STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. DE 19-064

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities
Distribution Service Rate Case

DIRECT TESTIMONY

OF

ANTHONY STRABONE

AND

HEATHER M. TEBBETTS

May 26, 2020

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TABLE OF CONTENTS

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I. INTRODUCTION AND BACKGROUND

Q. Mr. Strabone, please introduce yourself.

A. My name is Anthony Strabone, my business address is 9 Lowell Road, Salem, New Hampshire, and I am employed by Liberty Utilities Service Corp. ("Liberty"). I am the Manager of Electrical Engineering for Liberty and I am responsible for the electric capital work plan whereby I manage engineering and construction resources for capital projects.

Q. Please describe your educational background and training.

A. I graduated from Merrimack College in 2004 with a Bachelor of Science degree in Electrical Engineering. I received a Master's of Business Administration from Southern New Hampshire University in 2006. I received a Project Management Professional (PMP) Certification in 2017 from the Project Management Institute. In 2019, I received my license as a Professional Engineer in the State of New Hampshire.

Q. Please describe your professional background.

A. I joined Liberty in November 2014. Prior to my employment at Liberty, I was employed by PSNH as a Substation Supervisor in Substation Maintenance from 2010 to 2014. Prior to my position in Substation Maintenance, I was a Substation Engineer in Substation Engineering from 2008 to 2010 and an Engineer in the System and Planning Strategy department from 2004 to 2008.

Q. Have you previously testified before the Commission?

A. Yes, I presented direct and rebuttal testimony in this docket, and I testified in support of the Company's 2019 step adjustment in Docket No. DE 16-383.

Q. Ms. Tebbetts, please state your full name, business address, and position.

A. My name is Heather M. Tebbetts, my business address is 15 Buttrick Road, Londonderry, New Hampshire, and I am employed by Liberty Utilities Service Corp. I am Manager of Rates and Regulatory Affairs and am responsible for providing rate-related services for the Company.

Q. Please describe your educational background and training.

A. I graduated from Franklin Pierce University in 2004 with a Bachelor of Science degree in Finance. I received a Master's of Business Administration from Southern New Hampshire University in 2007.

Q. Please describe your professional background.

A. I joined Liberty in October 2014. Prior to my employment at Liberty, I was employed by Public Service Company of New Hampshire ("PSNH") as a Senior Analyst in NH Revenue Requirements from 2010 to 2014. Prior to my position in NH Revenue Requirements, I was a Staff Accountant in PSNH's Property Tax group from 2007 to 2010 and a Customer Service Representative III in PSNH's Customer Service Department from 2004 to 2007.

Q. Have you previously testified before the Commission?

A. Yes, I have testified on numerous occasions before the Commission, including direct and rebuttal testimony in this docket.

II. PURPOSE OF TESTIMONY

Q. What is the purpose or your testimony?

A. The purpose of the testimony is to request an increase in distribution rates, to be effective July 1, 2020, as provided in Section B of the Settlement Agreement filed on May 25, 2020, in this docket. This is the first requested step increase referenced in the Settlement Agreement and pertains to certain projects placed in service during calendar year 2019.

III. CAPITAL PROJECTS

Q. Please explain each project for which the Company is seeking to commence cost recovery in this first step increase, as provided for in the Settlement Agreement.

A. The Company seeks approval to commence cost recovery for each of the capital projects discussed below that were placed in service during 2019. The breakdown of budget and spending by year is provided on page 1 of each of Attachments 2 through 13.

Q. Before discussing the details of each project, please explain why the proposed requests for cost recovery for each project may differ from the figures on in the respective project close out forms.

A. Project close out forms are completed on an annual basis and, therefore, address only the spending for that particular project for that calendar year. When a project incurs costs

during more than one calendar year, its costs will be reflected in more than one project close out form.

This annual process occurs because, each year, all ongoing projects receive a new project number using the Company's established naming convention. For example, a project opened in 2019 and named "8830[1]-19xx XYZ Substation" will receive a new project number in 2020 of "8830-20xx XYZ Substation" for that same substation project. Each year the Company will prepare a project close out form for every open project number that addresses all costs incurred during that calendar year, until a project is completed and put into service. Then, when calculating the full cost of a project to support a request for recovery, the Company will draw from each of the applicable annual close out forms.

