, and it's called  
24 a "Transmission Service Cost Adjustment". Is

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 that true?

2 A. (Tebbetts) Yes.

3 Q. And is it correct that the Transmission Service  
4 Cost Adjustment, as laid out in the Company's  
5 tariff, is designed to collect all three of  
6 these factors that are laid out on Bates 041?

7 A. (Tebbetts) The Transmission Service Cost  
8 Adjustment is to recover Columns (d) and (e).  
9 The RGGI auction proceeds refund is included in  
10 this, because it is the -- it's a fully  
11 reconciling rate. And, so, we needed a place  
12 to provide customers with that credit. And  
13 transmission is the one that made the most  
14 sense at the time we started receiving these  
15 proceeds.

16 A. (Mullen) And that was all -- and the decision  
17 on the RGGI proceeds was the subject of an  
18 earlier Commission proceeding.

19 Q. So, then, if I go to Bates Page 032, which is  
20 Ms. Tebbetts' testimony, at Line 19, it says  
21 "The Company is proposing an average TSCA  
22 credit of 0.00414 per kWh". And, again, I'm  
23 just trying to straighten out the terminology  
24 here. That number appears in Column (e),

1 correct?

2 A. (Tebbetts) Yes.

3 Q. And Column (e) is labeled "Transmission  
4 Adjustment Factor", correct?

5 A. (Tebbetts) Yes.

6 Q. And the testimony refers to a "TSCA", which we  
7 just established, according to the tariff, is  
8 actually the sum of Columns (d) and (e), is  
9 that right?

10 A. (Tebbetts) Yes.

11 Q. Okay. Then, if I flip to Page 033 of the  
12 testimony, at Line 16, we talk about a  
13 "transmission service adjustment reconciliation  
14 factor". Now, what numbers does that refer to  
15 on Bates 041?

16 A. (Tebbetts) Well, that amount is a  
17 reconciliation piece. So, there's components  
18 that are -- that's one specific component of  
19 the reconciliation, I guess is what I was  
20 trying to get at. And that's noted on HMT-3,  
21 Page 3, which is a component. There is three  
22 components to the Transmission Adjustment  
23 Factor, which is a credit. That's just one  
24 component.

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 Q. And what are the three components that you  
2 referenced?

3 A. (Tebbetts) I'll have to get that page, I'm  
4 sorry, in my schedules. Let's see. If you  
5 look at Bates Page 048, Line 1, there are two  
6 components to the \$4 million. There is the  
7 over/under collection as shown on Bates Page  
8 046, the 3.3 million. And then you have the  
9 remaining refund for the over/under collection  
10 for the reconciliation portion, which is a  
11 refund due to customers from the previous  
12 period, which was Bates Page 047.

13 Q. Okay. So, I want to move now to some of  
14 Mr. Warshaw's schedules. So, I'm looking at  
15 Bates 020. And could you describe the charges  
16 just briefly that are being recovered through  
17 Bates 020.

18 A. (Warshaw) Excuse me. The charges that are  
19 being recovered range from the -- in  
20 Column (2), it's the RNS rates that are in the  
21 Open Access Transmission Tariff. Column (3)  
22 and (4) are also Scheduling Charges and System  
23 Restoration or Black Start Charges that are  
24 also incurred through the OATT schedule. And

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[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 Column (5) is Reactive Supply that is used to  
2 meet the various variations in load by our  
3 customers. And, then, let's see. And, then,  
4 Column (6) is just the sum of Columns (2)  
5 through (5). And, then, Column (7), we move  
6 over to the Scheduling and Dispatch Services,  
7 which is part of the ISO-New England schedule  
8 for recovering their costs, dispatch service,  
9 and then the NESCOE budget.

10 Q. Thank you. And this schedule recovers roughly  
11 17 million of the \$21 million in transmission  
12 costs that we were talking about at the outset,  
13 correct?

14 A. (Warshaw) Correct.

15 Q. And most of the charges that flow into -- or,  
16 all of the charges that flow into the  
17 17 million, the way this schedule works, as I  
18 understand it, is you start with the load  
19 forecast in Column (1), and then you apply  
20 various rates that are outlined in the  
21 footnotes and in succeeding schedules. Is that  
22 true?

23 A. (Warshaw) That is correct.

24 Q. And could you explain where the load forecast

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 in Column (1) comes from?

2 A. (Warshaw) The load forecast in Column (1) -- I  
3 have to apologize, I didn't adjust the footnote  
4 for Line -- for Column (1). The footnote  
5 should say that it's the "Monthly regional  
6 network load during 2016", as opposed to  
7 choosing the highest of two years.

