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I N D E X

PAGE NO.

WITNESS PANEL: JEFFREY CARNEY
JOEL RIVERA
DAVID B. SIMEK

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4	1	Reliability Enhancement Plan and Vegetation Management Plan Report, including Direct Testimony of Joel Rivera and Jeffrey Carney, with Appendices, and Direct Testimony of David B. Simek, with Attachments (03-16-18)	<i>premarked</i>
5			
6			
7			
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9	2	Liberty Utilities (Granite State Electric) d/b/a Liberty Utilities Bill Calculation - Tax Reform	<i>premarked</i>
10			
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P R O C E E D I N G

1
2 CHAIRMAN HONIGBERG: We're here in
3 Docket DE 18-034, which is Liberty's
4 Reliability Enhancement Program and its
5 Vegetation Management hearing on the merits.
6 We have some exhibits someone's dropped on our
7 desk that someone will explain.

8 But before we do anything else, let's
9 take appearances.

10 MR. SHEEHAN: Good afternoon,
11 Commissioners. Mike Sheehan, for Liberty
12 Utilities (Granite State Electric). And for
13 some reason, no one wants to sit next to me
14 today.

15 CHAIRMAN HONIGBERG: We'll just let
16 that one rest exactly where it is, Mr. Sheehan.

17 MR. BUCKLEY: Good afternoon, Mr.
18 Chairman and Commissioners. My name is Brian
19 D. Buckley. And I'm the staff attorney with
20 the Office of the Consumer Advocate. With me
21 to my left is Mr. Jim Brennan. And we're here
22 representing the interests of residential
23 ratepayers.

24 MS. AMIDON: Good afternoon. Suzanne

[WITNESS PANEL: Carney|Rivera|Simek]

1 Amidon, for Commission Staff. And with me at
2 the table today is Kurt Demmer, who's an
3 Analyst in the Electric Division. Thank you.

4 CHAIRMAN HONIGBERG: All right. How
5 are we going to proceed this afternoon?

6 Mr. Sheehan.

7 MR. SHEEHAN: Thank you. We've
8 premarked three exhibits. Number 1 is the
9 filing, which consists of the testimony and
10 plan, Bates 001 through 072. Exhibits 2 and 3
11 are what were on your desk, and those are a
12 couple of schedules that Mr. Simek will explain
13 when he testifies.

14 Otherwise, the gentlemen are there
15 and ready to go.

16 CHAIRMAN HONIGBERG: All right.
17 Would you swear the witnesses in please.

18 (Whereupon **Jeffrey Carney,**
19 **Joel Rivera,** and **David B. Simek**
20 were duly sworn by the Court
21 Reporter.)

22 CHAIRMAN HONIGBERG: Mr. Sheehan.

23 MR. SHEEHAN: Thank you.

24 **JEFFREY CARNEY, SWORN**

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JOEL RIVERA, SWORN

DAVID B. SIMEK, SWORN

DIRECT EXAMINATION

BY MR. SHEEHAN:

Q I'll start with Mr. Carney. Your name and position with the Company please?

A (Carney) My name is Jeff Carney. I'm the Program Manager of Vegetation and Inspections at Liberty Utilities. My primary job function is to plan, budget, and audit for the Vegetation Management Program, to be the Company's subject matter expert on all matters regarding vegetation, storm response and support, and contractor management.

Q And, Mr. Carney, you prepared or participated in the preparation of a couple documents in this filing, is that correct?

A (Carney) Yes.

Q And would that be the report that appears at Pages 1 through 16, and your testimony with Mr. Rivera that appears at Pages 17 through 40, is that correct?

A (Carney) Yes.

Q And do you have any changes to your

[WITNESS PANEL: Carney|Rivera|Simek]

1 contributions to those documents this morning?

2 A (Carney) No, I do not.

3 Q And do you adopt your testimony and report as
4 your testimony here today?

5 A (Carney) Yes, I do.

6 Q Mr. Rivera, the same questions. Your name and
7 position with the Company please?

8 A (Rivera) My name is Joel Rivera. I am employed
9 by Liberty Utilities Service Corporation as the
10 Manager of GIS and Electric System Planning. I
11 was involved in helping prepare the REP/VMP
12 Report, including the summary of the capital
13 spend and the reliability results.

14 Q And, Mr. Rivera, in addition to the Plan, you
15 authored testimony along with Mr. Carney, is
16 that correct?

17 A (Rivera) That is correct.

18 Q And do you have any changes to the portions of
19 testimony that you were responsible for?

20 A (Rivera) I do not.

21 Q And do you adopt that testimony here today?

22 A (Rivera) Yes, I do.

23 Q Mr. Simek, same for you. Name and
24 responsibilities with the Company please?

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[WITNESS PANEL: Carney|Rivera|Simek]

1 A (Simek) My name is David Simek. I am a Manager
2 of Rates and Regulatory Affairs. And I'm
3 responsible for managing the rate functions
4 related to both Granite State and EnergyNorth.

5 Q And in this docket, you prepared testimony that
6 appears at Bates Pages 041 through 072, is that
7 correct?

8 A (Simek) Yes.

9 Q Do you have any changes to your testimony this
10 morning?

11 A (Simek) I do not.

12 Q Do you adopt that testimony today as your sworn
13 testimony?

14 A (Simek) I do.

15 Q And while I have you, could you explain to the
16 Commission what is Exhibit 2 and Exhibit 3 that
17 we've marked this morning?

18 A (Simek) Yes.

19 Q Starting with Exhibit 2.

20 A (Simek) If we look at Exhibit 2, and also you
21 don't mind if we look at Bates Page 070. I
22 just wanted to show that the typical
23 residential bill impact that was filed on Bates
24 070 was 58 cents per month. And since then, we

[WITNESS PANEL: Carney|Rivera|Simek]

1 took into effect the Tax Reform Act and
2 adjusted the return appropriately, which then
3 changes to what we have in Exhibit 2, an actual
4 bill impact of 48 cents. So, it drops 10 cents
5 due to the adjustments that we made to tax
6 reform.

7 Q And, Mr. Simek, the tax reform adjustments, are
8 those that the Company has proposed in a
9 separate filing that will be in front of the
10 Commission next week, is that correct?

11 A (Simek) Correct. And in that filing, we had
12 proposed, along with others, that the outcome
13 of this filing for REP/VMP, the rate increase
14 would be offset based on the reduction that
15 comes from tax reform as well in DE 18-050.

16 CHAIRMAN HONIGBERG: Mr. Sheehan, can
17 we clarify which exhibit Mr. Simek has just
18 been testifying about? We think it's Exhibit
19 3, not Exhibit 2, at least what's marked as
20 "Exhibit 3".

21 MS. AMIDON: If I could interject? I
22 have three pieces of paper here, all of them
23 are marked "Page 1 of 1". And I don't have
24 anything that's marked as an exhibit. So, if

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[WITNESS PANEL: Carney|Rivera|Simek]

1 we --

2 CHAIRMAN HONIGBERG: Let's go off the
3 record for a minute.

4 *[Brief off-the-record discussion*
5 *ensued.]*

6 CHAIRMAN HONIGBERG: Mr. Sheehan,
7 what document are we talking about?

8 MR. SHEEHAN: I believe he started
9 with Exhibit 2. There is a fair amount of
10 overlap between the two, and he was going to
11 explain the difference between them. And
12 Exhibit 2 is the one that shows the change from
13 Bates 070, the initial filing did not take into
14 account tax reform changes.