Therefore, the total amount reflected in a single year's project close out form may not match the amount for which the Company ultimately seeks recovery.

"Blanket" projects follow the same logic. A blanket project number is used for a task that the Company routinely performs every year, such as Meter Replacements, or Public Requirements (work requested by municipalities and the state each year to, for example, move poles and wires for road widening projects). Rather than having a separate project number for every one of these municipal and state projects (there are often hundreds), there is a Public Requirements Blanket project number to cover all such jobs, and each

[1] The "8830" prefix identifies the project as a Granite State Electric matter within the Company's accounting system. "8840" indicates an EnergyNorth project.

specific job within that blanket will be issued a "work order" number, the costs for which will roll up into the overall Public Requirements Blanket project number.

Some of the specific tasks, or "work orders" in the Company's vernacular, are not completed and placed into service in a single calendar year. Those work orders will incur costs during their first calendar year, but since they are not complete and placed into service during that first calendar year, they will incur additional costs in subsequent calendar years. The spending for that specific work order will thus be reflected in the appropriate blanket project's close out forms for each calendar year during which the specific work order incurred costs.

Similar to the substation project example above, when a multi-year work order operating under a blanket project number is placed into service, its costs are summed from each of the applicable blanket project's annual close out forms, and that total is the amount for which the Company will seek recovery.

Q. Attachment 1, page 2 has a column titled Total Spend. Please explain what is populated in this column.

A. As noted above, not all work orders taken out under project numbers go in to service in that same year they are started. In this proceeding, the Company is seeking cost recovery for capital projects that went in to service in 2019 under the listed project numbers in Attachment 1, page 2. Some of these project numbers have actual spending of less than the budget amounts provided in the description of each project below and on page 1 of each project's backup documentation, Attachments 2 through 13. Those projects had

work orders that started in prior years, but did not go in to service until 2019. The spending for those prior years was captured in the business cases, change order forms if necessary, and prior year project close out forms. Any spending for those work orders in 2019 is captured in the 2019 business cases, change order forms if necessary, and project close out forms. Supporting information for all years of spending for the capital projects covered in this testimony was provided to the Commission's Audit Staff for review.

Q. Please explain blanket projects.

A. As discussed above, blanket projects are those "projects" that have numerous "work orders" taken out for smaller jobs, sometimes hundreds of them. These charges come, for example, from requests from municipalities for jobs such as relocating poles for road widening (Public Requirements Blanket), and from damage to equipment (Damage Failure Blanket) that are unknown until the request arrives at the Company or the equipment fails. Each year the Company looks at spending from previous years to determine an appropriate spending amount, or budget, for these blankets. For example, in 2017 and 2018, the final spending for the Public Requirements Blanket was $414,432 and $441,939, respectively. The 2019 budget was set at $520,000, above the spending for the previous two years, yet the total charges for 2019 came in at $668,186. These are difficult budgets to create due to the unknown quantity and cost of those requests when the budget is created and approved. Also, the Company cannot elect to defer these requests due to their nature, as we may do with other types of work orders such as replacing conductor for reliability (Enhanced Bare Conductor project).

Q. Please describe the particular projects for which the Company seeks recover in this first step adjustment.

A. Following are the 12 projects for which the Company seeks to commence cost recovery:

1. 8830-1911 Public Requirements Blanket

The Public Requirements Blanket provides funding for projects that arise during the year in response to requests from municipalities and the State of New Hampshire to relocate the Company's poles, associated equipment on the poles, and guy wires to accommodate various state and municipal projects, such as road widening projects. Depending on the scope of the job, Liberty crews or contractors may perform the work. For work requiring contractors, the Company engages in a competitive bid process, the bids are analyzed for price, timeline, and qualifications of the contractors, and the Company awards the project to the bidder with the best solution, in which, all things being equal, price is usually the deciding factor.

The total cost recovery request for project 8830-1911 is $431,329. Please see the table below for the breakdown of the budget and actual spend for work orders in service in 2019.

