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STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

September 20, 2022 - 9:03 a.m. **DAY 1**
21 South Fruit Street
Suite 10
Concord, NH

RE: DE 22-030
EVERSOURCE ENERGY:
Petition for Third Step Adjustment.

PRESENT: Cmsr. Pradip K. Chattopadhyay, Presiding
Commissioner Carleton B. Simpson

Tracey Russo, Clerk

APPEARANCES: **Reptg. Public Service Company of New Hampshire d/b/a Eversource Energy:**
Jessica B. Ralston, Esq. (*Keegan Werlin*)
Cheryl Kimball, Esq. (*Keegan Werlin*)

Reptg. New Hampshire Dept. of Energy:
Paul B. Dexter, Esq.
Jay E. Dudley, Electric Group
(*Regulatory Support Division*)

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

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* * *

WITNESS PANEL: **RUSSEL D. JOHNSON**
 DAVID L. PLANTE
 JAMES J. DEVEREAUX
 EDWARD A. DAVIS
 MARISA B. PARUTA
 LEANNE LANDRY
 PAUL RENAUD
 BRIAN DICKIE

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NOTE TO READER: *Please note that a
Procedural Order Re: Record Requests was
issued on **09-21-22** and can be found in
the PUC Virtual File Room within
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1	Prefiled Testimony and Supporting Attachments of Russel Johnson, David Plante, and James Devereaux, and the Prefiled Testimony and Supporting Attachments of Marisa Paruta and Edward Davis	<i>prefiled</i>
2	Response to Record Request RR 1-001, with attachments	<i>prefiled</i>
3	Nashua Work Center Renovation Response to DOE TS 1-005 Attachments & 1-007b Attachment [REDACTED - For PUBLIC Use]	<i>prefiled</i>
4	Nashua Work Center Renovation Response to DOE TS 1-005 Attachments & 1-007B Attachment {CONFIDENTIAL & PROPRIETARY}	<i>prefiled</i>
5	Emerald Street Substation Response to DOE 1-008, DOE TS 1-006, DOE TS 1-012, single page from DE 20-161, Eversource LCIRP, 3/31/21 Supplement, Appendix B-2, Page 109 of 158, captioned Loading and Capacity	<i>prefiled</i>
6	Pad Mount Transformer - Goffstown, Attachment TS 2-001(B)	<i>prefiled</i>
7	Purchase of Transformers, Att. DOE 1-4, pp. 394-450, Response to DOE 1-006	<i>prefiled</i>
8	Reliability Annual, Attachment DOE 1-014	<i>prefiled</i>

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EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
9	Maintain Voltage, Attachment DOE 1-4, pp. 367-380	<i>prefiled</i>
10	Replace Submarine Cable, Supplemental Response to TS 1-008, including Attachment TS 1-008	<i>prefiled</i>
11	Millyard Substation, Attachment DOE 1-010	<i>prefiled</i>
12	Responses to DOE First Set of Data Requests	<i>prefiled</i>
13	Responses to DOE First Set of Technical Session Data Requests	<i>prefiled</i>
14	Responses to DOE Second Set of Technical Session Data Requests	<i>prefiled</i>
15	Responses to DOE Third Set of Technical Session Data Requests	<i>prefiled</i>

P R O C E E D I N G

1
2 CMSR. SIMPSON: Good morning, everyone.
3 Welcome. I am Commissioner Simpson. I'll be
4 presiding over today's proceeding. I'm joined by
5 Commissioner Chattopadhyay.

6 We're here this morning in Docket DE
7 22-030 for a hearing regarding Public Service
8 Company of New Hampshire d/b/a Eversource
9 Energy's Petition for a Third Step Adjustment.

10 Let's take appearances, starting with
11 the Company.

12 MS. RALSTON: Good morning. On behalf
13 of Public Service Company of New Hampshire, doing
14 business as Eversource Energy, Jessica Ralston
15 and Cheryl Kimball, from Keegan Werlin.

16 CMSR. SIMPSON: Thank you. New
17 Hampshire Department of Energy.

18 MR. DEXTER: Good morning,
19 Commissioners. My name is Paul Dexter, appearing
20 on behalf of the Department of Energy. I'm
21 joined today by Jay Dudley, from the Electric
22 Division.

23 CMSR. SIMPSON: Thank you. I don't
24 believe we have any other parties in the room?

1 [No indication given.]

2 CMSR. SIMPSON: Okay. Exhibits 1
3 through 15 have been prefiled and premarked for
4 identification. Is there anything else we need
5 to cover regarding exhibits?

6 MS. RALSTON: Yes. Yesterday the
7 Company filed a letter stating that the Company
8 and DOE have agreed that the Company would defer
9 the costs associated with the Nashua Renovation
10 and Millyard Substation Replacement Projects to
11 its next rate case. This was done to reduce the
12 number of issues for today's hearing, in the
13 hopes we could conclude in one day. And the
14 Parties agreed the Company would recover these
15 costs through their next rate case proceeding.

16 So, related to this revision, the
17 Company submitted its Revised Witness List. And,
18 you know, DOE may wish to speak to this as well,
19 but, with this update, Exhibits 3, 4, and 11 that
20 were marked by DOE would no longer be relevant to
21 the hearing today. And Exhibit 4 was the only
22 premarked exhibit that included confidential
23 information.

24 CMSR. SIMPSON: Okay. Thank you. So,

1 in terms of the other recommended disallowances
2 in the Audit Report, the Company still intends to
3 conduct cross-examination with respect to those,
4 is that true?

5 MS. RALSTON: That is correct.

6 CMSR. SIMPSON: Okay. Just a moment.

7 *[Cmsr. Simpson, Cmsr. Chattopadhyay,*
8 *and Atty. Speidel conferring.]*

9 CMSR. SIMPSON: Is the Motion for
10 Confidential Treatment still live, given the
11 current status?

12 MS. RALSTON: It would not be
13 necessary, if the Commission agreed that these
14 projects would be deferred to the next rate case,
15 because that exhibit would no longer be
16 necessary.

17 So, I think DOE could withdraw
18 Exhibit 4, and then the motion would no longer be
19 relevant.

20 CMSR. SIMPSON: Okay. Attorney Dexter,
21 any comments on that?

22 MR. DEXTER: Yes. So, the Company's
23 counsel stated, in one sentence, that the
24 stipulation provided that "the costs for these

1 projects would be recovered in the next rate
2 case", and, in another sentence, stated that "the
3 costs for these projects would be deferred for
4 consideration in the next rate case", which I
5 view as two different things.

6 CMSR. SIMPSON: Uh-huh.

7 MR. DEXTER: My understanding of the
8 stipulation is that "the costs would be deferred
9 for review and potential recovery in the next
10 rate case." So, I wanted to clarify that. And,
11 hopefully, that's counsel's understanding as
12 well. And, if I misheard, --

13 MS. RALSTON: Yes, I agree. I think I
14 misspoke. That is our understanding as well.

15 MR. DEXTER: Okay. With that
16 understanding, then, no, we don't proceed -- we
17 don't plan to conduct either direct or cross on
18 those two projects. And, therefore, if the
19 Company is telling us that the Motion for
20 Protective Treatment is no longer necessary, we
21 have no reason to contest that.

22 CMSR. SIMPSON: Okay. And does the
23 Department intend to conduct cross-examination
24 with respect to the other projects that the

1 Department has recommended for disallowance
2 within the step adjustment?

3 MR. DEXTER: Yes.

4 CMSR. SIMPSON: Okay.

5 MR. DEXTER: As well as direct examine
6 of Jay Dudley.

7 CMSR. SIMPSON: Okay. Thank you.

8 So, we have many witness here today,
9 and we have a lot of documentation in the record.
10 Let's just discuss how the day should go, in
11 terms of timing. I want to be mindful of
12 everybody's time, and the hope that we can
13 adjudicate this within the day.

14 My intention is to take a break at
15 10:30 for about ten minutes. And then, we'll
16 take a lunch break somewhere in the noon to 12:30
17 timeframe, return, depending on when we do that,
18 1:00 to 1:30. And then conclude at sometime by
19 or before 4:30.

20 Is that acceptable to the parties, and
21 do you have any comments on the schedule for
22 today?

23 MS. RALSTON: No comments on the
24 schedule. But I did want to address one item

1 with respect to DOE's witness. I don't know if
2 this is the right time to do that?

3 MR. DEXTER: With respect to the
4 schedule, that all sounds acceptable. I believe
5 that we'll be able to wrap up what we have to do
6 in a couple of hours. So, I suspect that we'll
7 be able to finish at 4:30.

8 CMSR. SIMPSON: Okay.

9 MR. DEXTER: If not earlier.

10 CMSR. SIMPSON: And we'll here your
11 comments on the witness right now.

12 MS. RALSTON: Okay. Thank you.

13 DOE has identified Mr. Dudley as a
14 witness for this proceeding. And we appreciate
15 the letter that was filed by DOE on Friday that
16 outlined its recommended disallowances that we
17 expect Mr. Dudley to speak to this morning.
18 However, without any written testimony, we would
19 just like to reserve our right to recall our own
20 witnesses following Mr. Dudley's testimony, in
21 case there is something that we need to respond
22 to.

23 We do have cross-examination prepared
24 for Mr. Dudley. But, without the written

1 testimony, it's been slightly challenging.

2 CMSR. SIMPSON: So, I did have a
3 question for you about that in the letter that
4 you filed a couple of weeks ago. You mentioned
5 your "rights under 541-A". Do you have anything
6 that supports that assertion, either an order or
7 case precedent?

8 MS. RALSTON: Not as of this morning, I
9 do not have anything. I can look for something
10 during a break, if you wish?

11 CMSR. SIMPSON: And, since the time
12 that that's been filed, and the Audit Report's
13 been available, has the Company conducted
14 discovery with respect to any questions that you
15 had that you could have found answers to prior to
16 the hearing?

17 MS. RALSTON: We have not. I don't
18 know that we have discovery questions on the
19 audit. And we just received Mr. Dudley's
20 recommended disallowances on Friday. So, there
21 really wasn't sufficient time to conduct
22 discovery on those.

23 So, instead what we have done is we
24 have prepared cross-examination based on what we

1 know and what we expect for today. And we are
2 planning to move forward. I just was hoping to
3 reserve the right to recall our witnesses, in
4 case we needed to respond through our witnesses
5 to Mr. Dudley's testimony.

6 CMSR. SIMPSON: Okay. We'll take that
7 under advisement. We're not going to rule on
8 that right now.

9 MS. RALSTON: Okay. Thank you.

10 MR. DEXTER: Can I make a brief
11 comment, Commissioner?

12 CMSR. SIMPSON: Please.

13 MR. DEXTER: I just want to point out
14 that we adhered to the procedural schedule that
15 was set out. There was nothing on the procedural
16 schedule for prefiled testimony. So, I just
17 don't want the record to sort of imply that, you
18 know, we were supposed to file written testimony
19 and we didn't. And nobody said that, I just want
20 to make that clear.

21 Secondly. We had a number of tech
22 sessions leading up to this. I don't remember
23 exactly how many, I would say three or four. So,
24 I don't think any of the recommendations that I

1 listed in my September 16th letter should have
2 come as any sort of a surprise to the Company.

3 That being said, I don't, you know, if
4 there's a need to recall the witnesses, I imagine
5 Department of Energy wouldn't have any problem
6 with that, after they have heard Mr. Dudley's
7 testimony. But, as you said, I guess we'll deal
8 with that when the time comes.

9 CMSR. SIMPSON: Okay. Great. Thank
10 you.

11 So, does anyone object to the witnesses
12 and the prefiled testimony or have any other
13 preliminary matters, before we swear the
14 witnesses in?

15 *[No verbal response.]*

16 CMSR. SIMPSON: Okay. Let's proceed
17 with the witnesses. Mr. Patnaude, would you
18 please swear in the panel.

19 (Whereupon **Russel D. Johnson,**

20 **David L. Plante, James J. Devereaux,**

21 **Leanne Landry, Paul Renaud,**

22 **Brian Dickie, Edward A. Davis,** and

23 **Marisa B. Paruta** were duly sworn by the

24 Court Reporter.)

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 CMSR. SIMPSON: Okay. I'll recognize
2 Attorney Ralston for the Company.

3 MS. RALSTON: Thank you.

4 **RUSSEL D. JOHNSON, SWORN**

5 **DAVID L. PLANTE, SWORN**

6 **JAMES J. DEVEREAUX, SWORN**

7 **LEANNE LANDRY, SWORN**

8 **PAUL RENAUD, SWORN**

9 **BRIAN DICKIE, SWORN**

10 **EDWARD A. DAVIS, SWORN**

11 **MARISA B. PARUTA, SWORN**

12 **DIRECT EXAMINATION**

13 BY MS. RALSTON:

14 Q I'll begin with Mr. Johnson. Would you please
15 state your full name, Company position, and
16 responsibilities?

17 A (Johnson) My name is Russel Johnson. I am the
18 Director of Distribution Engineering. I'm
19 responsible for distribution engineering in New
20 Hampshire, which includes optimizing customer
21 reliability and addressing the service needs of
22 the customers.

23 Q And are you familiar with the exhibit that has
24 been marked as "Exhibit 1", which is the

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 Company's initial filing, including your joint
2 testimony and supporting attachments co-sponsored
3 with David Plante and James Devereaux?

4 A (Johnson) Yes, I am.

5 Q And what parts of that testimony were you
6 responsible for?

7 A (Johnson) My primary responsibilities with
8 respect to the Company's Step Adjustment Petition
9 are to support the Company's reliability
10 projects, including the Reliability Annual
11 Blanket Project.

12 Q And are you also familiar with the exhibits
13 marked as "Exhibits 5", "8", "9", "12", "13",
14 "14", and "15" --

15 A (Johnson) Yes.

16 Q -- that provide the Company's responses to data
17 requests, including responses you have sponsored?

18 A (Johnson) Yes, I am.

19 Q And do you have any corrections or amendments to
20 Exhibits 1, 5, 8, 9, 12, 13, 14, or 15?

21 A (Johnson) I do not.

22 Q And are you adopting those portions of
23 Exhibits 1, 5, 8, 9, 12, 13, 14, and 15 that you
24 have sponsored as part of your sworn testimony

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 today?

2 A (Johnson) Yes, I am.

3 Q And are you familiar with the project that is
4 included in the Company's filing and referred to
5 as the "Emerald Street Substation Project"?

6 A (Johnson) I am.

7 Q And can you please provide a brief overview of
8 why this project was necessary?

9 A (Johnson) Yes. As shown in Exhibit 5, the
10 project was undertaken for reliability reasons.
11 As described at Bates 027 and 028, which are
12 pages from the Technical Authorization Form for
13 the Emerald Street Project, the Company explained
14 that the project's objectives were to retire the
15 aged, obsolete, and underrated infrastructure;
16 mitigate flooding -- potential flood impacts; and
17 to install a second 115kV bus differential
18 protection scheme.

19 The document also identified the poor
20 condition of transformer TB-12, which, in fact,
21 failed during the construction phase of the
22 project.

23 Q Thank you. You also stated that you're
24 responsible for oversight of the Company's

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 Reliability Annual Blanket Projects that is the
2 subject of Exhibit 8, is that correct?

3 A (Johnson) Yes, it is.

4 Q And can you please explain how the budget for
5 Annual Blanket Projects is determined?

6 A (Johnson) Yes. The budget for Annual Blanket
7 Projects or the Company's Reliability Annual is
8 determined based on historical costs.

9 Q And how does the Company account for variances
10 between the budget and the actual costs incurred
11 during the year?

12 A (Johnson) At the end of the year, the Company
13 executes a Supplemental Authorization Form that
14 captures the variance in costs, if warranted.
15 The variance reflects the actual costs incurred
16 during the calendar year.

17 Q Thank you. Next, I'll move to Mr. Plante. Would
18 you please state your full name, Company
19 position, and responsibilities?

20 A (Plante) Yes. Good morning. My name is David
21 Plante. And I'm the Manager of New Hampshire
22 Project Management and Construction for
23 Eversource. I'm responsible for managing the
24 Project Management and Construction Group, as

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 well as providing oversight of the capital
2 program for the transmission business in New
3 Hampshire. I have oversight of most of the large
4 transmission and distribution substation projects
5 in Eversource's New Hampshire service territory.

6 Q And are you familiar with the exhibit marked as
7 "Exhibit 1", which is the Company's initial
8 filing, including your joint testimony and
9 supporting attachments co-sponsored with Mr.
10 Johnson and Mr. Devereaux?

11 A (Plante) Yes, I am.

12 Q And what parts of that testimony were you
13 responsible for?

14 A (Plante) My primary responsibilities with respect
15 to the Company's Step Adjustment Petition are to
16 support project management and construction
17 details for specific projects included in the
18 filing.

19 Q Are you also familiar with the exhibits marked as
20 "Exhibits 5", "6", "11", "12", "13", "14", and
21 "15" that provide the Company's responses to data
22 requests, including responses that you have
23 sponsored?

24 A (Plante) Yes, I am.

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 Q And do you have any corrections or amendments to
2 those exhibits?

3 A (Plante) I do not.

4 Q And are you adopting those portions of Exhibits
5 1, 5, 6, 11, 12, 13, 14, and 15 that you have
6 sponsored as part of your sworn testimony today?

7 A (Plante) Yes, I am.

8 Q With respect to Exhibit 15, did you prepare the
9 response to Data Request TS 3-002 that can be
10 found at Bates 4-10?

11 A (Plante) Yes, I did.

12 Q This data request response provided detailed
13 information for the difference between the total
14 costs associated with the Emerald Street
15 Substation Project and the total amount included
16 in the pre-construction authorization amount, is
17 that correct?

18 A (Plante) Yes, it is. I prepared this data
19 request response to explain the key drivers of
20 this cost differential in response to a follow-up
21 question from the Department of Energy. As shown
22 in Exhibit 15, at Bates 004, the main drivers of
23 the cost differential were the extended project
24 timeline, property taxes that were higher than

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 estimated, and additional environmental
2 remediation costs.

3 As the exhibit explains, the biggest
4 driver of the additional costs was the extended
5 timeline for the project. This extended timeline
6 was the result of a number of factors, including
7 COVID delays, the environmental contamination
8 cleanup of contaminants that were discovered very
9 late during the construction process, and
10 resource constraints from prior years.

11 Q And were these additional costs for the Emerald
12 Street Substation Project prudently incurred?

13 A (Plante) Yes, they were.

14 Q Thank you. Mr. Devereaux, would you please state
15 your full name, Company position, and your
16 responsibilities?

17 A (Devereaux) Yes. My name is James Devereaux.
18 I'm the Manager of Budgets and Investment
19 Planning. I am primarily responsible for all the
20 financial reporting, analysis, and oversight of
21 the Company's capital and O&M Program.

22 I also monitor capital budgets
23 throughout their life cycle around provide
24 reporting on a monthly basis to review costs and

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 identify projects that may need supplemental
2 funding authorization approvals.

3 Q Are you familiar with the Exhibit marked as
4 "Exhibit 1", which is the Company's initial
5 filing, including your joint testimony and
6 supporting attachments co-sponsored with Mr.
7 Johnson and Mr. Plante?

8 A (Devereaux) Yes, I am.

9 Q And what parts of that testimony were you
10 responsible for?

11 A (Devereaux) My primary responsibilities with
12 respect to the Company's Step Adjustment Petition
13 were to identify projects for inclusion in the
14 Step Adjustment and to provide the supporting
15 financial analysis.

16 Q And how did you identify the projects that are
17 included in this filing and presented in
18 Attachment RDJ/DLP/JJD?

19 A (Devereaux) I start by identifying distribution
20 projects that were placed in service during the
21 year 2021. I then exclude any projects that are
22 coded as "Complex Service", "Customer-other", and
23 "Customer-driven". These three categories are
24 excluded from the Step Adjustment because they

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 represent projects that are primarily the result
2 of new business or customer growth initiatives.
3 Therefore, consistent with the Settlement
4 Agreement approved in DE 19-057 and the
5 Commission's prior orders excluding new business,
6 revenue producing projects from the step
7 adjustment calculation, these categories of
8 projects were excluded.

9 This is the same process that was used
10 by the Company for its two prior step
11 adjustments.

12 Q Thank you. Are you also familiar with the
13 exhibits marked as "Exhibits 7", "10", "12",
14 "13", and "15" that provide the Company's
15 responses to data requests, including responses
16 you have sponsored?

17 A (Devereaux) Yes, I am.

18 Q And do you have any corrections or amendments to
19 those exhibits?

20 A (Devereaux) No, I do not.

21 Q And are you adopting those portions of Exhibits
22 1, 7, 10, 12, 13, and 15 that you have sponsored
23 as part of your sworn testimony today?

24 A (Devereaux) Yes.

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 Q Thank you. All right. I'm going to move to some
2 of the witnesses that are over here.

3 So, Ms. Landry, would you please state
4 your full name, Company position, and
5 responsibilities?

6 A (Landry) Sure. Good morning. My name is Leanne
7 Landry. I'm the Director of Investment Planning.
8 I provide direct oversight of the financial
9 support function of the Operations Group of the
10 Company.

11 CMSR. SIMPSON: Ms. Landry, can you
12 make sure your microphone is on please?

13 *[Court reporter comment regarding the*
14 *use of the microphone.]*

15 CMSR. SIMPSON: And you might need to
16 move it just a little bit closer.

17 WITNESS LANDRY: Okay.

18 CMSR. SIMPSON: Thank you.

19 WITNESS LANDRY: Sure. Sorry about
20 that.

21 BY MS. RALSTON:

22 Q Ms. Landry, are you familiar with the exhibits
23 marked as "Exhibits 7" and "13", which provide
24 the Company's responses to data requests,

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 including responses you have sponsored?

2 A (Landry) Yes, I am.

3 Q And do you have any corrections or amendments to
4 those exhibits?

5 A (Landry) No, I do not.

6 Q And are you adopting those portions of Exhibits 7
7 and 13 that you have sponsored as part of your
8 sworn testimony today?

9 A (Landry) Yes, I am.

10 Q Thank you. Mr. Renaud, would you please state
11 your full name, Company position, and
12 responsibilities?

13 A (Renaud) Good morning. My name is Paul Renaud.
14 I'm the Vice President of Distribution
15 Engineering. And I'm responsible for
16 distribution engineering in Eversource's
17 Massachusetts and New Hampshire territories, as
18 well as capital investment planning.

19 Q And are you familiar with the exhibits marked as
20 "Exhibits 5" and "13" that provide responses to
21 data requests, including responses that you have
22 sponsored regarding the Emerald Street Substation
23 Project?

24 A (Renaud) Yes, I am.

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 Q And do you have any corrections or amendments to
2 those exhibits?

3 A (Renaud) No, I do not.

4 Q And are you adopting those portions of Exhibits 5
5 and 13 that you have sponsored as part of your
6 sworn testimony today?

7 A (Renaud) Yes, I am.

8 Q Thank you. Mr. Dickie, would you please state
9 your full name, Company position, and
10 responsibilities?

11 A (Dickie) Yes. My name is Brian Dickie, Vice
12 President of New Hampshire Electric System
13 Operations. I'm responsible for transmission and
14 distribution grid operations, outage management,
15 and the Troubleshooter Line Department.

16 Q And are you familiar with the exhibits that are
17 marked as "Exhibits 5" and "13" that provide the
18 Company's responses to data requests, including
19 responses you have sponsored regarding the
20 Emerald Street Substation Project?

21 A (Dickie) Yes, I am.

22 Q Do you have any corrections or amendments to
23 those exhibits?

24 A (Dickie) No, I do not.

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 Q And are you adopting those portions of Exhibits 5
2 and 13 that you have sponsored as part of your
3 sworn testimony today?

4 A (Dickie) Yes, I am.

5 Q Thank you. Mr. Davis, would you please state
6 your name, Company position, and
7 responsibilities?

8 A (Davis) Good morning. My name is Edward Davis.
9 I am the Director of Rates for Eversource Energy.

10 Q And can you please provide your responsibilities
11 in that position?

12 A (Davis) My responsibilities include rate design,
13 cost of service, and tariff -- tariff activities
14 associated with the Eversource Energy operating
15 companies, including Public Service of New
16 Hampshire.

17 Q And are you familiar with the exhibit that has
18 been marked as "Exhibit 1", which is the
19 Company's initial filing, including your joint
20 testimony and supporting attachments co-sponsored
21 with Ms. Paruta?

22 A (Davis) Yes, I am.

23 Q And what parts of that testimony were you
24 responsible for?

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 A (Davis) My primary responsibility is with respect
2 to the Company's Step Adjustment Petition to
3 support the resulting rate adjustments.

4 Q Do you have any corrections to the portions of
5 Exhibit 1 that you have sponsored?

6 A (Davis) I do not have any corrections. However,
7 updates for the rate calculation are necessary to
8 reflect a new rate effective date.

9 Q The Company's initial filing requested an
10 August 1st, 2022 rate effective date that would
11 allow for recovery of the Step Adjustment revenue
12 requirement over a 12-month period, is that
13 correct?