15 CHAIRMAN HONIGBERG: I heard the
16 words, but the number he gave was a 10-cent
17 change. The 10-cent change, from I'm guessing
18 58 cents to 48 cents, that's a reference to
19 Exhibit 3, or at least what's marked as
20 "Exhibit 3".

21 Mr. Simek, what are the numbers at
22 the bottom of the document you're talking
23 about, "48 cents" or "\$1.52"?

24 WITNESS SIMEK: Forty-eight (48)

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[WITNESS PANEL: Carney|Rivera|Simek]

1 cents.

2 CHAIRMAN HONIGBERG: Okay. It's what
3 we have as number "3".

4 MR. SHEEHAN: Well, my handwriting
5 must have got mixed up in the translation. I
6 apologize.

7 CHAIRMAN HONIGBERG: Do you want this
8 one to be "2"?

9 MR. SHEEHAN: It doesn't matter.

10 CHAIRMAN HONIGBERG: Let's find out
11 what the Clerk has.

12 MS. AMIDON: Uniform numbering
13 obviously would be helpful.

14 *[Brief off-the-record discussion*
15 *ensued.]*

16 CHAIRMAN HONIGBERG: All right.
17 Let's go back on the record.

18 MR. SHEEHAN: I apologize for the
19 confusion. The single page that has in the
20 lower right "\$1.52" would be "Exhibit 2". The
21 single page that has in the same area "48
22 cents" would be "Exhibit 3". And then the
23 spreadsheet, in small type, would be
24 "Exhibit 4".

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[WITNESS PANEL: Carney|Rivera|Simek]

1 (The document, as described, was
2 herewith marked as **Exhibit 4** for
3 identification.)

4 CHAIRMAN HONIGBERG: And the document
5 Mr. Simek has been testifying about just now is
6 Exhibit 3?

7 MR. SHEEHAN: Correct. So, --

8 MS. AMIDON: May I ask, is Exhibit 3
9 intended now to take the place of Bates Page
10 070? I'm just trying to -- is this a
11 correction or is this an update? I'm confused.

12 MR. SHEEHAN: I could ask Mr. Simek
13 that question.

14 CHAIRMAN HONIGBERG: I think we're
15 going to get it clarified.

16 BY MR. SHEEHAN:

17 Q Mr. Simek, you were describing what is Exhibit
18 3 and how it compares to Bates 070 in the
19 filing. And could you tell us the intent of
20 Exhibit 3?

21 A (Simek) Yes. Exhibit 3, as noted at the
22 bottom, shows an incremental revenue
23 requirement of 76,833, and then also the
24 \$552,414 of incremental O&M that are the

[WITNESS PANEL: Carney|Rivera|Simek]

1 results of this filing for the REP/VMP in DE
2 18-034.

3 What was included in our filing on Bates
4 070 included a incremental revenue requirement
5 of 166,000. Since then, which we did for
6 Exhibit 3, was we made this update of taking
7 into account this Tax Reform Act, and we
8 updated our ROR, and from there the monthly, on
9 an impact for a 650 kilowatt-hour usage
10 residential customer decreased from 58 cents to
11 48 cents.

12 Q So, if the REP docket stood alone, due to tax
13 reform, Exhibit 3 shows that the rate impact
14 would be slightly less?

15 A (Simek) Correct.

16 Q Okay. And what is Exhibit 4?

17 A (Simek) Exhibit 4 is the calculation of the
18 incremental revenue requirement of the 76,833.
19 And we can see that highlighted in yellow on
20 Line 60.

21 Q And so, this is the original filing adjusted
22 for the tax reform changes?

23 A (Simek) Correct. And the original filing again
24 included, on Bates Page 053, on Line 60,

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1 included the original 166,322.

2 Q So, Mr. Simek, if the Commission were to
3 approve this docket as filed, without regard to
4 tax reform, it would be the figures you
5 mentioned at Bates 070 and Bates 053, correct?

6 A (Simek) Correct.

7 Q And if the Commission were to approve this
8 docket with regard to tax reform as the Company
9 has proposed it standing along, the figures
10 would be what is in Exhibit 3?

11 A (Simek) Correct.

12 Q So, now tell us what's on Exhibit 2, and that
13 is the -- I think, if it's numbered properly,
14 that's the one that's titled "Bill Calculation
15 - Tax Reform"?

16 A (Simek) Correct. This is the adjustments that
17 were presented in DE 18-050 that we're
18 proposing for our tax reform reduction to rates
19 on June 1st. So, the current rates compared to
20 the June rates, if you look at the bottom
21 there, there are four different components that
22 offset the tax reform reduction. One of them
23 is related to the rate case 16-383 Step
24 Adjustment for 371,000. We also have, for this

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[WITNESS PANEL: Carney|Rivera|Simek]

1 case, the Veg. Management portion, the O&M, the
2 552,414. And if we could please change that
3 title to "18-034", instead of "16", and that
4 would be the same with the line below as well,
5 that's for the 76,833 that we've just been
6 discussing, the incremental revenue
7 requirement. And then, also back to the 16-383
8 rate case, we're proposing to offset the
9 remaining recoupment in rate case expense
10 recovery.

11 So, as part of tax reform, in DE 18-050,
12 we're proposing to reduce or remove all four of
13 these rates from being applied to customer
14 bills, which add up to 1.563 million. And then
15 the remainder would still give customers a
16 \$1.52 per month reduction, as you can see in
17 the middle of the page there.

18 Q So, Mr. Simek, this document, Exhibit 2, is not
19 something that is going to be approved or not
20 in this hearing, but it is showing a summary of
21 what the Company is proposing through all four
22 dockets that are to be heard today and next
23 week, is that correct?

24 A (Simek) Correct.

[WITNESS PANEL: Carney|Rivera|Simek]

1 Q And if I understand correctly, the amount of
2 reduction related to tax reform is sufficient
3 to offset the 1.5 million you just listed in
4 the page for those other dockets, plus more, to
5 the extent it could reduce the rate impact of
6 the REP case, which is the minus \$1.52 you have
7 mentioned here?

8 A (Simek) Correct.

9 MR. SHEEHAN: I hope we haven't
10 confused you, but that was the attempt of these
11 documents.

12 With that, I have no further
13 questions. Thanks.

14 CHAIRMAN HONIGBERG: Mr. Buckley.

15 MR. BUCKLEY: Thank you, Mr.
16 Chairman.

17 **CROSS-EXAMINATION**

18 BY MR. BUCKLEY:

19 Q I'll start with Mr. Rivera. I think this one
20 goes to you. If you could turn to Bates Page
21 35? At Line 11, I think it is, there is a
22 \$2,500 figure for tree planting in September.

23 A (Rivera) Yes.

24 Q And my question about this is, somewhere else

[WITNESS PANEL: Carney|Rivera|Simek]

1 in the filing discusses how tree planting is
2 often associated with Arbor Day and obligations
3 associated with that. My question to you is,
4 why is it billed in September?