Year	Total Budget	Total Spend	Total Spend - 2019 In Service WO	Request for Cost Recovery
(a)	(b)	(c)	(d)	(e)
2017	$387,000	$414,432	$1,336	$1,336
2018	$725,000	$441,939	$16,725	$16,725
2019	$520,000	$668,186	$413,268	$413,268
		Total	$431,329	$431,329

(b) Approved budget for all work orders under this project for that calendar year

(c) Final amount spent in calendar year for all work orders

(d) Total amount spent only for work orders in service in 2019. Some work orders may span multiple years, thus multiple years of spending is shown. WO denotes "work orders"

(e) Amount Company is requesting for cost recovery. This request is *only* for projects in service in 2019.

For mandated projects such as these public requirement projects, the Company's Liberty Way Policy & Procedures Capital Expenditures Planning and Management document does not require a business case and, as such, only a capital expenditure form is provided, along with the change order and project close out forms. Page 1 of Attachment 2 provides the breakdown by cost element of the project. The internal costs on the project close out form are captured in the cost of construction and as such the total Internal Costs are shown as zero. The 2017 costs shown on page 1 in column Total Spend are engineering charges for the projects that went in to service in 2019. The 2018 costs shown on page 1 in column Total Spend are construction costs associated with projects that did not go into service until 2019. Projects that were placed in service in 2017 and 2018 are not included in the Total Spend column, although they are included in the Total Budget column.

The blanket is funded to address relocation of electrical equipment per the request of municipalities and the New Hampshire Department of Transportation. The spending in excess of the budgeted amount for this project was driven by higher than estimated

burdens (overhead) applied to the project. Burdens are applied ratably to projects on a monthly basis to each open job for which charges were incurred in the particular month.

2. 8830-1912 Damage Failure Blanket

The purpose of the Damage Failure Blanket is to provide funding to repair damage to the Company's equipment arising from unplanned, but regularly occurring, instances such as lightning strikes, animal contacts, and motor vehicle accidents. Depending on the scope of the job, Liberty crews or contractors may perform the work. For work requiring contractors, the Company engages in a competitive bid process, the bids are analyzed for price, timeline, and qualifications of the contractors, and the Company awards the project to the bidder with the best solution, in which, all things being equal, price is usually the deciding factor.

The total request for cost recovery for project 8830-1912 is $1,184,186. Please see the table below for the breakdown of the budget and actual spend for work orders placed in service in 2019.

Year	Total Budget	Total Spend	Total Spend - 2019 In Service WO	Request for Cost Recovery
(a)	(b)	(c)	(d)	(e)
2017	$800,000	$1,111,529	$17,193	$17,193
2018	$800,000	$364,069	$72,465	$72,465
2019	$700,000	$1,128,495	$1,094,527	$1,094,527
		Total	$1,184,186	$1,184,186

(b) Approved budget for all work orders under this project for that calendar year
(c) Final amount spent in calendar year for all work orders
(d) Total amount spent only for work orders in service in 2019. Some work orders may span multiple years, thus multiple years of spending is shown. WO denotes "work orders"
(e) Amount Company is requesting for cost recovery. This request is *only* for projects in service in 2019.

For mandated projects such as these damage failures, the Company's Liberty Way Policy & Procedures Capital Expenditures Planning and Management document does not require a business case and, as such, only a capital expenditure form is provided, along with the change order and project close out forms. Page 1 of Attachment 3 provides the breakdown by cost element of the project. The internal costs on the project close out form are captured in the cost of construction and thus the total Internal Costs are shown as zero. The 2017 costs shown on page 1 in column Total Spend are engineering charges for the projects that went into service in 2019. The 2018 costs shown on page 1 in column Total Spend are construction costs associated with projects that went into service in 2019. Projects that went in service in 2017 and 2018 are not included in the Total Spend column, although they are included in the Total Budget column.

The additional spending in 2019 for this project is driven by two factors. The first contributing factor is a carryover of $32,281.08 associated with labor, burdens, and materials from jobs started in 2018 but not completed until 2019. The second contributing factor is a higher than estimated burden rate as provided in the Change Order Form.

3. 8830-C18620 Charlestown DSub and 8830-C18630 Charlestown DLine

The 2019 charges for the Charelestown DSub and DLine projects involved removal of assets at the Charlestown substation. The items removed consisted of a station transformer, recloser, disconnect switches, foundations, and supporting structures. The majority of the "charges" in 2018 and 2019 are material returns (i.e., credits) and

associated burden reimbursements to the projects, thus there are no business cases or project close out forms.