14 A (Devereaux) Yes, it is.

15 Q And due to the postponement of this hearing, the
16 earliest rate effective date is now anticipated
17 to be October 1st, is that correct?

18 A (Davis) Yes, it is.

19 Q So, have you calculated new rates that would
20 allow the Company to recover the revenue
21 requirement associated with the Step Adjustment
22 over a 10-month period beginning on October 1st?

23 A (Davis) Yes, I have. Based on current rates in
24 effect as of August 1st, 2022, a rate change

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 commencing October 1st would result in an overall
2 increase of 0.4 percent in total and 0.6 percent
3 to our residential classes. A residential
4 customer who consumes 600 kilowatt-hours would
5 see a monthly bill increase of \$1.21, or 0.6
6 percent, as initially filed, and \$1.16, at also
7 0.6 percent, based on changes.

8 Q Do those updated bill impacts reflect removal of
9 the revenue requirement associated with the
10 Nashua Renovation and Millyard Substation
11 Replacement Projects?

12 A (Davis) Yes, they do. And those are the changes
13 I was referring to. These updated bill impacts
14 reflect the adjustments agreed to as part of the
15 audit process.

16 Q Perfect. And do these updated rates result in
17 just and reasonable rates to customers?

18 A (Davis) Yes, they do.

19 Q And are you adopting those portions of Exhibit 1
20 that you have sponsored as part of your sworn
21 testimony today?

22 A (Davis) Yes, I am.

23 Q Thank you. And last, but not least, Ms. Paruta,
24 would you please state your full name, Company

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1 position, and responsibilities?

2 A (Paruta) Good morning. My name is Marisa Paruta.
3 And I am the Director of Revenue Requirements for
4 New Hampshire electric distribution company for
5 Eversource Energy, as well as the natural gas and
6 electric distribution company in Connecticut.
7 And, in that responsibility, I am responsible for
8 the coordination and implementation of all
9 revenue requirement calculations that impact
10 customers' rates, and any regulatory filings that
11 would also have similar impacts, including this
12 Step Adjustment.

13 Q Are you familiar with the exhibit that has been
14 marked as "Exhibit 1", which is the Company's
15 initial filing, including your joint testimony
16 and supporting attachments co-sponsored with Mr.
17 Davis?

18 A (Paruta) Yes, I am.

19 Q And are you also familiar with the exhibits
20 marked as "Exhibits 2", "10", and "13" that
21 provide the Company's responses to data and
22 record requests, including responses that you
23 have sponsored?

24 A (Paruta) Yes, I am.

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 Q Do you have any corrections or amendments to
2 Exhibits 1, 2, 10, or 13?

3 A (Paruta) I do not have any corrections. But we
4 do have updates to the revenue requirements that
5 were presented in Exhibit 1, and that is at Bates
6 045. Those require necessary adjustments to
7 reflect what was agreed to by the Company during
8 the audit process and what was disclosed in the
9 Final Audit Report. And it also requires a
10 reflection of the deferral of the costs
11 associated with the Nashua Renovation and
12 Millyard Substation Replacement Projects that the
13 Company has agreed to this morning.

14 Q And, so, can you please provide the updated
15 revenue requirement amount?

16 A (Paruta) Sure. So, the removal of all of these
17 costs have resulted in a revenue requirements of
18 totaling 8.9 million. And this is the revenue
19 requirement that was used by Mr. Davis, my
20 colleague here, to determine the calculated and
21 updated rates, and the bill impacts as he just
22 provided.

23 Q Thank you. And are you adopting those portions
24 of Exhibits 1, 2, 10, and 13 that you have

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 sponsored as part of your sworn testimony today?

2 A (Paruta) Yes, I am.

3 MS. RALSTON: Thank you. The witnesses
4 are available for cross-examination.

5 CMSR. SIMPSON: Thank you, Attorney
6 Ralston. I'll recognize Attorney Dexter, for the
7 New Hampshire Department of Energy.

8 MR. DEXTER: Thank you, Commissioner.

9 **CROSS-EXAMINATION**

10 BY MR. DEXTER:

11 Q I think I'd like to start with what we just
12 heard, on the issue of updates. And to do that,
13 I'd like to go to Exhibit 1. Let me see if I can
14 find that. And I'd like to go to Page 45.

15 So, Exhibit 1, Page 45, at Line 15,
16 indicates that the Company is or I guess was
17 requesting a revenue -- rates to recover a
18 revenue requirement of \$9.3 million. Do I have
19 that right?

20 A (Paruta) Correct.

21 Q Okay. And the Company's original proposal, which
22 is what Exhibit 1 is, demonstrated a revenue
23 requirement of \$10.4 million, shown on
24 Line 3 -- 13, correct?

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 A (Paruta) Correct.

2 Q And the reason that \$9.3 million was requested,
3 rather than \$10.4 million, was because the
4 revenue requirement was capped in the underlying
5 Settlement Agreement that gave rise to this Step
6 Adjustment. Would you agree with that?

7 A (Paruta) That is correct.

8 Q Okay. Now, you mentioned some numbers regarding
9 an updated revenue requirement. And I believe I
10 heard you say that a revised revenue requirement
11 would equal "\$8.9 million", is that right?

12 A (Paruta) That is correct, rounded.

13 Q Rounded. Sure. And we don't have a revised
14 Bates 045 at this point to look at, is that my
15 understanding? Is my understanding correct?

16 A (Paruta) That's correct.

17 Q Okay. Okay. So, we'll do it a little bit on the
18 fly then.

19 So, you mentioned that, to get from the
20 \$10.4 million revenue requirement, on Line 13 as
21 originally filed, to the \$8.9 million revenue
22 requirement, as updated, that you adjusted for
23 three things, as I heard it: The Audit Report
24 and the stipulated removal of the Nashua building

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1 project and the Millyard Substation Project. Is
2 that right?

3 A (Paruta) That is correct.

4 Q Okay. Let's talk first about the audit
5 adjustments. The audit that you're referring to
6 was performed by the Department of Energy,
7 correct?

8 A (Paruta) Correct.

9 Q Okay. Could you tell me specifically what
10 adjustments are reflected in the \$8.9 million
11 requested revenue requirement having to do with
12 the audit?

13 A (Paruta) Sure. I think what might be helpful is
14 if we went to the actual Final Audit Report. And
15 I don't believe that's an exhibit.

16 MS. RALSTON: I don't believe it is an
17 exhibit. Do you have a copy of it, Ms. Paruta?

18 WITNESS PARUTA: I do have a copy.

19 MS. RALSTON: Okay. Are you able to
20 walk through which items you've reflected?

21 WITNESS PARUTA: Yes, I can.

22 **CONTINUED BY THE WITNESS:**

23 A (Paruta) So, it is filed to the docket. If we go
24 to Pages -- and I will scroll to the bottom where

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 we had the audit issues identified. And the
2 first audit issue did not result in any
3 adjustments to revenue requirements.

4 The second audit issue was an
5 "Overstatement of Plant in Service", and that
6 essentially was identified by the auditors. And
7 we agreed to the identified projects, as those
8 have been projects that were not fully placed in
9 service in 2021. And, so, we agreed to remove
10 from our step a total value of "\$472,856".

11 BY MR. DEXTER:

12 Q Now, Ms. Paruta, I just want to interrupt you for
13 a second.

14 A (Paruta) Sure.

15 Q So, I'm looking at the Audit Report that was
16 filed with the Commission I believe on
17 August 31st, and it is filed to the docket. So,
18 I want to point the Commissioners in that
19 direction. And, in particular, I'm looking at
20 Page 42 of the Audit Report, dealing with Audit
21 Issue 2. Is that where you are?

22 A (Paruta) Correct.

23 Q Okay. And, when you say that \$473,000 was
24 removed from the Step Adjustment, that figure

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 shows up on Page 43, correct?

2 A (Paruta) That is correct.

3 Q Okay. Now, if I were to have gone back to
4 Exhibit 1, Page 29, which is the list of all the
5 Step Adjustment projects that were originally
6 proposed, would I find this particular project on
7 that list, this lighting project?

8 A (Paruta) Yes. And, if you just give me one
9 minute, in our Exhibit 1, let me find that for
10 you exactly.

11 It is -- okay. If we go to Exhibit 1,
12 and Bates Page 029, are you there, Mr. Dexter?

13 Q Yes.

14 A (Paruta) Okay. And, if you go to Line --
15 apologies, it's quite small on my screen. It is
16 Line 11, that is the "55 W Brook LED Lighting"
17 Project. It's Project ID Number "217129". And
18 you will see, in the Column H, where we have the
19 "2021 Plant in Service" amount, and that number
20 is "289,086". So, that is --

21 Q So, I'm not following you. So, let me interrupt
22 for a second.

23 A (Paruta) Sure.

24 Q I think I'm on Page 29. Or maybe I'm on Page 30,

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 hold up. My apologies. Okay. And what line
2 again did you say?

3 A (Paruta) It's Line 11.

4 Q Line 11. Okay. So, I see "55 W Brook LED"?

5 A (Paruta) Correct.

6 Q Okay. Thank you. I was on the wrong page.

7 Sorry to interrupt.

8 A (Paruta) That's okay. So, that is the first
9 project. Which is, if you go to Column H, it
10 will show the amount of "289,086", which is the
11 plant in service that we agreed to remove.

12 The second project --

13 Q Okay. Before we leave this project, --

14 A (Paruta) Sure.

15 Q -- so, can you explain again why the auditors
16 suggested and you agreed to remove that, that
17 amount?

18 A (Paruta) That project was identified as one of
19 the many projects that the auditor thoroughly
20 reviewed, and they did an excellent job. On this
21 particular project, when they looked at the
22 detail, it was identified that the full project
23 was not yet placed in service. Portions of the
24 project were pushed to placed in service, the

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1 portion being the 289,086, but should not have
2 been, until the entirety of the project was
3 placed in service.

4 So, after speaking to the experts with
5 the Company, the decision was made, we agreed
6 with the auditors, and we did remove that from
7 this step filing.

8 Q Okay. And the expectation would be, I would
9 imagine, that the Company would seek approval for
10 this project in its next rate case?

11 A (Paruta) We will seek approval for the delta
12 between -- we have the specific 125-0 Fund, the
13 RSA 125-0 Fund that does apply to these projects.
14 So, we would only be seeking recovery for the
15 delta of that in the next rate case application,
16 correct.

17 Q Okay. Thanks. So that -- I guess that was the
18 first audit project that I asked you to explain.

19 A (Paruta) Correct.

20 Q So, I will let you continue.

21 A (Paruta) Yes. So, the second one is the
22 "Hooksett-1250 LED Lighting". And that one is
23 right above, a couple of rows above, on Line 9 --
24 excuse me -- and that is Project Number "21799",

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1 in the amount of, in Column H, "183,769.75",
2 which ties to the Final Audit Report as well.
3 And there were similar lines of discussion on
4 that LED lighting. So, the auditor pulled the
5 LED lightings in their totality in their detailed
6 review analysis during the audit. And, so, these
7 two were reviewed together. So, that explanation
8 does apply to both.

9 Q Okay. Thanks. And, so, back to the Audit
10 Report. That was Audit Issue Number 2, I
11 believe, correct?

12 A (Paruta) That is correct.

13 Q Okay. So, I think you were going to mention
14 another one?

15 A (Paruta) Yes. We can skip through Audit 3, there
16 was no impact to revenue requirements.

17 Going to Audit 4, the auditors reviewed
18 several of the vehicles and fleet vehicles that
19 were purchased and part of the '21 plant in
20 service. And, during that evaluation, it was
21 discovered that the fleet vehicles, once they
22 were purchases, were moved to a different state
23 affiliated company for use during our COVID,
24 specific to the safety, the One-to-One Person

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1 Truck Policy. So, those were transferred to
2 Massachusetts, and then, later, in 2021,
3 transferred back to New Hampshire. As a result
4 of that transfer that occurred, those vehicles
5 were transferred back to New Hampshire, and,
6 therefore, they were included within our step
7 adjustment in 2021, as really purchased vehicles/
8 purchased equipment in 2021, for purposes of New
9 Hampshire, being used and useful in our Area Work
10 Centers.

11 So, within that evaluation, what was
12 discovered, that the auditor had found that the
13 carrying value of those vehicles were based on
14 the bill of sales. So, that was incorrect. The
15 carrying value back to New Hampshire should have
16 been net of the depreciable value that occurred
17 while they were being utilized in Massachusetts.
18 So, we did agree to that.

19 And the Company is removing, from our
20 Step, "\$57,828" of vehicle value from the Step.

21 Q And that figure of 57,000 appears on which page
22 of the Audit Report?

23 A (Paruta) If you go to Page 47, in the "Audit
24 Conclusion", at the bottom.

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1 Q Yes. Okay. And, before we leave this vehicle
2 issue, there was a second audit issue raised that
3 the Company did not agree with, is that correct,
4 having to do with registration fees?

5 A (Paruta) Yes. That is -- that is correct.

6 Q Okay. And I won't get into the debate about
7 whether or not -- well, let me withdraw that and
8 ask you this.

9 The Audit Conclusion says that the
10 "Audit Department was not able to [quantify] the
11 dollar amount of the registration fees in the
12 third step." That appears on Bates Page 048.
13 Could you estimate, could you give us an estimate
14 of the magnitude of the registration fees that
15 the Company and the auditors don't agree on?

16 A (Paruta) We do not have an estimate. It's
17 embedded within the bill of title and the cost of
18 sale of each vehicle.

19 Q Uh-huh.

20 A (Paruta) The registration -- "registration fee"
21 that was included in the detail that was audited
22 by the auditors is actually the title that is
23 issued when the Company purchases those fleet
24 vehicles, regardless of the type of vehicle,

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1 truck, digger, bucket trucks. And, so, under
2 FERC regulation and FERC guidance, you are
3 allowed to capitalize all of the costs in order
4 for those assets to be made used and useful. The
5 Company cannot drive those assets off the lot of
6 the original owner in this case, whether it's a
7 dealership or manufacturing company that actually
8 builds those bucket trucks for us, we cannot
9 drive those off the lots until we issue and
10 receive title to ourselves.

11 So, those "registration fees" is
12 actually the title and the plate issuance in the
13 State of New Hampshire within the different towns
14 where those vehicles are then disseminated into
15 the Area Work Centers.

16 Q Okay. And I appreciate all that, and I have a
17 couple of follow-ups on that. But how many
18 vehicles are we talking about?

19 A (Paruta) It's a multitude of many different types
20 of vehicles. I don't have that data at my
21 fingertips. But there's what's called
22 "light-duty", "heavy-duty", "diggers". The
23 particular trucks that the auditors did review
24 was 16 Chevy Trax trucks. So, really, Trax

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1 trucks.

2 Q Right. But the auditor's issue here went to all
3 the vehicles, not just the ones they specifically
4 looked at?

5 A (Paruta) It certainly did.

6 Q Okay. Can you give us any estimate, whether
7 we're talking about a hundred vehicles or a
8 thousand vehicles? Anyone on the panel here?
9 Just trying to put this issue in perspective.

10 A (Paruta) Yes, I apologize. I don't have a total
11 of the vehicles that were purchased. We would
12 have had to go into every single work order, back
13 into the bill of sale, to determine the numbers
14 that were purchased for the year.

15 Q Fair enough. Do you have an estimate as to what
16 the registration fee amounts to?

17 A (Paruta) So, it's a few hundred dollars for just
18 a standard pickup vehicle. For a light-duty
19 vehicle, it's an average of \$1,200, because the
20 title and the plates that are distributed are
21 done so in order for it to be interstate, so that
22 these vehicles can be used outside of New
23 Hampshire and, you know, in times of mutual aid,
24 for example. And, for heavy-duty, it's about

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1 \$4,800.

2 Q Okay. And those are annual fees, correct?

3 A (Paruta) No. That is a one-time fee.

4 Q All these fees at issue are one-time fees?

5 A (Paruta) These are only the one-time payment
6 during the bill of sale.

7 Q And what about the annual -- are there annual
8 registration fees?

9 A (Paruta) There certainly are.

10 Q And how are those accounted for?

11 A (Paruta) Those are expensed.

12 Q Those are expensed, okay. Okay. So, that was
13 Audit Issue Number 4. Did your update today
14 include any other audit-related adjustments?

15 A (Paruta) Yes, it did. We had a audit adjustment
16 for Audit Issue Number 5, which is on Page 49.
17 For this particular one, we had an error that was
18 discovered within our filing that we agreed to
19 adjust for. It was an accounting adjustment, in
20 order for us to reflect the proper property tax
21 expense within the Step, we removed an adjustment
22 associated with an out-of-period adjustment that
23 was recorded in 2021. That amounted to, let me
24 go to my schedule, it was roughly 1.3 million.

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1 But let me get you the exact number, "1.366129".

2 And, in addition to that adjustment,
3 that was unwound out of the property tax expense
4 used in our calculation, we also had to identify
5 a portion of it that did relate to 2021 and
6 remove that from our property tax expense.

7 So, this was all discussed in great
8 detail with the auditor, and we agreed to make
9 that adjustment to our property tax expense that
10 was used in the calculation. So, having --

11 CMSR. CHATTOPADHYAY: Can I request,
12 can you repeat the number again?

13 WITNESS PARUTA: Sure. It's 1,366,129,
14 was the first part of the adjustment.

15 CMSR. CHATTOPADHYAY: Thank you.

16 BY MR. DEXTER:

17 Q Is that 1,366,000? Is that what you're saying?

18 A (Paruta) Correct.

19 Q Okay. So, I'd like to -- is the second part of
20 your explanation property tax related also?

21 A (Paruta) That's it for property taxes. It was
22 those two adjustments.

23 Q Okay. So, I'd like to see if I can understand
24 how that affects the Step Adjustment calculation.

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1 And to do that, if I were to go to Exhibit 1,
2 Page -- I think it's Page 46 or 47. Let me see.
3 Turns out it's Exhibit 1, Page 050.

4 A (Paruta) Correct.

5 Q There's a property tax calculation there. What
6 you just mentioned, the 1,366,000, that would be
7 removed from Line 1, on Page 50, is that what
8 you're saying?

9 A (Paruta) That's correct. Yes.

10 Q Okay. So, it affected the 2.11 percentage that
11 you applied to all the projects in the Step
12 Adjustment?

13 A (Paruta) Yes. But, just to clarify, it was a
14 two -- kind of like a two-step adjustment. It
15 was the 1,366,129, and then the 341,532. So, the
16 total adjustment to that Line 1, as you
17 mentioned, on Bates Page 050, was 1,707,661.

18 Q And it's because those taxes are -- why were they
19 removed? Could you explain that again?

20 A (Paruta) So, this was a prior period adjustment
21 that was made in 2021 that related to
22 transmission -- I'll call it "transmission
23 values" that were improperly included as part of
24 the distribution plant assets. And, so, it did

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1 impact the property tax value. In 2021, the
2 Property Tax Department recorded this journal
3 entry to remove it. And, so, in doing so, we had
4 picked it up, and we should not have, because
5 it's a prior period adjustment. So, it relates
6 to 2020, fiscal year 2020.

7 But, having said that, because it
8 relates to property tax fiscal year 2020, the
9 last three months actually do relate to 2021.
10 And we had inverted the -- we added it back in,
11 and we should not have. It should have not been
12 included. And then, we also should have reduced
13 the property tax expense in 2021 for the
14 transmission allocation out of distribution for
15 January, February, and March of 2021, which is
16 what we now do in this revised revenue
17 requirements calculation, if you will.

18 Q Yes. Okay. And I appreciate the update in the
19 Step Adjustment. But we had -- not that long
20 ago, you and I had a hearing on property tax --
21 for the Property Tax Adjustment Mechanism. Was
22 this phenomena reflected, in your mind, properly
23 in the Property Tax Adjustment Mechanism?

24 A (Paruta) Absolutely. This is a different

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1 calculation. So, and not to rehash the one-hour
2 discussion in that hearing, but, in that hearing,
3 remember, that is a tracking mechanism --

4 Q Uh-huh.

5 A (Paruta) -- of pure tax expense. So, we're
6 tracking period-over-period. So, this particular
7 adjustment was reflected in last year's RRA. So,
8 it was properly included to negate it, remember
9 that discussion.

10 For this particular Step Adjustment,
11 what we're looking is, as of a period of time, we
12 have to determine what the property tax expense
13 was just for 2021. There's not a reconciling
14 mechanism here. So, in order to do that, what we
15 did is we pulled just 2021 property tax expense
16 and took out anything that related to the prior
17 period. But, in doing so, we inversely added
18 back the number that we should have taken out.
19 And then, also, what we should have done is take
20 out the piece of that adjustment that related to
21 2021, which was January, February, and March of
22 2021, and pulled that out of the property tax
23 expense.

24 Q Okay. So, I think, in sum then, your testimony

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 today is that, with this correction, the Step
2 Adjustment now properly reflects property tax
3 adjustments, is that right?

4 A (Paruta) That is correct.

5 Q And you're also sort of reminding us that we
6 don't need to worry about making an offsetting
7 adjustment in the RRA/PTAM case, that's already
8 been taken care of properly?

9 A (Paruta) Absolutely. It's correct.

10 Q Okay. All right. Thanks. So, is that it for
11 the audit issues?

12 A (Paruta) Let me just -- I believe so. I just
13 want to kind of scroll to the end and make sure
14 Audit Issue Number 6 -- nope. Sorry, there is
15 one more. And that is Audit Issue Number 6.
16 This was a discovery by the auditor where we had
17 plant that was placed in service in 2021 that
18 related to IT computer and PC replacements, low
19 cost. These were \$367,211.56. These computer --
20 excuse me -- and PC replacements were actually
21 purchased in 2019. And, because of the
22 accounting exercise and how it flowed through, it
23 should have been picked up in the step in 2019.
24 So, we did agree to remove it from this step.

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1 Q Okay. And what was that amount please?

2 A (Paruta) It is 367,211.56.

3 Q And that appears on Page 52, \$367,000?

4 A (Paruta) Correct.

5 Q Okay. And this was removed from a particular
6 project, we won't go through the exercise, but
7 this was removed from a particular project listed
8 on Exhibit 1, Pages 29, 30, or 31, correct?

9 A (Paruta) That is correct.

10 Q Okay. All right. Thanks. And the second cause
11 for the update today you mentioned was the
12 removal of the two stipulated projects that were
13 discussed in the letter by the Company, I think
14 yesterday or Friday, is that right?

15 A (Paruta) That is correct.

16 Q Okay. And that's the Nashua Renovation and the
17 Millyard Substation, correct?

18 A (Paruta) Yes.

19 Q We don't have an updated schedule to look at, but
20 that's included in the \$8.9 million revenue
21 requirement, right?

22 A (Paruta) Correct.

23 Q Okay. So, I wanted to ask you to go to
24 Exhibit 1, Page 51, let me see if I can get

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 there. Is this -- this schedule indicates how
2 the proposed, it was 9.3 million, now it's 8.9
3 million, gets allocated to the various rate
4 classes, correct?

5 A (Davis) This shows the result of that allocation,
6 yes.

7 Q It shows the result of the allocation, okay.

8 A (Davis) I believe, if you wanted to see the
9 actual allocation, it is Bates 055, I believe.

10 Q Okay. And just so that we're all following
11 along, the requested, again at the time, it was
12 9.3 million, shows up on Line 32, looks like
13 Column (F), is that right?

14 A (Davis) That's correct.

15 Q Okay. So, let's go down to Page 55 then, and see
16 how these costs were allocated to the various
17 classes. What does Page 055 show?

18 A (Davis) I apologize, Page 56.

19 Q Page 56. Okay. So, how was the allocation to
20 the various classes performed?

21 A (Davis) So, at the upper section, you'll see --
22 let me make this larger. So, Line 17 shows a
23 dollar amount, it actually shows in -- it shows
24 here in thousands, but the dollar amount "\$9.3

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1 million" is allocated to rate classes using an
2 average percent, in this case, "2.23 percent".
3 It shows on Line 19.

4 Q Yes. I see the "2.23 percent".

5 A (Davis) And that amount is then applied to
6 distribution revenues by rate class. And that
7 shows, ultimately, in Column B, you'll see the
8 revenue; Column D, you'll show the change in
9 revenue due to the allocation, which you can see
10 at the very bottom adds up to the \$9.3 million;
11 and then, the sum of Columns B and C give you
12 what are revenue targets, distribution revenue
13 targets.

14 We then, and there's subsequent pages
15 that provide a significant amount of detail,
16 where we actually take these targets, bring them
17 into each rate class, and try to design the
18 specific pricing that will achieve those targets.
19 The result of that set of calculations appears in
20 Column E.

21 And, so, you can see at the bottom, we
22 have a target of "426,734.2 million", and we have
23 an actual proposed rate revenue of "426,733.8".
24 So, those are all in Line 55.

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 So, what we do is we design rates so
2 that we can achieve those targets. We do it
3 individually by rate class. Within each rate
4 class, we apply it to specific rate components.
5 For example, in Rate R, we have a total revenue,
6 change in revenue, but we wouldn't be making any
7 changes to the customer charge, we would instead
8 apply a change to the per kilowatt-hour charge so
9 that we can achieve that target.