8 Q. So, that's footnote -- the very first footnote?

9 A. (Warshaw) Yup. Yes.

10 Q. So, we can cross out the "2014-2015" and  
11 substitute "2016"?

12 A. (Warshaw) Yes. And that is consistent with the  
13 order in the previous retail rate docket.

14 Q. Okay. So that basically what you're saying I  
15 think is, the forecast for 2017 is the actuals  
16 of 2016?

17 A. (Warshaw) Yes.

18 Q. Okay. Did you make any adjustments to those in  
19 coming up with these loads?

20 A. (Warshaw) No.

21 Q. Do you have actual figures available for  
22 January and February at this point? The  
23 "actual 2017", I should say.

24 A. (Warshaw) I have January, not with me, but I

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 do, and February will be coming out next  
2 month -- I mean, this month, on Monday.

3 Q. Okay. So, at the time of the filing, these  
4 were the latest -- this was the latest  
5 information available, is that true?

6 A. (Warshaw) Correct.

7 Q. Okay. Now, at your testimony -- Mr. Warshaw,  
8 your testimony at Page 6, you talk about a  
9 pending case at the FERC regarding RNS and LNS  
10 calculations?

11 A. (Warshaw) Yes.

12 Q. Are those -- do those two charges, RNS and LNS,  
13 amount to about 20 million of the \$21 million  
14 that we're talking about today?

15 A. (Warshaw) Yes, they do.

16 Q. Yes. And can you give us an update on the FERC  
17 case?

18 A. (Warshaw) The last update that I saw, they are  
19 still working on developing an actual formula  
20 for the RNS portion of the rate. They have not  
21 yet settled on a specific formula. The problem  
22 that was identified in this case is that the  
23 ISO's tariff, instead of having a formula with  
24 specific, you know, formulaic values, it just

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 had words. And the FERC said "By having just  
2 words, that was open, you know, to  
3 interpretation." And the FERC said "Come up  
4 with a specific formula that everyone can  
5 follow." And that's what's in process of being  
6 developed and settled between all of the  
7 parties -- many parties that are involved in  
8 this docket.

9 They have not yet turned to the LNS, or  
10 the Local Network Service section portion of  
11 the docket.

12 Q. Do you have any idea on when this case might  
13 wrap up?

14 A. (Warshaw) No, I do not.

15 Q. It's been going on for a while, is that  
16 correct?

17 A. (Warshaw) It's been going on for a while.

18 Q. Okay. And I think you state in your testimony  
19 that, if there are any adjustments to these,  
20 these adjustments would be applied on a  
21 prospective basis, is that true?

22 A. (Warshaw) That's correct.

23 Q. Okay. So, there's not going to be any need to,  
24 if this FERC case finishes, to come back in and

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1           adjust the numbers that are presented here, is  
2           that true?

3   A.   (Warshaw) That's correct. We would just -- any  
4           adjustments would show up in the next --  
5           hopefully, in the next filing, as part of the  
6           reconciliation of the actual costs.

7   Q.   Okay. So, I wanted to go back to Bates 020  
8           again, which is the schedule we were just  
9           talking about. And I was hoping you could  
10          explain for me the difference between Columns  
11          (3) and (7), because the titles are very  
12          similar. They seem to be collecting similar  
13          costs.

14   A.   (Warshaw) This also confuses me, because they  
15          also do sound similar. But the Column (3) is  
16          in the Open Access Transmission Tariff Schedule  
17          1, while Column (7) is from the ISO-New England  
18          Schedule 1 costs. So, they're similar, but  
19          they're collected in two separate costs and two  
20          separate rates.

21   Q.   Those are services provided by different people  
22          or different entities?

23   A.   (Warshaw) My understanding it's not by  
24          different people, it's just that where the

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 portion of the costs ended up, in either the  
2 Open Access Tariff or ISO-New England's Tariff  
3 as part of administrating the Open Access  
4 Transmission Tariff, and the markets.

5 Q. And the underlying rates for both of those  
6 columns are approved by FERC, is that true?

7 A. (Warshaw) That's correct.

8 Q. Could we just flip one page forward to Bates  
9 021 please. And Column (1) has some load  
10 figures as well. Could you explain where those  
11 come from?

12 A. (Warshaw) Those are the same load figures that  
13 was used to forecast the transmission costs for  
14 2017 based on the load in 2016, and it has the  
15 correct footnote.

16 Q. So, those are based on 2016 actuals?

17 A. (Warshaw) Yes.

18 Q. Okay. And then jumping ahead to Bates 023,  
19 which is a different set of load figures. This  
20 is Column (1) on the schedule that's designed  
21 to correct the NEP charges. Could you explain  
22 where those demand charges come from?