5 A (Rivera) I'll defer to Jeff Carney on that
6 question.

7 A (Carney) Yes. Tree planting falls within the
8 vegetation management budget. And Liberty
9 Utilities actually has not had any Arbor Day
10 functions since I came to the Company in 2012.

11 That line item for tree planting is
12 essentially where we would negotiate a tree
13 removal for reliability of our system and offer
14 a tree replacement to a customer. So, that's
15 what that line item is for. So then, there
16 were replacements that were done in that month
17 that were paid for in that month.

18 Q And that was the only month in which there were
19 replacements?

20 A (Carney) Correct. Correct.

21 Q Now, turning to Mr. Simek, if you can turn to
22 Bates 044, at Lines 12 through 15 you describe
23 the figure of "\$552,414" above the base case
24 REP. And that's I think after the result of

[WITNESS PANEL: Carney|Rivera|Simek]

1 the FairPoint contribution. And part of that
2 is based on \$306,000 that actually occurred --
3 the spending occurred in 2016. Can you tell me
4 why it's booked instead for 2017 now?

5 A (Simek) It was actually the work was performed
6 in 2016, but the payment wasn't made until
7 2017. So, this was work that would have been
8 accrued, and based on Settlement 16-383, the
9 Company now includes accruals within its
10 filings.

11 Q And it's my understanding that both that
12 \$245,000 figure and the \$306,000 figure that
13 lead to this extra in O&M expense beyond the
14 base case, that was discussed and at least
15 informally approved by Staff?

16 A (Simek) Yes. I believe it was discussed, yes.
17 I don't think we're looking actually for an
18 approval. The five -- the 1.5 million I
19 believe you're referring to is a target that
20 was agreed upon, and this is spending above
21 that, yes.

22 Q And I think we've already answered some of the
23 further questions I had about the tax rate.
24 So, I think I just have one more high-level

[WITNESS PANEL: Carney|Rivera|Simek]

1 question here.

2 And that's that, I was struck by the
3 amount of data in the REP/VMP Report related to
4 things like SAIDI, SAIFI, customer interruption
5 minutes, that sort of thing. And I'm wondering
6 if, given the fact that we also track overall
7 program spend related to REP and VMP, I'm
8 wondering if it's at least conceptually
9 possible that we would be able to determine --
10 to place a dollar value on per customer avoided
11 interruption minutes using that sort of data?

12 A (Rivera) To answer your question, yes. I have
13 some values right now for the bare conductor
14 projects. If you're interested, I could give
15 you those.

16 So, there were two bare conductor
17 replacement projects, one on the 12L2 and
18 another one on the 1L2. On the 12L2, the
19 dollars per delta customers interrupted is
20 1,141, and the dollars per delta customer
21 minutes interrupted is 15.19.

22 On the other project, for the 1L2, the
23 dollars per delta customer interrupted is 347,
24 and the dollars per delta customer minute

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[WITNESS PANEL: Carney|Rivera|Simek]

1 interrupted is 2.96.

2 I don't have the values for the recloser
3 project or the Trip Saver Project, but we can
4 certainly provide those.

5 MR. BUCKLEY: Thank you. No further
6 questions.

7 CHAIRMAN HONIGBERG: Ms. Amidon.

8 MS. AMIDON: Thank you. Good
9 afternoon.

10 So, I have a number of questions, Mr.
11 Chairman, not a whole lot. But, if Mr. Demmer
12 needs to have something, some answer expanded
13 upon, I will ask him to follow up, if that's
14 all right with you?

15 CHAIRMAN HONIGBERG: Sure.

16 MS. AMIDON: Okay. Thank you.

17 BY MS. AMIDON:

18 Q So, my first question has to do with FairPoint.
19 I understand that the Company has billed
20 FairPoint. Have you received payment for those
21 services yet?

22 A (Carney) We have received 427,000 some odd
23 dollars, which was their total obligation for
24 the Plan that we're reviewing today. And that

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[WITNESS PANEL: Carney|Rivera|Simek]

1 has been paid effective April 28th of 2018.

2 Q Okay. So, on Page 5, it indicates that you
3 "invoiced FairPoint 442,992", at Line 16?

4 A (Carney) Yes.

5 Q So, that difference is for this year?

6 A (Carney) Actually, --

7 Q I'm sorry. It's Page 5, Bates Page 005, of
8 Exhibit 1, at Line 16. This is part of the
9 Report, if that helps. I apologize. The Bates
10 Page is number 005 of the exhibit, I think.

11 A (Carney) We had actually invoiced FairPoint for
12 work that was completed in the first half of
13 2017, and then we billed them for the balance
14 of the work that was completed in 2017. So,
15 the \$442,992 was the total, and I believe that
16 we had provided them an estimate of about
17 \$427,000. So, we've collected all of what we
18 billed them for.

19 Q Okay. So, the \$427,000 is not --

20 A (Carney) It's basically the balance of -- the
21 balance of what was due.

22 Q Okay. So, it's all been paid?

23 A (Carney) Correct.

24 Q All right. A long way of getting there. Thank

[WITNESS PANEL: Carney|Rivera|Simek]

1 you very much.

2 A (Carney) Sorry.

3 Q No. That's okay. I have, on Page 6, which is
4 the next page that I have a couple of
5 questions, and this is just probably my own
6 lack of understanding. Are you there?

7 A (Carney) Yes.

8 Q Okay. So, on Page -- at Line 7, it says the
9 Company spent 72,000 and some dollars less on
10 work planning than participated, and then
11 there's a sentence that explains why. I'm not
12 quite sure I understand the redirection of that
13 money, or if that's indeed what happened.
14 Could you just explain that in a little more
15 detail for me please?

16 A (Carney) Sure. We were actually on our
17 trajectory to spend the entire budgeted amount
18 for work planning, which I believe was
19 something on the order of \$227,000. And
20 partway through the year the Company decided to
21 perform a municipal street light survey in the
22 three largest communities that it has street
23 lights in. So, we had an opportunity to
24 redirect the activity of the company that does

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[WITNESS PANEL: Carney|Rivera|Simek]

1 our work planning to complete that survey.
2 That was being paid for out of another project
3 budget, nothing to do with vegetation
4 management.

5 At the same time, we also used the work
6 planners on several very large capital projects
7 that we had last year. And subsequently, since
8 October 29th, we have experienced a significant
9 amount of storm damage. So, we actually had
10 them go out and check all the 23 kV
11 right-of-way edge looking for any work that
12 might need to be done as a result of the storm
13 to secure reliability for the substations that
14 those are off of.

15 Q Also, at Line 15 on that page, which I thank
16 you for your response, it indicates that about
17 \$70,000 less was spent on worker -- work plans
18 for vegetation management. I guess it's the
19 same amount of money I'm talking about. Were
20 there any reduction in deliverables of the
21 planners in the work plan as a result of this?

22 A (Carney) No, there is not.

23 Q Okay. Thank you. Sorry for the confusion on
24 that one.

[WITNESS PANEL: Carney|Rivera|Simek]

1 A (Carney) That's all right.

2 Q On Bates Page 009, at Line 10, there's a
3 discussion about deferring the installation of
4 a trip saver at a certain pole on Codfish Hill
5 Road. Do you see where I'm talking about?

6 A (Rivera) Yes.

7 Q Okay. So, in Appendix 3 of the Report, it says
8 that the amount was 2,388, and here you have a
9 different amount of money at play. So, is the
10 amount shown at the appendix correct?