10 Q And why was the step adjustment allocated only to
11 the volumetric charge for residential customers?

12 A (Davis) Two reasons. Well, the main reason is we
13 have a stipulation that maintains the customer
14 charge at the current level from the last rate
15 case. But, also, for step changes, we will make
16 a change, and this is also the result of
17 implementing the step methodology, we make a
18 change to the demand-related component of charges
19 in a given rate class. And, in Residential,
20 that's done on a per kilowatt-hour basis. In
21 other classes, it might be on a per kilowatt or
22 kVA basis. So, it depends on the rate class.
23 And we apply it to those demand-related
24 charges -- or, rates, if you will.

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 Q Were the customer charges for any classes
2 impacted by the Step Adjustment?

3 A (Davis) No.

4 Q And is that consistent with the underlying
5 Settlement from DE 19-057?

6 A (Davis) Yes, it is.

7 Q Okay. Now, if we go to Bates Page 057, again,
8 this is before the update, but am I correct that
9 the column marked "Proposed Rates" would be the
10 actual rates that the Company is seeking approval
11 of in this docket?

12 A (Davis) That's true, yes. And then, just as a
13 reminder, these are from our initial filing.

14 Q Correct.

15 A (Davis) So, they would be a little lower as a
16 result.

17 Q Okay. And do we have updated rates equivalent to
18 Bates Page 057 and 058, and so on?

19 A (Davis) We have those. I don't believe we've
20 submitted those. I can readily submit those.

21 Q Okay. And, jumping down to Bates Page 101 of
22 Exhibit 1, this takes me to the Company's
23 proposed tariff changes, correct?

24 A (Davis) Just a moment. That's correct.

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 Q And this, I happen to be looking at the
2 Residential Rate R, I think you indicated that
3 the customer charge of \$13.81 would not change as
4 a result of the Step Adjustment, correct?

5 A (Davis) That is correct.

6 Q The only number, in fact, that would change on
7 here is the distribution charge. Right now, it
8 says "5.63" -- "5.363 cents per kilowatt-hour".
9 That's the proposed rate, before updating,
10 correct?

11 A (Davis) That's correct.

12 Q Could you tell us what the proposed rate for the
13 residential customer would be after updating?

14 A (Davis) So, here is where I want to harken back
15 to my initial direct testimony, where we
16 indicated that we are seeking an effective date
17 of October 1st, --

18 Q Uh-huh.

19 A (Davis) -- because of the timing. And,
20 therefore, we are seeking to recover that over a
21 10-month period. So, instead of applying rates,
22 as we initially filed, August 1st, where you
23 design rates on a 12-month basis, we're actually
24 designing rates for this period starting

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 October 1st over a 10-month basis. So, what I'm
2 going to tell you is I'm going to give you the
3 price to answer your question, but I just want to
4 then explain why it's higher than you would have
5 intuitively expected.

6 So, on the basis of \$8.9 million, we
7 actually would design rates over a 10-month
8 period, so that, when we apply rates for 10
9 months, we actually get back to the \$8.9 million.
10 Okay? So, the "5.363 cents" that you see in our
11 initial filing on Page 101 would become "5.389
12 cents per kilowatt-hour".

13 And then, at the end of the 10 months,
14 this rate would resort back to a lower number.

15 Q Well, that was my next question. So, when will
16 that be? When would the rate resort back to a
17 lower number?

18 A (Davis) August 1st of 2023. All else being
19 equal.

20 Q And do you have that number, what it would revert
21 back to, assuming nothing else changes?

22 A (Davis) I do not, but I can get that with a short
23 check.

24 Q And does the Company plan to make a rate filing

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 for effect August 1st, 2023?

2 A (Davis) In this instant proceeding?

3 Q In other words, to drop the rate down from this
4 shortened 10-month period, back down to what's
5 going to be the ongoing rate for the step
6 adjustment, there's going to have to be a rate
7 change, that's what you just said. My question
8 is, would that be a filing that the Company would
9 make for approval with the Commission, and, for
10 the record, Department of Energy supports such a
11 filing, rather than sort of a pre-approval of a
12 decrease to come 10 months from now or something
13 like that?

14 And, if you don't know, that's fine. I
15 just -- we can, you know, the lawyers can address
16 that, I guess.

17 A (Davis) If I could consult, then we can respond
18 to that. Yes.

19 Q Sure. Okay. So, where we are now is an \$8.9
20 million revenue requirement, consisting of lots
21 of projects that are listed on Exhibit 1, Pages
22 29, 30, and 31, but with some adjustments. And I
23 now want to ask some questions about the
24 remaining specific projects, starting on Page 29.

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 So, let me see if I can get there.

2 Okay. The first project I want to ask
3 about is called the "Emerald Street Substation",
4 that's Line 15, on Bates Page 029 of Exhibit 1.
5 Is that right?

6 A (Plante) Correct.

7 Q And this project is placed in service in this
8 Step Adjustment at an amount of \$19,536,000, and
9 I'm just rounding, but I get that number in
10 Column H, is that right?

11 A (Plante) Yes.

12 Q Okay. And this project was originally authorized
13 to cost 16 million -- \$16.8 million, as shown in
14 Column I, correct?

15 A (Plante) Correct.

16 Q And when was this project placed in service?

17 A (Plante) In July of 2021.

18 Q July of 2021, okay. And there's backup
19 information about this project contained in
20 Exhibit 5. So, I'd like to go to Exhibit 5 for a
21 minute. And I want to go to Bates Page 040 of
22 Exhibit 5.

23 MR. DEXTER: Commissioners, I seem to
24 have some page numbers wrong. I'd like to take a

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 60-second break off the record please? So, I
2 can -- somehow I messed up my Bates page numbers.

3 CMSR. SIMPSON: Oh, no problem.

4 MR. DEXTER: Thank you.

5 CMSR. SIMPSON: Take your time.

6 *[Short pause - off the record.]*

7 MR. DEXTER: Okay. I'm ready to
8 proceed, if I may?

9 CMSR. SIMPSON: Please do so.

10 MR. DEXTER: Thank you.

11 BY MR. DEXTER:

12 Q So, I actually wanted to go to Bates Page 042,
13 which is the "Executive Summary". And I wanted
14 to direct your attention to the second full
15 paragraph on Bates Page 042.

16 And I want you to confirm that this
17 report, which is a study of the Keene -- well,
18 let me ask you this, I guess, rather than assume.
19 Could you tell me what the purpose of the Keene
20 Area Planning Study is, which starts on Exhibit
21 5, Bates Pages 040?

22 A (Johnson) This Study is a comprehensive Area
23 Study --

24 *[Court reporter interruption.]*

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 **BY THE WITNESS:**

2 A (Johnson) This Study is a comprehensive Area
3 Study for the Greater Keene Area. During the
4 previous Ten Year Load Flow Study, it recognized,
5 under contingency, some -- over the 10-year
6 horizon, some issues. And it recommended a
7 comprehensive Area Study. So, that's what this
8 particular document is.

9 BY MR. DEXTER:

10 Q And when was this document prepared?

11 A (Johnson) This study started in April of 2011.
12 It was finalized in May of 2012.

13 Q Okay. And is it correct that, on Page 2 of the
14 Study, which is Bates Page 042, that the second
15 paragraph indicates that "This area", meaning
16 Keene, "is presently experiencing a 3.1 percent
17 load growth which is expected to continue for the
18 foreseeable future"?

19 A (Johnson) That's correct.

20 Q Is that 3.1 percent per year?

21 A (Johnson) Yes, it is.

22 Q And did that load growth, which was predicted in
23 2011, in fact, materialize?

24 A (Johnson) It has not.

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 Q It has not.

2 A (Johnson) I will add to that that this, again,
3 was a comprehensive Area Study, in which you need
4 to forecast a load forecast, of which, at that
5 time, looking at the historical load growth in
6 that area, was forecasted to be around 3.1
7 percent.

8 Q Okay. Has the Keene area experienced load growth
9 since 2011?

10 A (Johnson) Very slight load growth since that
11 time.

12 Q Okay. So, if I were to go to Bates Page 058, I
13 guess I should go to Bates Page 057, where it
14 starts, there's a paragraph that's called "Load
15 Flow Analysis". Could you explain what that is
16 please?

17 A (Johnson) The "load flow analysis" is developing
18 a model of the system, applying your load
19 forecast to that model, and then conducting an
20 annual -- a year-by-year study for ten years, to
21 identify both base case, as well as contingency,
22 violations.

23 Q Okay. And the next page, the bottom of 057, and
24 all of 058, talks about a number of violations,

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 correct?

2 A (Johnson) It does.

3 Q Could you explain what "violations" are in this
4 context?

5 A (Johnson) In this context, and, again, we're
6 talking in the timeframe of 2011, and the
7 planning criteria that was in place at that time,
8 it was the base case overload of the long-term
9 emergency capacity of the transformation. It was
10 potentially an overload of circuit conductors,
11 and it was also a resulting drop in load for a
12 contingency, a permanent dropping of load under a
13 contingency.

14 Q What do mean a "permanent dropping of load"?

15 A (Johnson) In other words, you don't have the
16 capacity to restore load to the customers.

17 Q So, in other words, the -- you would be facing a
18 situation where you wouldn't be able to serve
19 customers?

20 A (Johnson) Correct. I'll add to my response, in
21 that there are additional elements to the
22 criteria at the time, that you could conduct up
23 to the three load block transfers during the
24 restoration. If it required more than that, then

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 that was considered a violation of the criteria.

2 Q Okay. And these violations were occurring
3 because there was too much load for the system to
4 handle, right?

5 A (Johnson) It's a combination of load, as well as
6 the configuration of the existing substation.

7 Q Right. And the load that couldn't be handled
8 assumed a 3.1 percent annual growth factor,
9 correct?

10 A (Johnson) Correct.

11 Q Okay. And that's shown on -- there's a graph
12 here, on Page 59. And, again, this is different
13 scenarios, I guess. Maybe you could explain
14 what's on Page 59?

15 A (Johnson) Sure. At the time, load forecasting
16 was primarily based on looking at the historical
17 load growth, as well as looking at significant
18 spot loads that were known to be coming on line.
19 And what we would do at the time is we would
20 establish an envelope of low-level growth rate,
21 and I apologize for the misplacement of the
22 arrows. You can tell that word processing has
23 improved over the years. But the lower gray line
24 has represented a 2 percent growth rate, the

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 upper line represented a 4 percent growth rate.
2 And, basically, what you observe there is the
3 solid line up and down is the actual peak loads.
4 And you'll notice that the last peak load noted
5 there was 2010, because this analysis was begun
6 in the early part of 2011, when we hadn't seen
7 another summer peak yet.

8 So, based on that historical load, the
9 3.1 percent, or the middle curve, was selected as
10 the forecast.

11 Q Okay. And is this study that was provided the
12 basis for the decision to undertake the Emerald
13 Street Substation Project that's at issue for
14 recovery in this Step Adjustment?

15 A (Johnson) The Study -- yes. The answer to that
16 question is "yes, the Study." The growth -- the
17 forecast, as it turns out, played no role in the
18 solution that was selected at Emerald Street.

19 Q And why is that?

20 A (Johnson) If you look in the Study, if you want I
21 can get to the Bates page, give me a second. On
22 Bates 045, there's a Section 7 called "Load
23 Growth", which identified that the first criteria
24 violation was in 2014, and it was a contingent

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1 violation, it was for loss of a transformer. And
2 noted there is that "With a mobile transformer
3 available, additional transformation is then
4 required prior to the Summer of 2020." In fact,
5 the Company acquired a mobile transformer, a
6 115-to-12.47 mobile transformer and addressed
7 that particular issue.

8 So, it was all of the other remaining
9 issues identified in the Study that drove the
10 ultimate solution for the Keene area.

11 Q Is the mobile transformer still in use?

12 A (Johnson) Yes. It backs up multiple 115-to-12 kV
13 substations that we have on our system now.

14 Q Okay. Is it in use in Keene? Is it needed in
15 Keene, after the Emerald Street Substation
16 Project?

17 A (Johnson) It is used in situations, for example,
18 for maintenance at North Keene, which has a
19 single transformer, they would use the mobile
20 during maintenance there.

21 It is not needed for a transformer
22 failure at Emerald Street specifically. And I'll
23 explain the reason why, is a mobile has a backup
24 for, you know, for planning criteria, is intended

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1 to be in place until you can install the spare
2 transformer in its place. Whereas, because that
3 mobile is, in fact, backing up multiple stations,
4 we cannot have a spare 115-to-12.47 transformer.
5 Therefore, we can't rely on the mobile as a
6 long-term solution while you're waiting the 18
7 months to two years to get a replacement
8 transformer. So, you know, in fact, the capacity
9 that we have at Emerald Street addresses that
10 issue.

11 So, we would use it for maintenance
12 activities at this point. And, for loss of a
13 transformer, we would most likely have it on-site
14 to prepare for the loss of an additional unit.
15 But, on a first contingency or contingent at
16 Emerald Street, the system is now designed with
17 an automatic bus restoral scheme --

18 *[Court reporter interruption.]*

19 WITNESS JOHNSON: I'm sorry.

20 **CONTINUED BY THE WITNESS:**

21 A (Johnson) The system is now designed at Emerald
22 Street with an automatic bus restoral scheme in
23 the switchgear that, for loss of a transformer,
24 we're able to restore all load.

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 BY MR. DEXTER:

2 Q Okay. Well, let's get back to the graph for a
3 moment. So that, I think, was Bates Page 059.
4 And you said that the graph "reflected historical
5 growth". Could you tell me what the annual
6 percentage historical growth was in the Keene
7 forecast that is shown on this graph and what
8 years that covered?

9 A (Johnson) What's shown is, in 2005, a peak of
10 roughly 51. And then, in 2010, it was at around
11 59. Following -- based on the curve that's here,
12 that particular growth rate, from to 2005 to
13 2010, was 3.1 percent.

14 Q Okay. And that's sort of an averaging of those
15 spikes up and down, is it?

16 A (Johnson) Yes.

17 Q I'm looking at a jagged black line, that the
18 actual load?

19 A (Johnson) Yes.

20 Q Okay. All right. So, the historical load growth
21 was 3.1 percent. This graph predicted --
22 projected that forward, and that's what the blue
23 line is, correct?

24 A (Johnson) My version isn't in color, sorry.

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 Q Okay. The middle line?

2 A (Johnson) Yes.

3 Q The middle solid line?

4 A (Johnson) Yes.

5 Q Okay. All right. Thanks. And I think you
6 testified, and, again, I'm not trying to make you
7 repeat things, but I think you testified that the
8 actual growth from 2010, we're now in 2022, in
9 this same area, the Keene area, was "minimal", is
10 that what you said?

11 A (Johnson) That's correct.

12 Q Okay. And do you have a percentage? When you
13 say "minimal", what percentage is that?

14 A (Johnson) I don't know that answer off the top of
15 my head.

16 Q Okay. Well, how do you know it's minimal,
17 though? I'm not trying to be wise, but I'm --

18 A (Johnson) No, no, no. I know --

19 Q I'm just trying to understand.

20 A (Johnson) I know, from this past summer, that
21 they peaked around 59 megawatts.

22 Q Fifty-nine (59) megawatts.

23 A (Johnson) So, it was -- yes. Now, again, you
24 need to weather-adjust peaks, which that has not,

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 you know, been done, for the number that I just
2 provided you.

3 Q Sure.

4 A (Johnson) But, you know, simply looking at the
5 graph, it was around, you know, 58 plus in 2010,
6 and the combined Emerald Street and North Keene
7 is -- was around that, that point. And I am
8 going by memory.

9 And I do need -- I need to make one
10 correction.

11 Q Okay.

12 A (Johnson) And I have to go back and verify this,
13 but I believe that the -- I believe that this
14 forecast included some of the load at Swanzey
15 Substation. But I would have to confirm that,
16 but I believe it does.

17 Q The forecast shown on Bates Page 059?

18 A (Johnson) Yes.

19 Q Okay. When was the decision made to undertake
20 the Emerald Street Substation Project?

21 A (Johnson) The result of the comprehensive Area
22 Study was a two-phase solution. The first phase
23 was to construct the North Keene Substation.
24 And, again, the decision to move forward was

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 based on asset condition at Emerald Street
2 over-dutied equipment at Emerald Street.

3 So, the ultimate solution was to
4 provide a new source into the area, because the
5 Emerald Street Substation served over 16,000
6 customers, and was the only source to that
7 customer base. So, we built a new substation in
8 North Keene, which provided a second source into
9 the area, it applied a source closer to the load
10 in North Keene.

11 And it also allowed for the
12 construction, the rebuild to take place, at the
13 Emerald Street site, due to how tightly
14 constrained that substation is, and the inability
15 to greenfield construct a substation site there.
16 So, Phase 1 was to build the North Keene
17 Substation. So, that was completed in 2016, I
18 believe. The technical authorization that had --
19 that involved the full scope of the work at
20 Emerald Street, I believe, was approved in 2017.

21 Q And I think, I don't want to put words in your
22 mouth, but I think that what I'm hearing you
23 saying is that, in 2017, when you moved to the
24 project that's at issue here, that the 3.1

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1 percent previously predicted load, first of all,
2 was not materializing, and, second of all, wasn't
3 a factor in that 2017 decision?

4 A (Johnson) Correct.

5 Q Okay. And I think what you said was, that what
6 was a factor were asset conditions?

7 A (Johnson) Asset condition, underrated breakers at
8 the station. There are other issues. There were
9 flood mitigation issues. There was obsolescence,
10 with respect to, you know, all of the protective
11 schemes were all electric mechanical systems.
12 So, there were a number of deficiencies within
13 the station.

14 And the overall design of the station,
15 over the decades, in order to meet the growth in
16 the area, transformers had been installed in
17 parallel with the existing transformers, which
18 led to the over-duty fault duty issue with the
19 equipment. But it also creates an issue under
20 contingency, where we had a 22.4 MVA transformer
21 in parallel with a 12.5 MVA transformer. So,
22 when you lose the larger transformer, you
23 overload the lower, the lower --

24 *[Court reporter interruption.]*

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 **CONTINUED BY THE WITNESS:**

2 A (Johnson) -- the lower MVA transformer
3 significantly. And keep in mind that these are
4 1950 vintage transformers, 1949 vintage
5 switchgear.

6 And, as noted, one of the transformers
7 actually failed during the construction phase,
8 just reinforcing the concern over the condition
9 of the assets there.

10 MR. DEXTER: Okay. I was going to
11 start a new project. You had mentioned "taking a
12 break at 10:30". Would you --

13 CMSR. SIMPSON: Let's take that break
14 now.

15 MR. DEXTER: Okay.

16 CMSR. SIMPSON: It's 10:25. We'll
17 resume in ten minutes, at 10:35. Off the record.

18 *(Recess taken at 10:25 a.m., and the*
19 *hearing resumed at 10:42 a.m.)*

20 CMSR. SIMPSON: On the record.

21 Attorney Dexter, please resume.

22 MR. DEXTER: Thank you. Yes. And I do
23 have some more questions on the Emerald Street.

24 I was mistaken when I thought I had finished.

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 BY MR. DEXTER:

2 Q So, I would like to turn to Exhibit 5, Bates
3 Page 027 please. And I'm looking at a form
4 called a "Technical Authorization Form". Could
5 one of the witnesses tell me what this "Technical
6 Authorization Form" is please?

7 A (Johnson) So, at the time that this project was
8 in development, the capital approval process in
9 place had a step where you received technical
10 authorization, and then you went for financial
11 authorization through the -- for project
12 approval.

13 Q So, this is an internal Eversource document
14 seeking, just what it says, technical
15 authorization for the project?

16 A (Johnson) Correct.

17 Q Okay. And right under the first paragraph, bold
18 "Project Need Statement", it references a "2012
19 Area Study...to determine how to best address the
20 area loading and requirements [retirement?] of
21 the equipment at Emerald Street Substation."
22 That's the study we were just looking at before,
23 correct?

24 A (Johnson) Correct.

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1 Q The Load Area Study. Okay. It talks about the
2 two solutions that you mentioned, the North Keene
3 Station having been put in service in 2016. And
4 then, Paragraph 1, under "Project Objectives", is
5 entitled "Retire aging infrastructure", correct?

6 A (Johnson) Correct.

7 Q And that talks about what you had mentioned
8 earlier, the age of some of the elements or the
9 components of the substation. And then, in the
10 last paragraph, under "Project Objectives", it
11 says: "Besides the age and condition of the 67
12 year-old switchgear, there [was] a concern about
13 the fault duty of the equipment." Can you
14 explain that concern and what gave rise to that
15 concern?

16 A (Johnson) Yes. Equipment, such as circuit
17 breakers, are rated to be able to interrupt up to
18 a certain level of current, and that's sort of
19 referred to as "fault duty". And, so, within the
20 substation, there are breakers between the bus
21 sections on the low side of the transformer,
22 there are breakers feeding the individual
23 circuits. There are also breakers on the --
24 actually, on the low side of the transformer,

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1 which we're talking about here, because we're
2 talking about the distribution side.

3 This specific reference is to the bus
4 tie breakers. And at issue is the fault duty, in
5 other words, if you were to place a fault on the
6 low side of these devices, this is the percentage
7 of that rated capacity of those devices. Now,
8 that issue is that, if you close a bus tie at
9 Emerald Street at the time, and put another
10 transformer in parallel with the two existing
11 parallel transformers, you exceed those
12 interrupting ratings.

13 This also, what fails to reference here
14 is that the -- which is referenced in the Area
15 Study, is the actual transformer breakers are
16 already exceeding their 10,000 amp capacity. But
17 here it's referencing the switchgear bus tie
18 breakers, and being at 85 and 99 percent of their
19 rating. And, again, this is equipment that's 67
20 years old.

21 Q Right. And what put them in this state of 85 and
22 98 percent?

23 A (Johnson) The process of putting two transformers
24 in parallel, lowered -- increases the available

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1 fault current. But, also, changes on the
2 transmission side, the strengthening on the
3 transmission side as a source can increase the
4 available fault current. So, it's a combination
5 of those two things over time.

6 Q And you mentioned something that wasn't mentioned
7 here, but was mentioned in the Area Study, and
8 that had to do with the "capacity of
9 transformers", is that what you said?

10 A (Johnson) No, the transformer breakers. The
11 low-side protection on the transformers. Their
12 oil circuit breakers, just like the breakers on
13 the bus tie or the circuit breakers. So, those
14 were identified in the study of being above their
15 interrupting rating.

16 Q Right. And you said something -- you gave a
17 10,000 something figure?

18 A (Johnson) That's what the rating was for those
19 devices.

20 Q Can you repeat that figure?

21 A (Johnson) Ten thousand (10,000) amps.

22 Q Amps, okay. So, -- okay. And what would put
23 those breakers at that 10,000 amp point?

24 A (Johnson) Strengthening of the supply, the

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 transmission system, creates greater fault
2 current on the system.

3 Q And can you briefly describe "strengthening of
4 the transmission system"?

5 A (Johnson) As the transmission system, as lines
6 are reconductored, as additional transmission
7 lines are built, additional generation is put on
8 line, are all elements that would strengthen the
9 transmission system and increase the available
10 fault current.

11 Q Okay. And is that Eversource transmission
12 equipment or a different party?

13 A (Johnson) It's New England. It's Eversource,
14 it's other parties, it's other generators.

15 Q Yes. And one last question on the issue of the
16 load growth, I want to jump to Page 70 of this
17 exhibit. And this is -- understanding that this
18 is a DOE exhibit, this is a graph that was taken
19 from the Company's pending Least Cost Integrated
20 Resource Plan. And it's entitled "Loading and
21 Capacity, Emerald Street Substation". And am I
22 correct that the blue line, and yours might not
23 be colored, but there's a squiggly line labeled
24 "Historical", and it seems to be at about 40, on

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1 the left-hand side of the graph, which is "2007",
2 and seems to be about 30 on the right-hand side
3 of the graph at "2020". Do you see that line I'm
4 talking about?

5 A (Johnson) I do.

6 Q What does that line represent?

7 A (Johnson) That's a good question. This can be
8 confusing. This is pulled from a planning
9 document, distribution planning document. And
10 what they do here, I'll try and explain this, is
11 this data is used in the forward-looking
12 development of the load forecast. So, what they
13 do is, is when a new substation is added, load is
14 -- in this particular case, I'll give you an
15 example, we built North Keene Substation, and
16 roughly 18 megawatts was moved from Emerald
17 Street to North Keene. So, in order to be able
18 to develop a load forecast, based on the history
19 at Emerald Street, they make an adjustment. They
20 take their best guess of backing out the load
21 that was moved to North Keene from the historical
22 load at Emerald Street. So, you know, that
23 historical data is that adjusted amount, as best
24 as they can do it.

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1 Now, you know, the reality is, is that,
2 because of the age of the equipment at Emerald
3 Street, we did not have good load data on
4 circuitry or in the area. So, it's really an
5 approximation. So, to the left is that adjusted
6 amount of historical, and to the right is the
7 forecast.