23 A. (Warshaw) The demand charges are simply the  
24 monthly average of the 2016 charges by NEP

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 divided by 12, the sum of those divided by 12.  
2 And, if you look on Column -- the note for  
3 Column (1), it's cut off. It should say the  
4 "period ending December 2016".

5 Q. So, that footnote should end with  
6 "December 2016", and, again, these are actual  
7 figures, and then just divided up by 12?

8 A. (Warshaw) Correct.

9 Q. Okay. Now, these were significantly less than  
10 last year's, is that true?

11 A. (Warshaw) That is true.

12 Q. And could you explain why that is?

13 A. (Warshaw) It's -- I can't explain exactly why  
14 the NEP charges that came through were less in  
15 2016 than in 2015. The issue is that some of  
16 the way the NEP Local Network and Regional  
17 Network tariff charges are calculated, some of  
18 the revenue is allocated from the RNS, which is  
19 a single postage stamp rate across all of New  
20 England, and then NEP gets to adjust its  
21 collection at the Local Network Service rate,  
22 depending upon how much of the RNS revenue  
23 covered or was above or below what was  
24 authorized for them to recover in their revenue

1 requirement.

2 There are times when we get, in their  
3 calculation, it ends up with a credit from the  
4 RNS revenue, and there are times when there's a  
5 charge that's added on from the RNS revenue.  
6 And it's fairly -- it fluctuates.

7 Q. So, I want to jump for a minute to HMT-3, which  
8 is Bates 044. And this is the schedule, as I  
9 understand it, that allocates the \$21 million  
10 that we've been talking about to the various  
11 classes. Could you explain how that allocation  
12 takes place?

13 A. (Tebbetts) Yes. So, what I -- I receive, for  
14 Line [1], the estimated expense for  
15 transmission for 2017. I am provided the  
16 coincident peak data by our Load Data Services  
17 Group, which is what you see on Line [2]. We  
18 allocate using the information on HMT-3,  
19 Page 2, which is Line [2]'s information. We  
20 have -- we allocate that amount between rate  
21 classes. Then allocate the transmission  
22 expense in Line [1], use forecasted  
23 kilowatt-hour sales to come up with a rate.

24 Q. And the term "coincident peak", can you explain

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 that for us?

2 A. (Warshaw) "Coincident peak" is the peak that  
3 Liberty Utilities experienced at the same time  
4 as all of New England peaked.

5 Q. And you have that by rate class? Do you know  
6 when each rate class peaks coincident with New  
7 England?

8 A. (Warshaw) That we -- my understanding is,  
9 that's done based on a load allocation  
10 simulation program that is run by the Load Data  
11 Services folks.

12 Q. So, I think the last thing I wanted to ask  
13 about is some of the details on what's labeled  
14 on Bates 041 as the "Transmission Adjustment  
15 Factor", which, as we said earlier, is designed  
16 to recover roughly \$4 million. And I believe  
17 the \$4 million we're talking about is detailed  
18 on Bates 046, 047, and 048, is that right?

19 A. (Tebbetts) Yes.

20 Q. Okay. So, last year, if I remember, at this  
21 time there was roughly a \$10 million over  
22 recovery. Do you recall that?

23 A. (Tebbetts) Yes.

24 Q. And this year we're talking about an over

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 recovery projected of \$3 million.

2 A. (Tebbetts) Yes.

3 Q. And can you explain that difference?

4 A. (Tebbetts) So, in the months of February,  
5 March, and April, which I provide on HMT-3,  
6 Bates 046, we had higher than normal, I'll say,  
7 transmission rates. And the reason was, it  
8 goes back to a previous docket that we had  
9 extended the period for which we reconciled  
10 rates, went from a 12-month period to a  
11 16-month period, to move us onto a May 1  
12 transmission reconciliation period. And, so,  
13 for the first February, March, and April, you  
14 will see that our revenues are significantly  
15 higher than our expense, and that's due to the  
16 fact that we were collecting more from  
17 customers in those months based on higher rates  
18 in effect at the time.

19 Q. Okay. And something we talked about at the  
20 tech session, I was thinking this schedule  
21 might get updated, but there are some  
22 parentheses that are confusing in the headings  
23 here for over and under recovery. Could you  
24 explain that or confirm that, that some of

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 these are not correct?

2 A. (Tebbetts) I do see, in Column (e), that the  
3 parentheses should be around the word "over",  
4 rather than the word "under". And I'll make  
5 that correction for our next filing.

6 Q. Okay. So, the overs are in parentheses for all  
7 three of the columns that mention "over" or  
8 "under"?

9 A. (Tebbetts) Yes.

10 Q. Okay. Good. Could you explain why this  
11 schedule on Bates 046 starts with a zero figure  
12 for February?

13 A. (Tebbetts) Yup. This schedule only provides  
14 expenses. So -- and revenues associated, of  
15 course, but for the invoices we receive from  
16 New England Power or ISO-New England and the  
17 RNS/LNS pieces. This doesn't include any  
18 over/under recovery, which is what you will see  
19 on Bates Page 047. So, we don't start out with  
20 a beginning balance of invoices due. The  
21 beginning balance is zero, and we receive these  
22 invoices monthly.

