

1                                   **STATE OF NEW HAMPSHIRE**  
2                                   **PUBLIC UTILITIES COMMISSION**

3  
4   **December 1, 2020 - 10:10 a.m.**

5                   *[Remote Hearing conducted via Webex]*

6  
7           **RE: DE 19-057**  
8                   **EVERSOURCE ENERGY:**  
9                   **Notice of Intent to File Rate**  
10                   **Schedules. (Hearing regarding**  
11                   **Step Adjustment)**

12  
13           **PRESENT:**     Chairwoman Dianne Martin, Presiding  
14                            Cmsr. Kathryn M. Bailey

15                            Jody Carmody, Clerk  
16                            Eric Wind, PUC Remote Hearing Host

17  
18           **APPEARANCES:**   **Reptg. Public Service Company of**  
19                            **New Hampshire d/b/a Eversource Energy:**  
20                            Matthew J. Fossum, Esq.

21                            **Reptg. AARP:**  
22                            John B. Coffman, Esq.

23                            **Reptg. PUC Staff:**  
24                            Brian D. Buckley, Esq.  
                              Richard Chagnon, Asst. Dir./Electric  
                              Kurt Demmer, Electric Division  
                              Jay Dudley, Electric Division

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

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**I N D E X**

**PAGE NO.**

**WITNESS PANEL:**           **LEE G. LAJOIE**  
                                  **DAVID L. PLANTE**  
                                  **ERICA L. MENARD**  
                                  **JENNIFER A. ULLRAM**

Direct examination by Mr. Fossum	7
Cross-examination by Mr. Buckley	34
Interrogatories by Cmsr. Bailey	78
Interrogatories by Chairwoman Martin	100
Redirect examination by Mr. Fossum	103

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**CLOSING STATEMENTS BY:**

Mr. Coffman	107
Mr. Buckley	107
Mr. Fossum	108

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**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>
59	Eversource Energy Petition for Step Adjustment, including the Testimony of Lee G. Lajoie & David L. Plante, with attachments, and the Testimony of Erica L. Menard & Edward A. Davis, with attachments (10-09-20)	<i>premarked</i>
60	Eversource Energy's responses to PUC Staff data requests of Set 18	<i>premarked</i>
61	Documentation regarding the West Rye Substation Re-Build (Project #A16E06), the North Road Substation Breaker Additions (Project #A17W19), and Eversource response to PUC Staff Request TS 4-002	<i>premarked</i>

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

1  
2 CHAIRWOMAN MARTIN: We're here this  
3 morning in Docket DE 19-057 regarding the  
4 Eversource Energy Petition for a Step Adjustment  
5 for effect January 1, 2021.

6 I need to make the necessary findings  
7 to have a remote hearing.

8 As Chairwoman of the Public Utilities  
9 Commission, I find that due to the State of  
10 Emergency declared by the Governor as a result of  
11 the COVID-19 pandemic, and in accordance with the  
12 Governor's Emergency Order Number 12, pursuant to  
13 Executive Order 2020-04, this public body is  
14 authorized to meet electronically. Please note  
15 that there is no physical location to observe and  
16 listen contemporaneously to this hearing, which  
17 was authorized pursuant to the Governor's  
18 Emergency Order.

19 However, in accordance with the  
20 Emergency Order, I am confirming that we are  
21 utilizing Webex for this electronic hearing. All  
22 members of the Commission have the ability to  
23 communicate contemporaneously during this  
24 hearing, and the public has access to

1           contemporaneously listen and, if necessary,  
2           participate.

3                       We previously gave notice to the public  
4           of the necessary information for accessing the  
5           hearing in the Order of Notice.  If anybody has a  
6           problem during the hearing, please call (603)  
7           271-2431.  In the event the public is unable to  
8           access the hearing, the hearing will be adjourned  
9           and rescheduled.

10                      Okay.  We have to take a roll call  
11           attendance of the Commission.

12                      My name is Dianne Martin.  I am the  
13           Chairwoman of the Public Utilities Commission.  
14           And I am alone.

15                      CMSR. BAILEY:  Commissioner Kathryn  
16           Bailey.  And I am alone.  Good morning, everyone.

17                      CHAIRWOMAN MARTIN:  Okay.  Let's take  
18           appearances, starting with Mr. Fossum.

19                      MR. FOSSUM:  Good morning,  
20           Commissioners and all.  And happy December.

21                      This is Matthew Fossum, here for Public  
22           Service Company of New Hampshire, doing business  
23           as Eversource Energy.

24                      CHAIRWOMAN MARTIN:  Thank you.  And I

1 see we have Mr. Coffman today.

2 MR. COFFMAN: Good morning. Appearing  
3 on behalf of the AARP, I'm John B. Coffman.

4 CHAIRWOMAN MARTIN: Thank you. And Mr.  
5 Buckley.

6 MR. BUCKLEY: Good morning, Madam  
7 Chair, Commissioner Bailey.

8 My name is Brian D. Buckley. I'm  
9 appearing on behalf of the Commission Staff. And  
10 I'm joined today in the audience of this Webex  
11 proceeding by Assistant Director Richard Chagnon  
12 of the Electric Division, and two analysts with  
13 the Electric Division, Mr. Kurt Demmer and  
14 Mr. Jay Dudley.

15 CHAIRWOMAN MARTIN: All right. Thank  
16 you.

17 Do we have any preliminary matters  
18 before we proceed to the witnesses?

19 MR. BUCKLEY: None that Staff is aware  
20 of.

21 CHAIRWOMAN MARTIN: Okay. I have  
22 Exhibit 59 through 61 prefiled and premarked for  
23 identification. Anything else related to  
24 exhibits?

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1                    [No indication given.]

2                    CHAIRWOMAN MARTIN: Okay. Seeing  
3                    nothing.

4                    Then, let's go ahead and proceed to the  
5                    witnesses. Mr. Patnaude, could you swear in the  
6                    witnesses.

7                    (Whereupon **Lee G. Lajoie,**  
8                    **David L. Plante, Erica L. Menard,** and  
9                    **Jennifer A. Ullram** were duly sworn by  
10                   the Court Reporter.)

11                   CHAIRWOMAN MARTIN: Okay. Mr. Fossum,  
12                   go ahead.

13                   MR. FOSSUM: Thank you. Just making  
14                   sure I'm not on mute.

15                   I'll begin, sort of go in order to  
16                   avoid people talking over each other, I'll begin  
17                   with Mr. Lajoie.

18                   **LEE G. LAJOIE, SWORN**

19                   **DAVID L. PLANTE, SWORN**

20                   **ERICA L. MENARD, SWORN**

21                   **JENNIFER A. ULLRAM, SWORN**

22                   **DIRECT EXAMINATION**

23                   BY MR. FOSSUM:

24                   Q     Could you please state your name, your position,

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 and your responsibilities for the record?

2 A (Lajoie) My name is Lee Lajoie. I am employed by  
3 Eversource Energy as the Manager of System  
4 Resiliency. Part of my duties are the  
5 administration for the capital budget for the  
6 Company, for Eversource New Hampshire. In  
7 addition, I have two internal groups reporting to  
8 me: The Reliability Reporting group and the  
9 Distribution Automation.

10 Q And, Mr. Lajoie, have you previously testified  
11 before this Commission?

12 A (Lajoie) Yes, I have.

13 Q Mr. Lajoie, did you, back on October 9th, 2020,  
14 file testimony and attachments in what has been  
15 marked as "Exhibit 59"?

16 A (Lajoie) Yes, I did.

17 Q And was that testimony prepared by you or at your  
18 direction?

19 A (Lajoie) Yes, it was.

20 Q Do you have any corrections to that testimony  
21 this morning?

22 A (Lajoie) No, I do not.

23 Q And do you adopt that testimony as your sworn  
24 testimony for this proceeding?



[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 A (Lajoie) Yes, I do.

2 Q Turning next to your co-testifier, Mr. Plante.  
3 Could you also please state your name, your  
4 position, and your responsibilities for the  
5 record?

6 A (Plante) Yes. Good morning, everyone. My name  
7 is David Plante. I'm the Manager of Transmission  
8 Project Management and Construction for  
9 Eversource in New Hampshire.

10 Q And, Mr. Plante, have you previously testified  
11 before this Commission?

12 A (Plante) I have not.

13 Q Have you testified before other public bodies in  
14 New Hampshire?

15 A (Plante) I have, yes. I have testified before  
16 the New Hampshire Site Evaluation Committee  
17 several times.

18 Q Seeing as how you've not testified before this  
19 Commission, could you just very briefly describe  
20 your education and experience for the record?

21 A (Plante) Sure. So, I hold a Bachelor of Science  
22 degree in Civil Engineering from the University  
23 of New Hampshire, from 1984. I am a Licensed  
24 Professional Engineer in the State of New

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 Hampshire, with a civil structural slant to it.  
2 I have, however, placed that license in  
3 retirement status as of last year.

4 I have been employed by Eversource or  
5 its predecessors since 1988, and initially in the  
6 transmission line engineering role, where I  
7 performed transmission line design primarily.  
8 However, there was some cross-pollination, if you  
9 will, with distribution functions, as well as  
10 generation functions, from an engineering  
11 perspective. And around 2000-2001, I took the  
12 position of Project Manager for the transmission  
13 business in New Hampshire, and have, since that  
14 time, either been a project manager or the  
15 manager of the project management team in New  
16 Hampshire, focusing on line construction  
17 projects, substation projects, both transmission  
18 and distribution.

19 Q Thank you. And, Mr. Plante, did you also, back  
20 on October 9th, 2020, file testimony and  
21 attachments in what has been included as  
22 Exhibit 59?

23 A (Plante) Yes.

24 Q And was that testimony prepared by you or at your

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 direction?

2 A (Plante) Yes.

3 Q And do you have any corrections to that testimony  
4 this morning?

5 A (Plante) I do not.

6 Q Do you adopt that testimony as your sworn  
7 testimony for this proceeding?

8 A (Plante) I do.

9 Q Turning now to Ms. Menard. Could you please  
10 state your name, position, and responsibilities  
11 for the record?

12 A (Menard) Good morning. My name is Erica Menard.  
13 I'm employed by Eversource Energy Service  
14 Company, out of Manchester, New Hampshire. And I  
15 am the Manager of Revenue Requirements for New  
16 Hampshire. And I am responsible for the revenue  
17 requirement calculations and various rate-related  
18 regulatory filings before this Commission.

19 Q And have you previously testified before this  
20 Commission?

21 A (Menard) Yes, I have.

22 Q And, Ms. Menard, did you also, back on October  
23 9th, 2020, file testimony and attachments in what  
24 has been marked as "Exhibit 59"?

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 A (Menard) Yes, I did.

2 Q And was that testimony prepared by you or at your  
3 direction?

4 A (Menard) Yes, it was.

5 Q Do you have any corrections to that testimony  
6 this morning?

7 A (Menard) No, I don't.

8 Q And do you adopt that testimony as your sworn  
9 testimony for this proceeding?

10 A (Menard) Yes, I do.

11 Q And last, but certainly not least, Ms. Ullram,  
12 could you please state your name, position, and  
13 responsibilities for the record?

14 A (Ullram) Good morning. My name is Jennifer  
15 Ullram. And I am employed by Eversource as the  
16 Manager of Rates in Connecticut and New  
17 Hampshire. I am responsible for all rate  
18 administration activities in Connecticut and New  
19 Hampshire.

20 Q And have you previously testified before this  
21 Commission?

22 A (Ullram) Yes, I have.

23 Q And, Ms. Ullram, did you file testimony and  
24 attachments back on October 9th, 2020, as part of

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 what has been marked as "Exhibit 59"?

2 A (Ullram) No, I did not. Mr. Davis had originally  
3 filed the testimony with Ms. Menard. But, due to  
4 unavoidable conflict, he was not able to attend  
5 to testify today. So, I will be adopting his  
6 portion of the testimony.

7 Q With that in mind, was the testimony, jointly  
8 with Ms. Menard, was that prepared by you or at  
9 your direction?

10 A (Ullram) Yes, it was.

11 Q And do you have any corrections to that testimony  
12 this morning?

13 A (Ullram) No, I do not.

14 Q And do you adopt that as your sworn testimony for  
15 this proceeding?

16 A (Ullram) Yes, I do.

17 Q Thank you. Turning back to Mr. Lajoie. Looking  
18 at your testimony in Exhibit 59, and specifically  
19 the material in the Attachment LGL/DLP-1, could  
20 you please explain sort of generally what is  
21 included in that attachment?

22 A (Lajoie) Certainly. The attachment provides the  
23 information on projects which are included in  
24 this request for a step increase. Within that

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 spreadsheet includes various authorization  
2 levels, expenditures, and plant in service. The  
3 spreadsheet is actually broken down into three  
4 categories. There's 2019 projects; there's  
5 annual projects and programs, projects that  
6 repeat or programs that repeat every year; and  
7 carryover projects, projects that were initially  
8 placed in service in a prior year, but there were  
9 additional expenditures in 2019 placed in  
10 service, which are part of this step increase.  
11 The categories are really only for convenience.  
12 All but this -- all the 2019 plant in service  
13 projects listed here were placed in service in  
14 2019.

15 The spreadsheet is an attempt to  
16 summarize the documentation sought by Staff to  
17 address some of their concerns, which were  
18 discussed earlier in the proceeding. The Company  
19 expects this process and the result will be  
20 modified by the business audit -- business  
21 process audit, which will be conducted in  
22 accordance with the Settlement.