8 Q Okay. And is that why the numbers are,
9 represented by this blue historical line, are in
10 the 30s and 40s, whereas the other graph we were
11 looking at, the numbers were in the mid to high
12 50s, because that -- is it this phenomena of
13 adding the North Keene Substation?

14 A (Johnson) Yes. Yes. And I'll -- and, again, the
15 other graph, it was the overall western area, --

16 Q Right.

17 A (Johnson) -- which included some load from
18 Swanzy. So, there was that adjustment as well.

19 Q Okay.

20 A (Johnson) This was specifically Emerald Street.

21 Q Okay. So, right to the right of the blue line is
22 a fairly straight line, I think it's labeled
23 "90/10 Forecast". Do I have that right?

24 A (Johnson) Yes.

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 Q And that starts in 2020, and it goes to 2029.
2 And, although it looks somewhat flat, it does
3 have an incline. Is that -- is that the load
4 forecast for Keene at this time?

5 A (Johnson) Yes, it is.

6 Q For Emerald Street at this time?

7 A (Johnson) Yes, it is.

8 Q Okay. Can you -- do you have the numbers behind
9 this graph to tell me what the load is at 2010
10 versus 2029, the projected load?

11 A (Johnson) I do not.

12 Q Anybody on the panel here?

13 A (Johnson) I can certainly get that for you.

14 MR. DEXTER: Well, we've got a lot of
15 folks in the room here. I don't know if we have
16 anybody that prepared this Least Cost Plan in the
17 room?

18 WITNESS JOHNSON: No. There's no one
19 here from the System Planning Department.

20 MS. RALSTON: Yes. We don't have a
21 witness that would be able to address the Least
22 Cost Integrated Resource Plan.

23 MR. DEXTER: Okay. All right.

24 BY MR. DEXTER:

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1 Q But you could provide the underlying load data
2 and you could provide the percentage annual
3 increase for this graph, "you", meaning "the
4 Company"?

5 A (Johnson) Yes. And I can add some context, if it
6 helps.

7 Q Please.

8 A (Johnson) I mean, I can tell you that, from a
9 statewide perspective, that recent load forecast
10 from a statewide perspective is in the one
11 percent range. So, I would assume that this
12 growth rate that's being assumed in this area is
13 similar to that. That's probably pretty close.

14 Q I think that's -- I think that's enough for
15 purposes of what we're doing here. And I think,
16 when I asked you earlier about "minimal load
17 growth", and we've got a number on it, in the
18 "one percent range" you would agree is "minimal
19 load growth"?

20 A (Johnson) Yes.

21 Q Okay. Okay. So, now, lastly, on the substation,
22 I wanted to go back to Exhibit 1, Bates 029,
23 where it indicated that the amount -- the
24 difference between the budgeted amount and the

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1 actual amount for this project was roughly
2 \$3 million. That showed up on Exhibit 1, Page
3 29, Line 15. And that would be the difference
4 between Column H and Column I, correct?

5 A (Plante) That's correct.

6 Q Okay. And the "Pre-Construction Authorization"
7 figure of 16 million -- "16,835,000", is that
8 reflective of the Supplemental Authorization or
9 is that the original authorization?

10 A (Plante) That is the document entitled the
11 "Supplement Authorization". However, we are
12 representing that as our pre-construction cost,
13 as it was presented to the EPAC Committee just as
14 construction was beginning. So, we incorporated
15 our -- the remainder of our contracted costs and
16 whatnot to fulfill the full cost estimate for the
17 project.

18 Q Okay. So, it does reflect the supplemental?

19 A (Plante) The 16 --

20 Q The supplement? The 16?

21 A (Plante) Yes.

22 Q What was the original amount of the authorized --
23 what was the original amount authorized for the
24 substation?

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1 A (Plante) It had a couple of authorizations,
2 actually. Back in the 2017 timeframe, or late
3 2016 actually, it was authorized for initial
4 funding of about a million dollars, to kind of
5 launch the project. And then, in mid-2017,
6 additional funding was authorized to order and
7 procure the major equipment, meaning the
8 switchgear and the transformers. Because we
9 really need to have that equipment known and
10 defined, before you can complete the detailed
11 engineering for the project.

12 Q And what was that amount for the equipment?

13 A (Plante) That raised the level to about 5.3. So,
14 it was a \$4.3 million incremental funding
15 increase. So, as I said, that allowed us to
16 complete the order of the major equipment, and
17 get them working on their design, so they could
18 deliver to us the detailed design of the
19 equipment.

20 Q Okay. And was there another supplement or was
21 the next one the 16.9?

22 A (Plante) The next funding authorization was at
23 the end of 2017, and that was what we had at the
24 time called "full funding", and that was in the

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1 amount of \$11 million.

2 Q In total or on top of the 5.3?

3 A (Plante) Yes, in total.

4 Q In total.

5 A (Plante) Yes. And that included the known cost
6 of the major equipment, and the cost of the
7 engineering services that we had contracted to
8 date. But it was still carrying forecast
9 information for construction, testing, and some
10 of our miscellaneous project materials.

11 Q Okay. And was there another one or --

12 A (Plante) Yes. So, in May of 2019, the document
13 entitled "Supplemental Funding" was approved. We
14 had actually initiated it kind of in the January
15 timeframe, but it took a while to work its way
16 through. That's the \$16.8 million funding event,
17 which is about 13 of direct costs, and just under
18 \$4 million of indirect costs.

19 Q Okay. And could you, or someone on the panel,
20 explain then the difference between the -- I
21 guess I'll call it the "supplemental full funding
22 of 16.8 million" and the final "2021 in-service
23 amount of 19.5 million", both as shown on
24 Exhibit 1, Page 29, line 15?

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1 A (Plante) Yes. I will get that for you. Hold on.
2 So, I did prepare a data response to TS 3-002,
3 which is in our Exhibit 15. And I can go through
4 that for you.

5 Q Yes. If you don't mind, I just want to take a
6 moment to open up that exhibit.

7 A (Plante) Okay.

8 CMSR. SIMPSON: And, if there was a
9 Bates Page, that would be helpful as well.

10 WITNESS PLANTE: Four.

11 CMSR. SIMPSON: Thank you.

12 MR. DEXTER: I'm just going to need a
13 minute to have Mr. Dudley pull that up.

14 CMSR. SIMPSON: Take your time.

15 BY MR. DEXTER:

16 Q Okay. We have that up on the screen now. If you
17 could provide a brief explanation, that would be
18 helpful.

19 A (Plante) Sure. So, the authorized amount is
20 \$16.8 million was -- wait a second. So, excuse
21 me, the difference in the cost between the \$16.8
22 million authorized value and the as of
23 December 2021 value of 20.2 is about \$3.4
24 million. Not all of that is plant in service

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1 dollars, because there's, I don't know, 700 and
2 some dollars of -- thousand dollars [\$700,000+?]
3 of removals cost, which does not go to the plant
4 in service.

5 Of that \$3.4 million, about 1.26 of
6 that is direct costs. The remaining \$2.2 million
7 goes to indirect costs, just normal overheads,
8 and AFUDC. The primary driver for these cost
9 increases has to do with overall extension to the
10 project schedule. We had been planning to have
11 this in service in December of 2020. However, as
12 I mentioned earlier, it did not actually get
13 completed until July of 2021. So, that's about
14 seven-ish months of additional project duration.

15 Additionally, we had costs incurred to
16 mitigate some additional contaminants that were
17 discovered upon removal of a couple of the
18 transformers and their associated switchgear. We
19 discovered PCBs that were unable to be detected
20 in our pre-project characterization, because they
21 were underneath the, you know, the cabinets of
22 these pieces of equipment. So, once we started
23 removing them, we discovered additional PCB
24 contamination, as well as some

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1 asbestos-containing materials that is like a
2 coating that was painted on the bottom of this
3 equipment. So, that drove a delay in the project
4 construction schedule while that abatement and
5 mitigation was taking place in early 2021.

6 Additionally, property taxes assessed
7 to the project were significantly higher than had
8 been included in the authorized value.

9 Q So, I'm sorry --

10 A (Plante) I can get into the weeds, if you want?

11 Q Just on the property taxes. So, the figure on
12 Exhibit 1, Page 29, is 19,536,000. That number
13 would have property taxes in it?

14 A (Plante) Yes. So, I don't know how many years
15 ago it was, it wasn't that long ago, that we
16 started assessing the property tax to the
17 projects that are actually in the construction
18 process. Previous to that, the property taxes
19 were done kind of in a different manner. So, we
20 have to start allocating property taxes to the
21 projects based on their -- the value of the
22 project. And that happens on a monthly basis,
23 until the project goes into service. Similar to
24 the way AFUDC is assessed. It happens on a

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1 monthly basis, up until the month that the
2 project goes in service.

3 So, in this case, went in service in
4 July of 2021. So, both AFUDC and property tax
5 allocation ended as of June 30th.

6 Q When did that change take place, where you began
7 to capitalize property taxes during construction?

8 A (Plante) I don't have an exact date when we
9 started doing that. I want to say sometime in
10 the 2013, '14, '15 timeframe, I'm going to guess.

11 Q Okay. Not something you just happened to --

12 A (Plante) But I can't promise that that's the
13 right timeframe. But, relatively recent,
14 compared to the history of the Company.

15 Q Okay. And, Ms. Paruta, back on the PTAM/RRA case
16 that we just had a few months ago, was this
17 notion of capitalized property taxes reflected in
18 that RRA?

19 A (Paruta) Yes, it was.

20 Q Okay. All right. Okay. So, I'm going to move
21 to another project. And, hopefully, this will go
22 a little quicker.

23 I want to talk about a project that's
24 entitled "Goffstown Pad-Mounted Transformer".

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1 And this shows up at Exhibit 1, Bates 029,
2 Line 25.

3 Now, I want to start by going to
4 Exhibit 6, Page 1 of 11. Well, before I do that,
5 could someone just put into the record what the
6 amount of this project is in the Step Adjustment,
7 from Exhibit 1, Bates Page 029?

8 A (Devereaux) 780,148.76.

9 Q Where does that number appear?

10 A (Devereaux) In Column H.

11 Q Say it again please?

12 A (Devereaux) Am I reading it right? 780,148.76.

13 Q Okay. I had the wrong line. Thank you. And,
14 so, then, I want to go to Exhibit 6, Page 1. And
15 that's entitled "Supplement Request Form",
16 correct?

17 A (Plante) That's correct.

18 Q And it says that this supplement request is for
19 "347 and a half thousand", for a total new
20 request of "754,000". Correct?

21 A (Plante) Correct.

22 Q Okay. Now, back on Exhibit 1, Page 29, there's
23 no indication that there was a supplement for
24 this project. Is that right? Whereas, other

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1 projects, the supplemental figures are indicated
2 in Columns P and Q. Am I understanding this
3 right?

4 A (Plante) Yes.

5 Q Column J, actually. Not Column P --

6 A (Plante) Yes. And this was a situation where the
7 Supplemental Request Form was presented, you
8 know, at or about the time construction started.
9 So, it achieved the permits, design was done, and
10 revised construction estimates had been received.

11 Q Okay. So, the decision to go forward with this
12 project was based not on the supplement then, but
13 on the original authorization, correct?

14 A (Plante) I mean, at the time, I guess that's
15 true, yes.

16 Q Well, I think what you just said was that the
17 supplement was done at the same time that
18 construction began. And, so, I guess, logically,
19 I would conclude from that then, and you said
20 that permitting had been achieved and all that,
21 so it would seem to me, and I just want you to
22 confirm this, that the decision to go forward
23 would have been made at some time prior?

24 A (Plante) Yes. The decision to move forward was

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1 based on the \$407,000 authorized amount, which
2 included evaluation of a couple of the
3 alternatives that were considered, which were
4 both way more expensive than this proposed
5 solution.

6 Q Okay. So, and the original authorization form is
7 "407,000", that shows up in Exhibit 6, starting
8 at Bates Page -- I seem to have lost my Bates
9 page numbers. Bates 006, maybe. "Page 5 of 11"
10 in the exhibit?

11 A (Plante) Correct.

12 Q Okay. All right. So, that's what I wanted to
13 ask you about, was the 407,000, and the
14 difference between that and the final amount of
15 about -- I think it was 780,000. Can you -- can
16 you explain what makes up that difference?

17 A (Plante) Yes. So, the \$407,000 estimate was
18 developed largely using our STORMS System, which
19 is designed for roadside distribution projects.
20 This particular project, though it seems similar
21 to several previous projects that we've done that
22 were like this to install pad-mount step
23 transformers, in place of pole-mounted step
24 transformers. Those projects were either in an

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1 urban area or within an existing kind of
2 fenced-in substation area.

3 This is a suburban installation, on
4 newly acquired land. And, because of that, it
5 really is more like a substation project, in
6 terms of the amount of engineering and permitting
7 and stakeholder involvement that's involved.

8 This project had -- a couple of
9 components went into this early estimate. There
10 was a preliminary agreement with a landowner to
11 acquire an easement to place this transformer on.
12 That was -- \$30,000 was included in that estimate
13 for that, and that's actually what we ended up
14 paying.

15 There was also an estimate for the
16 environmental mapping associated with this new
17 piece of property. And there was a preliminary
18 construction estimate from one of our of choice
19 civil construction vendors, as well as a couple
20 of small items for trucks and cranes and whatnot.
21 Internal labor, part of that estimate as well,
22 and some of the miscellaneous materials
23 associated with it.

24 The cost of the transformer itself is

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1 not part of this, because that's a
2 pre-capitalized item.

3 Q Okay. But my question was, what was the
4 difference between the 400 --

5 A (Plante) Yes.

6 Q Were you getting into that?

7 A (Plante) Yes.

8 Q I'm sorry.

9 A (Plante) I'm getting there.

10 Q Okay.

11 A (Plante) I'm getting there. So, shortly after
12 this full funding event was approved, we really
13 got deeper into the engineering process, and
14 investigating the permit needs for making such a
15 significant installation in a suburban area.

16 We had to contract additional survey,
17 field survey. We had to contract additional site
18 engineering resources. We hadn't previously
19 contracted that effort. So, that's kind of a
20 post full funding authorization need that was
21 determined to do a full site plan design to
22 achieve Zoning Board and Planning Board approval
23 from the Town of Goffstown.

24 We also needed to include an oil

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1 containment system, because this site, being kind
2 of a greenfield, well, not "kind of", it was a
3 greenfield location, had no existing facilities
4 to contain the transformer oil, in the event of a
5 release. So, that was an additional cost that
6 was required as well. Those are kind of the
7 bigger contributions.

8 So, once we get that final site design
9 completed, it did reveal the need to make some
10 fairly significant site improvements. We went
11 back to our civil contractor to get a revised
12 proposal to incorporate all of those newly
13 defined project requirements.

14 And that's kind of what drove us to the
15 cost that we are at now.

16 Q So, again, I'm on Exhibit 6, Page 2 of 11. And I
17 don't know why I lost the Bates numbers, but I'm
18 going to go with that. Page 2 of 11, Paragraph 5
19 says "Construction: 227,000". And, in that
20 paragraph, it says "The proposal from the
21 construction vendor that was used in the original
22 estimate (58,000)" --

23 A (Plante) Yes.

24 Q -- "was based on a preliminary sketch and did not

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1 fully include all the requirements that were
2 agreed upon with the landowner in order to secure
3 the easement."

4 Why would the original estimate have
5 been based on a "preliminary sketch", and not a
6 more detailed sketch that accounted, you know,
7 that took into account these items that you go on
8 to mention in this paragraph?

9 A (Plante) Well, this kind of gets back to the
10 whole process that our Company has adopted for
11 the staged funding process. In today's world, we
12 would have either waited until we had completed
13 further design, and either bid or direct awarded
14 our major services before we sought full funding,
15 or we would have sought partial funding to do
16 certain preliminary tasks, whatever they may be,
17 if, for instance, we had, you know, gotten to the
18 point where we were exceeding the initially
19 funded amount.

20 Q Right. And you mentioned "doing preliminary
21 work". So, if I were to go down to -- or, I'm
22 sorry, go back up to Page 1 of Exhibit 6, --

23 A (Plante) Uh-huh.

24 Q -- this page indicates that there was \$75,000

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1 allotted for preliminary work, correct?

2 A (Plante) Yes.

3 Q So, what was that preliminary work? What was
4 that \$75,000 for?

5 A (Plante) So, that's initial funding to, first of
6 all, engage the property owner for purchase of
7 the easement to locate that pad-mount transformer
8 on, as well as get going with engineering and
9 seek a construction estimate.

10 Q And when was that authorization? The 75,000,
11 when was that approved?

12 A (Plante) December of 2019.

13 Q And then, when was the initial estimate of the
14 407, when was that? What's the date on that?

15 A (Plante) June of 2020, I think.

16 Q And then, finally, the final funding of 780,000
17 or so?

18 A (Plante) In January of 2021 is when that was
19 fully approved.

20 Q Okay. Now, you mentioned "review of
21 alternatives" earlier.

22 A (Plante) Yes.

23 Q And I believe, if I go down to Page 8 of 11 of
24 this exhibit, there's a discussion of the various

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1 alternatives. And I'm in a sheet --

2 A (Plante) That is correct.

3 Q -- a sheet called "Technical Justification". And
4 there's two alternatives listed at the bottom of
5 the page. Could you explain those briefly?

6 A (Plante) I could. Maybe Russel could do a better
7 job.

8 A (Johnson) So, the issue that we had here was that
9 we had parallel step transformers. So, to take a
10 step back, a step transformer, in this case,
11 converts the voltage from 34.5 kV to 12 kV. In
12 this particular application, we had parallel 500
13 kVA steps. So, we had six 500 kVA steps
14 pole-mounted that had exceeded their nameplate.
15 And, again, with parallel steps, our criteria is
16 nameplate. So, the loading had exceeded their
17 nameplate, and we needed to address that.

18 And there really are two options to
19 that. You either convert the circuit, the 34.5
20 kV, and push the steps further out on the system
21 where the loading is less, is lower, or, you
22 install a larger step, which the only way to do
23 that is a pad-mounted step.

24 Now, Alternative 1 and 2 here are

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1 simply two options of the circuit conversion
2 alternative. And one is to do a 3.88 mile
3 conversion, which has a number of advantages to
4 it. And then, Alternative 2 was to reductor
5 just for 2 miles, which would, basically, just
6 get you minimally below that loading on the
7 steps.

8 So, and that -- so, those two estimates
9 for those, the larger conversion was 2.4 million,
10 and the lesser conversion was around 1.4 million.

11 Q And are there other system benefits that would
12 have come along with either of these conversion
13 alternatives?

14 A (Johnson) One could be, if we -- the
15 reductoring that would be -- that would be
16 done with that, would be done with covered
17 conductor. So, there could potentially be a
18 reliability benefit there. But, for the
19 increased cost, we deemed that not to be a
20 prudent investment.

21 Q Okay. Did these two numbers that are here, the
22 2.4 million and the 1.382 million, did they
23 include the covered wire?

24 A (Johnson) The first one you note there, in the

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1 third sentence, it says it will be replaced with
2 "477 spacer cable", which is a covered conductor.
3 And, likewise, in the second one, it makes that
4 similar clarification.

5 Q Okay. Yes. And when was this analysis of
6 alternatives performed in the process?

7 A (Johnson) This would have been -- bear with me a
8 second. I got to get the right year. So, this
9 would have been in the latter part of 2019.

10 A (Plante) No, 2018 maybe?

11 A (Johnson) Maybe.

12 Q I thought I heard two witnesses giving two
13 different answers. So, I just would ask you to
14 clarify?

15 A (Johnson) No. The initial funding request was in
16 December of 2019. We would have did the -- the
17 project would have been proposed at a challenge
18 session in the Summer of 2019, with the initial
19 funding request.

20 Q Okay. So, the alternatives were analyzed at the
21 same time as the \$75,000 allotment for
22 preliminary work, if I'm understanding?

23 A (Johnson) It would have been prior to that.

24 Q Prior to that. Okay. And, again, I know I'm

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1 coming across as being flip, but I'm really not.
2 I'm just trying to figure out. So, if your
3 alternatives are 2.4 million and 1.4 million, and
4 they're substantially higher than what you chose,
5 but the preliminary budget for what you chose
6 wasn't developed until after, how do you know
7 that the alternatives were more expensive? Do
8 you understand what I'm asking, based on the
9 timeline?

10 A (Plante) In the initial funding document for
11 75,000, let me see if I can find which page it's
12 on. At that time, this project was estimated to
13 be a \$675,000 project. You see that on Page 11
14 of 11, last paragraph.

15 Q Page 11 of 11.

16 A (Plante) So, at the time, the project was
17 considered to be about a \$675,000 project.

18 Q Okay. So, I see that. But, now, I'm very
19 confused, because -- so, this came first. This
20 was December 2019. The Company allocated \$75,000
21 for preliminary investigation of a \$675,000
22 project. Right?

23 A (Plante) Yes.

24 Q Okay. And then, in June of 2020, the initial

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1 authorization came out for \$407,000. So, then,
2 my question would be, why would the authorization
3 that came later be for 400,000, when the
4 preliminary estimate was 675,000?

5 A (Plante) So, for the reasons I mentioned
6 previously, this project -- this \$407,000
7 estimate was missing the detailed information on
8 site design, which has a significant impact on
9 the cost of the construction. So, as I
10 mentioned, it's really more of a substation-type
11 project, that requires a different approach than
12 a roadside distribution project, which is kind of
13 the way it was approached. So, it failed to
14 recognize the uniqueness of this project, as
15 compared to previous projects that were
16 considered to be similar.

17 Q Okay. And, you know, despite the fact that on
18 Page 11 it says "Based on previous installations
19 the total project is estimated at 675,000", those
20 two statements don't seem to be congruent. And
21 I'm just saying that, so that I'm giving you a
22 chance to explain again.

23 A (Plante) I guess I can't really defend that
24 difference.

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1 Q Okay.

2 A (Plante) I mean, you know, the project team did
3 their best to prepare an estimate for the cost of
4 the project. And, you know, in this case, it was
5 missing some of the critical components of the
6 cost.

7 Q Okay. Okay. All right then. Okay. The next
8 project I wanted to talk about is called
9 "Purchase of Transformers". It shows up on
10 Exhibit 1, Bates Page 030.

11 CMSR. SIMPSON: Can you restate the
12 exhibit number please?

13 MR. DEXTER: Yes. Exhibit 1, Bates
14 030, Line 19.

15 CMSR. SIMPSON: Thank you.

16 BY MR. DEXTER:

17 Q And this is for a project that's included in the
18 step at \$14.6 million. Do I have that right?

19 A (Devereaux) That's correct.

20 Q And Column H indicates that the Annual
21 Authorization amount was "11.5" -- "\$11.6
22 million", correct?

23 A (Devereaux) That's correct.

24 Q Okay. And what's the "Annual Authorization", in

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1 Column H? What does that mean? Column I says
2 "Supplemental Authorization". Is Column H, does
3 "annual" mean like the "initial authorization"?
4 A (Devereaux) This exhibit is the annual programs.

5 Q Oh. Oh, right.

6 A (Devereaux) Different than, you know,
7 "pre-construction estimate". It's the annual
8 estimate.

9 Q Okay. Okay. Thank you for that clarification.
10 Okay. So, if I want to see the details of the
11 11.6 million that was the annual authorization, I
12 go to Exhibit 7, Page 395 of 450, if I have this
13 right. So, let me do that.

14 MR. DEXTER: So, apologies to the
15 Commission and to the parties. Apparently, these
16 are DOE exhibits. And I thought we had Bates
17 stamped them all, and it seems that we didn't.
18 Unless you guys are seeing Bates stamps, and I'm
19 not. So, my apologies. I'm going to work from
20 the internal paging.

21 And, so, where I am is Exhibit 7, and
22 I'm in "Attachment DOE 1-4", Page 394 and 395 of
23 450. And it's actually Page 1 of Exhibit --
24 Page 1 and 2 of Exhibit 7.

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1 So, my apologies for not having Bates
2 numbers on these.

3 CMSR. SIMPSON: No problem.

4 BY MR. DEXTER:

5 Q And, again, all I wanted to do is get to the
6 details. And, so, I've got a horizontal page
7 here for Page 2. So, let me turn that around.
8 And this page indicates that, of the \$11.6
9 million that was allocated -- or, sorry, that was
10 budgeted for the reliability project, 10.8
11 million of that, on Line 6, is indicated as
12 "Materials (Eversource purchased)", is that
13 right?

14 A (Devereaux) That is correct. If you recall, on
15 Technical Session 3-005, it was explained the
16 difference between the authorized cost element
17 detail and the supplement cost element detail.
18 So, yes, per the authorization, it's only in
19 Materials, which is erroneous. It should be
20 Materials, Internal Labor, and Outside Services.

21 Q Okay. Well, I'm going to take it a little slower
22 than you did there, so I can keep up. So, this
23 Page 395, you're saying that that number of
24 \$10.8 million should have been split between what

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1 items?