23 Q. So, then, what's the difference between Bates  
24 046 and Bates 047?

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 A. (Tebbetts) So, Bates 046 is for purely to  
2 provide what is it that we collected from  
3 customers versus what the expense was for  
4 transmission costs, solely the invoices,  
5 basically, that we are paying every month.

6 Schedule HMT-3, Page 4, on Bates 047,  
7 takes that beginning balance, whether it was an  
8 over or under from the previous period, and  
9 asks the question, you know, "what did we  
10 provide customers, either for a refund in this  
11 case, based on sales, and what is that ending  
12 balance? So, did we provide customers in this  
13 case their full refund based on the sales that  
14 we received?" And the answer in this case is  
15 "no", the sales were lower than projected. So,  
16 customers did not receive all of their refund.  
17 And, so, the \$653,000 will then be incorporated  
18 into the 2017 filing rate calculation so that  
19 they can receive the rest of that refund.

20 Q. Thank you. So, I wanted to turn to Page 050,  
21 this is the last area I wanted to question  
22 about, and this has to do with the working  
23 capital calculation that's included in this  
24 filing.

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[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1           Let me back up a little bit. This is a  
2           new element in this case. It wasn't here last  
3           year, is that correct?

4   A.   (Tebbetts) Yes.

5   Q.   Could you explain why it's included in this  
6           filing?

7   A.   (Tebbetts) So, originally, in our rate case,  
8           Docket DE 16-383, we included transmission  
9           costs. And, as part of our settlement, we  
10          agreed to take out those transmission costs,  
11          and to include those costs in our -- the  
12          lead/lag of costs associated with transmission  
13          in our transmission filing instead.

14   Q.   Very good. So, this is consistent with the  
15          settlement in the rate case?

16   A.   (Tebbetts) Yes.

17   Q.   Okay. So, now, I wanted to turn to Page 50 for  
18          a minute. And I wanted to ask about, just for  
19          example purposes, Line [20]. And, as I  
20          understand this, this schedule is designed to  
21          compare the period of time for which you  
22          receive an expense -- for which Liberty  
23          receives an expense and the period of time for  
24          which they pay an expense. Is that what this

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 schedule is supposed to do?

2 A. (Tebbetts) Yes.

3 Q. Okay. So, --

4 A. (Mullen) If I could just --

5 Q. Sure.

6 A. (Mullen) We receive the service, rather than  
7 receive the --

8 Q. Receive the service.

9 *[Court reporter interruption.]*

10 **BY THE WITNESS:**

11 A. (Mullen) We receive the service, rather than  
12 receive the expense.

13 BY MR. DEXTER:

14 Q. So, I was trying to match up Column (a) and  
15 Column (d). And I was looking at Line [20],  
16 for example. And, as I understand this  
17 schedule, it says that -- well, maybe you could  
18 explain to me what Column (a) is and what  
19 Column (d) is?

20 A. (Tebbetts) So, Column (a) is the month for  
21 which we receive the invoice. And Column (d)  
22 is the month for which we receive the service.  
23 So, if you look at Column (a) versus (d),  
24 you'll notice we have an October date in Column

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 (a) versus an August date. And that is because  
2 ISO-New England bills us two months after we  
3 receive service.

4 Q. So, for Line [20], if I understand, the service  
5 was provided in August, but the invoice was  
6 provided in October. Is that right?

7 A. (Tebbetts) Yes.

8 Q. Okay.

9 A. (Tebbetts) Yes. And, so, probably it maybe  
10 should be more clear that it should say  
11 "Invoice Period", rather than "Service Period"  
12 at the top of Column (a), in the header.

13 Q. Or you could even put a specific date in there  
14 for an invoice, wouldn't that be possible?  
15 Invoice date?

16 A. (Tebbetts) Yes.

17 Q. Because you would have to have the invoice date  
18 in order to calculate -- no, I guess you --  
19 well, never mind. I'll withdraw that question.

