

**NORTHERN UTILITIES, INC.**

**DIRECT TESTIMONY OF**

**KEVIN E. SPRAGUE**

**AND**

**CHRISTOPER J. LEBLANC**

**EXHIBIT KSCL-1**

**New Hampshire Public Utilities Commission**

**Docket No. DG 21-104**

## Table of Contents

I.	INTRODUCTION .....	1
II.	CAPITAL SPENDING AND INVESTMENT PLANNING .....	4
A.	Planning and Budgeting Process .....	4
B.	Authorization and Control of Capital Spending.....	8
C.	Five Year Capital Budget.....	9
D.	Actual Capital Spending 2017-2020 .....	15
III.	COST MANAGEMENT .....	18

## Exhibits

Exhibit KSCL-2

Northern Utilities Capital Spending 2017 - 2025

1 **I. INTRODUCTION**

2 **Q. Mr. Sprague, would you please state your name and business address?**

3 A. My name is Kevin E. Sprague. My business address is 6 Liberty Lane West,  
4 Hampton, New Hampshire 03842.

5 **Q. What is your position and what are your responsibilities?**

6 A. I am Vice President of Engineering for Unitil Service Corp. (“Unitil Service”, which  
7 is a subsidiary of Unitil Corporation (“Unitil Corp.”) that provides managerial,  
8 financial, regulatory and engineering services to Unitil’s principal utility  
9 subsidiaries, including Northern Utilities, Inc. (“Northern” or the “Company”). In  
10 this capacity, I manage all engineering functions, including electric engineering, gas  
11 engineering, computer-aided design and drafting, Geographic Information Systems  
12 (“GIS”), and management of utility-owned land and property.

13 **Q. Please describe your business and educational background.**

14 A. I have been employed by Unitil Service for approximately 25 years. I was  
15 originally hired as an Associate Engineer in the Distribution Engineering group. I  
16 have held the positions of Engineer, Distribution Engineer, Manager of  
17 Distribution Engineering, Director of Engineering and now Vice President of  
18 Engineering. I accepted the Vice President of Engineering position in January of  
19 2019. I hold a Bachelor of Science in Electric Power Engineering from Rensselaer  
20 Polytechnic Institute and a Masters of Business Administration from the  
21 University of New Hampshire.

1 **Q. Do you have any licenses that qualify you to speak to issues related to**  
2 **engineering?**

3 A. Yes. I am a registered Professional Engineer in the State of New Hampshire and  
4 the Commonwealth of Massachusetts.

5 **Q. Have you previously testified before the Commission, or other regulatory**  
6 **agencies?**

7 A. Yes, I have testified on previous occasions before the Commission, the Maine Public  
8 Utilities Commission and the Massachusetts Department of Public Utilities. I also  
9 filed testimony in the Company's base rate case proceeding in DG 17-070.

10 **Q. Mr. LeBlanc, please state your names and business addresses.**

11 A. My name is Christopher J. LeBlanc, and my business address is 325 West Road,  
12 Portsmouth, New Hampshire.

13 **Q. Mr. LeBlanc, for whom do you work and in what capacity?**

14 A. I am Vice-President of Gas Operations for Unitil Service. In this capacity, I am  
15 responsible for managing all gas operations for Northern and Unitil's other  
16 subsidiaries, including the safe, reliable, and efficient production, transportation and  
17 delivery of natural gas service to customers.

18 **Q. Mr. LeBlanc, please summarize your professional and educational**  
19 **background.**

20 A. I have more than 25 years of experience in the utility industry and an extensive  
21 background in the operation, maintenance and construction of natural gas  
22 distribution systems. I have been Operator Qualified in 84 covered tasks and have  
23 had formal industry-specific training at the Gas Technology Institute in Gas

1 Distribution Operations, Transmission Operations, Pipeline Design and  
2 Construction Practices and Regulator Station Design.

3

4 I joined Unitil Service in 2000 as a Field Technician and since then have progressed  
5 through several positions of increasing responsibility including Project Leader in  
6 2002 and Manager, Gas Operations in 2003. I was promoted to Director, Gas  
7 Operations in 2008 and was named Vice-President, Gas Operations on January 1,  
8 2017. Prior to joining Unitil Service, I was employed for nine years at R.H. White  
9 Construction Company, where I was responsible for leading and directing field  
10 crews in construction and installation of underground utility infrastructure.