23 So, looking specifically at the  
24 attachment, on Page 2, there are -- and I

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 apologize for the print font, it's extremely  
2 small. Columns D and E are the "Project Number"  
3 and the "Project Description". Column H is the  
4 "2019 Plant in Service". That's what is placed  
5 in service and is part of this step increase.  
6 Columns I through L are the authorized amounts,  
7 as the project is moving along from concept to  
8 final fruition. Column M is the total project  
9 cost. What the -- the life cycle, you know, the  
10 entire project cost, from when it was initially  
11 opened and charges started, to date. Columns N  
12 through S compare various iterations of these  
13 values. So, one of them is the final cost to the  
14 final authorized amount, and so forth, a  
15 description is in there in the headings for the  
16 columns. And, finally, way over on the right,  
17 Column T is the FERC account for the project as  
18 of the end of the year 2019, "101" being plant  
19 assets and "106" being in service.

20 This was, as I said, an attempt to  
21 address some of the Staff issues with project  
22 documentation. And it's kind of a step toward  
23 where we plan to go or where we expect to go as  
24 part of this business process audit.

{DE 19-057} {12-01-20}

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 Q And I believe you said it, but just for clarity  
2 sake, that business process audit, that's  
3 included in the Settlement Agreement on the  
4 underlying case that's -- and that Settlement  
5 Agreement is still pending, is that correct?

6 A (Lajoie) Yes. That is correct.

7 Q Was there also, as part of that Settlement, an  
8 agreement to work on a template?

9 A (Lajoie) Yes. There was an agreement to come  
10 to -- or, an agreement to work toward a template  
11 to lay out all the project documentation in a  
12 consistent fashion between all the projects.  
13 Some of this, which was brought out as part of  
14 this rate case, was a little bit confusing. So.  
15 We're planning, as part of this audit process, to  
16 develop a consistent soup-to-nuts layout of  
17 project authorizations, documentation, and so  
18 forth.

19 Q And it would be -- would it be fair to say that  
20 the intent of this document that you've been  
21 speaking to, the business process audit, the  
22 template, and all of that, is to ensure that the  
23 Staff's review is more efficient and more  
24 effective. Is that a fair characterization?



[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 A (Lajoie) Yes. Absolutely. There are a  
2 significant number of projects included in the  
3 rate case, and then in the step increase, and the  
4 expectation is a significant number of projects  
5 in future step increases. So, by going through  
6 this, and laying this template out, the  
7 expectation is it will be much easier for Staff  
8 to review the projects and come to their  
9 determination.

10 Q Thank you. Mr. Plante, now, keeping in mind sort  
11 of the general description that Mr. Lajoie has  
12 provided, could you just, for the benefit of the  
13 Commissioners, describe a particular project, and  
14 how this attachment demonstrates the details  
15 around that project?

16 A (Plante) Sure. What I'd like to do is to take  
17 the Commission through the West Rye Substation  
18 Project, because that seems to be one of some  
19 interest at least to Staff. And kind of tie the  
20 evolution of that project to the data that's on  
21 this spreadsheet that Mr. Lajoie just explained.

22 CHAIRWOMAN MARTIN: Mr. Plante, could  
23 you please point us to the Bates page?

24 WITNESS PLANTE: It's Page 2, Row 6.

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 Is it Page 2, Matt?

2 MR. FOSSUM: For Commissioners, it's,  
3 with the red numbering, it's Bates Page 026.

4 WITNESS PLANTE: Sorry about that.

5 MR. FOSSUM: And Row 6 of that page.

6 CHAIRWOMAN MARTIN: Thank you.

7 **CONTINUED BY THE WITNESS:**

8 A (Plante) So, you have that? Row 6, "West Rye  
9 Substation Re-build".

10 So, I'll start from the beginning of  
11 this project. So, this West Rye Substation  
12 Project was initially conceived as a component of  
13 a larger project called the "Rye Area 4kV  
14 Conversion Project", which was presented in the  
15 Rye Area 4kV Study, which was performed and  
16 completed by our Seabrook Station Field  
17 Engineering group in 2013.

18 The project involves replacing two  
19 fairly small 1955 vintage 34kV to 4kV  
20 transformers, both of which exceeded their TFRAT  
21 thresholds, and we're showing some concerning  
22 gas-in-oil results, which are indicative of  
23 precursors to failure, replacing those two  
24 transformers with one new larger 10MVA

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 transformer, it's rated at 34kV to 12kV, as well  
2 as replacing two of the existing 4kV breakers  
3 with three 12kV reclosers. So, one recloser on  
4 the high side of the new transformer, two  
5 reclosers on the low side for the feeders, and  
6 also adding automation to the station to make it  
7 fully visible and operable from our System  
8 Operation Center. The project increases the  
9 capacity of the substation, and it also improves  
10 relay protection and coordination.

11 A separate component of that Rye Area  
12 Study included the actual conversion of the  
13 distribution lines in the area from 4kV to 12kV.

14 An alternative to this solution was to  
15 convert the area, the entire area in Rye, to  
16 34kV, which would have eliminated the need to  
17 have this transformation at West Rye. However,  
18 due to scenic road designations in Rye, it was  
19 very difficult to achieve the necessary tree  
20 trimming clearances for 34kV. Therefore, we  
21 opted for keeping the distribution lines at 12kV.

22 The West Rye Project was initiated by  
23 substation engineering, and was expected at the  
24 time to be engineered by in-house resources. And

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1           it was not uncommon for projects such as this to  
2           be managed by the engineering lead, when the  
3           engineering is expected to be fully executed with  
4           internal resources.

5                        The initial Project Authorization Form  
6           for the project was dated February 26 of 2016,  
7           and was specifically for the substation project.  
8           And this is shown in Column I of the spreadsheet,  
9           "\$1,304,000" was that initial funding  
10          authorization. And that funding authorization  
11          also did note that a separate Project  
12          Authorization Form was being developed for the  
13          line work. The detailed engineering for the  
14          project had not yet commenced pending approval of  
15          the funding for the project. After that  
16          authorization was granted, engineering progressed  
17          through 2016 and into early 2017, with several  
18          revisions to the project scope arising out of the  
19          engineering -- or, the preliminary engineering  
20          efforts, as is -- as is common.

21                       Prior to commencing the detailed  
22          design, which is the phase of engineering after  
23          completion of what we consider "preliminary  
24          design", it was determined that the engineering

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 would need to be outsourced due to internal  
2 resource constraints. So, at that time, a  
3 purchase order was awarded to Leidos Engineering  
4 to complete the detailed engineering.

5 In mid-2017, some factors affecting the  
6 project forecast, including the outsourcing of  
7 the engineering, greater detail now known about  
8 required materials, ancillary work, such as  
9 foundations and structural steel, more  
10 substantial site development requirements than  
11 previously anticipated, and a clarification of  
12 the point of demarcation between the substation  
13 project and the distribution line project, drove  
14 the need to secure additional funding  
15 authorization for the substation project.

16 So, in July of 2017, Supplemental  
17 Funding Request Number 1 was presented, raising  
18 the total cost of the project to "\$1.59 million",  
19 and that's shown in Column J. And the  
20 supplements are shown through J and to the right.  
21 This estimate was not based upon construction  
22 bids or proposals or testing and commissioning at  
23 this time, as we did not at that time have  
24 detailed engineering scheduled to get those

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 proposals.

2 So, eventually, the engineering  
3 progresses, and we've issued requests for  
4 proposals for construction, testing and  
5 commissioning services, as well as land and  
6 right-of-way clearing, and environmental  
7 monitoring in the Fall of 2017. And, based on  
8 the pricing that was received from our vendors,  
9 it was apparent that additional funding would be  
10 necessary to complete the construction of the  
11 project. An estimate revision was completed by  
12 the Eversource Estimating group, which  
13 incorporated these new known cost elements,  
14 forming the basis for Supplemental Funding  
15 Request Number 2, which was initiated in November  
16 of 2017 and approved in January of 2018, raising  
17 the total project cost to \$2.3 million.

18 About that time we were getting into  
19 our construction. Actually, it was more like  
20 October. So, there was a little bit of overlap  
21 between the start of construction and the final  
22 submittal of Supplemental Funding Request Number  
23 2. So, substation construction began in late  
24 2017, and was completed and placed in service in

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 early February of 2018.

2 This construction process was not  
3 without its challenges. Several issues arose  
4 during construction that drove the cost up yet  
5 again. And these issues included resolution of  
6 some engineering challenges related to electrical  
7 clearances for switches. There were some issues  
8 with structural steel and poor fit-up, and that's  
9 kind of related to the fact that it's a very old  
10 substation, and the existing details were not up  
11 to snuff. And we also had an issue with the  
12 specifications for the transformer that were  
13 provided by the transformer manufacturer, which  
14 were different than what they actually shipped  
15 for a transformer. So, that caused us to have to  
16 revise our transformer foundation design.

17 So, these issues arose over a very  
18 short period of time, during a relatively short  
19 construction period. And they were addressed  
20 expeditiously on site. However, the cost impact  
21 was not fully understood until early 2000 --  
22 excuse me, early February of 2018.

23 The cost to resolve the issues in the  
24 field amounted to about \$364,000, including

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 indirect costs. And Supplement Number 3 was  
2 submitted in August of 2018, after a thorough  
3 validation and negotiation of these additional  
4 cost claims, and verification with Eversource  
5 Stores and our two materials and cost management  
6 systems that the transformer cost was properly  
7 represented on the work order.

8 And, during the final reconciliation  
9 and closeout of the work order, Property  
10 Accounting questioned the cost treatment of the  
11 transformer on the work order, and determined  
12 that the full cost of the transformer must be  
13 charged to the work order, which drove the final  
14 Supplement Number 4, which raised the cost to  
15 \$3,190,000, which is shown in Column L.

16 This transaction did take place in  
17 2019, which is why the project shows up with 2019  
18 plant in service. Column H, and you've got to  
19 move back to the left to get to that one, shows  
20 the value of the 2019 plant in service at about  
21 \$553,000, which is the result of this transaction  
22 for the value of the transformer.

23 Hopefully, that helps you understand  
24 the -- kind of the evolution of one of our



[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 projects, and how it's represented on this, on  
2 this report format.

3 BY MR. FOSSUM:

4 Q Mr. Plante, so, obviously, this sheet doesn't  
5 have all of the detail that you just went  
6 through. Is it fair to say then that this sheet  
7 really provides the beginning or the start of the  
8 information to allow the Staff to begin its  
9 review?

10 A (Plante) Yes. I would say that's fair, Matt.

11 Q And is it also then fair to say that each of the  
12 various projects that are included in this  
13 attachment likewise have some measure of detail  
14 behind them that would be available to the Staff?

15 A (Plante) Yes.

16 Q And I assume it's fair to say that the Company is  
17 willing and able to provide that detail when  
18 requested, and has done so when requested here?

19 A (Plante) Yes. That's true, Matt. We have  
20 provided all of the detail. It just so happens,  
21 on this West Rye one, some of the detail isn't  
22 represented on this sheet, although the detail  
23 has been provided to Staff.

24 Q And, lastly, Mr. Plante, and then Mr. Lajoie

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1           also, is it your position that each of the  
2           identified projects in this listing were prudent  
3           and that the costs for them are reasonable?

4    A       (Plante) Yes.

5    A       (Lajoie) Yes. That's correct.

6    Q       Thank you. Turning now to Ms. Menard and Ms.  
7           Ullram, and starting with Ms. Menard. Did you  
8           preview the costs of the various projects that  
9           are identified in the testimony of Mr. Lajoie and  
10          Mr. Plante, and in particular those identified on  
11          this spreadsheet?

12   A       (Menard) Yes.

13   Q       And, after your review, what did you do with that  
14          information?

15   A       (Menard) Working with the costs that were  
16          provided and the plant in service from 2019 that  
17          is shown in the attachment from Mr. Lajoie and  
18          Plante's testimony, we took the plant in service  
19          numbers, and then we calculated the revenue  
20          requirement associated with those plant in  
21          service figures for 2019. And the revenue  
22          requirement was calculated in accordance with the  
23          Settlement Agreement and an illustrative example  
24          that we have provided as part of the rate case.

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 And, so, consistent with that, we calculated the  
2 revenue requirement.

3 And then, we took that revenue  
4 requirement, and I will let me Ms. Ullram speak  
5 to what was done with that revenue requirement to  
6 turn it into a rate.

7 A (Ullram) Certainly. So, what we did, once  
8 Ms. Menard calculated the revenue requirement for  
9 the step adjustment, we, consistent with the  
10 Settlement, took the revenue requirements and  
11 allocated the step adjustment equally across all  
12 rate classes, which was in accordance with the  
13 Settlement, Section 14 of the Settlement.

14 Q Now, Ms. Ullram, in calculating that rate for  
15 this step adjustment, does that cover an entire  
16 year of rate recovery?

17 A (Ullram) No, it doesn't. Due to the fact that  
18 the rates aren't going into effect until January  
19 1st, what we did was is we spread the step  
20 adjustment to be recovered over the seven months.  
21 And that's actually shown in our -- the ELM/EAD  
22 exhibit, on Page -- give me a second. On Bates  
23 Page -- ELM/EAD, pardon me, ELM/EAD-2, and that's  
24 Bates Page 046 of the Step Adjustment filing.

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 And you can see that we allocated it over the  
2 seven months, to be recovered over the seven  
3 months.

4 Q And would you anticipate a similar issue  
5 occurring in future steps?

6 A (Ullram) No. It's my understanding that each of  
7 the following step adjustments will be calculated  
8 over an annual period.

9 Q Thanks. And, Ms. Menard, have you made any  
10 adjustments to the amounts that are included or  
11 that were included in the step?