20 So, I wanted to go back one page, to  
21 Page 49. And I wanted to compare the results  
22 of this sheet to a document from the rate, case  
23 which is from the Company's Lead/Lag Study from  
24 the rate case. I have marked that as "Exhibit

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 7". And I'd like to just flip to the second  
2 page in Exhibit 7. It's got a stamp on the  
3 bottom of "067". So, if you have that in front  
4 of you, in this case it appears that -- I'm  
5 sorry, I actually want to look at Page 51 of  
6 Exhibit 1, not Page 49. And it appears to me  
7 that, in this case, as part of the lead/lag  
8 calculation, we've got a service lag of "15.21"  
9 days in each of the studies. Is that correct?  
10 A. (Tebbetts) Yes.  
11 Q. And we have a billing lag of "2.92" days on  
12 both of these exhibits. Is that correct?  
13 A. (Tebbetts) Yes.  
14 Q. And then we have a collection lag in the rate  
15 case of "45.3" days, and a collection lag in  
16 this case of "49.04" days. Is that right?  
17 A. (Tebbetts) Yes.  
18 Q. So, that's about a four-day difference in  
19 collections. Could you explain the difference  
20 between those two figures?  
21 A. (Tebbetts) So, the first difference is, the  
22 rate case provided test year data, which is for  
23 2015, and the filing in front of you is for a  
24 period of 2016. So, the information for

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[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 monthly sales and accounts receivables are  
2 different.

3 The second reason that you see these  
4 differences is the rates in effect between  
5 those two periods were also very different.

6 Q. Were the rates higher in 2015 or lower?

7 A. (Tebbetts) The energy service rate for large  
8 customers and small customers in the first four  
9 months of 2015 were significantly higher.  
10 Energy service rates were at 15 cents, for  
11 small customers, and energy service rates for  
12 large customers were over 21 cents, for  
13 January, February, and March of 2015.

14 And, then, when you look at May through  
15 December of 2015, that's when the  
16 higher-than-normal, as I described earlier,  
17 transmission rates were in effect. So, you had  
18 these anomalies in rates which increased the  
19 monthly sales figures.

20 When you look at 2016, the energy service  
21 rate was much lower, for all customers, and the  
22 transmission rate that was very high ended in  
23 May of 2016, where we then provided customers  
24 with that \$10 million refund over the next

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 eight months. So, you're seeing an anomaly  
2 between the two because of the  
3 higher-than-normal rates.

4 Q. Right. So, basically, I think, if I understand  
5 what you're saying, is the rates were lower in  
6 2016 than in 2015?

7 A. (Tebbetts) Yes.

8 Q. Now, if I look at Bates 051, which is the  
9 schedule that you calculated the 49-day  
10 collection lag, and if I look at the last page  
11 of Exhibit 7, it's got a Bates stamp of "068",  
12 I apologize -- it's the third page in the  
13 exhibit. I apologize for not Bates stamping  
14 this short exhibit.

15 If you compare the monthly revenue figures  
16 and the monthly receivable figures versus one  
17 schedule versus the other, it's clear that  
18 there's a pretty dramatic drop in the numbers  
19 presented for this case versus the rate case.  
20 Would you agree with that?

21 A. (Tebbetts) Yes.

22 Q. Okay. So, it seems to me, and I don't know if  
23 we'll be able to figure this out, that, if  
24 rates are going down, I have a hard time

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 understanding why it would take longer for  
2 customers to pay their bill. I would think it  
3 would make it easier for them to pay their  
4 bill. Do you have any ideas as to why that  
5 might not be the case?

6 A. (Mullen) That's a function of the calculation,  
7 where you take the average daily revenues and  
8 you divide by the average monthly customer  
9 accounts receivable. So, to the extent that  
10 the average daily revenues are lower, and to  
11 the extent that those are lower by a percentage  
12 that's more than the change in the average  
13 accounts receivable, you're going to get a  
14 different number. It's going to --

15 Q. Go ahead. I'm sorry.

16 A. (Mullen) That's just a mathematical function.

17 Q. And the average daily receivable -- the monthly  
18 receivable balances are also lower, 2016 versus  
19 '15, is that true?

20 A. (Tebbetts) Yes.

21 Q. Okay. So, based on the mathematical  
22 calculation that Mr. Mullen just referenced,  
23 the revenue figure is -- well, and I guess it's  
24 obvious that the revenue figure drives the

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 collection lag. That's basically what you  
2 said, right?

3 A. (Mullen) Well, it's a function of that and the  
4 accounts receivable.

5 Q. Accounts receivable. Now, have you had an  
6 opportunity to verify the monthly revenue  
7 figures in Column (b), of Bates 051, with this  
8 year's FERC Form 1? I know it's not filed yet  
9 at the Commission. So, I wasn't able to do it.  
10 But have you had an opportunity to do that?