2 A (Devereaux) It should have been split between
3 Materials, Internal Labor, and Outside Services.

4 Q Okay. But the total amount is fine for this
5 project, as initially authorized?

6 A (Devereaux) Correct. Correct.

7 Q Okay. And do you know what the reason would be
8 for this to have been dropped all in Materials,
9 in the original authorization?

10 A (Devereaux) I can't answer it specifically. I
11 know that it was done by a different group. So,
12 they were looking at simply the "materials"
13 portion of it, whereas the supplement was done --
14 I was the author of the supplement.

15 Q Okay. And I'm looking at the other, there's
16 twelve potential cost categories that I see on
17 Bates 395 of 450. I don't see either "Internal
18 Labor" or "Outside Services". Am I missing that?
19 Or, which of those twelve lines would this number
20 have been broken up into?

21 A (Devereaux) Certainly, Line 7. And that could
22 include both internal and outside services.

23 Q Okay. All right. Very good.

24 A (Devereaux) And further down has a breakout of

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1 costs, where it would show "outside services" and
2 "straight time" and "overtime" for internal
3 labor.

4 Q When you say "further down" -- oh, the next page?

5 A (Devereaux) The next page. Sorry about that.

6 Q Next page, okay. Okay. And, so, then I wanted
7 to go down to the supplemental request, which
8 takes us from 11.6 million to 14.6 million. And
9 the justification for that difference states, and
10 I'm on Page 399 of 450 -- or, 400 of 450. And
11 here we have the supplemental request seems to be
12 spread out between "Internal Labor", "Outside
13 Services", and then a negative amount for
14 "Materials", all totaling down to \$3 million.

15 So, could you explain what those
16 figures are for? In other words, the
17 Supplemental Request for labor, outside services,
18 materials, et cetera?

19 A (Devereaux) Yes. I believe this was also in that
20 tech session response. But, for the original
21 authorization, as I stated, it was only listed
22 under the cost element "Materials", when it
23 should have been split under three.

24 When the supplement was done, it took a

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1 look at the costs for those three categories.
2 And that has produced -- the reason for the
3 supplement was the increased costs for internal
4 labor and for contractors, that was the result of
5 a new calculation -- I should say an "updated"
6 calculation for the Cost of First Installation.

7 Q And why would the amount for materials go down by
8 1.2 million?

9 A (Devereaux) Because I believe, as stated, all of
10 the costs went to the "Materials" cost element in
11 the authorization. This was incorrect. It
12 should have been spread out over those three cost
13 elements. So, Materials was overstated in the
14 authorization, as Internal Labor and Outside
15 Services didn't exist in that, so, obviously,
16 were understated.

17 Q So, I think, if I understand what you're saying,
18 had the \$10.7 million in the prior authorization
19 been more accurately broken out, there would have
20 been a figure for materials there, and then, upon
21 the supplement, that figure would have been
22 lower, that figure went down by 1.2 million?

23 A (Devereaux) I think you confused me at the
24 beginning. If all three cost elements were

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1 included in the authorization, then, when the
2 supplement came out, there would be significant
3 increases in Internal Labor, Outside Services,
4 and a minor increase in Materials.

5 Q Okay. Minor increase in materials?

6 A (Devereaux) Correct. They all went up. But the
7 reason for the supplement was the dramatic
8 increase in Internal Labor and Outside Services.

9 Q All right. Let me ask it this way then. So, if
10 I go to the right-hand column on Page 400, those
11 numbers show the allocation the way it should
12 have been?

13 A (Devereaux) Correct.

14 Q That's the breakdown of the 14.6 million?

15 A (Devereaux) Correct.

16 Q Okay. All right. So, then, my question is, this
17 project is "Purchase of Transformers", right?
18 So, --

19 A (Devereaux) Purchase and installation. It's
20 pre-capitalized.

21 Q Oh. Okay. Well, let me finish the sentence
22 first. Okay. Now, I forgot my question. So,
23 just give me a minute.

24 So, the transformers are

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1 pre-capitalized. We've gone through this, I
2 think, in the tech session. So, why don't you
3 explain what that is, "pre-capitalized"?

4 A (Devereaux) When the transformers are received by
5 the Company, instead of being direct charged to a
6 specific project, they are pre-capitalized, and
7 they're no longer tied to a -- they're no longer
8 tied to a project.

9 A (Paruta) So, if I may, Mr. Dexter, add to that?
10 So, there is longstanding FERC rules that
11 actually do allow you to pre-capitalize,
12 specifically, in this case, transformers. And
13 that rule states specifically that you can
14 include the cost installed, overhead,
15 underground, distribution line transformers,
16 whether they are in service or held in reserve.

17 So, that is truly the FERC guidance.
18 And we've been following that for many, many,
19 many years.

20 Q Okay. And, so, the "Materials", in the
21 right-hand column, 9.6 million, that's the actual
22 transformers?

23 A (Devereaux) Correct.

24 Q And then, so, what's the "Outside Services"?

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1 A (Devereaux) The "Outside Services" are
2 contractors installing transformers.

3 Q Okay. But these -- but these haven't been
4 installed. So, how do you know that number?

5 A (Devereaux) That number is calculated based upon
6 the cost of contractors and internal labor rates,
7 for installing transformers in this case.

8 Q Okay. And, so, it's an estimate?

9 A (Devereaux) It's an estimate, correct.

10 Q Okay. And, so, there must be some estimate of,
11 like, half of these are going to be done
12 internally, and half are going to be done using
13 contractors? Or, is it more a situation they're
14 all going to be using contractors, but there's
15 always some internal labor loaded on top of that?

16 A (Devereaux) No. It's an estimate based on past
17 history.

18 Q Of that split between what's going in and what's
19 going out?

20 A (Devereaux) Correct.

21 Q Okay. And, so, this figure of 14.6 million, if
22 the Company's request is approved, will go into
23 rate base as an actual number, correct.

24 A (Devereaux) Correct.

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1 Q How would any variances between the 14.6 million
2 that's in rate base, and the actual cost, once
3 it's all done, how would that be accounted for?

4 A (Devereaux) I'm not sure what you mean "the
5 actual cost"?

6 Q Okay. Well, I think we just established that the
7 labor and the services are estimates.

8 A (Paruta) If I may, Mr. Dexter?

9 Q Sure.

10 A (Paruta) So, when these are pre-capitalized, they
11 are taken directly to unitization, so -- which is
12 FERC Account 101. So, they completely bifurcate
13 the standard process for, like, special projects.
14 Having said that, there's no change to the values
15 when they are recorded in Account -- FERC Account
16 101, and I believe it is the Subaccount 368,
17 which is the plant account for line transformers.

18 Essentially, when those transformers
19 are deployed and used in a specific project, what
20 the Company does is it transfers that transformer
21 as a memo transfer into the project with no
22 value, because that value has already been,
23 essentially, placed into service immediately.

24 Q Yes. No, I understand all that. But there must

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1 be an actual bill from the person that the
2 service -- the outside service. And my question
3 is, if that actual bill shows a different amount
4 than what's built into this step adjustment,
5 14.6 million, where does that difference get
6 accounted for?

7 A (Paruta) It does not. Because the FERC rules do
8 allow you to include an estimated value for the
9 actual cost to install the transformer. So,
10 again, we are following the FERC prescribed rule.

11 Q I understand what you're saying, that the rate
12 base amount won't change.

13 A (Paruta) Uh-huh.

14 Q But the books have to balance. So, am I missing
15 something? I mean, if the actual labor came in
16 at half of what you "estimated" and put in rate
17 base, where would that difference show up?

18 A (Paruta) That is beyond my world. I don't know
19 if there's another witness that may have that
20 detail.

21 A (Landry) Hello, Mr. Dexter. So, I think I
22 understand your question.

23 *[Court reporter interruption.]*

24 **BY THE WITNESS:**

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1 A (Landry) All right. So, I just want to clarify
2 to make sure -- am I on? Yes. Okay. Sorry.

3 So, what ends up happening is is, when
4 the actual unit is installed, it gets -- the
5 charges of the internal labor or the outside
6 contractors goes to an expense account. So,
7 that's where those charges would go. So, and
8 then, there's a balancing to make sure that --
9 that what ends up happening is, as Ms. Paruta
10 said, the assets and the installation is
11 capitalized under the FERC rule, and then the
12 offset, when they're installed, goes to expense.
13 And then, we monitor that. And then, if there is
14 a difference, then, you know, we have an update
15 to the rates, to make sure we are accurately
16 reflecting the cost of installation in the
17 capital accounts. But that's how it all gets
18 balanced.

19 MR. DEXTER: Okay. Thanks.

20 CMSR. SIMPSON: May I ask a question?

21 MR. DEXTER: Yes.

22 CMSR. SIMPSON: I don't want to
23 interrupt your flow, but --

24 MR. DEXTER: No. Please.

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1 BY CMSR. SIMPSON:

2 Q So, this reflects all the transformers that you
3 bought over the year, correct?

4 A (Landry) Yes.

5 Q So, some of those sit in your yards as spares,
6 some of them get allocated to projects and get
7 installed during the year, correct?

8 A (Landry) Correct.

9 Q So, the initial breakdown, you just had all the
10 costs in Materials, including installation costs.
11 So, there really could be a fourth column here
12 that says "Prior Authorized Corrected", right?

13 A (Landry) Yes.

14 Q Okay. And that would have the material cost for
15 the transformers, internal labor, and outside
16 services broken out of that 10.8 million, right?

17 A (Landry) Yes.

18 Q Okay. And then, the Supplemental Request is
19 somewhat confusing, because it shows a negative
20 for "Materials". But I think the witness
21 testified that the material cost actually
22 increased, --

23 A (Landry) Yes.

24 Q -- despite the break -- or, with the breakout?

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1 A (Landry) Yes.

2 CMSR. SIMPSON: Okay. All right. I
3 think that helps clarify for me. Thank you.

4 Thank you for the indulgence, Attorney
5 Dexter.

6 MR. DEXTER: No. Thanks for the help.
7 I just want to consult with Mr. Dudley for a
8 minute.

9 *[Atty. Dexter and Mr. Dudley*
10 *conferring.]*

11 BY MR. DEXTER:

12 Q I was just taking a moment to review the response
13 that Mr. Devereaux had referenced, which is
14 TS 3-005, which is part of Exhibit 15. I don't
15 have any questions on that.

16 But I guess my question would be then,
17 what makes up the 3 million difference between
18 the 11.6 million and the 14.6 million? I know we
19 have the breakdown. But, conceptually, what's
20 behind that increase?

21 A (Devereaux) As stated on the Supplement, it was
22 an increase in the Cost of First Installation
23 calculation.

24 Q So, you're referring me back to Exhibit 15?

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1 A (Devereaux) Correct. The Supplement Request
2 Form.

3 Q Okay. Oh, the Supplement Request Form. I'm
4 sorry. So, --

5 MS. RALSTON: Mr. Devereaux, are you
6 referring to Exhibit 7, Page 6?

7 WITNESS DEVEREAUX: Yes. Thank you.

8 MS. RALSTON: Sorry.

9 MR. DEXTER: I'm not finding that page.
10 I'm sorry. Could someone give me the "out of
11 450" number?

12 MS. RALSTON: Sure. It's Page 399.

13 MR. DEXTER: 399. Okay. Here I am.
14 All right.

15 MS. RALSTON: Page 6 of the *pdf*.

16 BY MR. DEXTER:

17 Q Okay. Now, Mr. Devereaux, I'm sorry. So, could
18 you explain what that difference is?

19 A (Devereaux) The reason for the additional cost --

20 Q Yes.

21 A (Devereaux) -- was the increased Cost of First
22 Installation calculation.

23 Q Okay. All right. And I did want to ask you
24 about that. Thanks. I'm getting a little bit

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1 confused with the page numbers. So, what is that
2 calculation?

3 A (Devereaux) That calculation is based on history
4 on the internal labor rates to install a
5 transformer, and contractor rates to install a
6 transformer.

7 Q So, it says that the calculation was updated in
8 2021. And, so, that updated calculation fell
9 between the original authorization and the
10 supplemental authorization?

11 A (Devereaux) Correct. It was done during the
12 year.

13 Q Okay. And the supplemental authorization was
14 prepared actually in 2022?

15 A (Devereaux) Correct. As I believe we've
16 discussed, the annual projects are funded based
17 upon history. And, as the year unfolds, if a
18 supplement is needed, I believe this is part of
19 Russel's testimony, that is done at the end of
20 the year.

21 Q Well, it's done, actually, after the end of the
22 year, right?

23 A (Devereaux) Correct. When the final costs are
24 tabulated.

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1 Q Okay. Okay. So, it's -- so, it's different from
2 the other projects, where the money is accounted
3 for and requested up front?

4 A (Devereaux) Very different. Correct.

5 Q Okay. And that's by design, in other words,
6 these annual projects are set up to get a second
7 look after the year is over?

8 A (Devereaux) If needed. Many don't need it.

9 Q Okay.

10 A (Devereaux) Most don't need it.

11 Q Okay. I wanted to move to the next project,
12 which is called the "Reliability Annual Program".

13 MR. DEXTER: And, Commissioners, I
14 actually meant to bring this up at the outset of
15 the hearing, and I had forgot to. In my letter
16 of September 16th, --

17 CMSR. SIMPSON: Uh-huh.

18 MR. DEXTER: -- I had indicated that
19 our plan was to disallow 317,000, and that letter
20 had a combination of a typo and a bad number.
21 The actual recommended disallowance would have
22 been "913,000". And, as I said in the letter, it
23 was the amount "over authorized". And, if we
24 were to go back to Exhibit 1, Page 30, Line 19,

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1 that's the project that we're talking about,
2 Purchase of Transformers -- no, sorry, I'm on the
3 wrong line. Line 13, "Reliability Improvements",
4 you'll see that the plant in service amount for
5 2021 is 3.9 million, the annual authorization is
6 3 million, and that difference is 913,000. So,
7 that's what should have been put in my letter,
8 rather than the "317", which was actually
9 supposed to be "319", which represented a
10 transposition.

11 But, in any event, that is the
12 recommended disallowance, you know, subject to us
13 finishing up today. I noticed this late
14 yesterday. I alerted counsel to the Company of
15 that error. I didn't take the time to write you
16 a letter. I thought we'd just talk about it
17 today. So, --

18 CMSR. SIMPSON: Very good. Please
19 proceed. Thank you.

20 MR. DEXTER: Okay.

21 BY MR. DEXTER:

22 Q So, --

23 CMSR. SIMPSON: And let me just ask
24 you, before we jump in. We're about ten of noon.

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1 It would be, I think, cleanest if we were able to
2 finish your questioning of these witnesses prior
3 to a lunch break. And then, we can return with
4 Commissioner questioning. I ask that, do you
5 have any sense of the amount of time you'll need
6 in order to wrap up, presumably going through the
7 next four exhibit projects in your letter? Which
8 I would anticipate the Annual Reliability
9 Projects, the Maintain Voltage Project, Submarine
10 Cable, and the Millyard Substation?

11 MR. DEXTER: Yes. And the Millyard has
12 been stipulated. So, it's really just those
13 three.

14 CMSR. SIMPSON: Okay.

15 MR. DEXTER: I don't really have a lot
16 of questions about these last three. I have
17 some. But -- so, why don't we try to forge
18 ahead --

19 CMSR. SIMPSON: Okay. Very good.

20 MR. DEXTER: -- and see where we end
21 up.

22 BY MR. DEXTER:

23 Q So, what I'd like to explore with the Annual
24 Reliability Project is the reasoning -- the

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1 reasons for the difference between the 3 million
2 that was authorized and the 3.9 million that's
3 included in the step. And I'd like to do that
4 first by going to Exhibit 8, Page 1.

5 And Exhibit 8, Page 1, at the bottom,
6 says "Investment in the distribution line
7 reliability program was higher than originally
8 budgeted due to more work being performed on the
9 system than anticipated."

10 Is there any additional detail you can
11 provide about why there was more work done than
12 anticipated?

13 And, if it helps to start with a
14 general, very brief description of what the
15 Reliability Program is, maybe that will put it
16 into context.

17 A (Johnson) Sure. And, again, this is an annual
18 blanket. And, under that annual, we fund it
19 based on typical historical expenditures. In
20 this particular year, we recognized the ability
21 to install, and there are other potential
22 reliability -- let me take a step back.

23 This particular annual is intended for
24 small, lower cost reliability items that don't

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1 rise in cost to the level of requiring a specific
2 project by our accounting policy. So, the
3 typical work that's done under here is the
4 addition of fused cutouts, the relocation of
5 fused cutouts, the addition of, you know, single
6 phase reclosers. And, more significantly,
7 recently, the addition of TripSaver devices,
8 which, for the benefit of those here, act like a
9 recloser. They're a lower cost alternative than
10 a typical recloser. They fit into the body of a
11 cutout. So, they're a relatively simple
12 installation.

13 In this particular year in question, we
14 had engineered the location settings for a
15 significant number of these devices for the
16 following year. But recognized the opportunity
17 to install them in this calendar year, and,
18 therefore, we pulled those jobs forward, and were
19 able to get those reliability-improving
20 installations in place earlier than initially
21 planned.

22 Q And how was the amount, the extra amount, the
23 \$900,000, how was that arrived at?

24 A (Johnson) Well, that's plant in service, for the

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1 purposes of this step.

2 Q Right.

3 A (Johnson) So, those would be completed work
4 orders of actual spend. So, again, the
5 supplement was prepared following the completion
6 of the year.

7 Q Yes. No, I'm sorry, I probably didn't phrase the
8 question right. So, we started at 3 million, we
9 ended up with 3.9 million. My question is, how
10 did we get to the 3.9 million, as opposed to,
11 say, I don't know, 5 million? I mean, what was
12 the process? How did we end up at 3.9 million?

13 A (Johnson) Again, these are lower cost
14 projects/jobs, which are, you know, the
15 responsibility for approval of these lower cost
16 items are delegated in our organization. They
17 were given the approval to proceed with
18 additional reliability spend. And, therefore,
19 they executed those projects, and which resulted
20 in plant being what it ended up being.

21 Q Okay. So, the approval that was given to go
22 forward and do more, is that what I'm looking at
23 now in the Supplemental Request Form, or is there
24 something else I should be looking at?

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1 A (Johnson) In part. The Supplemental Request Form
2 is for the actual spend in that calendar year.
3 So, there are many jobs which roll from one year
4 to the next in these annual programs. So, the
5 actual spend in the year was about \$5.2 million.
6 What, actually, the plant in service was your
7 3.9 million number.

8 Q So, what's the difference then, between the
9 5 million, the actual spend, and the part that's
10 in service?

11 A (Johnson) The jobs that have not been placed in
12 service.

13 Q Okay. Okay. Okay. So, again, in a quest to try
14 to understand specifically what was in the
15 \$900,000, the Department of Energy issued
16 TS 3-003, which is part of Exhibit 15. So, I
17 want to turn to that now.

18 A (Johnson) Uh-huh.

19 Q And what I'm looking at in -- the cover page just
20 says "see Attachment". So, I'm looking at the
21 attachment. And what I'm seeing here is many,
22 many rows, 423 rows of information, that total
23 \$3.9 million. Could you explain what this rows
24 of information represents?

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1 CMSR. SIMPSON: Is there a Bates Page
2 you're looking at, Attorney Dexter?

3 MR. DEXTER: It's an Excel spreadsheet.

4 CMSR. SIMPSON: Oh.

5 WITNESS JOHNSON: It's Bates 012 in
6 Exhibit 15.

7 WITNESS PARUTA: May I, Mr. Dexter?

8 CMSR. SIMPSON: Thank you.

9 WITNESS PARUTA: Sorry.

10 CMSR. SIMPSON: Please proceed.

11 **BY THE WITNESS:**

12 A (Paruta) May I, Mr. Dexter? We were requested,
13 in the data request, to provide a pivot table for
14 the work orders that comprise the total 2021
15 plant placed in service, which is exactly what we
16 provided. And we did provide a pivot table, so
17 that, within the working Excel file, that the DOE
18 Staff could actually drill down and drill into
19 any particular work orders, in case they had any
20 follow-up questions.

21 A (Johnson) So, as far as the exhibit, as Marisa
22 indicated, this is a pivot table, which is set up
23 to identify the individual work orders that were
24 placed in service by Area Work Center.

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1 So, for example, the first section is
2 for the Lancaster Area Work Center. They provide
3 the work order number, which is what the charges
4 were assigned to. And then, there is a brief
5 description, which is truncated in the process of
6 it being moved from our Work Management System
7 into PowerPlan, our accounting system. Someone
8 else can probably define it better than I can.

9 But, for the most part, you can see by
10 the title to get a general idea of the project.
11 Unfortunately, you'll notice that there has been
12 text added to the front of some of these that
13 captured the status from a scheduling and
14 construction side, which pushed, you know, which
15 impacted the title. However, you'll see here
16 that the vast majority of these are "upgrade
17 fuse", "upgrade and add a fuse", "adding
18 TripSavers".

19 You know, I did look at some of those
20 that had more general titles to them. Many of
21 those were the installation of in-line
22 disconnects to provide a isolating point, such
23 that, in response to an outage event, you can
24 reduce the size of the outage and restore

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1 customers.

2 Some of the larger jobs in here, you
3 know, you'll see most of these are in the 10 to
4 \$20,000 range. There are a few larger ones,
5 which were, for example, some smaller
6 reconductoring jobs with covered conductor that
7 did not rise to the level of requiring a specific
8 project.

9 Does that answer your question, Mr.
10 Dexter?

11 BY MR. DEXTER:

12 Q Well, it certainly provides some detail as to the
13 total \$3.9 million. But it doesn't provide, as I
14 can see, any detail or explanation of why the
15 Company went from an initial authorized amount of
16 3 million to 3.9 million. And I think that's
17 what was the purpose of the data request. We
18 were trying to get at the, you know, for lack of
19 a better term, you know, budget overrun.

20 So, if anybody can provide some detail
21 or explanation about the nature of the overrun,
22 other than the supplemental authorization, which
23 just says "we spent more because we spent more",
24 I'm paraphrasing, but that's essentially what it

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1 says. Any additional -- additional information
2 would be welcomed by the Department?

3 A (Johnson) Our capital approval process includes a
4 monthly Capital Budget Review Committee meeting,
5 at which the capital spend is reviewed each
6 month. And, at one of those monthly meetings, it
7 was decided to, because of the point that we are
8 in within the capital budget, to allow for
9 additional spending against this annual.

10 I don't know if -- Paul Renaud may have
11 some additional -- some additional --

12 A (Renaud) Yes. This may be putting what Mr.
13 Johnson is trying to say in slightly different
14 words. This is forecasted project. At the
15 beginning of the year, we forecast based on the
16 level of activity that we would typically have in
17 a year for these types of projects, things that
18 come up. Every day we have meetings, daily
19 meetings, where the Operations folks get
20 together. Things may come out of that that we
21 can improve reliability for customers. And we
22 have monthly meetings. So, lots of things come
23 up during that.

24 We can, over the course of the year,

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1 not -- we may find that we need more of those
2 than we forecasted, which is what's going on in
3 these annuals. We forecasted based on an
4 historical level. We found, based on the
5 activity in our daily look, and activities with
6 reliability, that we needed to do more. And the
7 Committee, as Mr. Johnson mentioned, looked at
8 the overall spending, and thought that was a
9 prudent thing to do, is to keep allowing some of
10 those smaller ones.

11 And, as you said, those are approved at
12 a lower level in the organization, by the work
13 orders that you see.

14 Q So, I think I heard that there are "monthly
15 meetings", and there are also "daily meetings",
16 that would go into this decision to go from
17 3.0 million to 3.9 million. Do I understand that
18 right?

19 A (Dickie) Yes. So, we have daily meetings where
20 we review all of the outages on the previous day.
21 So, you know, during that, during those meetings,
22 which is with all the Operations personnel, if we
23 have three or more outages for particular
24 customers, or three or more outages on a

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1 particular line, we may ask for a TripSaver to be
2 installed. And this happens daily.

3 Q Now, in the course of the tech sessions, we
4 talked about the \$3.9 million figure, including
5 an out-of-period adjustment in the area of
6 \$500,000. And we thought that we would get
7 additional information about that \$500,000
8 adjustment in response TS 3-003, which I don't
9 think we got.

10 So, if someone on the panel could
11 explain that out-of-period adjustment and provide
12 additional detail, that would be appreciated?

13 CMSR. SIMPSON: And, if there's a Bates
14 page with an exhibit that is preferring to the
15 \$500,000 that Attorney Dexter has asked a
16 question about, please point that out as well.

17 **BY THE WITNESS:**

18 A (Johnson) Do you know which document you're
19 referring to that we can speak to?

20 *[Short pause.]*

21 **BY THE WITNESS:**

22 A (Johnson) If I may, my recollection is that
23 discussion revolved around the supplemental and
24 the amount of the supplemental. And I shared

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1 that, that value, part of the increase to the 5.2
2 million on the supplemental, which showed up as
3 spend to that path. Mind you, this is separate
4 than the plant in service. It had to do with the
5 explanation of increase in that path was that, in
6 2020, there had been a reimbursement applied in
7 error to this annual in December. That was then
8 corrected in January. And, therefore, it showed
9 up as a charge to the 2021 Annual, which
10 increased the total supplement amount, but was
11 not part of the Step Adjustment.