11 I hold a Bachelor of Arts degree in Business Administration from Assumption  
12 College and a Master's degree in Business Administration from the same institution.  
13 Additionally, I have completed civil engineering course work at the University of  
14 Massachusetts, Lowell.

15 **Q. Have you previously testified before the Commission or other regulatory**  
16 **agencies?**

17 A. Yes, I have testified before the Commission on numerous issues related to gas safety  
18 and operations. In addition to the Commission, I have also testified before the  
19 Massachusetts Department of Public Utilities and the Maine Public Utilities  
20 Commission on issues related to gas safety and operations.

21 **Q. Mr. Sprague and Mr. LeBlanc, what is the purpose of your testimony and how**  
22 **is it organized?**

1 A. The purpose of our testimony is to support the Company's capital spending as it  
2 relates to Northern's proposed Rate Plan to include annual revenue increases  
3 through step adjustments in order to collect costs associated with non-growth related  
4 projects. The testimony of Mr. Goulding and Mr. Nawazelski provides support for  
5 the proposed Rate Plan. Specifically, we will describe the following: 1) the  
6 Company's planning and budgeting process, 2) the authorization and control of  
7 capital spending, 3) the five year capital budget forecast from 2021-2025, 4) the  
8 actual capital spending from 2017 – 2020 and 5) the Company's approach to cost  
9 management.

## 10 **II. CAPITAL SPENDING AND INVESTMENT PLANNING**

### 11 **A. PLANNING AND BUDGETING PROCESS**

12 **Q. How does the Company plan for needed investments?**

13 A. The annual planning process starts with engineering studies performed by the  
14 Company's engineering group. These studies are updated annually with the latest  
15 load forecasts to identify both short term and long term needs. Engineering  
16 planning studies are the first and most important input into the capital planning  
17 process.

18 **Q. Please describe the annual budget process and explain how needs are**  
19 **identified and prioritized as part of this process.**

20 A. As described above, the engineering group identifies the need for system

1 improvement and reliability projects. Operations personnel identify the need for  
2 condition replacements based on inspection and maintenance programs. Budgets  
3 are constructed using a “bottom up” process each year with input from dozens of  
4 employees from engineering, operations, information technology and facilities.  
5 Technical and managerial personnel with responsibility for planning, designing,  
6 operating and maintaining the gas distribution system are responsible for  
7 identifying needs and developing cost-effective solutions. A multistep process is  
8 used to budget hundreds of individual projects, and to then prioritize needs and  
9 determine which projects are essential to meet our objective of safe and reliable  
10 service for our customers. Projects are also proposed that may not be essential, but  
11 which represent an improvement or enhancement to existing systems or  
12 capabilities, including projects to replace old or obsolete equipment, and projects  
13 with a defined economic payback.

14 **Q. How does the Company ensure projects are appropriately specified, estimated**  
15 **and prioritized?**

16 A. In advance of the budget cycle each year, instructions are provided to all budget  
17 managers and other contributors that define expectations for the proper  
18 development and justification of projects. These instructions ensure that  
19 individual budget items are well defined, estimated and justified, and ensure  
20 accurate and consistent entry into the budget system. Comparative analysis of  
21 competing project costs is completed to identify the most economical solution.

1 The goal of this process is to streamline the review and approval process.

2 Specifically, each submitted project is expected to meet the following  
3 requirements:

- 4 • Each project must have a well-defined project scope, which fully describes the  
5 project and the extent of work to be undertaken.
- 6 • Each project must also have a detailed justification that describes the need for  
7 the project, including quantitative analysis where possible.

8 In general, only projects that are well-defined and appropriately justified are  
9 included in the budget. Project entries intended to be “place holders” for  
10 undefined plans or needs are not accepted. This allows management to efficiently  
11 and effectively review priorities and spending, and ensure an appropriate level of  
12 funding for important projects.

13 **Q. Please describe how individual projects are categorized within the budget.**

14 A. Each project is classified into one of six categories, which include annual  
15 requirements, gas distribution, gas production, transportation, structures and  
16 general equipment. Each category is further broken down into subcategories such  
17 as main extensions, pipe replacement, highway projects, distribution system  
18 improvements, valve installations, and other specific projects. Blanket  
19 authorizations for annual requirements are broken down into subcategories for  
20 distribution system improvements, new gas services, corrosion control, gas service  
21 upgrades, abandoned services, meter purchase & installation and water heater and

1 burner replacements.