11 MS. AMIDON: And I believe Mr. Demmer
12 would better explain this question, I
13 apologize.

14 CHAIRMAN HONIGBERG: But maybe can
15 you tell us what page -- appendix you're
16 talking about? Because we've got the Bates
17 Page for the first one, but you then made a
18 reference to an appendix that I don't think we
19 caught.

20 MR. DEMMER: 33.

21 MS. AMIDON: Bates Page 033.

22 MR. DEMMER: 033.

23 BY MR. DEMMER:

24 Q All right. So, on 033, on Bates Page 033, on

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[WITNESS PANEL: Carney|Rivera|Simek]

1 Lines 16 and 17, you show "1,883" and "505"
2 investment closed to plant. Is that correct?

3 A (Rivera) Yes. I believe these to be design
4 charges.

5 Q Was the plant being used and useful, though?

6 A (Rivera) No. It was not.

7 Q Okay. And actually, the -- and actually, the
8 follow-up to the first part, it's actually
9 Jeff, on the first part, the \$72,000 less for
10 the veg. management planners, --

11 A (Carney) Uh-huh.

12 Q -- you had said that the targeted price was
13 really around 220, \$230,000. So, if they got
14 done what they needed to get done in that year,
15 is the going forward price of \$150,000 a
16 reasonable amount?

17 A (Carney) Actually, no, because what we've done
18 is we've actually extended their services to
19 doing -- following up on electric service
20 orders with customers, and also auditing the
21 completed trimming work. And what we find is,
22 because we need to stay roughly three months
23 ahead of the trimming contractors, we're
24 actually planning part of the next year's work

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[WITNESS PANEL: Carney|Rivera|Simek]

1 in the current year. So, round about the end
2 of September, early October, we're actually
3 already work planning on next year's circuits.

4 Q So, when you say they're "following up on
5 electric service orders", are you saying the
6 trouble orders?

7 A (Carney) Correct. Customer service also.

8 Q Okay.

9 A (Carney) Anything through WennSoft.

10 Q So, the planners are being used to go out and
11 check trouble calls?

12 A (Carney) Correct. Basically contracted staff
13 like at most of the other companies.

14 MR. DEMMER: Okay. Suzanne just said
15 I should ask the rest of the questions.

16 MS. AMIDON: I'm not an engineer.

17 MR. DEMMER: No, that's okay.

18 BY MR. DEMMER:

19 Q So, the next question was, in the calendar year
20 2017 Annual Report, which is the first exhibit,
21 18-034, Bates Page 010, Lines 1 through 3,
22 states the variance in the Bare Conductor
23 Replacement Program, and it was driven
24 primarily by bid prices being higher than

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[WITNESS PANEL: Carney|Rivera|Simek]

1 expected, which resulted in a higher than
2 forecasted investment. And the variance was 58
3 percent of the estimate for the reconductoring
4 of Route --

5 *[Court reporter interruption.]*

6 CONTINUED BY MR. DEMMER:

7 Q -- Route 123, in Walpole. Excuse me. In your
8 Calendar Year 2016 Annual Report, which you
9 don't have -- I'm sure you don't have it in
10 front of you, but there was a -- there was a
11 significant under estimating of the conductor
12 replacement for per mile. And that was
13 explained as, in 2016, a more conservative
14 estimate of \$600,000 per mile was used. It
15 came in significantly under that, and it
16 resulted in the under spending.

17 So, it said the REP plan for 2017 was
18 adjusted to reflect the lower bid prices or
19 lower estimates?

20 A (Rivera) Correct.

21 Q Okay. So, since that was adjusted for a lower
22 bid price, a more realistic bid price, and now
23 it's 58 percent over on the estimate, on the
24 variance, has there been developed a better

[WITNESS PANEL: Carney|Rivera|Simek]

1 estimating tool to predict a more accurate bid
2 price in their capital reconductoring projects?

3 A (Rivera) Can I ask you where you got the
4 "58 percent over"?

5 Q Let me see here. One second. Bare conductor
6 replacements for -- I'm sorry, Bates Page 033.
7 One second. I'm looking for the large project,
8 here it is. It's "Bare Conductor Replacement
9 Project", Line 14, "12L1 Route 123". Budgeted
10 was 1 million; investment closed to plant was
11 1.58. So, that's 58 percent over.

12 A (Rivera) So, there were a couple of factors on
13 that one. The first factor about the bid
14 prices being higher than what we expected,
15 mainly had to do with location of where the
16 project was taking place. The bids came in at
17 about 1.3 times over than what we expected.
18 And I think the location had something to do
19 with that. We didn't necessarily go with the
20 lowest bid, for reasons that we didn't have a
21 lot of experience with that particular
22 contractor, which is why we chose the next
23 highest bid, which was 1.3 times higher than
24 what we thought.

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[WITNESS PANEL: Carney|Rivera|Simek]

1 So, it did come up higher than the 380,000
2 that we expected. But I think we're just going
3 to have to add this into the equation moving
4 forward and bump up that estimate a little
5 higher, to make sure that we're closer.
6 There's a lot of factors that go in play to try
7 to estimate what a project is going to cost.
8 You know, different contractors, whether we do
9 it in-house or bid it out.

10 But, all in all, I think the other project
11 allowed us to -- came up lower, which kind of
12 evened it out a little bit. So, all in all, I
13 think we over spend by about 131,000.

14 MR. DEMMER: Okay. Thank you.

15 MS. AMIDON: Thank you, Mr. Chairman,
16 for letting Mr. Demmer ask his questions.

17 BY MS. AMIDON:

18 Q I'm back to the Report at Page 7. And I'm
19 looking at the top of the page, the detail
20 beginning at Line 1. And it says "the Company
21 spent 5,698 more than anticipated for traffic
22 control". So, what was the overall spending on
23 traffic control?

24 A (Carney) I need to refer to the appendix for

[WITNESS PANEL: Carney|Rivera|Simek]

1 that.

2 Q Thank you.

3 A (Carney) If you give me one moment please?

4 Q No problem.

5 A (Carney) We had budgeted \$325,000, and we spent
6 \$372,144.

7 Q Okay. Thank you. If I could, I believe this
8 is for you, Mr. Simek, on Page 48. Let me know
9 when you're there.

10 A (Simek) I'm there.

11 Q Okay. On Line 16, it says "The Company is
12 proposing a REP/VMP Adjustment Factor of" and
13 it looks like "0.059 cents per kilowatt-hour"?

14 A (Simek) Yes.

15 Q Which is an increase, correct?

16 A (Simek) Correct.

17 Q Does this change with the tax effect that is
18 mentioned on one of the additional exhibits or
19 does this remain at this level?

20 A (Simek) Yes. What happens, if we actually --
21 the actual calculation for the 0.00059 per
22 kilowatt-hour is on Bates Page 067. And what
23 we're proposing is to have all the outcome of
24 this hearing to be able to be offset with the

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1 reduction that's given in the tax reform. So,
2 this is part of the \$541,144 that we are
3 planning to have offset by tax reform. And
4 that's what's shown on Bates Page 067.