11 A. (Mullen) It's not filed yet. It has not been  
12 prepared. It is not due until April 18th. But  
13 I did, just as I was -- before I walked up to  
14 the stand here, I e-mailed back to the office  
15 and I asked them for -- to give me a number for  
16 the total revenues. Now, granted, I don't  
17 know -- I haven't been able to verify it, but  
18 it's roughly -- it's just under \$89 million.  
19 And I think, if you add the numbers in Column  
20 (b), on Bates 051, you get a number that's  
21 somewhere around \$88 million, give or take.  
22 So, whether, you know, one includes unbilled or  
23 anything like that, but, you know, for purposes  
24 of doing a quick check before we got on the

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[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 stand, I have been able to at least temporarily  
2 verify that.

3 Q. Okay. Well, I appreciate that. So, when the  
4 FERC Form 1 comes in, we should expect to see a  
5 revenue figure somewhat consistent with Bates  
6 051?

7 A. (Mullen) Yes.

8 Q. Okay. Thank you. Thank you very much. Now,  
9 the last thing I wanted to ask about, I've said  
10 that three times before, it's a subtopic of the  
11 subtopic of the subtopic. So, on Bates 051,  
12 there's one element that's included in this  
13 Lead/Lag Study that was not included in the  
14 rate case Lead/Lag Study, and that is called  
15 "Payment Processing and Bank Float Lag" of one  
16 day. Could you explain why that number is  
17 included here in this case, but was not  
18 included in the rate case?

19 A. (Tebbetts) So, when I designed this Lead/Lag  
20 Study, I took it directly from our Energy  
21 Service filing. And, in our Energy Service  
22 filing, we have a "Payment Processing and Bank  
23 Float Lag" as well, based on an old docket,  
24 DE 09-010.

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[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 Q. But you would agree that that figure was not  
2 included in the rate case Lead/Lag Study,  
3 wouldn't you?

4 A. (Tebbetts) Yes.

5 Q. Okay. Is there any reason why we shouldn't use  
6 the rate case methodology, which is more recent  
7 than the footnote indicates that this method  
8 comes back from 2009?

9 A. (Mullen) You're saying "remove the one day"?

10 Q. Yes. Essentially, that's the sum total of it.  
11 But we just went through a rate case, we had a  
12 lead/lag study presented by an expert witness.  
13 And it would seem appropriate to me or Staff  
14 that we take the methodology from that study  
15 and apply it to this filing, and perhaps the  
16 Energy Service filing which is coming in.

17 A. (Mullen) We could certainly do that going  
18 forward. While I was sitting up here, I did  
19 some quick calculations to see what the impact  
20 of taking that one day out would be, and that  
21 would change the working capital impact from  
22 77,144, which is calculated on Bates 049, to  
23 69,673. Which is a decrease of 7,740 --  
24 \$7,471, which, when I figure the rate impact,

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 I've got zeros going out to six decimals. So,  
2 it would not impact any rates in this case.  
3 But I think we could do it going forward.

4 Q. Okay. And the next filing that would include  
5 that would be the Energy Services filing, is  
6 that right?

7 A. (Tebbetts) Yes.

8 Q. Okay.

9 A. (Mullen) I'd have to see what that Settlement  
10 in the 09-010 case, how that was worded in  
11 there. And, you know, rather than just  
12 changing what came out of that Settlement  
13 Agreement, we'd have to just take a look at  
14 that to be sure.

15 Q. So, the 09-010 footnote that you reference is a  
16 prior Energy Services docket?

17 A. (Mullen) I believe so, yes.

18 Q. Okay. So, I understand what you're saying. If  
19 there was a settlement, you can't just  
20 unilaterally change that settlement?

21 A. (Mullen) Correct.

22 Q. But it's something that the Company will look  
23 into, it sounds like?

24 A. (Mullen) Yes.

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 MR. DEXTER: That's all I have.

2 Thank you.

3 CHAIRMAN HONIGBERG: Commissioner  
4 Scott.

5 CMSR. SCOTT: Thank you. Good  
6 morning.

7 WITNESS MULLEN: Good morning.

8 WITNESS WARSHAW: Good morning.

9 WITNESS TEBBETTS: Good morning.

10 BY CMSR. SCOTT:

11 Q. I think I will start with Ms. Tebbetts. I want  
12 to go back to Exhibit 1, Bates 050, just to  
13 help me understand that chart, and really it's  
14 the headers. So, I know you discussed this a  
15 little bit with Attorney Dexter. So, the  
16 Column (d), it's labeled "Mid-Point Period".  
17 So, can you explain to me what "Mid-Point  
18 Period" means again? Because that confused me  
19 when I read it the first time.

20 A. (Tebbetts) We just use the midpoint of the  
21 month for that period, with regards to when we  
22 receive service.

23 A. (Mullen) For example, if I refer you back to  
24 Line [20] that we were talking about earlier.

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[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 Q. Yes.