12 A (Menard) Yes. There was one adjustment that was  
13 made. In the discovery phase, Staff had asked a  
14 question about one of our projects. And, upon  
15 further investigation, it was determined that the  
16 \$276,000 that is shown on Bates Page 096 of --  
17 sorry -- Exhibit -- it's in Exhibit 61, filed by  
18 Staff, on Bates Page 096. This was in response  
19 to a technical session request. And that  
20 \$276,837 associated with a particular project was  
21 determined to be transmission-related assets, and  
22 therefore was removed from this step adjustment  
23 request.

24 So, the revenue requirement changes

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 from an amount of 10,651,000 to 10,610,000, for  
2 about a \$40,000 decrease in the revenue  
3 requirement.

4 Q And, Ms. Ullram, does that change have any impact  
5 on the rate calculation?

6 A (Ullram) We haven't actually rerun the entire  
7 rate design for the impact. However, it will  
8 reduce the allocation to each of the rate classes  
9 slightly. However, I did a quick look at it, and  
10 since the total change to the revenue requirement  
11 is really immaterial, as Ms. Menard pointed out,  
12 being only \$40,000, it's unlikely that the  
13 resulting decrease will impact what we had  
14 provided in ELM/EAD-4, Bates Page 051, for the  
15 estimated impact of a 650 kilowatt-hour  
16 customer's monthly bill, I don't have -- I don't  
17 believe it's going to impact that at all.

18 Q And, so, then is it fair to say that what's  
19 presented on -- it was Bates 051, or Bates 052 in  
20 the red numbers, remains a representative  
21 calculation of the bill impact to a residential  
22 customer with this step adjustment?

23 A (Ullram) Yes. I agree that it does.

24 Q And then, for -- I'll start with you, since

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1           you're unmuted. Then, is it your position, the  
2           Company's position, that the rates as calculated  
3           are just and reasonable and in the public  
4           interest?

5    A       (Ullram) Yes, they are.

6    Q       And, Ms. Menard, likewise, is it your position  
7           that the rates are just and reasonable and in the  
8           public interest?

9    A       (Menard) Yes, they are.

10   Q       With that out of the way, I think I just have two  
11           other questions, and it's pertaining to a  
12           particular issue that's been subject of some  
13           discussion in discovery.

14                       Ms. Menard, during discovery, do you  
15           recall questions from the Staff about insurance  
16           and reimbursements?

17   A       (Menard) Yes.

18   Q       Could you very briefly explain that issue,  
19           including where that item shows up in materials  
20           before the Commissioners?

21   A       (Menard) Yes. In Exhibit 59, which is -- there's  
22           an Attachment LGL/DLP-1, on Bates Page 027, black  
23           Bates Page 027, Line 43, it's the last line on  
24           the page that's called the "Annual Projects",

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1           there is a project that is called "Insurance  
2           Claims", and it's titled "INS9R". And there's an  
3           amount for 2019 plant in service of \$1.7 million.

4                     And, during discovery, we received some  
5           questions related to this project in particular,  
6           and a general request to understand the process.  
7           So, this particular project, as I said, was an  
8           annual project. So, we use this project year  
9           after year. And this project captures costs  
10          associated with damages to the Company's  
11          equipment that's caused by others.

12                    So, for example, if a plow hits a pole,  
13          or there's a vehicle accident and the pole is  
14          damaged, or there's a dig-in, property is -- our  
15          equipment is damaged. And, when that damage  
16          occurs on the system, the process is we open up a  
17          work order, we collect the costs, make the  
18          repairs. And, once those repairs are done, the  
19          work order is considered "in service". The  
20          equipment is energized, it's used and useful, and  
21          it's considered "plant in service".

22                    Then, what we next will try to do is  
23          seek reimbursements for those damages from the  
24          causer of that damage. If we have a police

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 report or some other report that indicates the  
2 causer of the damage, we will bill that person or  
3 company for those damages. And, once we generate  
4 that bill, we generate a credit against the work  
5 order. And, after that credit is -- or, the bill  
6 is sent, that credit is against that work order,  
7 then there is as separate process that is handled  
8 by the Insurance Department at Eversource, to  
9 work with insurance companies or the individual  
10 to, essentially, recover those dollars. Could be  
11 through a payment plan or an outright payment,  
12 could go to a collection agency, whatever the  
13 process is. But that's kind of a separate  
14 process.

15 So, the Staff had a number of questions  
16 about how the accounting of these costs occurred,  
17 how the reimbursements were applied. And, in the  
18 end, we had a short period of time to really  
19 fully go through all of the detail associated  
20 with the accounting and the process. So, we  
21 addressed the majority of Staff's questions, but  
22 there are still a few outstanding items that we  
23 would need to work through. And we'd like to  
24 continue that process through the audit. There

{DE 19-057} {12-01-20}



[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 is -- there is a simultaneous audit that is  
2 occurring on this step adjustment.

3 So, through that process, we would  
4 intend to address any unresolved concerns that  
5 Staff and Audit has. And we also are hopeful  
6 that this will also be part of the business  
7 process audit, the business process review  
8 process as well, so that we can get  
9 comfortable -- Staff comfortable with the way  
10 that Eversource handles this. Or, if there is  
11 other ways to handle the insurance claims, we  
12 would be open to that as well.

13 Q And so, but subject to the -- just for clarity,  
14 subject to the audit, what is the -- the amount  
15 that was included in the filing for this  
16 particular project is included in full in the  
17 step, is that correct?

18 A Yes. So, \$1.7 million is included in full in  
19 this step.

20 Q And subject to the audit?

21 A Correct.

22 MR. FOSSUM: Thank you. That's what I  
23 have for direct.

24 CHAIRWOMAN MARTIN: All right. Thank

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1           you. Mr. Coffman?

2                           *[No indication given.]*

3                   CHAIRWOMAN MARTIN: Mr. Coffman, can  
4           you hear me?

5                   MR. COFFMAN: Yes. I'm here.

6                   CHAIRWOMAN MARTIN: Did you have  
7           questions for cross?

8                   MR. COFFMAN: No questions, Your Honor.

9                   CHAIRWOMAN MARTIN: Thank you. All  
10          right. Mr. Buckley.

11                   MR. BUCKLEY: Thank you, Madam Chair.  
12          So, good morning, Ms. Menard, Ms. Ullram, Mr.  
13          Lajoie, and Mr. Plante.

14                   I'm going to begin my cross-examination  
15          today by introducing Exhibits 60 and 61. Staff  
16          submitted two prefiled exhibits for this hearing  
17          that I'm going to ask the panel to provide some  
18          foundation for, so that they may be accepted into  
19          the record as full exhibits.

20                                   **CROSS-EXAMINATION**

21          BY MR. BUCKLEY:

22          Q       The first is Exhibit 60. And this question, as  
23          with all of my questions today, will go to  
24          whoever on the panel feels most able to answer

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1           it.

2                       So, do you recognize Exhibit 60,  
3           labeled Bates Pages 1 through 69?

4   A       (Menard) Yes.

5   A       (Plante) Yes.

6   Q       And these were data requests submitted by you or  
7           others or submitted -- data responses submitted  
8           by you or others in your company, in response to  
9           requests from Staff, is that correct?

10   A       (Plante) Yes.

11   A       (Menard) Yes.

12   A       (Lajoie) Yes.

13   Q       And, now, turning to Exhibit 61, there are three  
14           distinct sections within Exhibit 61, that each of  
15           which has what I might describe as a "title page"  
16           for ease of navigation. I'm going to ask you for  
17           your familiarity with those sections  
18           individually.

19                       Do you recognize Exhibit 61, Bates Page  
20           001 through 073, which consists of Project  
21           Authorization Forms and Supplement Request Forms  
22           for the West Rye Substation?

23   A       (Plante) Yes.

24   A       (Menard) Yes.

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 A (Lajoie) Yes.

2 Q And these forms were completed by you or somebody  
3 in your company, and provided in response to  
4 Staff Discovery Requests Set 17, I believe, is  
5 that correct?

6 A (Menard) Correct.

7 A (Lajoie) Yes.

8 Q And do you recognize Exhibit 61, Bates Page 079  
9 through 094, which consists of a Project  
10 Authorization Form and Supplement Request Form  
11 for the North Road Substation Equipment  
12 Replacement Project?

13 A (Plante) Yes.

14 A (Menard) Yes.

15 Q And these forms were completed by you, or someone  
16 in your company, and provided in response to  
17 Staff Discovery Requests, I believe in Set 17, is  
18 that correct?

19 A (Lajoie) Yes.

20 A (Plante) Yes.

21 Q And do you recognize Exhibit 61, Bates Page 096,  
22 which is the technical session data request  
23 spoken of earlier, labeled as "TS 4-002?

24 A (Menard) Yes.

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 A (Plante) Yes.

2 Q And this response was completed by you, or  
3 someone at your company, and provided to Staff  
4 via a data response?

5 A (Menard) Correct.

6 A (Plante) Yes.

7 A (Lajoie) Yes.

8 MR. BUCKLEY: Given the foundation that  
9 the Company has just provided, Staff moves to  
10 admit Exhibits 60 and 61 as full exhibits to the  
11 proceeding.

12 CHAIRWOMAN MARTIN: Any objection?

13 MR. FOSSUM: No objection.

14 CHAIRWOMAN MARTIN: Mr. Coffman, I'm  
15 sorry, I didn't see you. Do you have any  
16 objection?

17 *[No indication given.]*

18 CHAIRWOMAN MARTIN: Mr. Coffman, can  
19 you hear me?

20 MR. COFFMAN: Yes. No questions.

21 CHAIRWOMAN MARTIN: Any objection?

22 MR. COFFMAN: No objection.

23 CHAIRWOMAN MARTIN: Okay. Thank you.

24 We will strike ID on those exhibits and add them

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 as full exhibits.

2 MR. BUCKLEY: Thank you.

3 BY MR. BUCKLEY:

4 Q Now, at a high level, would it be accurate to say  
5 that we are here today to discuss a step increase  
6 associated with plant in service in 2019,  
7 consistent with the Settlement Agreement pending  
8 before the Commission in the Company's rate case?

9 A (Menard) Yes.

10 A (Lajoie) Yes.

11 A (Plante) Yes.

12 Q And that step represents an increase in the  
13 Company's revenue requirement of approximately  
14 \$10.6 million, which is just below the \$11  
15 million cap described in the Settlement Agreement  
16 to that rate case, is that correct?

17 A (Menard) Correct.

18 Q And that revenue requirement is derived from  
19 approximately \$125 million worth of plant that  
20 went into service in 2019, is that correct?

21 A (Menard) Yes.

22 Q And these are all projects which the Company has  
23 placed a significant amount of planning behind,  
24 is that correct?

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 A (Menard) Yes.

2 Q And, as described in the Lajoie and Plante  
3 testimony, at Exhibit 59, Bates 011 through 012,  
4 the Company identifies these projects through a  
5 Planning group, which uses specific capital  
6 spending requests to develop five-year models  
7 which represent the projects the Company plans to  
8 complete over the next five years, is that  
9 correct?

10 A (Lajoie) There were detailed plans for the first  
11 two years, and then broader categories for years  
12 three through five, without -- without always  
13 specific projects identified within those  
14 categories.

15 Q And when you say "without always", is it more  
16 common to have specific projects identified in  
17 year four and five or is it less common?

18 A (Lajoie) Less common. The year four and five  
19 projects are likely multiyear projects that we'll  
20 be carrying over for years perhaps one through  
21 five or one through four, or, you know, two  
22 through four.

23 Specific single-year projects are  
24 typically not identified in those latter years,

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 but are as a result of anticipated demands on the  
2 system that require investment in various  
3 categories. So, for example, we anticipate there  
4 will be load growth in future years. So, without  
5 knowing specifically where that project might be,  
6 we know that we're going to need some money to  
7 spend on remediating overloaded conductors for  
8 facilities in years four and five.

9 We know that the plan is to invest in  
10 small reliability projects through the five-year  
11 plan. So, there's a category for small  
12 reliability projects that would go out in future  
13 years. But most of the reliability, many  
14 reliability investments are a function of events  
15 that happen. We may have a particular area that  
16 experiences a lot of tree-related outages. And  
17 we have already trimmed the area. So, a solution  
18 might be to put up covered wire. But, since  
19 that's kind of a reactive thing, I can't tell you  
20 where, five years from now, I'm going to need to  
21 put up covered wire. I just know that somewhere  
22 on the thousands of miles of distribution system  
23 that the Company maintains in the State of New  
24 Hampshire, we anticipate there will be problems



[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 that need to be addressed in future years.

2 Q All right. So, what I'm hearing is that the  
3 Company has certain blankets to accommodate  
4 planning that was related to certain projects  
5 that are foreseeable that may not necessarily be  
6 entirely finalized in their final stages yet, is  
7 that correct?

8 A (Lajoie) That's correct. The only clarification  
9 I would make is what we typically refer to as a  
10 "blanket" covers truly smaller projects, projects  
11 of less than \$100,000 in direct spending. Some  
12 of these projects would exceed that, so it would  
13 be listed as a specific project, and would appear  
14 in the spreadsheet that we looked at a few  
15 minutes ago as a specific project, because that  
16 cost threshold has been exceeded for what we  
17 would do under an annual or what we commonly  
18 refer to as a "blanket".

19 Q Yes. That's helpful. And, more broadly, would  
20 it be fair to say that, since the time of the  
21 Company's October 10th filing of this step  
22 increase request, the Company and Staff have  
23 engaged in multiple rounds of discovery and  
24 multiple technical sessions, effectively

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1           conversations which attempt to break down any  
2           information asymmetries that might exist between  
3           the Company and its regulators, and maybe even at  
4           times within the Company, about that \$125 million  
5           of plant in service and its associated revenue  
6           requirements?