5 Q Sixty-seven (067) shows the offset?

6 A (Simek) No, I'm sorry. It shows the total of
7 the 541,144, which calculates to that reference
8 0.00059.

9 Q Right. So, is there a -- is this going to be a
10 specific factor though? I don't know if that's
11 mentioned. In other words, you have a proposed
12 rate here.

13 A (Simek) Right. What we're proposing is to have
14 the full outcome of this hearing to be offset
15 by the reduction due to tax reform.

16 Q Right.

17 A (Simek) And that's shown on Exhibit 3.

18 Q Right. Here's my question. And if you can't
19 answer it, maybe we'll take a record request.
20 You have to file tariffs to indicate what that
21 adjustment factor is. Am I wrong on that?

22 A (Simek) Would that come out of the tax reform
23 filing for --

24 Q You tell me what the Company plans?

[WITNESS PANEL: Carney|Rivera|Simek]

1 A (Simek) That's the plan, yes.

2 Q So, what would that rate be? Have you
3 calculated what the transmission -- I mean, the
4 REP Adjustment Factor would be, separate from
5 every other charge yet?

6 A (Simek) No, we have not.

7 Q Okay. And do you plan to?

8 A (Simek) Yes. Again, we're taking into account
9 the total dollars. For example, if these --
10 these four hearings total to 1.5 million. The
11 tax reform that we're giving back I believe was
12 somewhere around the 2 million. So, we're
13 saying that additional -- we offset the 1.5 for
14 all four hearings, and then the additional
15 500,000 we're also giving back to customers.
16 And so that would be -- the only factor would
17 be that additional 500,000 in this example, and
18 that's all getting rolled together in the tax
19 reform filing.

20 Q But you're just aggregating it. It wouldn't be
21 something that's reflected in a tariff for this
22 particular service, right?

23 A (Simek) Correct.

24 Q Thank you. That's what I was getting at. So,

[WITNESS PANEL: Carney|Rivera|Simek]

1 what I am confused about now has to do with the
2 hearing that's set to begin following this
3 hearing, which is -- I think it's called the
4 "Annual Retail Rate Reconciliation" docket?

5 A (Simek) Yes.

6 Q Okay. So, if I look at Exhibit Number 2 that's
7 been marked for identification, and I go to the
8 Transmission Charge and the Stranded Cost
9 Charge, I see no change from the current rate
10 to the proposed rate. Do you see where I am?

11 A (Simek) Yes.

12 Q And that confuses me, because I have --
13 originally was going to -- I originally started
14 working with Attorney Dexter on this docket,
15 the Retail Rate Reconciliation, and the charges
16 proposed in those filings are not the same
17 charges that are currently being assessed.

18 A (Simek) Correct.

19 Q So, this is omitted from this, this exhibit?

20 A (Simek) There's two more exhibits at the end of
21 your table there that we plan on discussing in
22 that hearing, and one of them shows that
23 adjustment for the transmission.

24 Q So, when you say this is the total affected, it

[WITNESS PANEL: Carney|Rivera|Simek]

1 is not, right, on the bill?

2 A (Simek) Well, this is the total affected due to
3 the reduction in tax reform. The annual retail
4 rate filing are two different rates. These are
5 all going to hit the distribution rates. The
6 tax reform reduction is going to hit
7 distribution. The Transmission and the
8 Stranded Cost Charge that are related to the
9 retail rate filing have their own separate
10 charges.

11 Q Okay. So, here is the question. If the
12 Commission wanted to know today what the total
13 impact on rates for an average residential
14 customer using 650 kilowatt-hours a month, if
15 they wanted to know that today --

16 A (Simek) Yes.

17 Q -- in connection with this filing, this is not
18 the answer?

19 A (Simek) Correct. It's going to be included in
20 the filing that we're having next.

21 Q What is the planning on the budget going
22 forward, Mr. Carney, on the REP/VMP Program?

23 A (Carney) For 2018?

24 Q Well, I'm assuming that you're going to

[WITNESS PANEL: Carney|Rivera|Simek]

1 continue working through 2019 or do you plan to
2 suspend work while you do the rate case?

3 A (Carney) I'm not sure I understand the
4 question.

5 Q Okay. What is the base budget from which you
6 will be developing your work plan for 2019?

7 A (Carney) For 2019, the base budget will be
8 1.5 million. And we will add onto that the
9 related charges for all the various components
10 of the program, plus add on the FairPoint
11 portion of that. We do know, from 2018, we did
12 about 1.8 million, plus the FairPoint credits.
13 But, when we were asked to consider whether or
14 not there were ways to reduce the cost of the
15 2018 program, we were actually able to reduce
16 that by roughly 9 percent. And I think the
17 fact that the 2017 plan came in under budget, I
18 believe that going forward we're looking at a
19 program cost annually, FairPoint credits
20 notwithstanding, of roughly \$1.75 million.

21 Q Okay. And excuse me for not understanding
22 this, but is it intended by the Company on a
23 long-term basis to offset costs in the future
24 with the tax benefit, because that's an annual

[WITNESS PANEL: Carney|Rivera|Simek]

1 benefit, is it not?

2 A (Simek) I don't believe that's the direction
3 we're going after this one-time adjustment.

4 Q So, this is just a one-time adjustment?

5 A (Simek) Well, we'll be doing the offsets.
6 Then, of course, we're going into a test year,
7 we're going to have it into account the
8 21 percent new -- everything pro formed at the
9 new 21 percent, and then the Company would just
10 work it as normal.

11 MS. AMIDON: Okay. All right. I
12 think I understand that, but there are probably
13 people here who understand it better than me.
14 Thank you.

15 WITNESS SIMEK: You're welcome.

16 MS. AMIDON: That's all I have.

17 CHAIRMAN HONIGBERG: Commissioner
18 Bailey.

19 CMSR. BAILEY: Thank you. Good
20 afternoon.

21 WITNESS SIMEK: Good afternoon.

22 BY CMSR. BAILEY:

23 Q Can you look at Bates Page 005 of the Report?

24 On Lines 18 through 19, it says the "actual

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[WITNESS PANEL: Carney|Rivera|Simek]

1 total spending was 1.745 million".

2 A (Carney) Correct.

3 Q But if you look at, and this testimony confused
4 me, because if the actual spending, what you
5 actually spent, was 1.745 million, and you take
6 out the money that you got from FairPoint, then
7 you need to recover 1.3 million.

8 A (Carney) It's actually the reverse. The
9 FairPoint credits are added on top of the
10 spend. So, the total spend was a little over
11 \$2 million.

12 Q So, that's the actual spend?

13 A (Carney) Correct.

14 Q Two million?

15 A (Carney) Right. But, when we take those
16 credits, we end up with a 1.75 net spend.

17 Q Well, no, you spent the money.

18 A (Carney) Well, we did.

19 Q Okay.

20 A (Carney) This is what we've done for the last
21 five or six years in this filing.

22 Q Okay.

23 A (Carney) So, it's been consistent.

24 Q Okay. On the police costs, --

[WITNESS PANEL: Carney|Rivera|Simek]

1 A (Carney) Yes.

2 Q -- which are on Bates Page 007, I think you
3 went through with Staff that you budgeted
4 325,000 and you spent 370 something thousand.
5 Well, the difference between that is 50,000.