12 A (Devereaux) Not part of the plant in service.

13 A (Johnson) "Plant in service". Thank you.

14 BY MR. DEXTER:

15 Q So, that was what we were talking about at the
16 tech session. And that's why -- part of the
17 reason we asked for the \$3.9 million to be broken
18 down. And that's what was provided in this pivot
19 table. And I'm looking at the summary of the
20 pivot table. So, I think what we're hearing
21 today is that that half a million dollar
22 out-of-period adjustment doesn't appear on any of
23 these 400 or so lines that total to 3.9 million,
24 therefore demonstrating that it's not included in

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1 the request today. Is that -- do I have that
2 right?

3 A (Devereaux) That's correct. Correct. When we
4 look at the supplement, we're not, especially on
5 annual programs, it's comparing spend verse
6 authorized. We're not and I shouldn't say
7 "concerned" with plant in service. So, it was
8 the 5.2 that we spent versus the initial
9 authorization of \$3 million, if memory serves me.

10 So that, when we spoke that day, it
11 was -- we were sort of explaining the 5.2, not
12 focused on the 3.9.

13 Q Okay. But we're all in agreement that that half
14 a million dollars is not in the 3.9, which is
15 what's requested in this docket?

16 A (Devereaux) You're correct.

17 Q Okay.

18 CMSR. SIMPSON: I'm sorry, I have to
19 ask, because I'm a little bit lost with respect
20 to the half a million number that continues to be
21 discussed. Can you point me to where that
22 \$500,000 number is in the record, and what it is
23 even attributed to?

24 I believe that it's in the 2.2 million

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1 from the 3 million authorized, to the 5.2 total
2 request in the supplement. But what is the other
3 1.7 million, and what's the 500,000 in the \$2.2
4 million delta? I'm just not following.

5 MR. DEXTER: I don't know the answer to
6 that, based on what we learned in the tech
7 session or what we've learned today. But we'll
8 -- so, I don't know. And I'll leave it at that.

9 CMSR. SIMPSON: Because then we --

10 MR. DEXTER: But maybe the Company
11 knows.

12 CMSR. SIMPSON: Yes. Because we also
13 then have the 900,000 over budget that's
14 reflected in Exhibit 1.

15 BY CMSR. SIMPSON:

16 Q So, could somebody square all of those numbers
17 for us please?

18 A (Johnson) I will try. As Jim described, the
19 Project Authorization Form is authorized to spend
20 for the year, total spend. And, so, any charges
21 to that annual that show up in that year are
22 included in that for that authorization. There
23 are many jobs which begin in one year, but are
24 not effectively placed in service until the

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1 following year. So, there are charges, which
2 show up against the annual in that year, but do
3 not show up as plant in service in that year.

4 The additional 900,000 plant in service
5 that we spoke about were an increased number of
6 reliability projects that were completed in 2021
7 above the historical norm.

8 Q Yes. I understand that.

9 A (Johnson) And, in fact, the historical norm may
10 have been distorted by the fact that there was an
11 inappropriate -- a reimbursement done in error in
12 2020, which actually showed the overall cost
13 being less than what it should have been. So,
14 I'm just trying to get, you know, it doesn't
15 impact plant in service.

16 Q Uh-huh.

17 A (Johnson) But that incorrect reimbursement, and
18 then the subsequent correction of that, is what
19 influences the -- has influenced the annual
20 dollar amount under that project authorization.

21 Q So, within this general bucket, you budgeted
22 3 million --

23 A (Johnson) Yes.

24 Q -- for plant in service? You actually put --

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1 A (Johnson) No, no, no.

2 Q No?

3 A (Johnson) I'm sorry. We budgeted the 3 million
4 of spend.

5 Q Uh-huh. Total?

6 A (Johnson) Total.

7 Q So, that's inclusive of plant in service and just
8 costs attributed, --

9 A (Johnson) Right.

10 Q -- but not in service?

11 A (Johnson) Right. Some of it are charges that
12 completed a project that was started the year
13 before, and some are charges that the project has
14 not been completed or placed in service within
15 that year. It is just charges applied within the
16 calendar year to that annual. It's really a
17 separate number than plant in service.

18 Q Okay. And what's the 500,000 that's being
19 discussed?

20 A (Johnson) There was a reimbursement, and I'll be
21 honest, I can't remember the specifics of what it
22 was for, but it was improperly applied, because
23 it was a reimbursement, it showed up as a credit
24 in 2020, in December; it was identified and

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1 corrected in January.

2 CMSR. SIMPSON: Okay. Got it. Thank
3 you. Appreciate it. Please proceed.

4 MR. DEXTER: Thanks.

5 BY MR. DEXTER:

6 Q Just one follow-up, if I could. When you say a
7 "reimbursement", what would that be? Even in
8 general, if you don't remember the specifics.

9 A (Johnson) It could have been a customer payment
10 for DG or for, you know, or --

11 *[Court reporter interruption.]*

12 **CONTINUED BY THE WITNESS:**

13 A (Johnson) Or it could have been a prepayment for
14 work associated with service to a new customer.
15 I'll be honest, it could be a number of things.
16 I -- not to change direction, but I saw a similar
17 event, under another annual, where credit for a
18 large amount of conduit was returned to the
19 incorrect job, showed up as a credit, and then
20 was corrected the following year.

21 So, it could be, and I'm open for
22 others on the panel to offer up other items. I
23 simply can't remember what that specific one was.

24 *[Witness Plante and Witness Johnson*

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1 *conferring.]*

2 **BY THE WITNESS:**

3 A (Johnson) Dave just indicated another likely --
4 or, another possibility is make-ready for third
5 party attachments, that's paid, you know, prior
6 to work commencing being applied to the wrong
7 project.

8 A (Renaud) If I could just add? I think the main
9 point, though, is that that credit could have
10 come from anything, not associated with that
11 annual. It was incorrectly applied to that
12 annual.

13 A (Johnson) That's the key.

14 BY MR. DEXTER:

15 Q Okay. So, I had a similar line of questions for
16 the project which is labeled "Maintain Voltage".
17 It shows up on Exhibit 1, Page 30, Line 10. And,
18 if I'm looking at Column -- the difference
19 between Column G and Column H, I get a difference
20 of \$428,000. And that would indicate a
21 difference between the original annual
22 authorization and the plant in service number,
23 correct?

24 A (Devereaux) That is correct. Between the plant

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1 in service.

2 Q And then, we have a Supplemental Authorization,
3 in Column 9 [Column I?], of 2.17 million. And,
4 so that am I correct that the total authorized
5 amount is I would add those two numbers and get
6 something like 3.3 million?

7 A (Devereaux) No. The supplement amount is the
8 total authorization. So, it includes the 1.1 for
9 the previously authorized.

10 Q Okay. So, again, very quickly, if someone could
11 explain briefly what the "Maintain Voltage
12 Program" accomplishes?

13 A (Johnson) This annual covers work that is
14 required in order to address voltages that are
15 outside of the regulatory limits that are
16 established under the DOE/PUC 300 hundred rules.
17 The types of issues are, you know, low voltage on
18 the primary voltage system, where it may be
19 adding a capacitor bank, it may be adding a
20 regulator. But it also includes voltage
21 complaints, where they are having low voltage,
22 and require an upgraded transformer or service,
23 or even flicker complaints, which, again, could
24 require an upgraded transformer or service.

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1 Those are the types of projects that are included
2 within this program.

3 It is -- the dollar amount that's
4 established at the beginning of the year is based
5 on historical. This is one of those that we
6 literally have no real control over, in that we
7 tend to see spending significantly higher in
8 years where we have a really, really hot summer,
9 and a lot of people are running their air
10 conditioners, and maybe less spending on a cooler
11 summer.

12 But it really is, it's in reaction to
13 people identifying low voltage on the system or
14 customer complaints over voltage issues.

15 Q Is it possible, from the information that's
16 provided here, to identify specifically what
17 makes up the difference between the original
18 authorized amount of 1.1 million and the plant in
19 service amount of 1.6 million?

20 A (Johnson) No. It's a similar discussion on what
21 we had with the Reliability Annual. The Project
22 Authorization Form is based on annual spend to
23 the annual project. It is not based on an
24 in-service amount. And, again, jobs can roll

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1 from one year into the next, with respect to
2 spending and plant in service. And, so, no,
3 there is no direct link.

4 Q And, in response to a tech session data request,
5 the Company provided a pivot table that totals
6 the in-service amount that's requested of 1.6
7 million. That was provided as TS 3-004, and it's
8 part of Exhibit 15, correct?

9 A (Devereaux) Yes. That's correct.

10 Q Okay. Okay. And then, moving on to the project
11 that's -- it's not on the list. It's identified
12 as the "Submarine Cable". And my understanding
13 was that, based on PUC Order 26,505 [26,504?], at
14 Page 7, there was a disallowance of \$163,000.
15 And that came out of a recommendation from an
16 audit report from the step adjustment last year.
17 Do I understand that? Is my understanding
18 correct?

19 A (Paruta) That is correct.

20 CMSR. SIMPSON: Can you please repeat
21 the audit number, Attorney Dexter?

22 MR. DEXTER: The audit --

23 CMSR. SIMPSON: I mean the "order
24 number", excuse me.

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1 MR. DEXTER: The order number, sorry.
2 The order number is "26,504".

3 CMSR. SIMPSON: Thank you.

4 MR. DEXTER: At Page 7.

5 BY MR. DEXTER:

6 Q And what we were interested in learning was --
7 what we were interested in seeing was that
8 \$163,000 exclusion in this step adjustment, as a
9 result of that order. And could someone on the
10 panel show me where that \$163,000 is excluded?

11 A (Paruta) This was also a finding during the
12 Step 3 audit. And we reviewed that with the
13 auditors quite thoroughly. And there's actually
14 a really strong description within the Audit
15 Report issued for the Step 3.

16 So, if I may, Mr. Dexter, take us
17 there, that may help. We can start with Exhibit
18 1, and I can show the piece that is within the
19 Step 3. And I will take everyone there now, into
20 Exhibit 1.

21 CMSR. SIMPSON: Can you also identify
22 the pages in the Audit Report?

23 WITNESS PARUTA: I will do. Yes, sir.

24 CMSR. SIMPSON: Thank you.

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1 **CONTINUED BY THE WITNESS:**

2 A (Paruta) It should be in my carryforward project,
3 which is the second page.

4 MS. RALSTON: If I may, Marisa, I think
5 it's Page 31, Line 17.

6 WITNESS PARUTA: Line 17?

7 MS. RALSTON: Yes.

8 WITNESS PARUTA: Thank you.

9 **CONTINUED BY THE WITNESS:**

10 A (Paruta) Okay. If we go to Line 17, we will
11 see --

12 BY MR. DEXTER:

13 Q I'm sorry, Ms. Paruta. What exhibit are we
14 looking at?

15 A (Paruta) Oh, I'm so sorry. We are in Exhibit 1.
16 And it is Bates Page 31, Line 17. And that is
17 Project ID Number "A16N01". And you will notice,
18 in the Column H, we have a credit amount of
19 "148,109". And, now, if I could have everyone
20 turn to the Final Step 3 Audit Report, that was
21 submitted on August 31st, and if we could take
22 everyone to Page 3.

23 The auditor did an excellent job
24 ensuring that this was written off properly in

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1 our accounting books and records. And, in doing
2 so, we walked the auditor through the many steps
3 that are taken within the PowerPlan System.

4 So, at the very highest level, what
5 occurred was that we received a decision to
6 disallow investments in the Welch and Locks Cable
7 Replacement Project of \$163,000.

8 So, what the Company essentially did is
9 we took that amount, and we wrote it off against
10 the Project ID. In doing so, I'm going slow for
11 Steve, in doing so, the Project's ID has
12 preestablished work orders. And those work
13 orders are FERC mapped to certain plant balance
14 sheet accounts. So, what occurred, and because
15 of our PowerPlan System and its functionality,
16 when we wrote off the 163,000, it flowed back
17 into the system to the proper FERC accounts.

18 The auditor disagreed. That what we
19 should have done was written off the entire
20 amount to project placed in service, which is
21 FERC Account 106, or 101. But, instead, because
22 of the PowerPlan System, we wrote off the amount
23 to the project investment value, which
24 essentially reduced the total project value by

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1 the \$163,000. You will not see that in the Step
2 3 schedule, as we just showed, in Exhibit 1,
3 because that amount only reflects what was
4 included in FERC Account 106, which is project
5 placed in service.

6 The remainder went to FERC Account 108,
7 which is also picked up in the step, which is
8 also the revenue requirements calculation, I will
9 say, not the placed-in-service amount. So that
10 the revenue requirements calculation
11 appropriately reduced the amount by the full
12 \$163,000 disallowance.

13 So, there is a disconnect in terms of
14 how it is reflected in that one sheet, Exhibit 1,
15 because that specifically shows only what's
16 flowing through FERC Account 106.

17 BY MR. DEXTER:

18 Q Well, I actually wanted to finish up with some
19 questions that I probably should have started
20 with on the revenue requirement calculation. So,
21 let's do that. And then, we'll pick this issue
22 of 163 versus 148 up when we get there.

23 So, let me go back to Exhibit 1. And
24 I'll get you a page number in a minute. So,

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1 Exhibit 1, Page 45, is the revenue requirement
2 calculation, correct?

3 A (Paruta) That is correct.

4 Q And, again, these numbers need to be updated, but
5 working with what we have here. The very top of
6 this page compares plant in service at the end of
7 2020 to plant in service at the end of 2021, and
8 calculates a return on that change in net plant,
9 correct?

10 A (Paruta) May I add? So, your year-end plant in
11 service 2020 was adjusted for the disallowances
12 from the order in the Step 2. So, that plant in
13 service that you see in our Step 3 does not tie
14 to the plant in service reported in our Step 2.
15 We reduced that by the Pemi disallowance and the
16 Welch and Locks disallowance.

17 Q Okay. But I want to put the disallowances aside
18 for a minute, because I just want to ask about
19 the calculation that's here.

20 A (Paruta) Sure. Apologies.

21 Q No. No problem at all. So, but is it -- am I
22 right, though, that the presentation -- I should
23 have started with this, because it's important.
24 It's come up in many other step adjustments.

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1 What I'm trying -- what I'm asking here
2 is that the calculation of the revenue
3 requirement at issue is done on a change in net
4 plant basis, would you agree?

5 A (Paruta) In accordance with DE 19-057, the
6 Settlement Agreement, correct.

7 Q Okay. And the fact that we're talking about
8 specific projects stems from the fact that all of
9 those particular projects we've been talking
10 about find their way into Column B, on Exhibit 1,
11 Bates 045, "Net Utility Plant", you know, end of
12 the year 2021 number of 1,777,000, right? All
13 these projects are included in that number,
14 right?

15 A (Paruta) That's correct.

16 Q Okay. So, although we've been going
17 project-by-project, list-by-list, in reality,
18 what's included in the Step Adjustment is the
19 entire change in the Company's net plant?

20 A (Paruta) Excluding new customer growth, yes. If
21 you look at this particular page, we do exclude
22 new business. So, it is not all of the projects
23 that were placed in service in 2021.

24 Q Okay. So, where does that exclusion for

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1 growth/new business, where does that show up? Is
2 that done before we even get to Bates Page 45?

3 A (Paruta) If you look on Bates Page 046, that
4 right there will have identified for you, on Line
5 7 and 8, the additions and the retirements, where
6 the Company does exclude the new business. So,
7 for your roll-forward that you were referencing
8 on Bates Page 045, those numbers tie up. So,
9 it's actually on the next page, Page 46.

10 Q Okay. So, the exclusions for growth/new business
11 are shown on Bates Page 046, and that number at
12 the bottom of Bates Page 046 of 2,448,000 --
13 2,448,000,000 carries up to the first line on
14 Bates 045, 2,448,000,000?

15 A (Paruta) That is correct.

16 Q Okay. Okay. So, now, getting to the submarine
17 cable, where the specific list that we've been
18 talking about showed a reduction of \$148,000,
19 where we were expecting to see that project
20 reduced by \$163,000, I think you're telling me
21 that that \$15,000 differential is somehow
22 accounted for on Bates Page 045, correct?

23 A (Paruta) That is correct.

24 Q Okay. So, now, if you could give me that

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1 explanation, how that -- how that happens?

2 A (Paruta) Sure. So, well, first of all, I will
3 say the Company took a conservative approach. We
4 actually removed it in its entirety, and we did
5 so with the beginning balance. So, there's
6 actually a flowing through credit in addition to
7 that going through the Step. But I want you to
8 focus on the one that's flowing through the Step
9 today.

10 So, there are two line items I want you
11 to focus on. It's going to be your plant, on
12 Bates Page 046, if you look at your Line 7 there,
13 and you look at your "122,492,045", now I'm
14 trying to toggle back. So, please give me just
15 ten seconds.

16 Apologies. I'm trying to toggle
17 between the Excel files and the workbooks.

18 CMSR. SIMPSON: Take your time, Ms.

19 Paruta.

20 WITNESS PARUTA: Thank you.

21 **BY THE WITNESS:**

22 A (Paruta) So, let me go back to my schedules.

23 Okay. There we go. Thanks, Dave. Okay. So,
24 again, going to Exhibit 1, Bates Page 046, where

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1 we have that Line 7, "Additions", for 2021, the
2 "122,492,045", that is your plant asset additions
3 placed in service, excluding the new business,
4 for 2021, that ties to Attachment RDJ/DJP/ --
5 sorry -- /DLP/JJD-1, Page 1 of 4 [1 of 7?], which
6 I believe is Exhibit 1, Page -- do you know the
7 page number? I can't find the page number now,
8 because I'm in the same exhibit, I don't want to
9 move from this page.

10 So, this is the attachment. Bates
11 Page 028. Thank you, team. If you look at that
12 page, that gives you the Total Plant Additions of
13 "122,492,045".

14 BY MR. DEXTER:

15 Q Let me just interrupt -- if I could just
16 interrupt for a second, because I want to go
17 there.

18 A (Paruta) Sure.

19 Q So, you're saying Exhibit 1, Bates Page 028,
20 which is the list we've been -- well, it's just
21 before the list we've been talking about. Okay.
22 I see that number.

23 A (Paruta) Correct.

24 Q Thank you.

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1 A (Paruta) Yes. And, to your point, Mr. Dexter,
2 that is the summary of the list that we've been
3 referring to, which, in that list that we've been
4 referring to, also includes the credit associated
5 with the Welch and Locks Cable Replacement
6 Project, okay?

7 So, again, that number -- that credit
8 is flowing through your 7, Line 7, in our revenue
9 requirements calculation, going back to
10 Exhibit 1, Bates Page 046. That number, which
11 has been adjusted for the 148, plant in service,
12 Welch and Locks Cable Replacement Project, flows
13 up into your Bates Page 045, adjusted for your
14 new business, that number is your Line 4.

15 Your Line 5, which is your "Net Plant
16 Change", that includes FERC Account 108. In
17 Account FERC 108, if I may take everyone back to
18 the Final Step 3 Audit Report. And, if you go to
19 Page 3 of 52, you will see that there is a credit
20 flowing through the accumulated depreciation for
21 "15,280.44".

22 In addition to these amounts, there is
23 a very small amount of \$218 that flowed through
24 expense, which came up through this audit.

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1 However, when we provided our tech session
2 response, within our tech session response you
3 would see that that \$218 was actually -- that gap
4 was closed. So, we essentially did write off the
5 full amount through the project value that is
6 sitting in the plant FERC accounts.

7 Q Okay. So, I was with you when the 122 million,
8 on Bates 046, totaled the three numbers that I
9 could trace back to the list, and I saw that
10 148,000 was taken off the list. But I missed you
11 when you said what happened to the other 15,000.
12 So, if I could just ask you to repeat that?

13 A (Paruta) Sure. Sorry about that. So, the
14 15,000, if we look at the Audit Report, let me
15 see the page again, apologies, Page 3, that
16 15,280, the PowerPlan System flowed back that
17 disallowance to the FERC accounts as was
18 initially set up for the project, and that
19 includes the 15,280.

20 So, the project investment was
21 appropriately reduced by 163,000 in its totality.

22 Q But where, in either Bates 045, 046, or 028, does
23 that \$15,000 get taken out of plant in
24 service/rate base for purposes of this Step?

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1 A (Paruta) Your accumulated depreciation. Yes.
2 So, it's -- and I apologize that I'm not making
3 this clearer. So, let's go back.

4 Q That's the part I missed, because you came back
5 and referred us to Bates 045, 046, --

6 A (Paruta) Right.

7 Q -- and I think you referenced "Line 2"?

8 A (Paruta) I did. So, Line 2, that is your
9 accumulated depreciation that flows through our
10 system, our PowerPlan System. So, within that
11 amount is actually your reduction, if you will,
12 of the value of that plant that flows through
13 accumulated depreciation. So, in totality, when
14 you look at your net distribution plant change,
15 on Line 5, that number includes the full value of
16 the disallowance, flowing through properly
17 through our accounting books and records.

18 Q So, to sum up then, the 160 -- because I'm
19 interested in the amount that flows into the Step
20 Adjustment. And that amount --

21 A (Paruta) That amount is on Line 5 of Bates Page
22 045 of Exhibit 1.

23 Q Right. Because that's the number that shows up
24 on Bates Page 45, 65,326,000. That number is

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1 derived on Bates 046, Line 5, 65,326,000. That's
2 the net plant?

3 A (Paruta) Correct.

4 Q You're saying the 163,000 for this cable -- I
5 think what you're saying is, that the 148,000 for
6 this cable is reflected in the "Additions", Line
7 7, on Bates 046. And that the other 15,000 is
8 reflected on Line 2?

9 A (Paruta) That's correct. Yes. Said differently,
10 if you go to Bates Page 45, your Line 1, on Bates
11 Page 045, reflects your reduction of plant in
12 service. And Line 2 reflects the adjustment to
13 your accumulated depreciation for the cost of
14 removal component. So, the full value, if you
15 will, is reflected in those two line items.

16 Now, I do want to add quickly that, had
17 we done what the auditors wanted, this would be a
18 simple reclassification. Because the
19 disallowance was fully taken into earnings. So,
20 if we did what the auditors wanted, it would have
21 been a flip between FERC Account 108 and FERC
22 Account 106, all still within the plant value.
23 It's just a reclassification between two FERC
24 accounts. So, the disallowance was completely

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1 taken out of plant value.

2 Q And just for those of us that don't have the
3 Chart of Account memorized by number, what's
4 "106" and "108"?

5 A (Paruta) So, "108" is your "Accumulated
6 Depreciation"; "107" is your "Construction Work
7 in Progress"; "106" is "Plant in Service -
8 Non-Unitized"; and "101" is "Plant in Service -
9 Unitized".

10 MR. DEXTER: Okay. Okay, that
11 completes our questions.

12 CMSR. SIMPSON: Okay. Great. So,
13 next, I think we'll take a lunch break. I would
14 ask -- that was very extensive questioning.
15 Thank you for the work that the Department of
16 Energy has done in this proceeding. And I want
17 to compliment the witnesses as well. Their
18 testimony was incredibly thorough, both written
19 and today. So, I appreciate that from the
20 Company and the Department.

21 Would you like an opportunity, before
22 the Commissioners enter questioning, as, in your
23 questioning, I'm sure there's information that
24 came to light, in order to provide any closing

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1 information to the Commissioners, before we jump
2 into questioning?

3 MR. DEXTER: I think what you're asking
4 is, are we, at this point, ready to alter the
5 letter that we sent in on the 16th, in terms of
6 plant disallowances?

7 CMSR. SIMPSON: It's a thought that
8 crossed my mind.

9 MR. DEXTER: Sure. And I think I need
10 to talk about that with Mr. Dudley over lunch.
11 So, I don't have an answer now. But, if I do,
12 when we get back?

13 CMSR. SIMPSON: Very good.

14 MR. DEXTER: Okay.

15 CMSR. SIMPSON: Okay. Thank you,
16 everyone. It's 12:45. We will resume at 1:45.
17 Off the record.

18 *(Lunch recess taken at 12:45 p.m., and*
19 *the hearing resumed at 1:52 p.m.)*

20 CMSR. SIMPSON: On the record. So, as
21 promised, I wanted to see if the Department of
22 Energy had any new information that they thought
23 was relevant for the Commission's consideration,
24 before we engage in Commissioner questions for

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1 the Company witnesses?

2 MR. DEXTER: Well, Commissioners,
3 thanks for that opportunity.

4 I'm not at a point in the hearing
5 today, before Mr. Dudley has testified, to say
6 that, you know, certain issues have been
7 resolved. I understand we're pressed for time.
8 And I guess what I would say is, I think -- I
9 think Commissioner questions are always a good
10 thing. And, to the extent we have time for them,
11 I would like to hear them, and I think the
12 Company should hear what's on the Commission's
13 mind.