2 **Q. How are projects prioritized within the budget?**

3 A. In addition to being appropriately categorized, and having a well-defined scope,  
4 justification and cost estimate, all projects in the capital budget are also assigned  
5 one of three priorities, defined as follows:

6 Priority 1: Essential for the Company to meet its service obligation to customers,  
7 including the provision of safe and reliable service. Included are projects to  
8 address critical constraints such as pressure and capacity where they jeopardize the  
9 Company's ability to distribute natural gas, activities to restore service during and  
10 following emergencies, and construction required to serve new customer load. All  
11 projects in this category are considered non-discretionary.

12 Priority 2: Includes projects that are essential for the Company to perform  
13 business activities in the required manner, including regulatory or legal  
14 requirements, intercompany operating agreements, and supporting facilities,  
15 equipment, and vehicles. These projects and activities are also considered to be  
16 non-discretionary, though there may be discretion as to timing.

17 Priority 3: Includes projects and activities that are considered an improvement or  
18 enhancement to existing systems or capabilities. These projects are considered to  
19 varying degrees to be discretionary.

20 **Q. How is all this information reviewed and validated in developing a final budget**  
21 **compilation?**

22 A. As budgets are compiled and submitted for review and approval, the budgets are  
23 reviewed project-by-project, line-by-line, and category-by-category in a series of  
24 meetings held with all applicable budget managers and contributors. Each project  
25 is reviewed to ensure that it has been appropriately categorized and prioritized  
26 within the budget, and to ensure complete documentation of scope, justification  
27 and cost estimates have been provided. Categories of spending, including annual

1 requirements, are scrutinized to ensure the budgeted spending levels are  
2 appropriate based on historic spending levels and current assumptions, and  
3 adjustments (if needed) are made to ensure budgeted spending levels are  
4 appropriate. Priorities are reviewed to ensure all projects have complete  
5 justification. Projects without adequate justification are removed or deferred as  
6 appropriate. Once a well-prepared budget has been validated and fully vetted, it is  
7 advanced through the formal review process for final approval.

8 **Q. How does the Company optimize cost-to-benefit decisions with regard to**  
9 **replacement of aging facilities?**

10 A. The capital planning and budgeting process provides the structure and discipline to  
11 carefully evaluate, prioritize and approve those projects that offer the most cost-  
12 effective solutions to improve reliability or address significant risks, while also  
13 identifying and addressing aging or obsolete facilities. As noted above, budgets  
14 are established through a “bottom-up” process each year, with input from dozens  
15 of engineering and operations employees. Hundreds of individual projects are  
16 scoped, estimated, justified and then prioritized to determine which projects are  
17 required to ensure a safe and reliable system for our customers.

18 **B. AUTHORIZATION AND CONTROL OF CAPITAL SPENDING**

19 **Q. How does the Company approve, authorize and control spending to ensure the**  
20 **reasonableness and prudence of capital additions?**

21 A. There are several layers of controls on spending. First, and perhaps most

1 important, is the budget process. The capital budget represents the culmination of  
2 a lengthy planning process to identify and prioritize important needs, while  
3 ensuring that projects submitted for approval are the most cost effective solutions  
4 to address identified needs and are estimated appropriately. The budget proceeds  
5 through several rounds of review at multiple levels of the organization before  
6 concluding with review and approval by executive management, and by the  
7 Company's Board of Directors.

8 **Q. Are there other controls over budgeted spending on capital additions?**

9 A. Yes. After the budget is approved, each project within the budget must be further  
10 authorized before spending can occur. This is a second step in the approval  
11 process, and occurs on a project-by-project basis. A construction authorization  
12 must be prepared and submitted for approval for each planned expenditure and  
13 each project in the budget, even though the budget has already been approved.  
14 Each authorization must be fully approved prior to the commencement of any  
15 work, except where an unforeseen emergency occurs that requires the work to be  
16 completed to ensure public safety or restore service to customers, in which case  
17 the authorization can be completed immediately following the work.

18 **C. FIVE YEAR CAPITAL BUDGET**

19 **Q. Has the Company completed the capital planning and budgeting process for**  
20 **2021 through 2025?**

21 A. Yes. The Table 1 below is the Company's most recent five-year budget for gas

1 projects over the period 2021 to 2025.