6 A (Carney) Yes. You are correct.

7 Q But the number on this page says "5,000".

8 A (Carney) That is not correct.

9 Q Oh. Okay. So, it's just the difference
10 between 372 and --

11 A (Carney) Correct.

12 Q Okay. If you look on -- lower on that page --
13 well, actually, before I move off the police
14 costs, is there anything that you can do to
15 mitigate those police costs? Are you required
16 to hire Salem Police?

17 A (Carney) In the Town of Salem, yes, we are.

18 Q You can't hire another police force?

19 A (Carney) No.

20 Q And you can't use your own flaggers?

21 A (Carney) Correct. I mean, when we have a
22 detail in the Town of Salem, it's not always a
23 Salem police officer. It might be the Police
24 Chief from the Town of Hudson. It might be an

[WITNESS PANEL: Carney|Rivera|Simek]

1 officer from Peterborough. It might be
2 somebody from Pelham. And that's basically how
3 the system works, and they all go into the same
4 pension fund and so on and so forth. So,
5 they're really kind of interchangeable.

6 We only pay the Salem hourly rate for the
7 details. It's just that it's been escalating
8 to the point that there's a requirement now
9 that we have at least one detail on every
10 street with a tree crew. And the example that
11 I used in some discussion was we trimmed one
12 circuit in Salem last year and the police costs
13 cost twice as much as the cost to actually trim
14 the circuit.

15 Q That's what I saw.

16 A (Carney) And it's not sustainable. So, when we
17 think about budgets going forward, and the
18 actual cost of traffic control where the Town
19 of Salem is involved, that's a challenge.

20 Q What's the hourly rate for a Salem police
21 officer that you have to pay?

22 A (Carney) It depends on the classification of
23 officer. But it averages about \$60 to \$61 an
24 hour, and if they have a cruiser, that's

[WITNESS PANEL: Carney|Rivera|Simek]

1 another \$8 or \$9 an hour. So, most of our tree
2 crews have an operating cost with a truck and a
3 chipper of about \$90 an hour. So, the gap is
4 closing rapidly.

5 Q Well, that's not double the crew cost, right?

6 A (Carney) I'm sorry?

7 Q That's not double the crew cost? If the crew
8 costs 90 --

9 A (Carney) It's not double the crew cost. But
10 the circuit that I referenced was, if you look
11 at the cost per unit, because that's how we do
12 our work is on a unit basis. So, the total
13 cost of that circuit might have been \$50,000.
14 It cost \$100,000 for the traffic control.

15 Q Okay. Does every town require you to hire
16 their police at their hourly rate?

17 A (Carney) No. No.

18 Q Is Salem an outlier?

19 A (Carney) Salem is definitely an outlier. And
20 in the Charlestown District and the Lebanon
21 Districts, we can use third party traffic
22 control companies. There are very few
23 requirements for police details even on state
24 highways.

[WITNESS PANEL: Carney|Rivera|Simek]

1 Q Is there an ordinance in Salem that requires
2 this?

3 A (Carney) It's not an ordinance, *per se*. But we
4 were directed to look at two state statutes
5 regarding the traffic control, and the police
6 chief's ability to define where and when you'll
7 use uniformed police officers. I'm not really
8 sure, the way those two state laws are written,
9 that I think Salem has, and this is my opinion
10 and my opinion only, has really kind of taken
11 that to nth degree.

12 Q Could you ask your legal team to look into
13 that, and if it's taken to the nth degree, and
14 it's not accurate, maybe do something about
15 these charges?

16 A (Carney) We have that discussion on a fairly
17 regular basis. But we will do that.

18 Q Lower on the page, on Line 15, it says "Liberty
19 proposed to spend 1.625 million on capital
20 investments related to REP activities". And
21 later, on Bates Page 009, it says the budgeted
22 amount was "1.525 million". Is one of those a
23 typo, Bates Page 009, Line 5?

24 A (Rivera) So, I think -- I think that \$100,000

[WITNESS PANEL: Carney|Rivera|Simek]

1 difference is carryover, 100,000 carryover that
2 we include every year.

3 Q So, the number on Page 7 includes a \$100,000
4 carryover, and the number on Bates Page 009
5 does not?

6 A (Rivera) That is correct.

7 Q Okay. On Bates Page 012 of the Report, you say
8 that "Seven out of the top ten events...occur
9 in areas that lack feeder" -- can't read my
10 note -- "feeder ties", that's it, "that would
11 allow partial restoration in those areas." And
12 they led to prolonged outages in 2017. If you
13 had had the mitigation that you did in 2017 in
14 effect in 2016, would those prolonged outages
15 have been different? Do you understand my
16 question?

17 A (No verbal response).

18 Q Okay.

19 A (Rivera) So, the way we look at past
20 performance, we take typically like a five-year
21 average. So, on the 12L2, that feeder supplies
22 over 1,200 customers in the Town of Walpole.
23 In those five years, there were four major
24 outages that occurred in the proposed

[WITNESS PANEL: Carney|Rivera|Simek]

1 reconducted sections, resulting in close to
2 350,000 customer minutes interrupted. And we
3 figure that replacing those existing sections
4 of bare conductor will result in an annual
5 reduction of approximately 900 customers
6 interrupted and 70,000 customer minutes
7 interrupted. And that's based on a five-year
8 average.

9 Q So, can you say that again? The five-year
10 average customers interrupted, what was that
11 number, prior to the mitigation?

12 A (Rivera) So, we had four major events. And on
13 those four major events, we had 350,000
14 customer minutes interrupted.

15 Q Over five years?

16 A (Rivera) Over five years.

17 Q And in 2017, you replaced -- you reconducted
18 the circuits?

19 A (Rivera) That's right.

20 Q And --

21 A (Rivera) So, we expect an annual reduction of
22 about 70,000 customer minutes interrupted from
23 those 350,000.

24 Q Per year?

[WITNESS PANEL: Carney|Rivera|Simek]

1 A (Rivera) Per year.

2 Q So, over five years, that would be 350,000
3 customer minutes? No. Is 350,000 customer
4 minutes an average or an annual number? It's
5 an average number over five years, right?

6 A (Rivera) It was a total number over those five
7 years for those four major --

8 Q In total?

9 A (Rivera) Yes, for the four major incidents.

10 Q Okay. So, if you get 70,000 back a year, then
11 you're going to correct all of that you think,
12 based on this mitigation?

13 A (Rivera) So, it will be reduced, if the
14 annual -- let's just say that the annual number
15 of customer minutes interrupted on this feeder,
16 let's just say it's 500,000. Then, after this
17 project is done, it's going to go from 500,000
18 to about 430,000. So, it's a 70,000 customer
19 minute interruption reduction per year.

20 CMSR. BAILEY: Okay. Thank you. I
21 have nothing further.

22 CHAIRMAN HONIGBERG: Commissioner
23 Giaimo.

24 CMSR. GIAIMO: Good afternoon,

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[WITNESS PANEL: Carney|Rivera|Simek]

1 gentlemen.

2 WITNESS CARNEY: Good afternoon.

3 BY CMSR. GIAIMO:

4 Q I forget which of you said -- was talking about
5 choosing the contractor that was 38 percent
6 higher. Was it you, Mr. Rivera?

7 A (Rivera) That's correct.

8 Q Yes. So, you had mentioned that you went with
9 the contractor that was 38 percent higher than
10 the RFP that was out or what you anticipated
11 the cost to be?