7   A       (Lajoie) Yes. I believe that's a fair statement.

8   A       (Menard) Yes.

9   Q       And, in your experience, is this generally  
10          accomplished through Staff's review of a sampling  
11          of projects which have been requested for  
12          recovery?

13   A       (Lajoie) Yes. I believe that to be correct.

14   Q       Now, for some context, Staff's approach to this  
15          step adjustment hearing, now that the foundation  
16          for exhibits has been laid and a general overview  
17          was provided, will be to walk through a small  
18          sample of the projects reviewed by Staff, provide  
19          some further discussion of various data requests,  
20          and turn the witnesses over to the Commissioners,  
21          and then provide any recommendations at its  
22          closing.

23                   And we will start with -- and I just  
24          would have to note that it's very helpful, for

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 the Company appears to have anticipated a number  
2 of our questions based on the prefiled exhibits.  
3 So, we appreciate that.

4 But we will start with the West Rye  
5 Substation Project. And I think I can skip over  
6 the generalities about the project. On direct,  
7 there was fairly extensive explanation.

8 But, if I could ask you to turn to  
9 Exhibit 61, Bates Page 013, where we see a  
10 Supplement Request Form, with the date at the top  
11 of it "January 17th, 2018". And this request was  
12 referred to on direct, but I feel it might be  
13 helpful to provide just a window into the various  
14 documentation that occurs within the project.  
15 And if you can let me know when you've reached  
16 that page, that would be helpful.

17 A (Plante) I am there.

18 Q Great. So, and this is the Supplemental Request  
19 Form where the project's costs rose by  
20 approximately \$700,000, is that correct?

21 A (Plante) That is correct.

22 Q And in the section entitled "Supplement  
23 Justification", it explains that part of the  
24 cause for that is a low estimate for construction

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 contract costs, right-of-way clearing, and  
2 environmental monitoring, and testing and  
3 commissioning costs, which were not included in  
4 the initial Project Authorization Form or the  
5 first supplement, is that correct?

6 A (Plante) That is correct.

7 Q And the supplement justification observes that  
8 the initial PAF, or Project Authorization Form,  
9 and the supplement were not written by a project  
10 manager, who conceivably might have caught those  
11 oversights, is that correct?

12 A (Plante) Well, it was not written by a person who  
13 has a title of "Project Manager". That doesn't  
14 mean that the project wasn't being managed. At  
15 the time, it was being managed by the engineering  
16 lead on the project.

17 It is conceivable that, had the project  
18 been in the domain of the Project Management  
19 group at that time, some of these oversights  
20 could have been captured at this stage.

21 Q Thank you. And, turning to, same exhibit, 61,  
22 Bates Page 029, we see another Supplement Request  
23 Form dated "August 29th, 2018". If you could let  
24 me know when you're there?

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 A (Plante) I am there.

2 Q Great. And, in this Supplement Request Form,  
3 project costs rise by approximately \$364,000, is  
4 that correct?

5 A (Plante) That is correct.

6 Q And, in the section entitled "Supplement  
7 Justification", it explains that a change order  
8 was submitted only just before the substation  
9 went into service, and that certain items were  
10 not included in the initial scope, including  
11 animal protection and antenna for radio  
12 communications, etcetera. Is that correct?

13 A (Plante) Yes. That is correct.

14 Q And now, at Bates Page 031 through 032, there is  
15 a section --

16 A (Plante) Yes.

17 Q There is a section of this Supplement Request  
18 Form which recommends actions to prevent the  
19 recurrence of the inaccurate initial estimates.  
20 Is that correct?

21 A (Plante) That is correct.

22 Q And has the Company incorporated these  
23 recommendations into its project management  
24 processes since that time?

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 A (Plante) We have. And I believe we actually  
2 address that in one of the data requests that you  
3 referenced earlier in the other exhibit. But,  
4 yes, we have.

5 Q Great. Now, turning to the same exhibit, 61,  
6 Bates Page 049, we see another Supplemental  
7 Request Form dated "October 4th, 2019". Let me  
8 know when you are there.

9 A (Plante) What page was it?

10 Q It's Bates Page 049, I believe.

11 A (Plante) Yes. Got it.

12 Q And, in this request, project costs rise by  
13 approximately \$524,000, is that correct?

14 A (Plante) That is correct.

15 Q And, turning to Bates 052, this rise in cost  
16 appears to have been driven by some engineering  
17 and material costs equaling to about \$250,000, a  
18 near doubling of the indirect costs -- and a near  
19 doubling of the indirect costs assessed upon the  
20 project, is that correct?

21 A (Plante) Yes.

22 Q And is this the supplement form associated with  
23 the reclassification of the transformer, I think,  
24 I thought I heard you describe?

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 A (Plante) Yes. Essentially, yes.

2 Q And, so, that explains the engineering and  
3 material costs, but could you explain to me why  
4 the indirect costs might also double in this  
5 supplement?

6 A (Plante) Well, indirect costs are a variable, and  
7 they do change from time to time, as they're  
8 related to, and Erica is probably better to  
9 explain this, but the indirect rates are not  
10 fixed at the time of any particular estimate or  
11 at a point in time, that they vary, based on what  
12 else is going on in the Company with the costs  
13 that have affect indirect costs.

14 You know, that's not a really good  
15 explanation. I think we had tackled that one in  
16 pretty good detail in the rate case last year. I  
17 wasn't really prepared today to talk about  
18 indirect costs. But they do change from time to  
19 time, and sometimes they have actually changed  
20 dramatically.

21 We do have an effort underway currently  
22 to get a better understanding of what's driving  
23 some of these larger swings in indirect rates, so  
24 that we can better forecast them.

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 A (Menard) And if you want a little assistance, I  
2 can help out?

3 A (Plante) Please.

4 A (Menard) So, the indirect costs can rise for two  
5 reasons. One is because the direct costs have  
6 gone up. Naturally, the associated overheads  
7 associated with those direct costs would increase  
8 as a result of the direct cost increase. When we  
9 talk about "overheads", "indirects", another term  
10 that's used sometimes is "burdens", these are  
11 costs that are related to payroll, or having  
12 employees or vehicles or engineering and  
13 supervision costs. So, as the direct costs  
14 increase, the associated indirects will increase.

15 The second piece that Mr. Plante was  
16 talking about is the rate that is applied to  
17 calculate those indirects. Those rates can  
18 change at various times, as the Company is  
19 reviewing the basis for those costs. So, the  
20 pool of dollars that is the basis for calculating  
21 those rates can change and can increase the  
22 rates.

23 Q Thank you. That's very helpful.

24 A (Plante) Yes. Thank you.



[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 Q So, if we were to turn back to Bates Page 049, we  
2 would see that this project had an in-service  
3 date of February 1st, 2018, is that correct?

4 A (Plante) I want to say "February 10th", but it  
5 could have been the 1st. It was early February.

6 Q Okay. And, so, would it be fair to say that the  
7 two supplement request forms that we have just  
8 discussed, the last two, they're totaling  
9 approximately \$888,000, were submitted after the  
10 in-service date of the project?

11 A (Plante) Yes.

12 Q And can you explain to me why this might occur  
13 and whether it is a common occurrence?

14 A (Plante) Yes. Certainly. So, I'll tackle the  
15 first of the two, and I kind of addressed it in  
16 my introductory comments. This one was related  
17 to managing through some challenges that came up  
18 during construction of the project. And the  
19 construction window was only a couple, three  
20 months long. And these issues arose after we had  
21 commenced construction, and had -- and were well  
22 into the demolition of the existing site. So, we  
23 had a substation out-of-service. And, at that  
24 point, we're uncovering some issues that needed

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 to be resolved. The construction team, working  
2 with engineering and others, resolved those  
3 issues as quickly as possible.

4 But the cost impact of those wasn't  
5 known until just before the project went in  
6 service. And it was at that time that, you know,  
7 we had to really investigate and do research, and  
8 understand the validity of all of the cost  
9 impacts. So, that's why it took a few months to  
10 get that final cost understood and resolved. We  
11 did have some negotiation with some of our  
12 vendors, some relief on costs, costs that they  
13 were submitting, because there were some issues  
14 with design, issue with fabrication. We had to  
15 work out some negotiations with those vendors for  
16 payment that we didn't feel we were due, and that  
17 kind of a thing.

18 So, that's why that one was after the  
19 plant was placed in service. And that, at the  
20 time, was intended to be the final value of the  
21 project.

22 The fourth one, as we mentioned  
23 earlier, has more to do with the closeout process  
24 of the project and the material reconciliation

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1           that is done by Property Accounting. It's kind  
2           of a, you know, checks-and-balances process. You  
3           know, the project -- execute the project, and  
4           does the, you know, the accounting and charges  
5           are captured in the way the project team feels is  
6           correct, and then Property Accounting helps out  
7           with reconciliation of the material charges and  
8           the contract charges and whatnot.

9                         And, in this case, though the project  
10           manager had worked with our Materials Stores  
11           group and the Finance group, to validate the  
12           transformer costs were appropriately charged to  
13           the project. Ultimately, that was not the case,  
14           and Property Accounting resolved for the fact  
15           that we needed to make a transaction to fully  
16           represent the project -- the transformer costs on  
17           the project. And that's what has driven the  
18           final supplemental funding request.

19                        Is that common? I would say "no".  
20           This is the only one that I'm aware of, where  
21           we've had a major piece of equipment be issued to  
22           a project where the dollars didn't appropriately  
23           follow it.

24                        We do have other projects where we've

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 had supplemental funding requests that are  
2 post-completion of the project, generally not  
3 significantly post-completion, but it does  
4 happen. We prefer not, but sometimes it does.

5 Q And, so, we have sort of just given a high level  
6 of this single project, which, in the Company's  
7 testimony, is supported by schedules showing the  
8 plans, the actuals, the variance, and that sort  
9 of thing, and supplement requests.

10 But, as we can see in Exhibit 61, there  
11 are almost 75 pages at least worth of supporting  
12 materials related to these projects, some which  
13 may have even supplements that come in after they  
14 have been in service, or maybe even part of a  
15 project that's closed to plant.

16 Now, I'm going to call for speculation  
17 here, but it's friendly speculation. So, could  
18 you imagine that there could be a simpler but  
19 also more comprehensive way to present this  
20 information related to projects that the Company  
21 has invested in, so that it is a slightly more  
22 administratively efficient review process for the  
23 Staff of the Commission?

24 A (Plante) Are you asking me or just in general?

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 Q Just generally. And maybe with some reference to  
2 the business process audit and templates that may  
3 come about.

4 A (Lajoie) Yes. I can imagine that there would be  
5 a much better process that would make it easier  
6 for Staff to investigate from the beginning to  
7 the final plant in service, all the documentation  
8 associated with a project. And my expectation is  
9 that that will result from the business process  
10 audit or the business process, yes, audit that  
11 will be conducted as part of the Settlement  
12 Agreement.

13 Q Great. Thank you. I think now I'll turn to the  
14 North Road Substation Project. If you could  
15 please turn back to Exhibit 60, I think it is,  
16 Bates Page 005 through 006. What you'll see is  
17 the Company's response to Staff 18-003, and  
18 appears to discuss the North Road Substation  
19 Equipment Replacement Project. Is that correct?

20 A (Plante) Yes.

21 Q And can you provide just a brief summary of this  
22 project?

23 A (Plante) Yes. So, this project involves the  
24 installation of two 115kV circuit breakers at our

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 North Road Substation Project, to improve  
2 reliability in that area of our state. North  
3 Road is in Sunapee. The North Road Substation is  
4 a transmission and a distribution substation,  
5 because it does have room capacity of the  
6 transmission system from Webster Substation west  
7 through to Vermont.

8 Q And now, turning to Exhibit 61, Bates Page 075,  
9 and if you could let me know when you're there?

10 A (Plante) Seventy-five?

11 Q Yes.

12 A (Plante) Yes.

13 Q I believe so. Now, I think we see, at Page 75, a  
14 Supplement Request Form associated with this  
15 project approved at the February 20th, 2019 EPAC  
16 meeting, is that correct?

17 A (Plante) Yes.

18 Q And now, same exhibit, turning to Bates 078, we  
19 see that distribution costs associated with this  
20 project have risen from the original estimate's  
21 approximately \$836,000, to approximately 1.76  
22 million, driven largely by a doubling of costs  
23 for construction and materials. Is that correct?

24 A (Plante) Yes.

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 Q Can you tell me why the initial estimate of costs  
2 might have been so far off from the projected  
3 actuals for this project?

4 A (Plante) Certainly. So, in the initial  
5 authorization for this project, there was a  
6 misallocation of transmission and distribution  
7 costs between the two estimates. Because this is  
8 a shared transmission and distribution  
9 substation, in New Hampshire, shared assets are  
10 deemed to be transmission -- excuse me --  
11 distribution assets. So that would include  
12 things like substation fence, control building,  
13 transformer, everything on the low side of the  
14 transformer, ground grid lightning protection,  
15 station lighting, that kind of stuff.

16 And the estimate that was done was done  
17 by a Connecticut person, who, in Connecticut,  
18 those assets would have been transmission. And  
19 it wasn't caught until we started executing the  
20 project later on.

21 So, it was not really a change in scope  
22 of the project, as much as a correction to the  
23 allocation of the cost to the appropriate  
24 business group.

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 Q And this is an explanation we have, I think,  
2 heard once more before, and maybe we'll hear  
3 again during cross-examination. Could you  
4 imagine that a business process audit of some  
5 sort or project management audit would have  
6 recommendations which might provide some way that  
7 this NEPOOL reclassification would be less  
8 common?