14 If I were to point to two projects
15 where our recommendation may more go towards
16 process in future step adjustments than this Step
17 Adjustment, that would probably be the blanket
18 projects, the reliability and the voltage
19 maintenance projects. Mr. Dudley will make some
20 comments about how difficult it is to review
21 those in step adjustments. But that may apply to
22 the future more so than this case, based on what
23 we heard today.

24 So, if you had to prioritize, maybe

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1 those would be two that you skipped. But I'll
2 leave that up to you.

3 But I welcome Commissioner questions in
4 this case. This is a lot of complicated and very
5 high cost -- this is a high-cost step adjustment.
6 So, I welcome the inquiry.

7 CMSR. SIMPSON: Appreciate that. Thank
8 you for those comments.

9 I will recognize my colleague,
10 Commissioner Chattopadhyay.

11 CMSR. CHATTOPADHYAY: How are you all
12 doing?

13 So, I think, first of all, I'm going to
14 have a record request. I would like to have the
15 schedules updated to reflect the changes that the
16 Company has, you know, accepted, so that the
17 Audit Report issues, as well as the deferments.
18 So, I would ask you to update. So, maybe I'll
19 just frame it as a record request right away.

20 Please provide the updated schedules in
21 live Excel format for the new calculations that
22 take account of the deferments on the Nashua and,
23 I think, the Millyard Projects, and the
24 changes -- the audit changes that were accepted

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1 by the Company. Something like that.

2 BY CMSR. CHATTOPADHYAY:

3 Q So, I know we talked about titles today. So, I
4 know there was a question by the Audit Division.
5 And, so, I think I understand that is
6 capitalized. So, can you give me a sense,
7 though, when you say it's "capitalized", like
8 it's part of the plant in service, sort of,
9 right?

10 A (Paruta) Yes. Correct. When the vehicle is
11 purchased, yes, the entire cost of the vehicle,
12 including the title, and the plate fees,
13 everything, is included as part of plant in
14 service. That's equipment placed in service.

15 Q Can you give us a sense of what is a dollar
16 amount that you're talking about when we say
17 "titles"?

18 A (Paruta) For the titles and the plate fees, what
19 we were told was that it was about \$1,200 for a
20 vehicle that was like a light-duty vehicle. And
21 then, for the heavy-duty vehicles, which is like
22 our bucket trucks, the ones that are heavy,
23 heavy, I'll say a significant cost, those are
24 4,200 -- or, excuse me, \$4,800.

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1 Q Yes. I'm asking gross. Can you -- is it
2 possible to have a number that one can look
3 through in the listing, to give us a sense of
4 what is a total dollar amount?

5 A (Paruta) We can do it in a record request. I
6 have estimates, but I would prefer, if we could.

7 CMSR. CHATTOPADHYAY: Okay. I will
8 gladly have a record request.

9 Please provide the total dollar
10 associated with the titles for the vehicles that
11 are included in the 2021 plant in service
12 listing.

13 *[Atty. Speidel conferring with Cmsr.*
14 *Chattopadhyay.]*

15 CMSR. CHATTOPADHYAY: Okay. I think we
16 will do that at the end. Sorry.

17 CMSR. SIMPSON: Yes.

18 BY CMSR. CHATTOPADHYAY:

19 Q So, as we were going through one of the -- I
20 think I'm trying to recall, was it Bates Page --
21 where you were talking about Keene. And there's
22 a projection for, you know, the load. Can you
23 tell me whether it's a summer peaking system in
24 Keene, or, you know, situation in Keene, or is it

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1 winter peaking?

2 A (Johnson) Yes, it's summer peaking.

3 Q It's summer peaking. Okay. So, I'm going to go
4 back to the "rates" issues. So, I heard that,
5 with the October 1st implementation, obviously,
6 the rates are going to be different than what it
7 would be if you were implementing it for twelve
8 months. When the back-and-forth was going on,
9 Mr. Davis, you had responded by saying you
10 haven't thought through how to go about when, in
11 2023 August, when you need to go back to the
12 rates that would reflect twelve months of
13 recoupment, how would you go about that?

14 A (Davis) So -- pardon me. So, let me start by
15 just sort of refreshing real quick. If we had a
16 lower request, instead of the 9.3 million, for
17 example, 8.9 million, and those were in effect
18 August 1st, it would be a lower number than we
19 have in our initial filing. So, obviously, we're
20 compressing the time to recover those same costs.
21 So, there's a factor we use, basically, sales, to
22 adjust. And we actually looked at October 2022
23 through July 2023 sales, and use a ratio to
24 adjust a revenue target. So that, when you

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1 implement the higher rates over a shorter period,
2 you get back to the same 8.9 million.

3 Q Yes, I understand. But I'm talking about 2023,
4 how will you come back to us and make sure that
5 the rates are then reduced? Because, after all,
6 this is a step increase, rates kind of stay for
7 good. So, it's -- you don't want to have the
8 same rates continue beyond August 1st. So, what
9 is the mechanism that you will follow to let us
10 know, and how should we go about that? That's my
11 question.

12 A (Davis) Correct. So, I may not know all the
13 answers to the process and technical
14 requirements, in terms of the regulatory
15 procedure. But, effectively, and the reason I
16 just went through that brief explanation, was I
17 would still have a 12-month based rate, if you
18 will, so that I know what the rate would revert
19 to when we get to August 2023.

20 So, I would submit the support and the
21 request for those rates that would be based on
22 twelve months. And I would request that those
23 become effective, all else being equal, meaning
24 if there are no other changes to distribution

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1 rates being requested for any other reason. I
2 would suggest that. And timingwise is the
3 question I'm not sure about, and process. But I
4 would request, and provide the support, for rates
5 in effect for August 1st, 2023, as if we had made
6 our initial filing in here for August 1st of
7 2022.

8 So, effectively, it's the same filing
9 that we would have had made had we used an \$8.9
10 million approximate revenue target. So, again,
11 the full -- basically, the full requirement, you
12 know, show the revenue requirements, the cost
13 allocations, rate design, bill impacts, the
14 entire set of filing requirements.

15 And we can do that now. I mean, we're
16 right -- we have that information now. If, for
17 some reason, we end up with November 1st rates or
18 October 1st rates, we can submit any of that
19 information for your consideration.

20 Q Okay. I mean, for me, it's really about --
21 excuse me -- whenever you have new rates, there
22 is a process that you need to follow. And, so,
23 it's like you may even require a hearing. And
24 I'm kind of thinking, what would be the most

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1 efficient way to go about? That's what I was --
2 so, you can, you know, --

3 A (Davis) If I could add? Perhaps, when we make a
4 typical rate filing, where we make one proposed
5 rate request, and the Commission orders something
6 different, we typically file a compliance. So,
7 if that's a good structure for that, all we would
8 simply do is provide the same information, but
9 provide a compliance that shows the new revenue
10 requirements and the associated rate calculations
11 that support changes to the tariff.

12 Q That is helpful. At least I will think through
13 it.

14 A (Davis) Thank you.

15 Q There was some discussion about property taxes,
16 and, you know, and there was a percentage, 2.1,
17 at some point that was referred. Don't have the
18 exhibit in front of me. But can you tell me how
19 is the property tax relevant in this filing?
20 Just give me a sense.

21 A (Paruta) So, the property -- sorry. The property
22 tax expense is one of the items that was agreed
23 upon as being a collectible cost to the Step, in
24 addition to depreciation expense and return. The

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1 property tax expense itself, as we had defined it
2 within the Settlement Agreement, we provided an
3 exhibit that actually identifies how to calculate
4 the property tax expense. And, within that
5 exhibit in the Settlement Agreement, what we did
6 was we took the entirety of the property tax
7 expense for the test year, and we divided it by
8 the plant -- rate base plant in service -- excuse
9 me -- total rate base plant assets, to come up
10 with an appropriate property tax rate.

11 I think at the time, the estimate in
12 the Settlement Agreement, subject to check, it
13 was 2.18 percent. So, what we do on an annual
14 basis within the Step is we essentially follow
15 that calculation that was included in the
16 Settlement Agreement, and we update that based on
17 actuals.

18 Q So, what I'm confused a bit about, and haven't
19 looked into everything, that the dollar amount
20 that you get for property tax, does that get
21 capitalized?

22 A (Paruta) So, if I could rephrase the question? I
23 think what you're asking is, "the property tax
24 expense that we determine to include in the Step,

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1 is that capitalized?" The dollar value of what
2 is included in the Step is part of revenue
3 requirements. So, yes. And I'm walking --

4 Q That I understand. Yes.

5 A (Paruta) I'm walking through the steps in my
6 mind, I'm sorry. So, that amount is included as
7 part of the revenue requirements. What then
8 happens is, within -- within actuals, we have the
9 actual step CWIP that is identified, which is
10 being collected as part of the revenue
11 requirements. Essentially, there is CWIP that is
12 capitalized, which is why we do include it --
13 excuse me -- the property tax expense that we are
14 collecting is related to the expense, not the
15 CWIP. So, I just want to be careful here,
16 because there are two different components. The
17 property tax expense that was discussed as part
18 of the construction work in progress is a whole
19 different calculation, which relates to property
20 tax expense during the year that is ascribed by
21 the towns to the value of the CWIP that is
22 determined to be in the town that is being
23 constructed. So, that is a different
24 calculation. I know it's confusing, because

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1 there seems to be property taxes in many areas of
2 our calculation.

3 So, I hope I'm not confusing you.

4 Because the property tax that we're including in
5 the revenue requirements is what we are actually
6 trying to collect for the property tax expense
7 associated with that plant placed in service.
8 Does that make sense?

9 Q So, let me see whether I understood it. Can you
10 confirm that the amount that is picked up by the
11 rates, the revenue requirement, does that include
12 any return on capital?

13 Or, said differently, is it purely
14 recovering exactly what the property taxes are,
15 just, you know, that's what you paid, so, you're
16 being reimbursed?

17 A (Paruta) Not the return on capital, because your
18 property tax expense is, again, calculated based
19 on just your net plant assets -- or, excuse me,
20 gross plant asset value. So, it would not, to
21 answer your question, collect a return on
22 capital.

23 Q It would not?

24 A (Paruta) It would not. Correct.

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1 Q Okay. So, when we were discussing the titles,
2 you had -- I forget which witness mentioned
3 something about the way it's treated here, it's
4 based on what the FERC rules are, or, you know,
5 FERC accounting practices are.

6 Can you -- can you provide a little bit
7 more substance to that? Like, did that -- was
8 it -- is it so forever, or that has happened
9 maybe just a few years ago? I'm just trying to
10 get a sense.

11 A (Paruta) So, for a title specifically, for as
12 long as I have discussed with the experts, it has
13 been done for a very, very long time. I don't
14 know the exact amount of time, but I would
15 probably even venture to say "decades", subject
16 to check. As it relates to vehicles and titles,
17 and the plates that are purchased, in order to
18 drive those vehicles off the lot.

19 Q And is that practice also being followed in
20 Massachusetts and Connecticut?

21 A (Paruta) It is. Yes. Correct.

22 CMSR. CHATTOPADHYAY: Okay. I think
23 that's all I have for now.

24 CMSR. SIMPSON: Okay. Thank you,

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1 Commissioner Chattopadhyay.

2 BY CMSR. SIMPSON:

3 Q I'd like to go to the Emerald Street Substation
4 topic. Mr. Russel [sic], I think you testified
5 that load has pretty much been flat there since
6 2010, around 59 megawatt peak at that substation,
7 is that correct?

8 A (Johnson) The 59 megawatts -- the 59 megawatts
9 was for the Greater Keene area. The Emerald
10 Street load was less than that. It's been
11 around -- identified there at roughly 40
12 megawatts.

13 And I did want to add to the record. I
14 found the latest forecast. And the ten-year
15 average going forward is at 0.87 percent right
16 now. So, I was relatively close with the
17 estimate I gave before.

18 Q So, the graph that we were looking at, I think it
19 was Exhibit 5, Bates 059?

20 A (Johnson) Yes.

21 Q This is reflective of the whole Keene area. So,
22 there's multiple substations that serve that part
23 of your service territory?

24 A (Johnson) Let me make sure we're talking about

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1 the same --

2 Q Sure.

3 A (Johnson) -- the same graph. I'm sorry, what
4 page?

5 Q Bates Page 059, the "Keene Peaks Forecast" graph.

6 A (Johnson) Yes. This was for the Greater Keene
7 area.

8 Q So, Emerald Street is a subset of this?

9 A (Johnson) Yes.

10 Q But the whole load in the area, as reflected
11 here, has been relatively flat?

12 A (Johnson) Yes.

13 Q And it's consistent with what you've seen at
14 Emerald Street as well?

15 A (Johnson) Yes.

16 Q So, planning studies, they're based on
17 assumptions and historical information. Were
18 there changes to either customer behavior or
19 programs from the Company? What do you think
20 were some of those factors that resulted in load
21 growth not manifesting to the degree that was
22 predicted in 2010-11?

23 A (Johnson) No, it's a great question. Because
24 what we've seen is, prior to 2008, that method of

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1 forecasting was -- it was extremely accurate.
2 Post 2008, there was a rebound to close to what
3 we expected. And, since that time, it's been
4 relatively flat.

5 So, you know, contributing factors, I
6 do think that, you know, lighting efficiency,
7 some small amounts of DG within the -- you know,
8 behind-the-meter DG, --

9 Q Uh-huh.

10 A (Johnson) -- because we can't account for the
11 other distributed generation. But I think it's
12 primarily that, you know, we have not seen the
13 continued level of growth, especially in the
14 industrial sector, I would say, following 2008,
15 to continue the type of growth that we had seen
16 prior to that.

17 Q And what was the capacity of that substation,
18 prior to the upgrade, and what's the capacity now
19 that you've implemented the upgrade?

20 A (Johnson) I should know this off the top of my
21 head, but I can do the math. So, it was -- there
22 are two 12 and a halves, two 22.4s, and one 20,
23 so, yes -- 69.8 was the capacity -- no, that's
24 wrong, because I know we have less capacity now

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1 than we had prior to. So, I think I'm off by one
2 decimal point there. I believe it's 89.8 was the
3 pre-project capacity. And, today, we have two
4 30s and a 20. So, we have 80 MVA there now at
5 Emerald Street.

6 Q And is it less because you've added a station or
7 upgraded surrounding stations around Emerald
8 Street as well?

9 A (Johnson) Yes.

10 Q So, you've kind of split --

11 A (Johnson) Yes.

12 Q -- the capacity?

13 A (Johnson) Yes. We built North Keene, which --
14 had North Keene installed. I should note that
15 these are our standard 115-to-12.47 transformer,
16 it's a 30 MVA transformer. It is the standard
17 across the Company. We now have them located in
18 multiple locations.

19 So, in North Keene, a 30 MVA was
20 installed there. That's loaded to around 18
21 megawatts right now.

22 And, yes, the installed capacity at
23 Emerald Street was actually reduced, because we
24 replaced a 12 and a half that was in parallel

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1 with a 22.4, with a single 30.

2 Q So, is there more modularity with the
3 transformation at these surrounding substations
4 than you had previously?

5 A (Johnson) I would say "more consistency", if
6 that's what you mean by "modularity"?

7 Q I think in terms, if you have a mobile, you
8 probably have spares.

9 A (Johnson) Oh.

10 Q You know, is there more modularity with this
11 design --

12 A (Johnson) Yes.

13 Q -- than previously?

14 A (Johnson) The design, specifically, you go with a
15 standard 30, allows you to size a mobile
16 appropriately, allows you to have a single spec
17 for purchasing transformers. Allows you, when we
18 reach a point where we feel it's prudent to
19 acquire a spare transformer, we will only require
20 one spare of that size on the system.

21 Q So, in your view, you don't feel as if the
22 substation is oversized today?

23 A (Johnson) No. In fact, what the installed
24 capacity allows us to do is to, in case of loss

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1 of a transformer, to be able to serve the load,
2 you know, from an adjacent substation.

3 Prior to this project, the only other
4 station in an even remote vicinity was Swanzey,
5 which is quite some distance away, with no strong
6 circuit ties between it. Very limited ability to
7 move power back and forth.

8 Now, we have the ability to move that
9 load between Emerald Street and North Keene, both
10 for substation issues, but also for line issues.
11 The fact that we now have a station much closer
12 to the load in North Keene provides a much more
13 reliable source to those customers.

14 Q And then, what about the vintage of the site? It
15 sounds as if the original substation was built in
16 the 1940s and '50s. And I believe somebody
17 testified to the fact that there was a failure in
18 the process of upgrading the station. Did I
19 understand that correctly?

20 A (Johnson) That's correct. The switchgear, I
21 believe, was manufactured in 1949. The
22 transformer, manufacturing dates were in the
23 early '50s, and I believe early, around 1960.
24 You know, it appears that, you know, it started

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1 with the 12 and a halves, then they added the two
2 22.4s as load grew. And then, as recently as
3 2000, they added another 20 MVA transformer off
4 the end of the bus. Now, because the switchgear
5 was existing, that transformer did not tie into
6 the rest of the system, the equipment within the
7 substation.

8 So, with this project, being that the
9 20 MVA was a relatively recent install, we did
10 not -- we left that unit there to take advantage
11 of it, but we did design a piece of switchgear to
12 allow that transformer to come into that
13 switchgear, such that now we have automatic bus
14 restoral schemes between the three transformers
15 located at Emerald Street.

16 Q So, then, within the planning study in 2010-2011,
17 a great deal of the justification for the project
18 was based on the forecast that there would be
19 load growth?

20 A (Johnson) No.

21 Q No?

22 A (Johnson) No, actually, as I spoke to before, the
23 only identified planning criteria for the project
24 had to do with a contingency that was predicted

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1 in 2014, but could be alleviated with the
2 purchase of a mobile. The Company purchased a
3 mobile, in light of the fact that we also have
4 115-to-12 kV stations in Derry and in Portsmouth,
5 such that if we needed a mobile anyway. So, that
6 alleviated that short-term load-driven
7 contingency. And the only other contingency that
8 was identified in that planning study wasn't
9 until 2020.

10 Q Okay. That's helpful. Thank you. So, I'd like
11 to jump to Exhibit 15, Bates Page 004. So, why
12 was the project extended by seven and a half
13 months?

14 A (Plante) So, as I addressed in the latter part of
15 this data request, I think, or maybe it was a
16 different one, there were three kind of
17 contributing factors to the extension of the
18 in-service date beyond the planned December 2020.
19 One of them was, just prior to the onset of
20 construction, where internal resource constraints
21 caused us to delay the start of construction from
22 late 2018 to January of 2019. So, that's a
23 couple of months. And then, in 2020, so, we
24 had -- we had to break the project up into

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1 multiple phases of construction. And we were
2 still working to fully define the outage
3 sequence, because that had a big impact on the
4 way the engineering was to take place.

5 So, after our first transformer cutover
6 in the Spring of 2020, which ended just before
7 Memorial Day, I believe, we ended up taking a
8 break on outage-related construction of about
9 four months, while we wrapped up the final
10 details of the engineering on that second phase
11 of construction. And that put us back into
12 construction in October. So, that was about four
13 months.

14 And then, in the Spring of 2021, while
15 we had just got into the construction for the
16 demolition on one of the last transformers to be
17 removed, is when we discovered the additional
18 asbestos and PCB contamination. So, that caused
19 us to halt construction-related activity, and
20 transition into abatement-related activity for
21 about a month.

22 So, those three events add up to about
23 seven months of delay.

24 Q Okay. Thank you.

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1 A (Johnson) May I add to a comment I made earlier,
2 because I didn't --

3 Q Please.

4 A (Johnson) -- I didn't fully address a comment
5 that you made. You mentioned the failure of a
6 transformer, and I failed to elaborate on that.
7 And I do have the dates in front of me, so I'll
8 give them to you. The transformer manufacturing
9 dates were 1953, 1954, 1964, 1969, and 2000. The
10 unit that actually failed was the 1969 vintage
11 unit. So, there are actually three transformers
12 on site that were older and significantly older
13 than the unit that failed.

14 Q And all of those were replaced in the project?

15 A (Johnson) The older units.

16 Q Not the 2000?

17 A (Johnson) Not the 2000 unit. Thank you.

18 Q Yes. Thank you. All right. Let's talk about
19 the Goffstown project. And if somebody, in my
20 notes, I don't have an exhibit number. It's the
21 one where you describe the 675,000 initial
22 estimate, the 407,000 approval, and then the
23 actual amount.

24 A (Plante) Yes.

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 Q Do you have a exhibit for me?

2 A (Plante) Exhibit 14. And there's also a previous
3 exhibit.

4 MS. RALSTON: Exhibit 6.

5 **BY THE WITNESS:**

6 A (Plante) Six.

7 BY CMSR. SIMPSON:

8 Q Thank you. Yes. Exhibit 6 was the one I was
9 hoping to address. So, I haven't -- my
10 understanding is that the initial estimate was
11 675,000 for this project. Is that correct?

12 A (Plante) So, that was an initial order of
13 magnitude cost for the project. It was not a
14 detailed bottom-up estimate for the work.

15 Q Weren't too far off, though?

16 A (Plante) Correct.

17 Q Your more detailed estimate was further off,
18 correct?

19 A (Plante) The first detailed estimate, yes, was
20 further off.

21 Q Okay. Can you elaborate a bit on the delta? So,
22 you do your initial estimate, let's call it
23 back-of-the-envelope, but I'm sure better than
24 back-of-the-envelope, but 675,000. You then dig

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 a bit deeper in, you do another review, you get
2 to the 407,000?

3 A (Plante) Right.

4 A (Johnson) Dave, let me start. So, just to give
5 some background on the process. For distribution
6 line projects --

7 *[Court reporter interruption.]*

8 **CONTINUED BY THE WITNESS:**

9 A (Johnson) For distribution line projects like
10 this one, we start with what we refer to as a
11 "challenge session", which typically takes place
12 in August, where people bring forth their
13 proposed projects. It's at that time that this
14 initial conceptual estimate is provided, as well
15 as the estimates for the alternatives. And a
16 decision is made to put that project into the
17 preliminary budget.

18 BY CMSR. SIMPSON:

19 Q And, if I can stop you? Is it, you sort of have
20 an initial capital budget, and then everybody
21 from the Company is saying "we should do this
22 project", "we should do that project", and then
23 you kind of weigh --

24 A (Johnson) Correct.

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 Q -- which project should be pursued, which ones
2 maybe next year?

3 A (Johnson) Correct.

4 Q And you look at what your budgeted amount is?

5 A (Johnson) Correct.

6 Q Okay.

7 A (Johnson) And, then, when we have an approved
8 budget to proceed, --

9 Q Uh-huh.

10 A (Johnson) -- at that point it moves beyond just
11 that initial conceptual stage. And here I'll
12 pass it over to Dave to continue with the
13 explanation.

14 A (Plante) All right. So, kind of getting into the
15 differences between the 407,000 funding and the
16 supplemental funding value. As I mentioned
17 earlier, the 407 number wasn't based on a great
18 deal of engineering detail. They had the, I
19 guess, handshake agreement on the value of the
20 easement that was to be acquired. There was a
21 purchase order or a pending purchase order with
22 an environmental firm to do some environmental
23 assessment of the property before we closed on
24 the deal. And a high-level estimate from our

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 civil contractor to perform the site development
2 and install the foundation for the -- for the
3 transformer.

4 Shortly after that, we got into the
5 details of the engineering and the required
6 permitting that was going to be necessary to
7 complete the project. That required additional
8 field survey and topographic information, as well
9 as onboarding of a site design firm to complete
10 the site design and the site plan application, as
11 well as a zoning board application to be
12 presented to the Town of Goffstown.

13 Upon completion of the site design, we
14 went back to the civil vendor with the revised
15 design, which did include significant import of
16 select fills, riprap for drainage, paving of the
17 driveway access, and fencing and gates, which
18 were not specifically available at the time of
19 their previous estimate.

20 You know, those, in addition to some
21 additional trucking and crane work, because one
22 of the transformers was actually delivered and
23 ended up not passing a test in the field. So, we
24 had to swap it out with another one. So, that

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 resulted in additional trucking and crane rental.

2 Q Was that a manufacturing defect?

3 A (Plante) Actually, I'm not sure what the defect
4 was. Somebody might know. I don't know if you
5 know, Russel?

6 Q Okay. Continue.

7 A (Plante) Yes, I'm not sure what the exact issue
8 with the transformer was.

9 And then, ultimately, upon energization
10 of the completed project, we were experiencing
11 transformer sound levels that were a little bit
12 troublesome to some of the nearby neighbors to
13 the project. And that drove an effort to bring
14 on a consultant to perform some sound evaluations
15 and a sound study, and propose some mitigating
16 measures, including some fairly substantial
17 vegetative mitigations to help deal with the
18 noise or the sound from the transformer.

19 Those were the kind of major things
20 that contributed to the additional cost of the
21 project beyond what was approved in the initial
22 full funding authorization.

23 And, you know, even with all that, the
24 project total cost is still well below the next

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 least costly alternative for the project.