12 A (Rivera) It was, if I recall, it was 1.3 times
13 higher than the lowest bid which came in for
14 that particular job at Route 123, in Walpole.

15 Q So, was the budget a million dollars or the
16 forecast was a million dollars?

17 A (Rivera) So, the forecast was 2.75 miles times
18 380,000 per mile. So, we did, if you look at
19 Appendix 3, we did account 1 million for that
20 project.

21 Q Okay. That was 1 million. So, was the low
22 bidder closer to the 1 million and, if so, how
23 close were they to the 1 million?

24 A (Rivera) So, the way I would try to estimate

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[WITNESS PANEL: Carney|Rivera|Simek]

1 that would be I would divide what we spent on
2 the project, which was about 1.58 million, --

3 Q Uh-huh.

4 A (Rivera) -- divide that by 1.3, to try to get
5 an estimate of how much of what came in.

6 Q Lower?

7 A (Witness Rivera nodding in the affirmative).

8 CMSR. GIAIMO: Is anyone else doing
9 quick math? I said, is anyone in the audience
10 doing quick math that can -- 1.2.

11 BY CMSR. GIAIMO:

12 Q So, it was -- about 1.2. So, it was about
13 \$300,000, does that sound about right?

14 A (Rivera) Yes, it does.

15 Q And you said you didn't choose them because of
16 lack of experience and having not worked with
17 them before?

18 A (Rivera) That's correct. We did contract them
19 to do other work closer to the Salem area, so
20 that some of their supervisors and engineer
21 could take a look at their work and decide, you
22 know, whether we want to use them in the future
23 for REP jobs.

24 Q Okay. That's helpful. That's good to know.

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[WITNESS PANEL: Carney|Rivera|Simek]

1 CMSR. BAILEY: While you're looking,
2 can I ask a follow-up on that?

3 CMSR. GIAIMO: Please.

4 BY CMSR. BAILEY:

5 Q And what did your contractors and supervisors
6 decide about that lower bid contractor?

7 A (Rivera) As far as the level of work that they
8 did?

9 Q The quality of work, and is it worth spending
10 the extra money on a different contractor that
11 you are familiar with?

12 A (Rivera) It was favorable. When speaking to
13 the project manager, he was happy with their
14 work.

15 BY CMSR. GIAIMO:

16 Q So, if that situation arose in the future and
17 they were again some \$300,000 difference, you
18 would choose the lower of the two bidders most
19 likely?

20 A (Rivera) Most likely. Most likely, yes.

21 Q Okay. On Page 7, there's a discussion about
22 being over budget for hazardous tree removals.
23 And my question is actually more a generic one.
24 Do you target trees in the future that you know

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[WITNESS PANEL: Carney|Rivera|Simek]

1 are old and mature and could be costly if they
2 stay an additional year? And do you then have
3 a running list and respond to those trees going
4 forward?

5 A (Carney) Yes, in a manner of speaking. That's
6 one of the functions that our work planners
7 provide when they're writing work on circuits.
8 So, we're always doing some level of risk
9 assessment. Doesn't necessarily have to be old
10 and structurally deficient, because many
11 healthy looking trees can actually be, in fact,
12 risky trees.

13 So, we have a pretty good inventory of
14 removals that we're doing from one year to the
15 next. And some of the larger ones, to your
16 point, especially if they're being done hourly,
17 are very expensive. But they're probably the
18 ones that -- tree removals, in general, usually
19 have a very positive effect on reliability
20 improvement.

21 Q Uh-huh.

22 A (Carney) And to a certain extent, less damage
23 to plant. But, if you have a storm like we had
24 in Walpole on Friday night, all bets are off.

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[WITNESS PANEL: Carney|Rivera|Simek]

1 Q Thank you. I'm on Page Bates 013, the second
2 line says "The top two events occurred on the
3 Lebanon 1L2 feeder and made up 17 percent of
4 the SAIDI and 12 percent of the SAIFI." So,
5 will that feeder be targeted in the future or
6 has the work in 2017 made it such that you
7 don't necessarily need to target that feeder
8 and will target a different, more risky feeder?

9 A (Rivera) We are targeting the 1L2 feeder,
10 particularly those sections on Meriden Road,
11 where we've had issues with in 2018, so this
12 year.

13 Q Okay. On that page, starting on Line 8 and 9,
14 you say "For the past four years, the Company
15 has met all of its SAIFI targets and has only
16 missed its SAIDI target once". Bigger picture,
17 do your targets need to change? Are they
18 accurate? Or, do you need to be more
19 aggressive with your targets?

20 A (Rivera) We've always used a five-year average
21 since I've been part of the Company. One
22 thought was to move from a five-year average to
23 a four-year average. And we found that, if we
24 were to move to a four-year average, those

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[WITNESS PANEL: Carney|Rivera|Simek]

1 numbers do become more challenging.

2 Q Uh-huh.

3 A (Rivera) I can give you those numbers, if
4 you're interested?

5 Q I think, as long you're keeping that in the
6 back of your mind going forward, that's good to
7 know.

8 A (Rivera) Uh-huh. That it is.

9 CMSR. GIAIMO: I think that's all I
10 have. Thank you very much.

11 CHAIRMAN HONIGBERG: Mr. Carney, I
12 think I have two areas for you.

13 BY CHAIRMAN HONIGBERG:

14 Q The first has to do again with the police
15 detail costs. The number at the top of the
16 Bates Page 007 I think we concluded is
17 incorrect, and that number should be on the
18 order of 55 or \$56,000, is that right?

19 A (Carney) Correct.

20 Q Is the correct number used elsewhere in the
21 filing and in the calculations of what you're
22 seeking to recover here? I guess, put it a
23 different way, is which number did you use?

24 A (Carney) Well, the number that's in the

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[WITNESS PANEL: Carney|Rivera|Simek]

1 testimony is the same number that's in the
2 Report. And whatever was used in the exhibit
3 that actually has the budgeted spend, the
4 actual expenses, and the 2016 expenses and so
5 on and so forth, that was all predicated on the
6 incorrect number. So, in what we're seeking
7 for recovery would actually have it slightly
8 incorrect.

9 CHAIRMAN HONIGBERG: Mr. Sheehan.

10 MR. SHEEHAN: Ms. Amidon -- excuse
11 me. Ms. Amidon helpfully pointed me to Bates
12 031, which looks like, I don't see a 50,000,
13 but it looks like an appropriate police detail
14 number was in there.

15 CHAIRMAN HONIGBERG: And is it your
16 understanding, Mr. Sheehan, that Bates 031, the
17 numbers on Bates 031 are the numbers that feed
18 into the total dollars here?

19 MR. SHEEHAN: It is. But probably
20 Mr. Simek would -- can you make that
21 connection?

22 WITNESS SIMEK: Correct. Bates Page
23 031 are the numbers that would flow into the
24 model what we're calculating to seek.

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[WITNESS PANEL: Carney|Rivera|Simek]

1 I just also want to point out that
2 this is a test year for Granite State. So, we
3 would just be made whole next year as well.
4 So, even if it wasn't the correct number, we'd
5 be okay.