9 A (Plante) Yes.

10 Q Okay. Thank you.

11 A (Plante) Yes. Absolutely.

12 Q All right. And now, we're going to move to the  
13 next project, and --

14 MR. BUCKLEY: I'm sorry. I'm just  
15 going to take a moment to put my dog outside of  
16 the room. He's being very noisy at this point.  
17 I'll be right back.

18 *[Short pause.]*

19 MR. BUCKLEY: Thank you.

20 BY MR. BUCKLEY:

21 Q So, the next project we're going to move to is --  
22 it's labeled, I think, as "R15RWM". And if you  
23 could please turn to Exhibit 60, Bates Page 068,  
24 what you'll see is the Company's response to



[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 Staff Set 18-015 [18-016?], and appears to  
2 discuss a river crossing line rebuild project, is  
3 that correct? It's Exhibit 60, Bates Page 068.

4 A (Lajoie) Yes. That's correct. But just give me  
5 a second to get there please. Okay, I'm there.

6 Q And, so, it appears from this response that this  
7 project was placed in service, and therefore used  
8 and useful, in 2016, but the work order was not  
9 fully closed out until March 2019, is that  
10 correct?

11 A (Lajoie) Yes. That's correct.

12 Q And can you tell me why it might take several  
13 years for the Company to close out a work order  
14 such as this one?

15 A (Lajoie) When the work is completed and the  
16 project is placed in service, there is a period  
17 of time where, you know, perhaps additional  
18 invoices would come in associated with the  
19 project. The project gets turned over to Plant  
20 Accounting. They do an analysis of the project.  
21 And, depending on, you know, if everything has  
22 been allocated properly and so forth, the  
23 material is all unitized and so forth, then the  
24 work order goes into FERC Account 101, which is

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1           that final step. This can take, in some cases,  
2           several years, up to four years, although it's  
3           more common for projects to be in the two-year  
4           range for New Hampshire projects, according to  
5           the Plant Accounting group. This one appears to  
6           be about two and a half years, if my math is  
7           correct.

8    Q       And would you be surprised if I told you that the  
9           project closeout process that we just discussed  
10          does, in some cases, make the projects themselves  
11          very difficult to follow upon review by Staff?

12   A       (Lajoie) I guess, if you're asking if I'm  
13          surprised by that? I guess my answer would be  
14          "no".

15   Q       Thank you. And does the Company anticipate that  
16          the business process audit you've committed to  
17          within the pending Settlement Agreement in 19-057  
18          might have recommendations for an approach that  
19          (a) makes this multiple year closeout process a  
20          little more easy to follow, and (b) might have  
21          recommendations relative to some of the project  
22          management-type issues we've already discussed so  
23          far today?

24   A       (Lajoie) I would anticipate that both of those

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 things could be part of the business process  
2 audit, yes. And the Company is always willing to  
3 work to improve its processes, both for our  
4 internal benefit, but also for the benefit of the  
5 regulators, within the constraints that we may  
6 have due to other either systems or processes and  
7 so forth, but always looking to improve.

8 So, yes. If there are recommendations  
9 that could come out of this business process  
10 audit that would help both of us, I absolutely  
11 would agree that that would be something that we  
12 would consider.

13 Q Great. Now, I'm going to turn to a project which  
14 already has received some discussion today on  
15 direct, and that is Project NT006, which is a  
16 General Expense Project.

17 So, if you could turn to Exhibit 60,  
18 Bates Page 013, and let me know when you're  
19 there. You should be seeing the Company's  
20 response to Staff Request 18-008. Is that  
21 correct?

22 A (Lajoie) Yes. I see that.

23 Q And, so, there was some discussion earlier about  
24 a project that was reclassified from transmission

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 to distribution. And the question I have for  
2 you, and maybe this is for Ms. Menard instead, is  
3 is the project utilized for all reclassifications  
4 from transmission to distribution?

5 A (Menard) This is a general project that is used  
6 for things like reclassification from  
7 transmission to distribution. It has a name of  
8 "expense", but it's -- it can be utilized for  
9 more than just expense items.

10 Q But, if there were reclassifications within the  
11 step, they would be in this expense line item?

12 A (Menard) We utilize this project when the -- when  
13 the actual work order that should have had the  
14 reclassification is completed and closed out, and  
15 we can no longer -- it can no longer accept  
16 charges. So, this is a project that allows some  
17 movement across segments that we could -- we can  
18 utilize when there's no ability to actually hit  
19 the work order otherwise.

20 Q Great. That's helpful. And now, I'm not sure if  
21 this is a question for Ms. Menard or Mr. Lajoie.  
22 But, in Response 18-008(e), the Company suggests  
23 that certain LTC Controllers are not properly  
24 classified as "minor plant", but rather should be

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 "major plant". Is that correct?

2 A (Menard) Yes. That's what the response says.

3 A (Lajoie) Yes. That is correct. And that was  
4 discussed at the technical session.

5 Q And can you just provide me some context for what  
6 the difference is between those two things,  
7 "minor" versus "major plant"?

8 A (Lajoie) I'm sorry. I don't know the answer to  
9 that.

10 A (Menard) I can try. From our discussions with  
11 the Plant Accounting Department, who makes these  
12 determinations, the "major plant" would be used  
13 if an item can stand on its own. Whereas, a  
14 "minor plant" item is part of a larger piece of  
15 property.

16 Q And is it fair to say that these two  
17 classifications might have some impacts on  
18 whether, if a piece of equipment that is being  
19 replaced is treated as an expense or rather  
20 whether it is treated as an asset, that is not  
21 sort of the purest sense, but rather a new asset  
22 that gets a slightly different accounting  
23 treatment, is that correct?

24 A (Menard) Yes. So, a major unit of property would

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 be a capitalizable item; minor tends to be,  
2 again, part of a larger piece of property, where  
3 you might have some items that are expensed and  
4 others that are capital within that piece of  
5 property.

6 Q And, so, one takeaway from that would be that one  
7 of those things is a capital asset that a return  
8 is earned on, but the other one is an expense  
9 that is not something that a return is earned on?

10 A (Menard) Correct.

11 Q And if, for example, there were some degree of  
12 disagreement by the Commission's Audit Staff  
13 about treatment, for example, the LTC Controllers  
14 that are requested to recover in the step here,  
15 as to whether they are minor or major plants, is  
16 that something that the Company agrees would be  
17 reconcilable after the audit recommendations?

18 A (Menard) Yes.

19 Q Great. Thank you. And, so, now I am going to  
20 turn to a Project A09N05, which is known as the  
21 "Kingston Substation Additional Breaker Position  
22 Project". And you provide a description of this  
23 project in Exhibit 60, Bates Page 017, which is  
24 essentially the Company's response to Staff

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 18-011. If you could let me know when you're  
2 there?

3 A (Plante) I'm there.

4 Q Great. So, am I correct in understanding, as  
5 stated in 18-011(b), that this was a project  
6 approved in October 2017?

7 A (Plante) Yes.

8 Q And the response to 18-011(c) describes the cost  
9 of the battery charger, which were transferred  
10 from transmission to distribution in 2019, is  
11 that correct?

12 A (Plante) That's correct.

13 Q So, if the transmission work order for the  
14 battery charger was in service May 19, 2017, and  
15 closed to plant on October 16th, 2017, can you  
16 tell me why the Company would be transferring  
17 charges out of a closed work order -- well, can  
18 you tell me why the Company would be transferring  
19 charges out a closed work order?

20 A (Plante) Out of a closed work order? Or, are you  
21 just concerned that there was a transfer from one  
22 work order to the other?

23 Q I believe it is out of the closed out work order.  
24 Is that your understanding as well?

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 A (Lajoie) I think that's part of Response (c). I  
2 think it might just be a bad choice of wording,  
3 where it says "TS9R6001", "When the transmission  
4 work order was closed, the assets were  
5 transferred", I think that was part of the  
6 analysis process performed by Plant Accounting.  
7 Dave?

8 A (Plante) Yes. During the closure process, the  
9 transaction took place.

10 Q Okay.

11 A (Plante) So, it wasn't "after it was closed". It  
12 was as part of that material reconciliation  
13 process that I mentioned earlier, that it was  
14 discovered that those assets were distribution  
15 assets and did not belong in the transmission  
16 work order that was open for it. And that was a  
17 transmission annual work order to, I assume, the  
18 battery chargers had failed, or one of them had  
19 failed. So, they went in to change them, and  
20 assumed, I guess, that they were transmission.  
21 And, during the closure, it was discovered that  
22 "No, Kingston Substation is a distribution  
23 station. Those are distribution assets."

24 Q Right. So, that leads me to my next question,



[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1           which is, if it is a -- if Kingston is a  
2           distribution only substation, can you shed some  
3           input onto why these would have been initially  
4           classified as "transmission"?

5    A       (Plante) I don't have any particular insight into  
6           this specific work order, as to why it was set up  
7           as a transmission work order. There is a  
8           transmission line that feeds the substation, but  
9           that doesn't make it a transmission substation.  
10          So, I can't answer that question. I'm not in  
11          the -- I'm not in the head of the person who  
12          opened it up and did the work.

13   Q       But is it fair to say that, in the end, this  
14           error was rectified, and it's not an issue  
15           necessarily within this project?

16   A       (Plante) Yes. I believe, in the end, the  
17           accounting for those assets is correct and  
18           proper.

19   Q       And, so, we talked a little bit earlier about  
20           NT006, which the Company sometimes uses to  
21           transfer assets between transmission and  
22           distribution. Was this reclassification  
23           accomplished via NT006?

24   A       (Plante) I don't believe so. I think this was

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1           just a reallocation of those costs from this work  
2           order to the distribution work order. But I  
3           don't have the background on what, you know,  
4           whether it went into a different account before  
5           it got to the distribution work order. I don't  
6           know that.

7    Q       It looked for a second like Ms. Menard wanted to  
8           speak up about NT006?

9    A       (Menard) Well, I was just going to add on, as we  
10           were talking earlier, when, Mr. Buckley, you had  
11           asked the question of "Is this project always  
12           used?" And I said "Not always". If there is the  
13           ability to transfer to a work order that is still  
14           available to accept charges, that would be the  
15           preferred approach.

16                        So, I don't have the details in front  
17           of me. But, if this distribution work order was  
18           still able to accept this charge, we would use  
19           that work order, instead of the NT Project. So,  
20           this is an example of when we would try to  
21           actually use the appropriate project, rather than  
22           the generic project.

23   Q       Okay. That's helpful. So, I think I'm going to  
24           move on to the next project, which you will find

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 at Exhibit 60, Bates Page 019, where you should  
2 see the Company's response to 18-013. And let me  
3 know when you've gotten there.

4 A (Lajoie) Yes. I'm there.

5 Q And this response appears to discuss the  
6 replacement of an underground switchgear in  
7 Laconia, is that correct?

8 A (Lajoie) There was several pieces of switchgear,  
9 and a significant amount of cable that connected  
10 those pieces of switchgear, yes. "Switchgear" is  
11 sometimes used as both a plural and the singular.

12 Q Uh-huh. So, would it be accurate to say that  
13 this project's objective was to replace the live  
14 front switchgear located in downtown Laconia and  
15 increase the reliability of the system through  
16 the creation of underground sub-loops?

17 A (Lajoie) Yes. The project was to replace live  
18 front switchgear with new switchgear. The  
19 equipment that was there had physically  
20 deteriorated, rusted, you know, the cabinets were  
21 rusted, the doors actually were falling off. And  
22 they also relocated some of the underground cable  
23 that connected the switchgear, so that it no  
24 longer crossed private property, and was actually

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 moved out into the road right-of-way underneath  
2 the sidewalk.

3 Q And those sub-loops were not initially existent  
4 within the switchgear system?

5 A (Lajoie) This provided -- the redesign of the  
6 system in the Laconia -- downtown Laconia area  
7 provided for the ability to take any one piece of  
8 switchgear out-of-service without de-energizing  
9 any customers. So, that's the reference to the  
10 "sub-loops" that were set up.

11 The original design, which, by the way,  
12 was installed back in the 1960s, did not have  
13 that capability. So, any one piece of  
14 switchgear, in order to take it out, you actually  
15 had to de-energize customers. So, it was kind of  
16 a redesign to a more modern setup with the  
17 underground system, I believe.

18 Q And, so, would it be accurate to say that most or  
19 all of the project, rather, was placed in service  
20 and closed out between 2017 and 2018?

21 A (Lajoie) Yes. I believe that's correct.

22 Q And, in response to 18-013(a), here the Company  
23 states: "The only material charged to work order  
24 9L2" -- "9L621016 is fifty feet of six inch

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 schedule 40 conduit." And then there's a brief  
2 explanation of the use of the conduit. But can  
3 you explain to me why the Company would have  
4 installed fifty feet of conduit in 2019, after  
5 the switchgear and loop system had been installed  
6 and was in service and closed in 2018?

7 A (Menard) So, upon investigation of this  
8 particular work order, what we had determined was  
9 that the majority of charges on this work order  
10 identified in this question were related to  
11 engineering charges, and a small amount of  
12 conduit that was installed. And we are in the  
13 process of transitioning to a new work management  
14 system, and this was identified as a work order  
15 that was still open, that needed a home for the  
16 engineering charges. And this happens sometimes  
17 where, you know, engineering charges will be  
18 charged to one particular work order, but then,  
19 though, the actual work is done on another work  
20 order. And, so, when that happens, the charges  
21 are transferred from one work order to another.