2 Table 1 – 2021-2025 Capital Budget Forecast

Category	Forecast Spending (000's)				
	2021	2022	2023	2024	2025
<b>Growth</b>					
Customer Additions (C)	4,521	4,672	4,756	5,174	5,261
Mains Extensions (M)	2,449	2,492	2,524	2,764	2,779
Subtotal Growth	6,970	7,165	7,280	7,938	8,040
<b>Non-Growth</b>					
Pipe Replacement Programs (P)	0	0	0	0	0
Other Replacement Programs (R)	2,709	2,908	5,238	2,296	6,204
System Improvements (I)	2,733	4,303	2,682	4,623	700
Highway Projects (H)	2,917	2,985	3,026	3,283	3,319
Asphalt Restoration (A)	762	790	804	847	869
Farm Tap Replacement (F)	714	508	513	568	568
Rochester Reinforcement (RR)	3,464	3,338	2,894	0	0
Other Non-Growth (O)	9,779	8,291	8,609	10,775	11,442
Subtotal Non-Growth	23,078	23,123	23,766	22,392	23,102
<b>Total</b>	<b>30,048</b>	<b>30,288</b>	<b>31,046</b>	<b>30,330</b>	<b>31,143</b>
% Growth	23%	24%	23%	26%	26%
% Non-Growth	77%	76%	77%	74%	74%

3

4 **Q. Can you describe the difference between the Growth and Non-Growth**  
 5 **categories?**

6 A. Growth projects include customer additions and mains extension projects. Non-  
 7 growth projects include: pipe replacement programs, other replacement programs,  
 8 system improvements, highway projects, asphalt restoration, farm tap replacement,  
 9 Rochester Reinforcement, and other non-growth related projects.

10 **Q. Can you describe each of the subcategories of growth related projects?**

11 A. Customer additions include projects such as new customer additions or services,

1 customer related metering, customer related transformers, and new water heaters  
2 and conversion burners. Mains extensions are projects designed to extend mains into  
3 areas of the system that are not presently served to provide service to new customers.

4 **Q. Can you describe each of the subcategories of non-growth related projects?**

5 A. Non-growth related projects include the Company's pipe replacement program,  
6 other replacement programs, system improvements, highway projects, asphalt  
7 restoration, farm tap replacements, the Rochester Reinforcement project, and other  
8 non-growth. The pipe replacement program includes the replacement of cast iron  
9 and bare steel mains and services and associated facilities. The Company  
10 substantially completed its replacement of all cast iron and bare steel mains and  
11 services in 2017. However, the Company continues to identify this as a category in  
12 case there are other pipe materials or vintages that will require proactive replacement  
13 in the future. The Company has not proposed any spending in this category from  
14 2021 – 2025

15 **Q. What types of projects are included in the other replacement program**  
16 **category?**

17 A. These projects consist of: 1) the proactive replacement of medium density Adyl-A  
18 pipe that may be susceptible to brittle stress cracking, 2) the replacement of low  
19 pressure mains and services with intermediate pressure mains and services, 3)  
20 projects associated with the replacement or rebuild of aging regulator stations and  
21 equipment. These projects are all condition-based replacements and are non-  
22 growth related. This is not categorized under the pipe replacement category to keep

1 it separate and distinct to the work the Company has completed with respect to  
2 cast iron and bare steel mains and services.

3 **Q. What types of projects are in the system improvements category?**

4 A. System improvement projects are designed to increase the capacity or to improve  
5 operating pressures to certain portions of the system. These type of projects are  
6 similar to the Rochester Reinforcement projects, but on a smaller scale. System  
7 improvement projects are not generally associated with known load additions but  
8 rather identified through forecasted load growth and network modeling  
9 simulations. Unlike mains extensions that are installed to serve known load,  
10 system improvements are completed in advance to ensure the system has the  
11 capacity required to meet planning criteria. The capacity increase associated with  
12 system improvement projects tend to be a lumpy investment, meaning that the  
13 amount of capacity is determined based upon standard equipment and materials  
14 and is not able to be fine tuned to the amount of load forecasted.

15 **Q. What types of projects are included in the Gas Highway Projects category?**

16 A. Gas Highway Projects covers replacement of facilities caused by forced  
17 relocations of gas facilities due to City and State roadway and municipal  
18 infrastructure projects (e.g., sewer separation).

19 **Q. Can you describe the asphalt restoration category?**

20 A. Distribution projects within municipal streets require asphalt restoration according  
21 to local specifications. This budget item will capture all paving costs for  
22 distribution projects over a multi-year time frame based upon the town-by-town

1 requirements to allow time for settlement to occur prior to final paving.