2 A. (Mullen) That has a mid-point period of  
3 "August 16th, 2016". And, as Ms. Tebbetts  
4 explained, we get billed by ISO two months in  
5 arrears. So that would be for the month of  
6 August. So that would be the midpoint of that  
7 month. That would be the midpoint of that  
8 service period.

9 Q. So, that's what I was getting at. So, you're  
10 trying to -- are you trying to illustrate when  
11 ISO bills you or just the midpoint? I mean,  
12 what's the import of that column to us?

13 A. (Mullen) We're trying to say -- the import of  
14 having the midpoint is saying we received  
15 service over a 30-day period -- over a month  
16 period. So, we're trying to pick the midpoint,  
17 because it's not just the beginning of the  
18 month and it's not just the end of the month,  
19 it's sometime in -- you know, we're taking the  
20 average to figure the lag.

21 Q. Thank you. That's a help. And, Mr. Mullen,  
22 while you're talking, we'll continue with you  
23 then. So, much earlier with Attorney Dexter  
24 you talked about the CTC, the potential

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 expiration at 2020, but perhaps not at 2020,  
2 depending on things like the former nuclear  
3 plant ownership, those issues. Do you recall  
4 that?

5 A. (Mullen) I wouldn't even call it "potential  
6 expiration". I would say that the 2020 only  
7 relates to the power contracts. The other  
8 factors can live on beyond that.

9 Q. Okay. And are those uncertainties moving  
10 forward you outlined, in some of your written  
11 testimony, negotiations with National Grid on a  
12 potential buyout of that obligation. Are those  
13 the reasons that uncertainty is -- is that at  
14 the crux of why National Grid is reluctant to  
15 negotiate that?

16 A. (Mullen) Yes.

17 Q. And, so, in your crystal ball, so, when does  
18 the obligation actually end? You know, does  
19 the nuclear plant have to close and the full  
20 decommissioning go full term or does this ever  
21 end?

22 A. (Mullen) Well, and that's a good question. You  
23 know, I'd say that a similar thing I might  
24 relay it to is similar to requirements we have

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 with EnergyNorth for cleanup of former  
2 manufactured gas sites. Those go until any  
3 liabilities are done. The same thing could  
4 very well be with the nuclear -- former nuclear  
5 facilities, as well as other generating sites.  
6 Each one has its own environmental aspects.

7 Also, as I outlined in my testimony, to  
8 the extent that there's ongoing litigation with  
9 the Department of Energy for not having  
10 off-site storage of spent nuclear fuel and  
11 nuclear waste, to the extent we try to buy out  
12 of that, we could actually -- our customers  
13 could actually be harmed by that, because who  
14 knows how long those -- that litigation may go  
15 on in different phases and what proceeds we may  
16 get from that.

17 Q. And do you know how many -- how many former  
18 facilities we're talking?

19 A. (Mullen) In terms of nuclear and non-nuclear?  
20 Off the top of my head, I don't know.

21 Q. Okay. So, we'll be discussing this for some  
22 time, it sounds like?

23 A. (Mullen) That's right.

24 Q. Okay. Thanks for that. And I wouldn't want to

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 forget Mr. Warshaw. So, my reading of your  
2 testimony was, and generally speaking, RNS is  
3 up and LNS is down, is that a fair  
4 characterization?

5 A. (Warshaw) Yes. The RNS has gone up a little  
6 bit, but -- and then my estimate of what the  
7 LNS would be, instead of making an adjustment  
8 based on what we saw from one year to the next,  
9 which, as a result of doing that, I saw that I  
10 was wrong every time. So, I'll just use last  
11 year's as a plug for this year.

12 Q. Okay. But you did forecast lower LNS charges,  
13 correct?

14 A. (Warshaw) Yes. I did forecast a little lower  
15 LNS, because there are a couple of charges that  
16 come through on the LNS bill that you can't  
17 forecast. And, also, there were two months  
18 where they inadvertently included charges that  
19 they then backed out in 2017.

20 Q. Okay. So, that's where I was going. I was  
21 trying to understand why you thought they would  
22 be lower, I guess. And, as part of that, the  
23 lowering of LNS, the credit, for want of a  
24 better word, that you get from National Grid

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 for use of lines from the generation  
2 facilities, is that correct, too?

3 A. (Warshaw) It's that. There's also part of  
4 what -- when we get an adjustment is, if there  
5 was any large correction in the ISO  
6 reconciliation, when they do their 90-day  
7 adjustment, I can't forecast that.

8 But the biggest difference was that, in  
9 November and December, they included a \$40,000  
10 charge that should not have been there, and  
11 they gave us a credit in January for that  
12 amount. So, I decided not to include that in  
13 2017.

14 Q. And, historically, RNS, that's been -- am I  
15 correct, historically, that seems to be  
16 climbing every year, is that a correct  
17 statement?