22 In this particular case, this one was  
23 kind of lost, and the work order that the  
24 engineer had tried to move the charges to had

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1           been closed out. And, so, it kind of got lost in  
2           this. It couldn't -- it couldn't transfer the  
3           charges. And then, as we were cleaning up some  
4           of these open work orders, getting ready for a  
5           transition, this one was identified as having  
6           engineering charges only, or majorily [sic].  
7           And, so, in talking with Plant Accounting, they  
8           will, as part of their review process, they will  
9           move these charges to the appropriate work order  
10          that has all the material.

11                        So, within this project, there were  
12          several work orders. And there were several  
13          large work orders, you know, \$300,000 worth of  
14          work orders. So, these are really engineering  
15          charges that were part of another work order.

16    Q       Thank you. That's helpful. I think, now, I'll  
17          move to work order 18NHVMES, which you should  
18          find at Exhibit 60, Bates Page 020. Where you  
19          will see the Company response to 18-014. And  
20          please let me know when you're there.

21    A       (Lajoie) Bates Page 020, 18-014. Yes, I'm there.

22    Q       And this response appears to discuss some tree  
23          trimming work conducted by the Company, is that  
24          correct?

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 A (Lajoie) Yes. That's correct.

2 Q Now, according to Response 18-014(c), it appears  
3 that the Company has capitalized some property  
4 taxes associated with this project, is that  
5 correct?

6 A (Lajoie) Yes. That's correct.

7 Q And that is permissible under FERC accounting  
8 rules, is that correct?

9 A (Lajoie) Yes. That is correct. That's my  
10 understanding.

11 Q And my understanding of the FERC accounting rules  
12 is that they generally allow capitalization of  
13 property taxes which accrued while the project  
14 was a construction work in progress, is that  
15 correct?

16 A (Menard) Yes.

17 Q And, so, given the discussion we've had today  
18 about various projects which may in service on  
19 one date, and may be actually closed to plant on  
20 another date, and maybe, in addition to that,  
21 have other pieces of plant which are closed on  
22 another date, can you explain for me which of  
23 these demarcation points, "in service", "closed  
24 to plant", the Company uses to determine when to

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 no longer capitalize property taxes?

2 A (Menard) The property taxes are applied to open  
3 work orders. So, construction work in progress.

4 Q And, so, would it be accurate to say that, once  
5 plant is in service, the Company is no longer  
6 capitalizing property taxes that accrue to it?

7 A (Menard) Yes, because it only gets allocated to  
8 open work orders.

9 Q And if, for some reason, the Commission Audit  
10 Staff had some further recommendations relative  
11 to this issue, is it your understanding that that  
12 is something that would be subject to  
13 reconciliation after their audit?

14 A (Menard) Yes. Absolutely.

15 Q Great. And now, I'm just going to move to I  
16 think our final project here, and this was given  
17 some treatment in direct examination, but I think  
18 might still warrant a bit of further discussion.

19 So, if you could please turn to Exhibit  
20 60, Bates Page 011, you should see the Company's  
21 response to 18-007. And let me know when you're  
22 there.

23 A (Menard) Can you say the Bates Page number again?

24 Q I think it was Exhibit 60, Bates Page 011.



[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 A (Menard) Oh, I've got to go backwards.

2 Q Yes. We're jumping around here.

3 A (Menard) That's fine.

4 A (Lajoie) I think we're all there now.

5 Q Great. And, in Response 18-007(b), (c), and (g),  
6 the Company explains that there is sometimes a  
7 lag between when the plant associated with  
8 property damage goes into service and when the  
9 Company is able to identify responsible parties  
10 that might be billed for property damage. Is  
11 that correct?

12 A (Menard) Yes.

13 Q And can you just very briefly explain why this  
14 might be the case?

15 A (Menard) Yes. So, as I explained earlier, when  
16 the damage occurs on the system, if we take a  
17 very clean example, a car hits a pole, police  
18 show up, write up a police report, the damage is  
19 repaired, the line crew submits the paperwork.  
20 And, at that point, the plant is placed in  
21 service, but the administrative piece takes over.  
22 And the office staff will use that police report  
23 number and will file a request through a company  
24 we use, LexisNexis, to retrieve that police

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 report. And we have seen a lag or a delay in the  
2 amount of time that it gets -- it takes to  
3 receive that police report. And, once we receive  
4 that police report, then we have the name of the  
5 person that we can bill the damages to. So, that  
6 time delay of getting the information back as to  
7 who to bill is what causes the delay in actually  
8 applying that credit to the work order and  
9 billing out the charges.

10 Q So, it's conceivable that, if somebody runs into  
11 or hits a pole in, you know, December or November  
12 of a year, the Company might not get identified  
13 that person who will contribute the cost, or at  
14 least that person's insurance company, will  
15 contribute the cost of the damage they caused.  
16 Is that correct?

17 A (Menard) Correct.

18 Q And is it fair to say that that subject matter,  
19 as you discussed earlier on direct, would be the  
20 subject of continuous discussions with the Audit  
21 Staff as they work through the --

22 A (Menard) Yes.

23 Q -- the terms of the business process audit?

24 A (Menard) Yes.

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 Q And, so, we talked about what happens when  
2 somebody is identified or identifiable as the  
3 causer of the property damage. But what happens  
4 when let's say there's a hit-and-run, and there's  
5 nobody who is identifiable as the causer of it?

6 A (Menard) Then, there is no bill generated, and  
7 the charges remain in full in this particular  
8 project.

9 Q And, so, is this something that the Company's  
10 insurers might cover, or self-insurance?

11 A (Menard) Typically, no. We are a self-insured  
12 company. And there are certain requirements or  
13 thresholds that need to be met. And small  
14 property damage claims are not included in that  
15 coverage. It needs to be more catastrophic.

16 Q Are we talking \$5,000, \$500,000, \$5,000,000?

17 A (Menard) Help me out. Did we answer this in a  
18 data response? I can't remember the number off  
19 the top of my head. But I think it was  
20 \$5,000,000.

21 Q Yes. And we can take that subject to check.

22 A (Menard) And it's typically for things like a  
23 major storm event, where there's a declaration  
24 of -- emergency declaration declared, you know,

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 things like that.

2 Q Okay. Thank you. Now, given the discussion we  
3 just had over the last five or six projects, and  
4 the paper trail of spreadsheets and zip folders,  
5 and project documentation that needs to be  
6 cross-referenced in order for Staff to accomplish  
7 an adequate review of these projects, would the  
8 Company be surprised to hear that Staff might  
9 describe the complexity of the review process as  
10 "less than ideal"?

11 A (Menard) No, it is a complex process. You know,  
12 we have -- we have departments that manage  
13 projects, and we have particular, you know,  
14 people assigned to projects, and we have cost  
15 analysts that are assigned to projects. Because  
16 there's a lot of capital that's invested by the  
17 Company each year, there's thousands of work  
18 orders that are opened and worked on each year.  
19 So, it is a complex process. I would absolutely  
20 agree with that. And to come in and review that  
21 within a, you know, a short period of time is a  
22 challenge.

23 So, we look forward to the business  
24 process review, so that we can package something

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1           that's in a digestible format for Staff to be  
2           able to review and understand, you know, years'  
3           worth of information in a short period of time to  
4           assist with their review.

5    Q       So, the Company would agree that the project  
6           templates and the business process audit  
7           contemplated by the Settlement Agreement will aid  
8           in what is a complicated and somewhat  
9           time-intensive review process for the projects in  
10          the future?

11   A       (Menard) Yes. And I'll just say, you know, we  
12          did work on this Exhibit LGL/DLP-1, we did work  
13          together with Staff to improve upon what we had  
14          filed in the rate case, and took feedback from  
15          Staff as to things that they wanted to see to be  
16          able to utilize the information, again, to  
17          compare, you know, a lot of these comparisons and  
18          percents. Comparisons are what Staff had asked  
19          for.

20                        So, again, we're trying to move  
21          forward. And we will continue. This is not a  
22          one-and-done. This will be a continual  
23          improvement, as we learn more and try to make it  
24          better.

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 MR. BUCKLEY: Great. Thank you, Ms.  
2 Menard, Ms. Ullram, Mr. Plante, and Mr. Lajoie.  
3 Staff has no further questions.

4 CHAIRWOMAN MARTIN: Okay. I think  
5 we're just going to take a brief break at the  
6 moment and come back, because I think we're  
7 relatively close. Unless any of the parties have  
8 lengthy closings?

9 *[No indication given.]*

10 CHAIRWOMAN MARTIN: Then, I think we'll  
11 take a ten-minute break, and return and try to  
12 finish up. Okay. We will return at 12:10.

13 (Recess taken 12:00 p.m., and the  
14 hearing resumed at 12:13 p.m.)

15 CHAIRWOMAN MARTIN: Okay. Back on the  
16 record. Commissioner Bailey.

17 CMSR. BAILEY: Thank you.

18 BY CMSR. BAILEY:

19 Q Mr. Lajoie and Mr. Plante, on Bates Page 018 in  
20 your testimony, at Line 7, it says "Current  
21 specific projects are projects that were not  
22 reviewed as part of the rate case and had a  
23 substantial portion of plant placed in service in  
24 2019."

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1           And can you give me an example of a  
2           project that wasn't complete, but was  
3           substantially put in service? Not a specific  
4           example, just I don't understand how, if the  
5           project isn't complete, it can be placed in  
6           service?

7       A     (Lajoie) Any particular project -- Any particular  
8           project can have multiple work orders associated  
9           with that project. For example, listed in this  
10          list are a number of projects to install pole top  
11          distribution automation devices, one of my near  
12          -- near and dear to my heart. In a given year,  
13          we have one project, there could be 200 to 300  
14          work orders associated with that one project.  
15          So, as those devices are placed in service and  
16          commissioned to the SCADA system, the device is  
17          used and useful, the work order gets placed in  
18          service, the plant is placed in service.

19                 But the project is still open, because  
20                 there are multiple other work orders associated  
21                 with that, where the device has not yet been  
22                 placed in service.

23                 This could also be true for, you know,  
24                 major projects that have phases. A substation

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 construction project, you know, maybe the  
2 transformer gets placed, placed in service,  
3 energized, feeding customers, and then we go back  
4 and do the circuit breakers associated with that,  
5 and those are done one at a time. Those could be  
6 placed in service, energized, carry a load, but,  
7 again, it's those separate work orders associated  
8 with a project.

9 CHAIRWOMAN MARTIN: Commissioner  
10 Bailey, you're on mute.

11 CMSR. BAILEY: I thought I could hit  
12 the space bar and unmute myself. Sorry.

13 BY CMSR. BAILEY:

14 Q Glad you want to talk about distribution pole top  
15 projects, because, if we go to Bates Page 026 --  
16 I'm sorry, "Distribution Automation - Pole Top"  
17 projects, on Line 19 and 27, there are two  
18 different, I guess, projects for distribution  
19 automation - pole top.

20 Can you -- I guess I'm trying to under  
21 understand if this is a specific project, where  
22 you're installing SCADA, why there are two  
23 different work orders for that, or two different  
24 line items?



[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 A (Lajoie) Yes. The first one you mentioned was --  
2 shoot, now I lost it.

3 Q Line 19, on Page 26.

4 A (Lajoie) Yes. So, Line 19, if you look under the  
5 Project ID is "A18DA". The "18" stands for 2018.  
6 So, that was the project for Pole Top  
7 Distribution Automation in the 2018 year. And  
8 then, further down, on Line 27, it's "A19DA".  
9 That was the Pole Top Distribution Automation  
10 project for 2019.

11 In the past, we tried to break it out  
12 by region, and it just got totally unmanageable.  
13 So, we establish a new project every year, '18,  
14 '19. You will, in the next step increase, see  
15 one for 2020, and, in subsequent years, you know,  
16 it will continue on.

17 That makes the project a manageable  
18 size. And we are intending not to run into some  
19 of the paperwork issues that have been pointed  
20 out for some of these other projects. It's a  
21 defined scope project, limited timeframe. And we  
22 hope to not run into the whole issue of  
23 supplementals and so forth.

24 Q So, why is the Project A18DA included in the 2019

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 step increase, and why wasn't it included in the  
2 rate case?

3 A (Lajoie) As mentioned, as part of the discussion  
4 earlier today, or -- and as I talked about this a  
5 few minutes ago, there are a number of work  
6 orders associated with the project. So, the  
7 total project, in Column M, the total project was  
8 \$19 million. The amount that was placed in  
9 service in 2019 was 9.7. So, \$10 million was  
10 included in the rate case; \$9 million is included  
11 in this step increase, because some of those work  
12 order, which were established under the project  
13 in 2018, those devices weren't placed in service  
14 until 2019. So, that's why the charges are part  
15 of this step increase.

16 Q Okay. Thank you. And, if you go all the way  
17 over to the last column, it's coded as "106".  
18 So, does that mean that we may see more in this  
19 project in 2020 in the next step increase?

20 A (Lajoie) Yes. I would -- I believe that there  
21 were still one or two work orders, maybe half a  
22 dozen, that were open under this project, but,  
23 for one reason or another, were not completed in  
24 that timeframe. So, yes. I think that those --

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1           some of those were completed in 2020. So, I  
2           would expect this project will appear as a  
3           carryover project in the 2020 step increase, yes.

4                        I've been working to try and get those  
5           closed out. I'm hoping there would not be any  
6           2018 work orders left over for the 2021 step  
7           increase. But I'm not going to promise that at  
8           this point.

9   Q       Okay. If you go down to the next page, on Line  
10       43, "UCONN Damage Prediction Model Expansion".  
11       Can you tell me what that is?