The total for projects 8830-C18620 and 8830-C18630 is a credit of ($92,766) as shown in Attachment 4.

4. 8830-1929 Walk In Center Relocation Salem

The Company relocated the Salem walk in center from 9 Lowell Road, Salem, to a central location on Main Street in Salem to better support customers and to make more office space available at 9 Lowell Road. The location change also reduced the safety risks of customers entering and leaving the working electric yard at 9 Lowell Road, which includes large equipment and trucks moving in and out at the same time the walk in center was open.

The total for project 8830-1929 is $567,737 as shown in Attachment 5. The total budget was $300,000. The project costs increased due to an increased scope that required additional changes to incorporate a conference room build out, furnishings, and conference room audio/video equipment, as provided in the Change Order Form. Since the walls were opened for construction, it was prudent to install the audio/video equipment and make these changes at this time, rather than after construction was completed, which would have created additional unnecessary costs.

5. 8830-1944 Golden Rock Substation

The Golden Rock substation work done in 2019 accommodated the new feeders built in 2019, the 19L6 and 19L8. This substation work consisted of installing structural

aluminum with foundations and associated electrical bus work. The Company installed electrical equipment such as disconnect switches, a load break switch, and two 13.2 kV circuit breakers. The existing control house received two new relay cabinets, which consisted of control switches and protective relays. The obsolete Remote Terminal Unit (RTU) was also replaced. This work was completed by a contractor. The Company engaged in a competitive bid process, the bids were analyzed for price, timeline, and qualifications of the contractors, and the Company awarded the project to the bidder with the best solution which, in this case, price was the deciding factor.

The total request for recovery for project 8830-1944, which came in under budget, is $2,012,483. The table below provides the high level budget and spending for this project spanning three years.

Year	Total Budget	Total Spend	Total Spend - 2019 In Service WO	Request for Cost Recovery
(a)	(b)	(c)	(d)	(e)
2017	$100,000	$27,169	$27,169	$27,169
2018	$400,000	$309,324	$309,324	$309,324
2019	$2,000,000	$1,675,990	$1,675,990	$1,675,990
		Total	$2,012,483	$2,012,483

(b) Approved budget for all work orders under this project for that calendar year
(c) Final amount spent in calendar year for all work orders
(d) Total amount spent only for work orders in service in 2019.
(e) Amount Company is requesting for cost recovery.

Page 1 of Attachment 6 provides the breakdown by cost element of the project. The internal costs on the project close out form are captured in the cost of construction and as such the total internal costs are shown as zero.

6. 8830-1945 Golden Rock Distribution Feeder 19L2

This project consisted of reconductoring approximately 3,500 feet of three phase bare conductor with 477 aluminum tree wire and spacer cable configuration. The scope of this work included installation of poles, switches, and relocation of overhead equipment such as transformers and services. Portions of the 10L1 and 10L2 circuits coming out of Baron Ave substation have been repurposed to serve load from Golden Rock substation at 13 kV by changing the source of the feed from Baron Ave to Golden Rock. During the course of 2019, the circuit name changed from what was in the original business case, 19L2, to the 19L6 circuit because of space constraints within the substation associated with keeping the 23 kV in service. This work was completed by a contractor. The Company engaged in a competitive bid process, the bids were analyzed for price, timeline, and qualifications of the contractors, and the Company awarded the project to the bidder with the best solution in which, all things being equal, price is usually the deciding factor. For this project, the lowest bidder was not selected because they were working on the Tallant Rd project for us at the same time and would be unable to start the project at the Company's requested start date. The Company awarded this project to the second lowest bidder instead. This information has been provided to the PUC Audit Staff for review.

The total request for cost recovery for project 8830-1945, which came in under budget, is $522,516. The table below provides the high level budget and spending for this project spanning two years.