6 CHAIRMAN HONIGBERG: Okay.

7 BY CHAIRMAN HONIGBERG:

8 Q Also for you, Mr. Carney, I think. You were
9 asked about the work coming in for less than
10 you expected, and then the work that those
11 employees did instead. They did planning and
12 they did trouble calls. Did I understand that
13 right?

14 A (Carney) Yes. They're starting to do that work
15 for us.

16 Q So, then is the budgeted -- should the budgeted
17 amount be dropped and should we be paying
18 through this program for work that those
19 employees are doing that isn't directly related
20 to the --

21 A (Carney) Well, certainly the auditing part of
22 the equation is part of the work planning and
23 the work that's actually being done. The
24 inspection of electrical service calls is a

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1 very, very small component. But because
2 they're on the property, and they have the
3 capability of performing that function, because
4 all their work is done hourly, --

5 Q Define "very small"?

6 A (Carney) Well, let me see. I probably look at
7 30, 40, maybe 50 electric service orders in a
8 year, usually more after a storm. So, it's a
9 very small amount. And if you can do six,
10 seven or eight or nine of them in a day, at \$60
11 an hour, more or less, --

12 Q Okay.

13 A (Carney) -- it's not a major expenditure.

14 Q All right. Understood.

15 A (Carney) It's their value to the program on the
16 property is what's really important.

17 CHAIRMAN HONIGBERG: Okay. That's
18 all I have.

19 I do have a question, it might be for
20 you, Mr. Sheehan, with respect to the police
21 details. Was there legislation introduced on
22 this topic within the last couple of years by a
23 former commissioner?

24 MR. SHEEHAN: I'm not -- I don't have

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[WITNESS PANEL: Carney|Rivera|Simek]

1 the details. But I do know it has come up
2 recently, and Mr. Carney and I and others
3 talked about it. And others who have been
4 around longer said it comes up every three or
5 four or five years. It's a political third
6 rail.

7 The statute I think does authorize
8 what the Salem Chief is doing. So, we can't go
9 to court and say "Stop doing it." And when
10 they try to fix that statute, again, it's a
11 political third rail and it never goes
12 anywhere.

13 And so, unfortunately, as a political
14 matter, the utilities tend to tread very
15 lightly in that area. And at some point, maybe
16 there's support from people like you and the
17 utilities and others can get this changed.

18 CHAIRMAN HONIGBERG: Oh. I think
19 it's not necessarily the best way to get
20 legislation passed is to say that the PUC is
21 asking for it.

22 MR. SHEEHAN: And the same with
23 utilities.

24 CHAIRMAN HONIGBERG: It may depend on

[WITNESS PANEL: Carney|Rivera|Simek]

1 which utility.

2 I didn't have any other questions.

3 Mr. Sheehan, did you have any follow-up for
4 your witnesses?

5 MR. SHEEHAN: No, I don't.

6 CHAIRMAN HONIGBERG: Off the record.

7 *[Brief off-the-record discussion*
8 *ensued.]*

9 CHAIRMAN HONIGBERG: All right. Am I
10 correct that there are no other witnesses for
11 this hearing?

12 MS. AMIDON: That's correct.

13 CHAIRMAN HONIGBERG: Is there
14 anything we need to do before we close this one
15 up?

16 MR. SHEEHAN: I just wanted to make
17 an offer to take a record request to do the
18 rate impact calculation that Ms. Amidon
19 mentioned wasn't available. We could certainly
20 prepare that and have that filed in short
21 order.

22 CHAIRMAN HONIGBERG: Ms. Amidon.

23 MS. AMIDON: Yes. We would
24 appreciate receiving that.

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1 CHAIRMAN HONIGBERG: So, do you want
2 to make that as a record request, so we'll
3 reserve Exhibit 5 for that?

4 MS. AMIDON: Correct. Thank you.

5 CHAIRMAN HONIGBERG: All right.

6 **(Exhibit 5 reserved)**

7 CHAIRMAN HONIGBERG: All right. So,
8 if there's nothing else, without objection,
9 we'll strike ID on Exhibits 1 through 4,
10 holding Exhibit 5 for the record request.

11 I think all that's left to do is to
12 allow the parties to sum up. Mr. Buckley.

13 MR. BUCKLEY: Thank you, Mr.
14 Chairman.

15 The Office of the Consumer Advocate
16 views that the rates as proposed in the current
17 Petition as just and reasonable, and recommends
18 their approval by the Commission. With the one
19 qualification of something that was I think
20 mentioned by Attorney Amidon, or possibly Mr.
21 Demmer, of the \$505 that had been booked, I
22 think it was at Bates 033, Line 17, regarding a
23 portion of plant that had not been used and
24 useful. Generally, we're concerned about items

1 that have not been used and useful being
2 recovered via rates.

3 But I'm not sure that I know enough
4 about the project myself right now to pass
5 judgment on that item. So, it's possible that
6 Staff is planning to address that in their
7 closing. And if they are, then I think that I
8 would end up concurring with Staff on that
9 matter.

10 CHAIRMAN HONIGBERG: Thank you,
11 Mr. Buckley. Ms. Amidon.

12 MS. AMIDON: Thank you.

13 Staff has reviewed the report, and we
14 find that it provides the complete information
15 that the Company is required to file on an
16 annual basis. We've also reviewed the rate
17 that has been proposed, as I understand, a
18 modification of the rate that was in the
19 prefiled testimony, and the rate we can find at
20 Exhibit 3. And we believe that correctly took
21 into account the impacts of the proposal that
22 the Company plans to make with respect to the
23 tax rebate or the tax benefit, if you will.

24 But having said that, and referring

1 to Mr. Buckley's concern, we would recommend
2 that, because this is a reconciling rate, that
3 we have the filing reviewed by Audit, as to
4 both the calculation of the rate that comes out
5 of 18-050, the so-called "tax filing", and the
6 resulting rate in this instance with respect to
7 whether items -- facilities were used and
8 useful.

9 Thank you.

10 CHAIRMAN HONIGBERG: When are we
11 hearing 18-050?

12 MS. AMIDON: I believe that is on May
13 17th, if someone here knows better than me?
14 Yes.

15 CHAIRMAN HONIGBERG: Okay. Thank
16 you.

17 MS. AMIDON: Thank you.

18 CHAIRMAN HONIGBERG: Mr. Sheehan.

19 MR. SHEEHAN: Thank you. The request
20 today is to approve the rates as filed in this
21 particular filing. The purpose of the exhibits
22 introduced today was to give a bigger picture
23 of what would happen with the tax change as
24 we've proposed it. We are not asking that you

1 reduce this rate based on the tax change,
2 because you may find a different tax change,
3 and that would all wiggle. So, it was just for
4 illustration purposes to show that most of
5 these, that all of these increases would be
6 offset by the tax changes proposed.

7 So, we ask that you approve the rate
8 as filed initially. I agree that, if some
9 piece of that plant was not put in service, it
10 should not be part of the filing. And if
11 that's the case, we would certainly -- that
12 would be a matter we would reconcile through
13 the audit.

14 So, we ask that you approve those
15 rates as filed. And we'll address the offset
16 next week.

17 CHAIRMAN HONIGBERG: All right.
18 Thank you.

19 We will take this matter under
20 advisement, issue an order as quickly as we
21 can, adjourn this hearing.

22 *(Whereupon the hearing was*
23 *adjourned at 2:46 p.m.)*