18 A. (Warshaw) That is correct.

19 CMSR. SCOTT: Okay. That's all I  
20 have. Thank you.

21 CHAIRMAN HONIGBERG: Commissioner  
22 Bailey.

23 CMSR. BAILEY: I have no questions.  
24 Thank you.

[WITNESS PANEL: Tebbetts~Warshaw~Mullen]

1 BY CHAIRMAN HONIGBERG:

2 Q. Ms. Tebbetts, the revised page, this is 042,  
3 043, how many decimal points out would we have  
4 to go before we saw a change in the figure? I  
5 mean, is it another two, three decimal points?

6 A. (Tebbetts) Yes. Pretty much, yes.

7 Q. You had an exchange with Attorney Dexter about  
8 the calculation of a rate that, by its terms,  
9 is supposed to be different for each or at  
10 least calculated differently for each of the  
11 classes. You recall that?

12 A. (Tebbetts) Yes.

13 Q. I just want to make sure I understand what it  
14 is you ultimately did. Am I correct that you  
15 did each of the individual calculations, then  
16 saw that they came out the same, and so just  
17 prepared one schedule to reflect that result?

18 A. (Tebbetts) Yes.

19 CHAIRMAN HONIGBERG: Okay. That's  
20 all I had.

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

23 MR. SHEEHAN: I do not.

24 CHAIRMAN HONIGBERG: All right. I

1           assume there's no objection to striking ID on  
2           Exhibits 1 through 7?

3                   MR. SHEEHAN: No objection.

4                   MR. DEXTER: No objection.

5                   CHAIRMAN HONIGBERG: All right.  
6           Seeing none, we'll strike ID. Those are full  
7           exhibits.

8                   Anything else we need to do before  
9           the parties sum up?

10                           *[No indication given.]*

11                   CHAIRMAN HONIGBERG: Mr. Dexter, why  
12           don't you go first.

13                   MR. DEXTER: Thank you. Well, Staff  
14           has gone through the filing in detail. And we  
15           do recommend approval as submitted. We would  
16           recommend, in future filings, that the Company  
17           match the terminology that they put forth in  
18           the filing with the terminology that's in the  
19           tariffs to make things clearer. To extent if  
20           that's possible, I think that would make the  
21           filing easier to file **[follow?]**.

22                   We'd also recommend that the issue of  
23           buying down or buying out stranded costs not be  
24           carried forward. We found Mr. Mullen's

1 testimony on that issue to be complete. And,  
2 in Staff's opinion, that testimony answered the  
3 Commission's directive from the last two cases.

4 And, as I said, with that, we  
5 recommend approval of the proposed rates.

6 CHAIRMAN HONIGBERG: Mr. Dexter, with  
7 respect to the terminology, as an alternative,  
8 if the Company concludes that it should reword  
9 the tariff to match what it wants to do with  
10 the schedules, that would also be consistent  
11 with your view, am I right?

12 MR. DEXTER: I guess it would. Yes.  
13 I'm not sure which is, you know, which is  
14 easier. I would imagine it's easier to change  
15 a schedule than a tariff, but I would leave  
16 that up to the Company.

17 CHAIRMAN HONIGBERG: Yes.

18 MR. DEXTER: But I just find it --  
19 it's confusing, if a term is used in the  
20 tariff, and then that same term shows up in a  
21 schedule, but it means something different.

22 CHAIRMAN HONIGBERG: Oh, trust me, we  
23 see it in other contexts as well. Those who  
24 work on gas cases see it with LDAC, which means

1 different things to different companies and  
2 different tariffs -- it's used differently in  
3 different tariffs. And we're trying to get  
4 some uniformity there. But it's a recurring  
5 problem in other contexts. And, so, I think  
6 everybody understands your concern.

7 Mr. Sheehan.

8 MR. SHEEHAN: Briefly. As you know,  
9 this case involves us taking rates determined  
10 by either this Commission in other proceedings  
11 or by the FERC, and is simply a way to pass  
12 these through to our customers. The only  
13 decisions the Company makes are forecasting  
14 decisions, which can be reconciled from year to  
15 year.

16 And we submit that the manner in  
17 which we've done the calculations and proposed  
18 the rates is just and reasonable. And we ask  
19 that you approve them. Thank you.

20 CHAIRMAN HONIGBERG: And you heard  
21 the discussion about terminology?

22 MR. SHEEHAN: Yes. We will certainly  
23 take a look at that issue.

24 CHAIRMAN HONIGBERG: All right.

1 Thank you all. Then, we will adjourn this  
2 hearing, take the matter under advisement, and  
3 issue an order as quickly as we can. And we're  
4 off the record.

5 ***(Whereupon the hearing was***  
6 ***adjourned at 10:23 a.m.)***

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