Year	Total Budget	Total Spend	Total Spend - 2019 In Service WO	Request for Cost Recovery
(a)	(b)	(c)	(d)	(e)
2018	$60,000	$13,081	$13,081	$13,081
2019	$600,000	$509,435	$509,435	$509,435
		Total	$522,516	$522,516

(b) Approved budget for all work orders under this project for that calendar year

(c) Final amount spent in calendar year for all work orders

(d) Total amount spent only for work orders in service in 2019.

(e) Amount Company is requesting for cost recovery.

Page 1 of Attachment 7 provides the breakdown by cost element of the project. The internal costs on the project close out form are captured in the cost of construction and as such the total internal costs are shown as zero.

7. 8830-1951 Enhanced Bare Conductor Replacement

The Enhanced Bare Conductor replacement project provides funding for reconductoring bare wire with tree resistant wire, using either open cross arm construction or spacer cable configuration. The work associated with this project in 2018 and 2019 included reconductoring of one mile in Pelham and 1.65 miles in Walpole. This work was completed by a contractor. The Company engaged in a competitive bid process, the bids were analyzed for price, timeline, and qualifications of the contractors, and the Company awarded the project to the bidder with the best solution, in which, all things being equal, price is usually the deciding factor. There are two jobs associated with this project and the lowest bidder was chosen for the Tallant Road job. For the Wentworth Road job, the second lowest bidder was chosen because the lowest bidder was working on another

project for the Company at the time the work on Wentworth Road was to be completed. This information has been provided to the PUC Audit Staff for review.

The total request for cost recovery for project 8830-1951 is $1,060,252. The table below provides the high level budget and spending for this project spanning two years.

Year	Total Budget	Total Spend	Total Spend - 2019 In Service WO	Request for Cost Recovery
(a)	(b)	(c)	(d)	(e)
2018	$600,000	$15,206	$15,206	$15,206
2019	$875,000	$1,045,046	$1,045,046	$1,045,046
		Total	$1,060,252	$1,060,252

(b) Approved budget for all work orders under this project for that calendar year
(c) Final amount spent in calendar year for all work orders
(d) Total amount spent only for work orders in service in 2019.
(e) Amount Company is requesting for cost recovery.

Page 1 of Attachment 8 provides the breakdown by cost element of the project. The internal costs on the project close out form are captured in the cost of construction and thus the total Internal Costs are shown as zero. The 2018 costs shown on page 1 in column Total Spend are construction costs associated with projects that went in to service in 2019. Projects that went in service in 2017 and 2018 are not included in the Total Spend column, although they are included in the Total Budget column.

The additional spending in 2019 for this project is driven by higher than estimated costs associated with tree trimming, police/flagging costs, and actual labor costs. Liberty incurred additional trimming costs due to Liberty adhering to increased clearances required by Puc 307.10. In addition to these increased costs, Liberty incurred additional trimming costs as a crane was needed to safely remove trees located near customer

homes. Liberty also incurred additional police detail costs as the Town of Walpole recently required the use of police officers, not flaggers, to be utilized during construction.

8. 8830-1958 Install Service to Tuscan Village South Line

This project provided service to the South parcel of Tuscan Village. The project consisted of installing approximately 5,500 feet of 1000 MCM underground cable and the outfit of eight manholes, which includes (but is not limited to) installation of frames, cable supports, bonding and grounding, and cathodic protection. This work was completed by a contractor. The Company engaged in a competitive bid process, the bids were analyzed for price, timeline, and qualifications of the contractors, and the Company awards the project to the bidder with the best solution, in which, all things being equal, price is usually the deciding factor. Only the main line part of the project was bid. This portion of the project was installation of 1000 MCM underground cable. The other work orders were completed by internal crews. The lowest bidder was originally awarded the bid, but due to potential ethical issues with the bid, we pulled the award and gave it to the second lowest bidder.

The total request for cost recovery for project 8830-1958 is $803,676. Please see the table below for the breakdown of the budget and actual spend for work orders in service in 2019.

Year	Total Budget	Total Spend	Total Spend - 2019 In Service WO	Request for Cost Recovery
(a)	(b)	(c)	(d)	(e)
2017	$200,000	$6,923	$844	$844
2018	$400,000	$674,260	$282,895	$282,895
2019	$900,000	$1,368,857	$519,938	$519,938
		Total	$803,676	$803,676

(b) Approved budget for all work orders under this project for that calendar year
(c) Final amount spent in calendar year for all work orders
(d) Total amount spent only for work orders in service in 2019. Some work orders may span multiple years, thus multiple years of spending is shown. WO denotes "work orders"
(e) Amount Company is requesting for cost recovery. This request is *only* for projects in service in 2019.