12   A       (Lajoie) The Company has a contract with the  
13       University of Connecticut to build and model that  
14       looks at predicted weather, wind, temperature, a  
15       number of factors, and, based on that, predict  
16       how severe a storm is going to be when it  
17       impacts. It's actually a program that covers all  
18       three states; each state pays for a portion of  
19       it, but Connecticut, Massachusetts, and New  
20       Hampshire. And it's an attempt to get in  
21       front -- in front of a storm, so we have an idea  
22       of what we could expect for damage.

23                        This has been a program that's been  
24       kind of in place for a while. And they

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 are constantly making revisions to that based on  
2 experience, you know, how bad the storms actually  
3 are, based on the weather conditions and so  
4 forth, and, you know, like I said, refining that  
5 on a continuous basis. This project is to cover  
6 the cost associated with that.

7 I was recently -- I recently asked the  
8 question, and was informed that Plant Accounting  
9 has determined that this is a capitalized --  
10 capitalizable, if that's a word, project. So,  
11 that's why it's included in the capital step  
12 increase.

13 Q Do you have any idea how they determine that,  
14 whether it's capitalizable or not, or anybody  
15 else on the panel?

16 A (Lajoie) I do not.

17 A (Plante) No, me either.

18 A (Menard) I can address it. It's software. So,  
19 we have a policy related to software  
20 capitalization, if it meets certain criteria and  
21 certain dollar thresholds, over 100,000, I  
22 believe, subject to check. So, it meets those  
23 thresholds. Plus, it's new, and it's expanding,  
24 and it's providing new functionality.

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 Q Thank you. So, can we expect to see more work  
2 order charges to this account every year, because  
3 Mr. Lajoie said they improve it every year, and  
4 is it in the same order of magnitude every year?

5 A (Menard) I think we would typically open up a new  
6 project, if there was additional work to be done.  
7 This was something that had been pondered for a  
8 couple of years before it was determined to move  
9 forward.

10 Q Okay. Let's go to Line 46, the "New Hampshire  
11 Annual Meter Project for 2019". Are those new  
12 AMR meters that you installed in 2019?

13 A (Menard) Which one are we talking about?

14 Q Bates Page 028, Line 46.

15 A (Menard) Forty-six.

16 Q Oh, sorry, Bates Page 027.

17 A (Menard) Line 46?

18 Q Yes.

19 A (Lajoie) I think that is --

20 Q Yes.

21 *[Court reporter interruption relating*  
22 *to Witness Lajoie's answer.]*

23 **BY THE WITNESS:**

24 A (Lajoie) Just letting Ms. Menard know that the

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 project is "NHMTR19", "New Hampshire Annual Meter  
2 Project for 2019".

3 A (Menard) Okay. I don't know why I'm not finding  
4 it. But, so, in general, these are -- this  
5 project captures meter purchases. And they would  
6 be for new AMR meters, yes, because that's the  
7 standard being purchased.

8 BY CMSR. BAILEY:

9 Q So, in the rate case portion of this docket, we  
10 talked about AMR metering, and how they would be  
11 depreciated -- the fleet of AMR meters would be  
12 depreciated over the next nine years. And I  
13 think that maybe you or somebody else told me  
14 that you started installing AMR meters in 2014.  
15 So, they have already been depreciated for six  
16 years, and another nine years, and those will be  
17 depreciated over fourteen years. But these new  
18 ones that you're putting in in 2019 are going to  
19 be depreciated just in nine years? Is that --  
20 can you help me understand that? And is that  
21 still a good decision?

22 A (Menard) If I recall, and I'd have to go back and  
23 check, the nine-year depreciation was for the  
24 population of meters that was in the initial

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 batch of installs. These would be -- and so,  
2 that group of meters, I believe, was going to be  
3 identified and depreciated over the remaining  
4 life over a nine-year period.

5 The Company still needs to replenish  
6 and install new meters. And I don't believe, but  
7 subject to check, I believe these new meters  
8 would depreciate according to the normal  
9 depreciation life. But I'd have to go back.

10 Yes, I think there was, as part of the  
11 rate case, this was still an open item that we  
12 needed to investigate further. And we could  
13 certainly review this, in terms of the new meters  
14 that are installed.

15 Q And do you know or does anybody know if the  
16 Company is thinking about purchasing a different  
17 kind of meter, that they know will be necessary  
18 for the future, rather than continuing to invest  
19 in these AMR meters that are limited?

20 A (Menard) I don't know that answer right now.

21 A (Lajoie) I'm not aware of that answer either.

22 Q Okay. Can we go to the next page? So, that will  
23 be Bates Page 28, in red numbers. Line 11,  
24 "Joint Poles Purchase & Sale". Can you tell me

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 what that's about?

2 A (Lajoie) The Company is joint owner of  
3 distribution roadside poles with communication  
4 companies, as you're aware. This project covers  
5 the purchase and sale of ownership in those  
6 poles.

7 So, if the phone company were to go  
8 through and place a bunch of new poles that we  
9 want to attach to, we would purchase ownership in  
10 the poles and it would get charged to this  
11 number. If we install poles that the phone  
12 company wants to attach to, they purchase  
13 interest, and it gets credited to this account.  
14 It's a net.

15 Q Okay. So, "sale" means, if you sell half the  
16 pole or half the ownership to the phone company,  
17 it gets credited to this account?

18 A (Lajoie) Yes. That's correct.

19 Q Thank you. Okay. So, the next line, what is  
20 "Cable TV Project Annual Program"? What's that  
21 about?

22 A (Lajoie) That project is for when cable TV  
23 companies request to attach to a pole, and we  
24 need to do work to accommodate that attachment,



[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1           replace a pole, relocate facilities and so forth,  
2           any capital work associated with that gets  
3           charged to this.

4                        So, there has been a number of large  
5           instances recently of Comcast coming into towns,  
6           but we set up separate projects to track those.  
7           This is more the day-to-day, you know, the cable  
8           TV wants to run down a street that they never  
9           had -- they never had cable on before. And we go  
10          down and survey that street, and determine that X  
11          number of poles need to be replaced, because  
12          there's not sufficient space on that pole today.  
13          Any of those poles that do not meet current  
14          National Electric Safety Code requirements in  
15          order to allow that to attach, we have to go  
16          through and replace them, and that gets charged  
17          to this project.

18                       If the pole meets National Electric  
19          Safety Code, and it needs to be replaced or  
20          attachments need to be raised or lowered to  
21          accommodate the new attachment, but it meets  
22          Safety Code today, the cable company would pay  
23          for that installation.

24          Q        So, I just want to be clear on this. I think I

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 heard you say that, if the pole does not meet the  
2 National Electrical Safety Code, and Comcast  
3 wants to attach, then you replace the pole. But,  
4 if it meets the National Electrical Safety Code,  
5 but there isn't room for another attacher, and  
6 you have to replace the pole, then Comcast would  
7 pay for that. Is that right?

8 A (Lajoie) Yes. That's correct. In either case,  
9 we would be replacing the pole. In one case,  
10 it's our cost; in the other case, it's Comcast's  
11 cost. Yes.

12 Q So, the only costs included here are to replace  
13 poles that currently do not meet the National  
14 Electrical Safety Code?

15 A (Lajoie) Yes, I would say that's correct. Yes.

16 Q Then, why does this have anything to do with  
17 cable TV? I mean, if you discover a pole that  
18 didn't meet code, wouldn't you replace it?

19 A (Lajoie) If we discover a pole of our own, you  
20 know, survey that does not meet National Electric  
21 Safety Code, yes, we would replace it. But the  
22 surveys to accommodate cable TV are something  
23 that's done on a reasonably regular basis as they  
24 request attachments to poles.

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1           We do go out and inspect poles on a  
2           ten-year basis. And, if we discover something  
3           that the pole doesn't meet National Electric  
4           Safety Code, you know, we go ahead and replace  
5           it, like I said, that would get charged to  
6           something else.

7           But these surveys happen on a much more  
8           regular basis, where Comcast or a third party  
9           requests to attach to a pole, that's a much more  
10          common occurrence than even the, you know, once  
11          every ten years inspecting poles, to make sure  
12          that there's no obvious Safety Code violation.

13          Many of the violations we find as part  
14          of our own inspection, by the way, don't require  
15          replacing the poles. It's more minor things of  
16          adding a fiberglass strain to the guy, to make  
17          sure that the insulation level is maintained at  
18          the top of the pole and that type of thing. It  
19          generally doesn't require replacing a pole, the  
20          items that we find. So, unless somebody has  
21          attached unauthorized, and jammed their equipment  
22          in, encroaching on the neutral space between  
23          communication and power, like I said, unless they  
24          have done that, chances are we won't have to

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1           replace the pole. It's just a matter of  
2           reordering things, reorganizing things, or adding  
3           a small piece of equipment, like that fiberglass  
4           guy strain.

5   Q       Do you know about how many poles \$175,000  
6           represents?

7   A       (Lajoie) I don't. We've been generally in the  
8           neighborhood of, I believe, 6 to \$9,000 to  
9           replace a pole. So, sorry, my math skills are  
10          lacking, but --

11   Q       Okay. Okay. So, then, the next line item that I  
12          want to talk about is the Line 27, "National  
13          Electrical Safety Code Patrol/Repair O&M  
14          Expense". Can you tell me what that's about?

15   A       (Lajoie) That's exactly the project that you were  
16          referring to earlier, where we discover poles of  
17          our own free will, if you will, that do not meet  
18          National Electric Safety Code. A patrol that  
19          we're doing at our own -- of our own free will,  
20          not at somebody else's request, I guess. We do a  
21          patrol and determine that there are poles that  
22          need to be replaced or whatever, in order to meet  
23          National Electric Safety Code. So, that's where  
24          this comes in.

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 Q So, do the employees who go out and review the  
2 poles, does their labor expense get charged to  
3 this project?

4 A (Lajoie) No. The patrols themselves do not get  
5 charged to this. That's an O&M item that gets  
6 funded separately.

7 Q Okay. Thanks. All right. Skipping down a few  
8 lines, what's "Private Work", Line 30?

9 A (Lajoie) In general, "Private Work" is work that  
10 we do for our customers, you know, the high  
11 voltage work, for example, for our large power  
12 customers. Most of the time, that's 100 percent  
13 reimbursed. There is a small charge in here. I  
14 don't know the details of that \$3,700. But my  
15 expectation is, we went out to do some work for a  
16 private outfit, and determined that we had to do  
17 something on our asset that was charged to this.  
18 I would have to investigate exactly where that  
19 money -- what that money paid for. But that's,  
20 in general, what the "private work" is all about.

21 Again, I hate to make supposition, but  
22 it could also be that we did private work for  
23 somebody, and then they never actually paid for  
24 it. I don't know. That's -- I shouldn't have

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 even said that. That's total supposition. I  
2 have no idea. And I would have to see if I can  
3 find out if that's the case.

4 Q Yes. I mean, I would like you to confirm that  
5 you didn't do private work for somebody and you  
6 didn't get paid, and you're putting it in rate  
7 base, because I don't know that that's  
8 appropriate.

9 A (Lajoie) Sorry. I shouldn't have opened my  
10 mouth. That was totally off-the-cuff. And, yes,  
11 I'll find out what that \$3,700 is, yes.

12 MR. FOSSUM: Just so I am clear, are we  
13 taking that as a record request?

14 CMSR. BAILEY: Yes, I guess. Yes  
15 please.

16 *(Record request made.)*

17 BY CMSR. BAILEY:

18 Q Okay. Let's go to Line 34, "New Hampshire  
19 Vehicle Purchases for Distribution". What kind  
20 of vehicles does that include?

21 A (Lajoie) I believe that includes any vehicle in  
22 our fleet. So, it could be anything from a  
23 pickup truck, to a small van used by our meter  
24 people, or bucket trucks used by our line crews.

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 Q Do you know how long you keep those trucks?

2 A (Lajoie) I know it varies by the class of  
3 vehicle. But I don't have the answer as to how  
4 long we keep any one particular class of vehicle.  
5 The small vehicles, pickup trucks and that stuff,  
6 replacement is typically based on mileage, and  
7 it's something over 100,000 miles, and we start  
8 looking to replace them. The larger vehicles,  
9 the bucket trucks and bigger trucks and so forth,  
10 I know it's -- I don't know what the answer is as  
11 to how often they're replaced.

12 Q Can anybody explain to me the theory about why  
13 you get a return on investment in small vehicles?

14 A (Lajoie) I don't have the answer to that.

15 CMSR. BAILEY: Maybe your lawyer can do  
16 that in closing, I don't know.

17 BY CMSR. BAILEY:

18 Q Okay. So, it looks like, in Column H, an annual  
19 authorization for vehicles is \$7.4 million. So,  
20 every four years you add a new \$7.4 million --  
21 well, every year you added -- every year you  
22 could add up to \$7.4 million, and replace those  
23 investments in four years?

24 A (Lajoie) Yes. The authorization, I agree, was

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 7.4 million. I guess your statement is correct.

2 It is possible that that could happen, yes.

3 Q Okay. The next highlight I had was on "Insurance  
4 Claims", and I know we talked about that, but I  
5 think I had a follow-up question.

6 Oh, yes. I think somebody testified,  
7 and I'm sorry I don't remember who it was, that  
8 you include \$1.7 million for insurance claims in  
9 full, in rate base, subject to audit. What  
10 happens if Audit determines that it shouldn't  
11 have been included or some portion of that should  
12 not have been included in rate base? Is that  
13 reconcilable? And how does that happen?

14 A (Menard) I would assume, and I'm sort of making  
15 up the rules here, because this is the first step  
16 that we have been through in a while, but I would  
17 assume that, if there is anything that comes out  
18 of Audit, that we would agree to have some sort  
19 of reconciliation. My guess would be it could be  
20 included in the next step as a reconciliation, or  
21 we could -- yes, that's probably the cleanest,  
22 but, you know, we could find some other approach,  
23 too, if we needed to.