2 **Q. Can you describe what types of projects are included in the Farm Tap**  
3 **Replacement category?**

4 A. Farm Tap Replacements refers to direct-buried regulators to serve rural residential  
5 and commercial customers that were installed prior to Unutil's acquisition of  
6 Northern.

7 **Q. Can you explain the Rochester Reinforcement category?**

8 A. The Company has identified that in order to continue to expand capacity to the  
9 Rochester area of the gas system, a significant reinforcement is required. The  
10 Rochester Reinforcement Project includes reinforcement of the Distribution Hi-  
11 Line located in Dover as well as mains and regulator station reinforcements  
12 required in Rochester. There are several projects supporting the reinforcement of  
13 the Rochester portion of the system:

14  
15 Route 108 Backfeed – With the Rochester IP system (NH #40 – MAOP 45 psig)  
16 having a single feed, continuing to grow and already experiencing low end of  
17 system pressures Gas Engineering is proposing a 13,500-foot 12-inch coated steel  
18 main be installed along Rte. 108 in Rochester from Whitehall Rd. to the end of  
19 main on Rte. 108 near Airport Dr. Included in this installation will be a 9000-foot  
20 4-inch HDPE main to be installed parallel from the end of main near Villanova Ln.  
21 and Rte. 108 to Airport Dr. The 12 inch CS main extension will become part of  
22 the Rochester 150# System (NH #31 – MAOP 150 psig) and will end with a new

1 regulator station on Whitehall Rd. to become a secondary feed to the Rochester IP  
2 system.

3

4 Bartlett Avenue/High Street Stations Rebuild - This new station is required to  
5 serve increased load in all three systems and will include the addition of pre-heat  
6 so as to mitigate gas heat concerns. Based on system analysis results, operational  
7 best-practice supports combining both the Bartlett Ave and High Street stations  
8 into one site and re-configure them accordingly.

9

10 Whitehall Road Vaults-45 PSIG Back-feed-Rochester - This project is for the  
11 fabrication and installation of a new set of 45PSIG MAOP regulator station vaults  
12 along Whitehall Road in Rochester.

13

14 Rochester Reinforcement 99 PSIG Station – This project consists of the design,  
15 siting and construction of a new 99PSIG MAOP station, served from the existing  
16 150 PSIG Rochester High line and sited at the existing Route 125 Station in  
17 Rochester, NH. A new single feed system operating at a 99PSIG MAOP is  
18 required to support this load as the existing Rochester 45PSIG IP system does not  
19 have adequate capacity to support this growth

20

21 Rochester Reinforcement 99 psig Main – The reinforcement is starting from  
22 Washington Street going down Brock Street to Rt. 125, down Rt. 125 to the

1 existing Route 125/Axe Handle Brook station location for a total footage of 6600'  
2 of 8" HDPE.

3 **Q. Can you describe the Other Non-Growth category?**

4 A. Yes. The other non-growth category is a collection of all of the remaining non-  
5 growth types of projects. These projects consist of small system improvements,  
6 abandoned gas services, gas service upgrades, Company-related meter  
7 installations, regulator heater installations, tools and equipment, office equipment,  
8 normal improvements to buildings, and allocated Unutil Service. software and IT  
9 infrastructure projects.

10 **D. ACTUAL CAPITAL SPENDING 2017-2020**

11 **Q. Can you provide the same table as provided in Table 1 but for actual spending**  
12 **from 2017-2020?**

13 A. Yes. Table 2 below categorizes actual spending from 2017-2020.

14

Table 2 – Actual Capital Spending 2017 – 2020

Category	Actual Spending (000's)			
	2017	2018	2019	2020
<b>Growth</b>				
Customer Additions (C)	3,788	4,537	4,054	4,000
Mains Extensions (M)	2,726	3,732	4,096	5,551
Subtotal Growth	6,514	8,268	8,150	9,552
<b>Non-Growth</b>				
Pipe Replacement Programs (P)	6,076	608	68	0
Other Replacement Programs (R)	0	0	0	0
System Improvements (I)	0	0	5,460	1,502
Highway Projects (H)	6,884	8,487	1,576	1,746
Asphalt Restoration (A)	0	0	331	757
Farm Tap Replacement (F)	361	310	597	164
Rochester Reinforcement (RR)	859	1,353	2,853	3,982
Other Non-Growth (O)	4,213	4,256	4,594	5,211
Subtotal Non-Growth	18,394	15,014	15,479	13,363
<b>Total</b>	<b>24,908</b>	<b>23,282</b>	<b>23,630</b>	<b>22,915</b>
% Growth	26%	36%	34%	42%
% Non-Growth	74%	64%	66%	58%

4  
5  
6 **Q. Can you describe the increase in growth related spending in 2020 as compared**  
7 **to previous years?**

8 A. Yes. The increase in growth related spending in 2020 is related to the mains  
9 extension associated with the Epping Expansion. This level of mains extension  
10 spending is not forecasted to continue into the future.