Page 1 of Attachment 9 provides the breakdown by cost element of the project. The internal costs on the project close out form are captured in the cost of construction and as such the total Internal Costs are shown as zero. The 2017 costs shown on page 1 in column Total Spend are engineering charges for the projects that went in to service in 2019. The 2018 costs shown on page 1 in column Total Spend are construction costs associated with projects that went in to service in 2019. Projects that went in service in 2017 and 2018 are not included in the Total Spend column, although they are included in the Total Budget column.

The additional spending for this project is driven by higher than estimated burden rate as provided in the Change Order Form.

9. 8830-1959 Golden Rock Distribution Feeder 19L4

This project consisted of reconductoring approximately 1,900 feet of three phase bare conductor with 477 tree wire and spacer cable configuration. The scope of this work included installation of poles, switches, and relocation of overhead equipment such as

transformers and services. Portions of the 10L1 and 10L4 circuits coming out of Baron Ave substation have been repurposed to serve load from Golden Rock substation at 13 kV by changing the source of the feed from Baron Ave to Golden Rock. During the course of 2019, the circuit name changed from the name used in the original business case, 19L4, to the 19L8 circuit because of space constraints within the substation associated with keeping the 23 kV in service. This work was completed by a contractor. The Company engaged in a competitive bid process, the bids were analyzed for price, timeline, and qualifications of the contractors, and the Company awarded the project to the bidder with the best solution, in which, all things being equal, price is usually the deciding factor. For this project, the lowest bidder was not selected because they were working on another project for us at the same time and would be unable to start the project at the Company's requested start date. The Company awarded this project to the second lowest bidder instead. This information has been provided to the PUC Audit Staff for review.

The total request for cost recovery for project 8830-1959, which came in under budget, is $393,123. The table below provides the high level budget and spending for this project spanning two years.

Year	Total Budget	Total Spend	Total Spend - 2019 In Service WO	Request for Cost Recovery
(a)	(b)	(c)	(d)	(e)
2018	$60,000	$3,897	$3,897	$3,897
2019	$400,000	$389,225	$389,225	$389,225
		Total	$393,123	$393,123

(b) Approved budget for all work orders under this project for that calendar year
(c) Final amount spent in calendar year for all work orders
(d) Total amount spent only for work orders in service in 2019.
(e) Amount Company is requesting for cost recovery.

Page 1 of Attachment 10 provides the breakdown by cost element of the project. The internal costs on the project close out form are captured in the cost of construction and as such the total Internal Costs are shown as zero.

10. 8830-1960 Golden Rock Underground

The Golden Rock underground project involved the installation of manholes and concrete encased conduit to accommodate the underground primary cable which exited the Golden Rock substation and connected to the overhead portion of the 19L6 and 19L8 feeders. The costs also include outfitting manholes with frames, cable racks, grounding and bonding, and cathodic protection. This work was completed by a contractor. The Company engaged in a competitive bid process, the bids were analyzed for price, timeline, and qualifications of the contractors, and the Company awarded the project to the bidder with the best solution, in which, all things being equal, price is usually the deciding factor. In this case, the lowest bidder was awarded the project.

For this project there were two parts to be bid, civil and electrical work. Both parts of the project were awarded to the lowest bidder. This information has been provided to the PUC Audit Staff for review.

The total request for cost recovery for project 8830-1960 is $412,763, the total budget was $500,000. Page 1 of Attachment 11 provides the breakdown by cost element of the project. The internal costs on the project close out form are captured in the cost of construction and as such the total Internal Costs are shown as zero.

11. 8830-1991 Granite State Meter Purchases

This project number provided funding for the purchase of electric meters. These meters are required to replace units which have failed in the field and for meters required to serve additional customers requesting service.