24 Q So, this account is kept open so that you can, if



[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1           you receive insurance money, you can credit this  
2           account? Is that how it works?

3    A       (Menard) No. We credit the work order upon  
4           billing the damager. So, it's an immediate  
5           credit for the full amount. Separately, there's  
6           a process to go after obtaining that money, that  
7           actual reimbursement. And, so, the Insurance  
8           Department at Eversource would work with either  
9           the damager's insurance company or the damager  
10          themselves to find a way to retrieve that money  
11          in full.

12                        There are times when that money is not  
13          retrieved in full, you know, and it could go to a  
14          collection agency, so we could get a partial  
15          payment. But the collection of the actual  
16          dollars doesn't impact the plant-in-service  
17          amount, it would impact the receivables.

18    Q       Okay. Thanks. Mr. Lajoie, you testified that "a  
19           significant number of projects were in the rate  
20           case and a significant number of projects are in  
21           the step increases." Would you say that the  
22           number of projects included in the test year and  
23           the number of projects included in this step  
24           increase are above the norm?

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 A (Lajoie) No. I think it's a normal, for  
2 Eversource, a normal number of projects in the  
3 test year and in this step increase, and will --  
4 I would expect will be in the next step increase.  
5 There isn't a huge swing. I just -- the reason  
6 for the adjective "significant" was I was making  
7 sure that it was understood that, you know,  
8 perhaps other utilities in the state with a  
9 smaller footprint may have fewer projects that  
10 are reviewed as part of the rate increase and as  
11 part of any step increases -- or, rate case and  
12 associated step increases and so forth. That was  
13 my only reason for the use of the word.

14 Q Okay. Thanks. I think this might be Mr. Plante,  
15 but it could be you, Mr. Lajoie. When you were  
16 talking about replacing the transformers from  
17 34kV -- they were 34kV to 4kV, and you replaced  
18 them with 34kV to 12kV in that first big project  
19 that we talked about. And somebody said "it  
20 exceeded TFRAT thresholds". And I don't know  
21 what "TFRAT" means?

22 A (Plante) Yes. Oh.

23 A (Lajoie) I probably can address this, if you'd  
24 like. "TFRAT" is a program that was developed

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1           many, many years ago internally to PSNH, which  
2           looks at the load cycle for a transformer, so,  
3           you know, loads low at night, it increases during  
4           the day, and has some variation. And then, it  
5           looks at the test reports for that transformer  
6           from the manufacturer, and determines how high  
7           can you actually load it. "TFRAT" stands for  
8           "Transformer Rating". And it basically allows  
9           you to load the transformer higher than nameplate  
10          without causing significant loss of life to the  
11          transformer, based on the test reports and the  
12          load curve.

13                        It was established -- it was -- the  
14          program was based on the ANSI guidelines that are  
15          published for power transformers. The program  
16          itself was developed back in the late '70s/early  
17          '80s. It was actually run on a mainframe. And  
18          that's the -- we retained the acronym, even  
19          though the program itself has long since been  
20          retired.

21    A       (Plante) Thanks, Lee.

22                        CMSR. BAILEY: Okay. Thank you.

23                        That's all I have.

24                        CHAIRWOMAN MARTIN: Let's go off the

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 record for a second.

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

4 CHAIRWOMAN MARTIN: Back on the record.  
5 Most of the projects I was interested in have  
6 been addressed. And I did want to say thank you  
7 for walking through the format in detail. It was  
8 very helpful from both Staff and the Company.

9 BY CHAIRWOMAN MARTIN:

10 Q I had a question on the "Reject Pole  
11 Replacement". I'm not sure if that's just the  
12 obvious, but if you could explain to me what that  
13 is? It's Exhibit 59, Bates 028.

14 A (Lajoie) As I had mentioned, in response to  
15 Commissioner Bailey, the Company does inspect all  
16 its distribution poles on a ten-year cycle. The  
17 point of that is to check for decay in the pole.  
18 Ground line inspection, they use various methods  
19 to determine how much of the original diameter of  
20 the pole is still intact and how much is decay  
21 due to rot or insects or other outside  
22 influences.

23 So, if a pole is rejected as part of  
24 this inspection, it gets replaced. And the work

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 to do that gets charged to this project. It's a  
2 result of that inspection process.

3 Q Okay. Thank you. "Cafe Renovations", Exhibit  
4 59, Bates Page 029. What is that project? It  
5 was a carryover project?

6 A (Menard) This is a facilities-related project at  
7 our facility in Manchester, to renovate the  
8 cafeteria area.

9 Q Okay. Thank you. I assumed it was something  
10 like that, but I wasn't sure.

11 And, for Mr. Plante, in your initial  
12 testimony, you described the West Rye Project  
13 process, and how the costs -- the estimates did  
14 not line up with the ultimate cost. Is there a  
15 point in that process where the Company weighs  
16 whether to proceed as the estimates don't line up  
17 with the costs? And how does that work?

18 A (Plante) Yes. So, we do have a monthly review  
19 process where we talk about the status of all of  
20 our capital work and what the forecasts are  
21 doing, and look for concurrence to continue to  
22 proceed. And that process was in effect when we  
23 were executing this West Rye Project.

24 We have since kind of modified the

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 approach to authorizing projects, such that the  
2 incremental knowledge that we gain, as we proceed  
3 through the various steps of the design and  
4 permitting of a project, allows us the  
5 opportunity to get through a larger proportion of  
6 the engineering before we actually sanction the  
7 project for procurement and construction.

8 That's kind of one of the learnings  
9 that we can take away from some of these projects  
10 that we started, you know, five, six years ago,  
11 and experienced cost growth from a number that  
12 was, you know, originally kind of perceived to  
13 be, you know, a full project cost, but wasn't  
14 really based on a lot of detail. Now, we're in a  
15 better position to get much better detail before  
16 we build the full project estimate and get a full  
17 project sanctioning for construction.

18 CHAIRWOMAN MARTIN: Mr. Plante, can we  
19 pause for a minute? Looks like we lost Mr.  
20 Buckley for a moment.

21 Mr. Buckley, welcome back. Did you  
22 miss -- what did you miss, if anything? Do we  
23 need to go back?

24 MR. BUCKLEY: I only missed maybe 15 to

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 20 seconds. So, I assume probably we don't need  
2 to go back.

3 CHAIRWOMAN MARTIN: We were talking  
4 about the new and improved process for utilizing,  
5 what did you call it, information gained, and  
6 making sure that the procurement takes place at a  
7 slightly later stage. So, I think that answers  
8 my question and addresses the concern that I was  
9 having related to your testimony.

10 And I think that is all the questions  
11 that I had left. So, Mr. Fossum, if you have  
12 redirect, you can go ahead now?

13 MR. FOSSUM: I think I just have one,  
14 I've got to flip through. Just one question, I  
15 think for Ms. Menard probably.

16 **REDIRECT EXAMINATION**

17 BY MR. FOSSUM:

18 Q There was a question from Commissioner Bailey  
19 about continuing investment in AMR meters. Do  
20 you remember that question?

21 A (Menard) Yes, I do.

22 Q As part of the Settlement Agreement in the rate  
23 case, do you recall a provision about an  
24 "advanced metering feasibility study"?

[WITNESS PANEL: Lajoie|Plante|Menard|Ullram]

1 A (Menard) Yes.

2 Q Would it be fair to say that the results of that  
3 study would be part of any decision about how AMR  
4 meters would be handled in the future?

5 A (Menard) Yes.

6 MR. FOSSUM: Thank you. That's what I  
7 have.

8 CHAIRWOMAN MARTIN: Okay. Anything  
9 else, before we go to closings?

10 CMSR. BAILEY: Madam Chair?

11 CHAIRWOMAN MARTIN: Yes. Commissioner  
12 Bailey.

13 CMSR. BAILEY: I've been thinking about  
14 whether we need to do a record request on the  
15 "private work" question. And I don't think we  
16 need that to make our decision. I would like to  
17 get the answer to that question, maybe through  
18 Staff. And, if there's an issue with it, then we  
19 could probably reconcile it in the next step  
20 adjustment.

21 So, I don't know how you feel, but I  
22 don't think we need to make that a record  
23 request.

24 CHAIRWOMAN MARTIN: Any responses? Mr.



1 Buckley.

2 MR. BUCKLEY: Along those same lines of  
3 issues that maybe aren't necessary for an order  
4 in this proceeding, but would be helpful to  
5 communicate at least to Staff about, there was  
6 the inquiry from Commissioner Bailey about the  
7 accounting treatment of the AMR meters installed  
8 in 2019. That could be given the same treatment  
9 as what was just suggested.

10 CHAIRWOMAN MARTIN: Mr. Fossum, do you  
11 have a response to -- or, an objection to  
12 proceeding in that fashion, with regard to those  
13 two issues?

14 MR. FOSSUM: I do not -- sorry. No. I  
15 think, as I understand it, the idea is basically  
16 that, you know, effectively, we would provide  
17 information about a couple of items that are on  
18 the spreadsheet that we've provided, that we  
19 would provide, you know, backup and detailed  
20 information on those items to the Staff.

21 Presuming I understand that correctly,  
22 I don't see why we would have any issue doing  
23 that.

24 CHAIRWOMAN MARTIN: Commissioner

1 Bailey, is that consistent with what you were  
2 looking for?

3 CMSR. BAILEY: Yes. I might want -- I  
4 might want to look at the answers. Is there  
5 anything preventing me from doing that, if it's  
6 provided to Staff? But it wouldn't be used in  
7 the decision for this record.

8 And I also am interested in the  
9 accounting treatment for the AMR meters. So, I  
10 would like to see that as well.

11 MR. FOSSUM: I can say that we will  
12 work to provide that information. I hesitate to  
13 say that we would do it on a specific timetable,  
14 but we will provide it. And my understanding is  
15 that, if we provided it to the Staff, that the  
16 Commissioners are free to review that information  
17 as well.

18 CHAIRWOMAN MARTIN: Okay. Then, we  
19 will proceed without the record request.

20 And we need to strike the ID on Exhibit  
21 59, and admit that as a full exhibit. Exhibit 60  
22 and 61 were admitted earlier in the proceeding.

23 Okay. With that, we can move on to  
24 closing arguments. Mr. Coffman, were you

1 planning to make a closing argument?

2 MR. COFFMAN: No. We did not  
3 investigate these, the invoices and the data for  
4 these additional inputs. But we would throw our  
5 support behind OA -- the Office of Consumer  
6 Advocate, which has done a good job on that. So,  
7 we'll support their position.

8 That's all.

9 CHAIRWOMAN MARTIN: Okay. Thank you.  
10 All right. Mr. Buckley.

11 MR. BUCKLEY: Thank you, Madam Chair.

12 The Staff has conducted an extensive  
13 and detailed review of the accuracy of the  
14 proposed rates as filed, and of the projects the  
15 Company has requested for recovery in the instant  
16 proceeding. While we appreciate the level of  
17 effort the Company puts into planning and  
18 management over these projects, we continue to  
19 have a degree of concern about project planning,  
20 a project planning horizon which the Company  
21 today suggests only extends out approximately 24  
22 months for specific projects, project management,  
23 cost control, documentation, and the format in  
24 which these projects are provided to the

1 Commission for review, it is our expectation that  
2 the business process audit recommendations and  
3 related templates will remedy these concerns and  
4 possible deficiencies in future projects and  
5 requests for cost recovery.

6 Subject, of course, to the \$276,000 or  
7 so revision identified in TS-004, and discussed  
8 already today, we view the projects requested for  
9 recovery in the step increase, and the associated  
10 Petition, as used and useful, their costs as  
11 prudently incurred, and the rates proposed as  
12 just and reasonable, and recommend their approval  
13 by the Commission.

14 CHAIRWOMAN MARTIN: Okay. Mr. Fossum.

15 MR. FOSSUM: Thank you.

16 I don't know that I have a whole lot to  
17 say beyond what Mr. Buckley has just so very  
18 eloquently said.

19 We likewise believe that the projects  
20 that are the subject of this step adjustment are  
21 used and useful, they were prudently incurred,  
22 and their costs are reasonable. The rates coming  
23 from them we likewise believe are just and  
24 reasonable and in the public interest, and ought

1 to be approved.

2 With respect to the various issues that  
3 the Staff has raised on project management and  
4 costs and documentation, as the Commissioners are  
5 well aware, this isn't a new issue that cropped  
6 up only in this step adjustment. This has been  
7 something that has been discussed at some length  
8 over the last, effectively, year and a half while  
9 the rate case has been ongoing. We very much  
10 agree that the business process audit would be a  
11 useful tool in ensuring that the Company, the  
12 Staff, and others, will have a common  
13 understanding of what is done and how it is done,  
14 and what the expectations are and ought to be.  
15 So, to that end, we do support that business  
16 process audit, the template.

17 As well as we are likewise generally  
18 very much in favor of improving our processes  
19 overall, whether through this business process  
20 audit or otherwise. And we will continue to work  
21 with the Staff of the Commission and others as we  
22 go forward.

23 For purposes of this hearing and this  
24 item, I'll just reiterate that we believe both

1 the projects and rates are just and reasonable,  
2 and we would ask them to be approved as they have  
3 been submitted.

4 Thank you.

5 CHAIRWOMAN MARTIN: Okay. Thank you,  
6 everyone.

7 With that, we'll close the record.  
8 Take this matter under advisement and issue an  
9 order. We are adjourned for today. Have a good  
10 day.

11 ***(Whereupon the hearing was adjourned***  
12 ***at 1:00 p.m.)***

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