11 **Q. What is the relevance of categorizing Tables 1 and 2 into growth and non-**  
12 **growth categories?**

13 A. In times of higher customer expansion, the system benefits from renewal of aged

1 equipment during the projects which are designed to increase the capacity of the  
2 system. When the number of new customer projects slows, the Company's  
3 facilities are not benefitting from this customer expansion related renewal and, as a  
4 result, it becomes much more challenging to address all of the periodic  
5 replacement that would be optimal for the distribution system. Over the next five  
6 years, the Company is forecasting that, on average, over 75% of its capital  
7 investment will be on non-growth related projects.

8 **Q. Is the Company proposing special rate treatment for specifically for the non-**  
9 **growth related investments?**

10 A. Yes. The information provided in this testimony is to support the Company's  
11 proposal to include the non-growth investments through step adjustments as part of  
12 a multi-year rate plan as described in the testimony of Messrs. Christopher  
13 Goulding and Daniel Nawazelski.

14 **Q. Has the Company provided a history of actual spending or a forecast of**  
15 **capital spending?**

16 A. Yes. Exhibit KSCL-2 provides a project-by-project history of actual spending for  
17 2017 to 2020 and a project-by-project forecast of capital spending for 2021 to  
18 2025.

19 **Q. Does this information categorize capital spending by non-growth and growth**  
20 **related projects?**

21 A. Yes. The information provided in Exhibit KSCL-2 provides a breakdown of non-

1 growth and growth related spending for 2017 – 2025.

2 **III. COST MANAGEMENT**

3 **Q. How does the Company ensure that projects associated with Eligible Facilities**  
4 **are completed as cost effectively as possible?**

5 A. The primary means by which the Company controls costs and ensures the lowest  
6 price for its construction is the contracting strategy devised for these activities.  
7 Unitil awards multi-year contracts structured as “unit price contracts” through a  
8 competitive bidding process. Before awarding the contract, Northern performs  
9 analyses to ensure that the winning bidder delivers the lowest overall cost given  
10 the actual units of work to be completed.

11 **Q. Please describe the unit price contract.**

12 A. A unit price contract is one under which the Company pays a predetermined price  
13 for a defined quantity of work to be performed, including the price charged for  
14 labor, construction materials, equipment rental, and associated services. In this  
15 way, the cost of construction is “controlled” because the cost is fixed for the  
16 duration of the contract and the contractor is only paid for units of work  
17 completed. The contractor is incented to work efficiently and complete as many  
18 units of work as possible, while the Company and its ratepayers are protected from  
19 construction inefficiencies. Through this contracting strategy, the Company  
20 accomplishes two key objectives:

21 1. The objective of ensuring that services (unit prices) are obtained at the

1 lowest available cost is ensured through competitive solicitation; and

2 2. The objective of cost control is accomplished through the unit pricing  
3 (fixed pricing) in the contract.

4 **Q. Do the Company's project supervisors have incentives for cost containment?**

5 A. Yes. Unutil has a performance management system for setting performance  
6 expectations, monitoring progress, measuring results, appraising, rewarding and/or  
7 correcting employee performance. In addition, the Company uses project  
8 management techniques to manage construction and maintenance activities. The  
9 project supervisors have ownership of assigned projects and are responsible for the  
10 scope, schedule and budgetary objectives for each project. As part of the  
11 Company's performance management system each manager and supervisor  
12 receives an annual performance contract. This performance contract covers all  
13 aspects of job expectations, including meeting established financial objectives,  
14 which are weighted heavily. The performance review process includes, at a  
15 minimum, two written performance appraisals (mid-year and year end) and our  
16 organizational structure provides the opportunity for continuous feedback. Annual  
17 salary increases for established supervisors are merit based, and the financial  
18 incentive for project cost control is established through this process.

19 **Q. Does this conclude your testimony?**

20 A. Yes, it does.

THIS PAGE INTENTIONALLY LEFT BLANK