The total for project 8830-1991 is $952,029 as shown in Attachment 12, the total budget was $230,000. The reason for the increased costs is that during 2019, there was a higher than normal demand for meter requirements due to the number of housing starts that occurred in the Granite State Electric territory, including a number of buildings, apartments, and condominiums in the Tuscan Village development in Salem. Additionally, the budget was impacted by labor charges that are now incorporated into this project as the result of an accounting change to pre-capitalize labor for meter installations to follow all new meter purchases. The Company purchases meters and capitalizes them at that time. Once the meter is installed the installation costs are charged

to expense. In the past, the meter was charged to a capital work order when installed, thus no charges were incurred at the time of the meter purchase.

12. 8830-1992 Transformer Purchases

This project number provides funding for the purchase of electric transformers to replace units which have failed in the field and for transformers required to support electric reliability and new construction.

The total for project 8830-1992 is $514,275 as shown in Attachment 13. The budget was $420,000. The increased costs are due to an increase in the number of required transformers due to increased development in the Company's territory, as provided in the Change Order Form.

IV. REVENUE REQUIREMENT

Q. What is the revenue requirement associated with the requested step increase?

A. The total cost of all 12 projects above for which the Company seeks recovery in this filing is $8,761,603, the revenue requirement for which is calculated as described below. The revenue requirement associated with the projects described above is $1,349,466 as calculated in Attachment 1.

Q. Please explain the inputs used to determine the revenue requirement.

A. The investments and capital structure included in Attachment 1 are those that were in service by December 31, 2019, and agreed upon in the Settlement Agreement in this docket. Page 2 of Attachment 1 provides the total costs of each project and the calculation of the book depreciation rate. The property tax rate is calculated using the

most recent FERC Form 1 (2018), which is 3.12%. This rate is also used to calculate the property tax rate for the Company's annual Reliability Enhancement Plan/Vegetation Management Plan, which was filed in Docket No. DE 20-036. The tax rates of 21% (federal) and 7.7% (state) are for the taxable period ending December 31, 2019.

Q. What is the bill impact to residential customers?

A. A residential customer using 650 kWh per month and taking energy service from the Company's default service offering will see an increase to their monthly bill of $1.50, or 1.26%, from $118.40 to $119.89.

V. DOCUMENTATION

Q. Has the Company provided supporting documentation for the projects described above?

A. Yes. Please see the following attachments for the business cases, change order forms, project close out forms, and a breakdown by cost element of each project's cost.

- Attachment 2: 8830-1911 GSE Dist- Public Requirements Blanket
  Capital Expenditure, Change Order, and Project Close Out
- Attachment 3: 8830-1912 Dist- Damage & Failure Blanket
  Capital Expenditure, Change Order, and Project Close Out
- Attachment 4: 8830-C18620 & C18630 Charlestown DSub
  Forms N/A as credits are due to reimbursement to projects
- Attachment 5: 8830-1929 Walk In Center Relocation Salem
  Business case, Change Order, and Project Close Out
- Attachment 6: 8830-1944 Golden Rock Substation
  Business case, Change Order – N/A, and Project Close Out
- Attachment 7: 8830-1945 Golden Rock Distribution Feeder 19L2
  Business case, Change Order – N/A, and Project Close Out

- Attachment 8: 8830-1951 Enhanced Bare Conductor Replacement
  Business case, Change Order, and Project Close Out
- Attachment 9: 8830-1958 Install Service to Tuscan Village South Line
  Business case, Change Order, and Project Close Out
- Attachment 10: 8830-1959 Golden Rock Distribution Feeder 19L4
  Business case, Change Order – N/A, and Project Close Out
- Attachment 11: 8830-1960 Golden Rock Underground
  Business case, Change Order – N/A, and Project Close Out
- Attachment 12: 8830-1991 Granite State Meter Purchases
  Business case, Change Order, and Project Close Out
- Attachment 13: 8830-1992 Granite State Transformer Purchases
  Business case, Change Order, and Project Close Out
- Attachment 14: Tariff

VI. CONCLUSION

Q. Please summarize the Company's request for the step adjustment.

A. Through this testimony and the attached documents, the Company has established that the described projects are in service, are used and useful for the provision of electric distribution service, and were completed at a reasonable cost. The requested step increase is thus just and reasonable and should be approved by the Commission with the projects found to be prudent.

Q. Does this conclude your testimony?

A. Yes.

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