2 Q Okay. Thank you. A general question with
3 respect to the reliability budget and the voltage
4 issues. My understanding is that those are two
5 categories where it looks like, from the
6 spreadsheets, there's a pretty significant amount
7 of deference from the Company to folks that work
8 in your Area Work Centers. That, as they're on
9 the ground, they understand the local parts of
10 your system, they're making decisions to upgrade
11 the system in real-time. Is that a fair
12 characterization of that?

13 A (Johnson) That is fair, yes.

14 Q So, how do you develop that annual budget? What
15 goes into it? Is it really just a retrospective
16 look back or is there more to it than that?

17 A (Johnson) Generally, no, there's not more to it
18 than that. If there was something specific that
19 we had identified to be included, then we would
20 make an adjustment. But, generally, it's been
21 based off of historical, because we really don't
22 know, going into the year, what is going to, you
23 know, especially on the Maintain Voltage, but
24 also on Reliability as well, as we look for

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 opportunities to improve reliability to our
2 customers.

3 So, it is an unknown going in. It's
4 really just a planning number to hold a spot in
5 the budget for it.

6 Q And maintaining voltage and reliability is pretty
7 important, right?

8 A (Johnson) It is. It is. I was going to say
9 "it's the most important", but safety is the most
10 important.

11 Q Uh-huh.

12 A (Johnson) So, I guess this would be the next
13 important.

14 Q Certainly. Okay. The Audit Report, on Page 6,
15 describe some issues with duplicated plant asset
16 retirements as automated within PowerPlan. Can
17 any of the witnesses speak to that?

18 I'm primarily interested in whether
19 this has been addressed or if it's underway?

20 A (Landry) So, could you repeat the reference?

21 Q Yes.

22 A (Landry) I'm sorry.

23 Q It was Page 6 of the DOE Audit Report.

24 A (Paruta) So, just so that I can summarize. This

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 is the Maximo issue in PowerPlan that resulted in
2 the duplication of the retirements, which was
3 caught. They're, based on my understanding, I'm
4 certainly not the expert, but speaking to the
5 accounting experts, --

6 Q You use the system, right? Just so I understand
7 it.

8 A (Paruta) We do.

9 Q This system, you personally are familiar with?

10 A (Paruta) I am personally familiar with, correct.

11 Q Okay. Thank you.

12 A (Paruta) When they -- I will say it is addressed.
13 So, they have identified a mitigation factor.
14 And they are working on the -- I'll call it the
15 "hot fix" to the problem. The mitigation factor
16 is right now a workaround, where it's manually
17 performed. But, based on my understanding,
18 subject to check, it was going to be completed by
19 the end of 2022, in terms of making sure the
20 upgrade was made.

21 Ms. Landry is somewhat familiar with
22 the WAM process. I'm not sure, Ms. Landry, if
23 have any further update on the Maximo issue, with
24 the duplication? If you do not, we can --

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 A (Landry) No. I believe I can confirm, but, as
2 Ms. Paruta said, this issue has been addressed.
3 And the firm that's been mentioned is on-site,
4 has been working this. So, I'm confident that it
5 will be 100 percent rectified and a system fix is
6 in place by the end of the year.

7 We can confirm it. It may already be
8 in. I can confirm and get back to you shortly.

9 Q So, is this an IT issue primarily? Automation --

10 A (Paruta) It was the implementation of a brand-new
11 work management system, and how the
12 interfacing -- I'll say, the interfacing into the
13 PowerPlan System, and the data that came over,
14 how it was coded. So, it was an IT coding issue.

15 Q Okay.

16 A (Paruta) It was actually discovered by the plant
17 accounting experts as an issue post
18 implementation, but during the testing phase of
19 the interface. So, the Accounting team caught
20 it, with the IT experts. Unfortunately, they
21 could not mitigate it, because the WAM System had
22 essentially been already put into place, put into
23 production. So, that's why they have to now go
24 back, and they have to almost recreate the fix

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 and push it through the WAM System upstream, to
2 now be appropriately coming into the interface
3 into PowerPlan downstream.

4 Q Okay. And you expect by the end of the year?

5 A (Landry) Excuse me, Marisa?

6 A (Paruta) Subject to check.

7 A (Landry) Just checked. It is all 100 -- it's all
8 fixed. It's done.

9 Q Oh. Okay.

10 A (Paruta) Perfect.

11 A (Landry) Thanks.

12 Q Okay. Thank you. So, looking at Exhibit 2,
13 Bates Page 005, the last section. Can you
14 explain what's included in the retirement of
15 4.5 million, under "New Business Plants &
16 Retirement"?

17 A (Paruta) I can help explain how this data was
18 generated.

19 Q What I'm trying to reconcile is how you have a
20 "retirement" for new business?

21 A (Paruta) Oh. Okay. Yes. So, good question. I
22 had a similar question.

23 So, based on my understanding, subject
24 to check with the experts, on our panel of my

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 colleagues, when there is new business, there
2 could be existing infrastructure that has to be
3 reconfigured. And, so, within that
4 reconfiguration is the takedown/breakdown of
5 existing infrastructure, to then reconnect into
6 our existing infrastructure for the new customer,
7 whether that be development of a new condominium
8 complex, new building.

9 And I will allow the rest of my
10 colleagues to maybe add more.

11 Q Makes sense.

12 A (Landry) Yes.

13 Q Thank you. A thorough answer. And can you
14 confirm that that line representing "New Business
15 Plants & Retirement" is not part of "Net
16 Distribution Plant Additions and Retirements" in
17 the line above?

18 A (Paruta) That is correct. So, the data was run
19 to include the 122,492,000 and the 19,985,000 to
20 be the all-inclusive number, I believe. And
21 then, the "New Business Plant Addition and
22 Retirements" were run specific to those new
23 customer and new plant additions related to the
24 new customers using the Project ID and the

[PANEL: Johnson|Plante|Devereaux|Davis|Paruta|et al]

1 associated work orders with those Project IDs
2 that are specific to the new customers.

3 So, yes. They are separate and
4 distinct within the PowerPlan System.

5 Q Okay. So, the retirements are for existing
6 plant?

7 A (Paruta) The retirements are for the -- the plant
8 that was, again, reconfigured as it relates to
9 the new customers that were added on. So, it's
10 retirements associated with existing plant, if
11 you will, that is related to a new build-out.
12 So, that's how we defined it for purposes of the
13 Step.

14 Q And then, for your total net plant change,
15 including growth and non-growth, would that be in
16 FERC Form 1?

17 A (Paruta) For my total growth and non-growth, in
18 total, yes, that would be in your FERC Form 1.

19 CMSR. SIMPSON: Okay. Thanks. I think
20 that's all I have at this time. So, I will thank
21 you.

22 I'll recognize Attorney Ralston for any
23 redirect that she might have for her witnesses?

24 MS. RALSTON: I don't have any

[WITNESS: Dudley]

1 redirect. Thank you.

2 CMSR. SIMPSON: Okay. Thank you. So,
3 we'll release the witnesses. If we have other
4 questions, you'll remain under oath. But please
5 feel free to take a seat in the room.

6 *[Short pause.]*

7 CMSR. SIMPSON: So, we'll proceed with
8 Mr. Dudley. If you're more comfortable there,
9 Mr. Dudley, feel free to stay. You're also
10 welcome to come join us up here. Whatever is
11 most convenient, comfortable for you.

12 MR. DUDLEY: Yes. I'll take the stand.

13 (Whereupon **Jay E. Dudley** was duly
14 sworn by the Court Reporter.)

15 CMSR. SIMPSON: Great. Thank you for
16 being here, Mr. Dudley. I'll recognize Attorney
17 Dexter.

18 MR. DEXTER: Thank you, Commissioner.

19 **JAY E. DUDLEY, SWORN**

20 **DIRECT EXAMINATION**

21 BY MR. DEXTER:

22 Q Please state your name and position with the DOE?

23 A My name is Jay Dudley.

24 *[Court reporter interruption regarding*

[WITNESS: Dudley]

1 *the microphone.]*

2 **BY THE WITNESS:**

3 A My name is Jay Dudley. My business address is
4 21 South Fruit Street, Suite 10, Concord, New
5 Hampshire. And I am a Utilities Analyst for the
6 Division of Regulatory Support, Electric
7 Division, New Hampshire Department of Energy.

8 BY MR. DEXTER:

9 Q Mr. Dudley, you haven't provided written
10 testimony in this proceeding, correct?

11 A No, I have not.

12 Q Could you give us a brief description of your
13 educational background?

14 A Yes. I received my Bachelor of Arts degree in
15 Political Science from St. Michael's College.
16 Just to give some employment/work experience
17 background. I started with the New Hampshire
18 Public Utilities Commission in June of 2015 as a
19 Utilities Analyst in the Electric Division.
20 Effective July 1st, 2021, the Electric Division
21 was transferred to and became a part of the newly
22 created New Hampshire Department of Energy. And
23 I'm presently employed by that agency.

24 Before joining the Commission, I was

[WITNESS: Dudley]

1 employed at the Vermont Public Service Board, now
2 known as the "Vermont Public Utilities
3 Commission", for seven years as a Utilities
4 Analyst and as a Hearings Officer.

5 Q And, Mr. Dudley, have you testified before this
6 Commission in matters similar to what's at issue
7 today, and by that I mean "recovery of capital
8 projects, in both rate cases and step
9 adjustments"?

10 A Yes, I have. I previously submitted testimony to
11 the Commission in a number of different dockets,
12 including Docket Number DE 14-238, which was
13 Public Service Company of New Hampshire
14 generation assets; Docket Number DE 16-383, which
15 was Liberty Utilities' request for change in
16 rates; Docket Number DE 19-064, Liberty
17 Utilities' request for change in rates; Docket
18 Number DE 19-057, Public Service Company of New
19 Hampshire request for change in rates; Docket
20 Number DE 21-030, Unitil Energy Systems' request
21 for change in rates; Docket Number DE 22-026,
22 Unitil Energy Systems' Petition for Approval of
23 Step Adjustment; Docket Number DE 21-004, Liberty
24 Utilities' 2021 Least Cost Integrated Resource

[WITNESS: Dudley]

1 Plan; and Docket Number DE 20-161, Eversource
2 2020 Least Cost Integrated Resource Plan.

3 Q And on that list of dockets, you mentioned "DE
4 19-057", which was the base rate case that gave
5 rise to the step adjustment we're talking about
6 today, correct?

7 A Yes. That's correct.

8 Q So, you were involved in the settlements that led
9 to the three step adjustments that were provided
10 for?

11 A Yes, I was.

12 Q Okay. What was the general task that you
13 undertook at the DOE to review the proposed Step
14 Adjustment in this case?

15 A Well, the task was to provide the DOE's
16 recommendation involving Eversource's third step
17 adjustment, a request filed with the Commission
18 on May 2nd, 2022, as it relates to capital
19 investments added to Eversource's rate base in
20 2021.

21 Based on the information filed with the
22 Commission, and data responses filed with the
23 Department, involving approximately 198 projects,
24 and total plant additions of approximately

[WITNESS: Dudley]

1 \$122.5 million, and the Department's review of
2 those capital expenditures, the Department
3 recommends that a number of adjustments should be
4 made to some of the amounts requested by
5 Eversource.

6 Q And you talked -- we've talked a lot about
7 today -- today about the list of the projects,
8 and I think you mentioned today that there's
9 about 200 projects on that list. In fact, that
10 list contains the entire capital budget for
11 Eversource, is that correct?

12 A That is correct. Yes.

13 Q And you didn't look at every one of the projects
14 on that list in detail, did you?

15 A Well, we did look at most of them, but not in
16 great detail on some of them, no.

17 Q Okay. And the ones that you made -- or, are
18 about to make recommendations on, or that were
19 listed in our September 16th letter, were
20 projects that you took a closer look at, is
21 that --

22 A Correct.

23 Q -- is that fair to say?

24 A Yes.

[WITNESS: Dudley]

1 Q Okay. Is it also fair to say that, when
2 assessing -- when looking at those projects, one
3 of the issues that you're trying to evaluate for
4 your recommendation is whether or not the
5 projects were, in fact, placed in service in
6 2021, which is the year of the Step Adjustment
7 for this case, is that right?

8 A Yes.

9 Q And, in addition to confirming that the projects
10 were placed in service, you are looking to assess
11 whether or not the projects are used and useful,
12 and maybe that's the same thing, but they're used
13 and useful?

14 A They should be used and useful.

15 Q And do you assess the decision-making process of
16 the Company, in terms of the prudence of the
17 projects that are placed in service?

18 A As best as we can. The Department and the
19 Commission can only assess the prudence of the
20 project based on the information provided by the
21 Company. If the project raises questions or
22 they're not adequately explained or supported by
23 the Company, then our recommendation is to either
24 disallow the expenditure or defer the expenditure

[WITNESS: Dudley]

1 to the next rate case.

2 Q So, that's an important point. I think I just
3 heard you say that you can only work with the
4 information that's been provided to you from the
5 Company, you don't have any sort of other
6 independent source material to verify any of
7 these projects?

8 A No. We're totally reliant on the information
9 that the Company provides to us.

10 Q And that includes the Company's initial filing,
11 as well as information gleaned through data
12 requests, and tech sessions, is that right?

13 A Yes. That's correct.

14 Q Okay. And, in the course of this case, we, the
15 Department of Energy, were asked to outline the
16 recommendations that we plan to make today for
17 the parties, and we did that in a letter that we
18 submitted on September 16th, is that right?

19 A Yes.

20 Q And you had a hand in crafting that letter,
21 although it's got my name on the bottom of it, is
22 that right?

23 A Yes, I did.

24 Q Okay. And, so, what I want to do today is go

[WITNESS: Dudley]

1 through the recommendations that we were going to
2 make, and, in fact, either make those
3 recommendations today, or change them, or
4 possibly add some additional information, based
5 on what we heard this morning.

6 So, I'm going to skip over the first
7 project, titled the "Nashua Work Center
8 Renovation", because the Company has agreed to
9 defer the recovery of that project to the next
10 rate case, which is what our recommendation was
11 going to be. And I'd like to move towards the
12 second project, the "Emerald Street Substation".

13 Now, is it correct that the underlying
14 Settlement in this case sort of has a threshold
15 that says, and I believe the term is that the
16 step adjustment won't include "growth-related
17 projects". Is that your understanding of the
18 Settlement?

19 A Yes, it is.

20 Q Okay. And how would you view a "growth-related
21 project", such that it would be excluded from the
22 step adjustment, from the outset, you wouldn't
23 even, you know, have to undertake a review of it?

24 A Well, primarily, it would involve a project that

[WITNESS: Dudley]

1 the Company is undertaking in response to load
2 growth in a particular area.

3 Q Okay.

4 A That's usually what it involves.

5 Q And, when we put together the list for September
6 16th, we identified that we were going to
7 recommend a deferral of the Emerald Street
8 Substation, because the documents that the
9 Company provided indicated that the project was
10 undertaken, at least in part, by a projected
11 3.1 percent load forecast in the Keene area, is
12 that right?

13 A Yes.

14 Q Okay. And one more thing, before we get into the
15 specifics of that. Is it your understanding that
16 the reason for not including load growth or
17 growth-related projects in a step adjustment is
18 because, in a step adjustment, it's inherently
19 one-sided, in that it allows for recovery of
20 costs, but doesn't recognize any changes in the
21 Company's revenues, as were examined in the
22 underlying test year?

23 A That is our understanding, yes.

24 Q And this prohibition, if you will, or clause in

[WITNESS: Dudley]

1 the Settlement for step adjustments, that
2 excludes growth-related projects, is not unique
3 to this case, would you agree?

4 A No. It's been a requirement in several of the
5 settlement agreements that I have been involved
6 with.

7 Q And, by a "requirement", it's an item that's
8 important to the PUC Staff, when we were Staff,
9 and DOE now, to be in a step adjustment, to
10 address the fact -- to acknowledge the fact that
11 we're only adjusting costs in a step adjustment,
12 and not recognizing changes in revenues?

13 A Yes.

14 Q Okay. Okay. So, having said all that, when you
15 reviewed the documents that were provided for the
16 Emerald Street Substation, is it correct that you
17 saw that -- or, that you read that the substation
18 was premised on a 3.1 percent load forecast?

19 A Yes. And that was in the Keene Area Report that
20 was attached to the -- to Data Request TS 1-006A.

21 Q Right. And we talked about that this morning.
22 So, everyone is familiar, I think, with the chart
23 that we were all looking at.

24 And is it your understanding that that

[WITNESS: Dudley]

1 study was presented in -- that it was prepared in
2 the 2011-2012 timeframe?

3 A Yes, it is.

4 Q And is it your understanding that the decision to
5 go forward with the Emerald Street Project was
6 made in the 2016-2017 timeframe?

7 A That is what I gleaned from the project
8 documentation, yes.

9 Q And there's another document that I think you can
10 point to to the Commission where, in 2017, the
11 Company refers back to that 2012 load study, is
12 that right?

13 A Yes. That is correct.

14 Q And could you explain that a little bit?

15 A Yes, if I can just get to the page. Yes. And
16 this is the -- this is what Eversource refers to
17 as the "Technical Authorization Form", which is
18 essentially the starting place for their
19 budgeting and evaluation process for a project.

20 Q Now, let me interrupt you for a second. Because
21 I believe the project documents for this
22 particular project are in Exhibit 5, right?

23 A Yes.

24 Q Okay. So, could you give us a page number before

[WITNESS: Dudley]

1 you go into any detail?

2 A Like you, Mr. Dexter, I am without Bates pages.

3 Q Okay. Is there an internal page number that we
4 can --

5 A There is. It's "Attachment DOE 1-008", and it is
6 "Page 26 of 32".

7 CMSR. SIMPSON: And which exhibit
8 number, Mr. Dudley, I'm sorry?

9 WITNESS DUDLEY: Exhibit 5.

10 MR. DEXTER: Can we go off the record
11 for a second, Commissioner?

12 CMSR. SIMPSON: No problem.

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

15 CMSR. SIMPSON: Okay. Back on the
16 record.

17 MR. DEXTER: Thank you.

18 BY MR. DEXTER:

19 Q Well, I stand corrected. The form that you were
20 looking for is, in fact, in Exhibit 5, starting
21 on -- it's Bates Page 027.

22 So, we were talking about -- I had
23 asked you about the Company, in 2017, referring
24 back to the load forecast that was done in the

[WITNESS: Dudley]

1 Keene area in 2011 or '12. So, could you
2 continue with that answer?

3 A Yes. And the Technical Authorization, this is
4 dated "November 18th, 2016", under the "Project
5 Need Statement", the first sentence is "In 2012
6 an Area Study was performed to determine how to
7 best address the area loading and retirement of
8 equipment at the Emerald Street Substation."

9 Q Is there anything else in this document that you
10 wanted to refer to?

11 A Yes. It goes on to say, under "Project
12 Objectives", and that would be in the third
13 paragraph of that section, it refers to the
14 "bus 1 and bus 2 switchgear breakers that are at
15 85.4 percent and up to 98.6 percent of their
16 interrupting rating."

17 And what we've seen throughout the
18 project documentation that we reviewed is, first
19 of all, we don't contest the whole idea that the
20 equipment in the substation is at or near its
21 obsolescence. But what we did glean from the
22 project documentation was that the new additional
23 loading that was predicted to come on line was
24 something that was going to exacerbate that

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1 condition.

2 And, if I may, Mr. Dexter, I'd just
3 like to turn back to the Study itself. And what
4 I'm looking at is the -- I'm looking at the
5 "System & Planning Strategy [sic] Keene Area
6 Distribution Study. And that is "Attachment
7 TS 1-006A". And, again, I don't have the Bates
8 pages, but I'm looking at Page 3 of 28 of the
9 load -- of the Area Study.

10 MS. RALSTON: It's Bates Page 042, for
11 anyone looking at the electronic version.

12 CMSR. SIMPSON: And are we still on
13 Exhibit 5?

14 MS. RALSTON: Yes.

15 WITNESS DUDLEY: Yes.

16 CMSR. SIMPSON: So, Bates 042 of
17 Exhibit 5? Is that correct?

18 MS. RALSTON: Correct.

19 CMSR. SIMPSON: Thank you.

20 MR. DEXTER: Thank you.

21 **CONTINUED BY THE WITNESS:**

22 A And what stood out to us was that, under the
23 "Executive Summary", the real discussion in the
24 Executive Summary, there was a primary and a

[WITNESS: Dudley]

1 secondary discussion, the primary discussion
2 involves load growth and projected load growth.
3 The secondary discussion is the obsolescence of
4 the substation.

5 If I may, in the second paragraph of
6 the Executive Summary of the Study, it clearly
7 says "This area is presently experiencing a
8 3.1 percent load growth which is expected to
9 continue in the foreseeable future."

10 BY MR. DEXTER:

11 Q Right. And this was the Study that was performed
12 in the 2011-2012 timeframe?

13 A Yes.

14 Q Okay. And your understanding is that the Study
15 was designed to do two things, basically, look at
16 the area and the load, and come up with
17 infrastructure to serve that projected load?

18 A Yes. Yes.

19 Q Okay. And, in fact, you heard the testimony of
20 Mr. Johnson this morning that actual load growth
21 did continue in the Keene area, although at a
22 lower rate, in the area of one percent, than was
23 forecasted back in 2012?

24 A Yes. I do recall that.

[WITNESS: Dudley]

1 Q Okay. Now, your recommendation with respect to
2 this substation is not to disallow recovery of
3 the costs based on imprudence, is that right?

4 A Yes.

5 Q And your recommendation is not to permanently
6 disallow the recovery of these costs, is that
7 right?

8 A Yes. That's correct.

9 Q And, in fact, your recommendation is to defer the
10 review of this substation to the next rate case,
11 so that the issue of -- based on the issue -- I'm
12 sorry -- based on the Settlement's provision of
13 excluding "growth-related projects", is that
14 right?

15 A Yes. That's right.

16 Q And this substation, as we discussed this
17 morning, came in at about \$19 million in 2021,
18 that's what's included in the Step Adjustment,
19 correct?

20 A That is correct. Yes.

21 Q Okay. And there was an initial budget of 16
22 million for this?

23 A Yes.

24 Q Right. So, in the next rate case, if review of

[WITNESS: Dudley]

1 this project were deferred, would that provide
2 the Department and any other parties an
3 opportunity to explore more fully the \$3 million
4 expenditures that were over budget?

5 A Yes, it would. The 3 million extra that was over
6 and above what the supplement request of
7 April 2019 was not documented anywhere, in any of
8 the -- you know, in any of the project
9 documentation that we received from the Company.
10 So, we had to inquire about it at the tech
11 session on August 31st. And what we received in
12 response to that was, we did receive a number of
13 expenditures, and some explanations of those
14 expenditures, in response to Data Request TS
15 3-002. The problem is that the number of line
16 items was quite numerous. The data response was
17 received on September 9th. Opportunities for
18 additional discovery had passed by that point.

19 So, we really didn't have a good
20 opportunity to really vet those numbers and
21 really get behind them. And a rate case, in a
22 rate case setting, that would afford us the
23 opportunity to do that.

24 Q And could you summarize the tech session data

[WITNESS: Dudley]

1 request that you just mentioned, what the actual
2 question was?

3 A Yes. It says "Please provide a detailed
4 explanation for the approximately 2.7 million
5 difference between the plant in service and
6 pre-construction authorization amounts shown in
7 Column I and J, respectively." That refers back
8 to Attachment RDJ/DLP/JJD. And what we
9 received -- we did receive a breakdown of each
10 category, and it goes on for several pages. We
11 did see some of the -- some of the environmental
12 issues that Mr. Plante mentioned earlier were
13 included in this. But we didn't -- we simply did
14 not have time, the time or the opportunity, to
15 dive into it or to ask additional questions.

16 Q All right. Now, the schedule that you referenced
17 back to was the list, the one with all the
18 initials, that was the list that was provided
19 when the Step Adjustment was filed?

20 A What we refer to as the "Master List".

21 Q "Master List".

22 A Yes.

23 Q Okay. Now, of course, you could have asked this
24 data request earlier in the process, correct?

[WITNESS: Dudley]

1 A Yes.

2 Q But I think what you said was that the -- is that
3 there was nothing in the initial filing that went
4 to address this variance, is that right?

5 A That's correct.

6 Q And there would have been nothing preventing the
7 Company for having provided an explanation up
8 front?

9 A Correct. At first, we thought it was an
10 oversight, and we did dig through it pretty
11 thoroughly, but we couldn't find anything that
12 addressed it.

13 Q Now, the Company did provide the project
14 documents that were required as laid out in the
15 Settlement, did they not?

16 A Yes, they did.

17 Q But, upon reviewing those, I guess what you're
18 saying is you didn't find a detailed explanation
19 for this?

20 A Correct.

21 Q Okay. And the last thing I wanted to ask you
22 was, I don't have the Master List in front of me,
23 but is this, in fact, the largest item on the
24 list? If not, it must be -- it must be up there?

[WITNESS: Dudley]

1 It's a fairly large item on the list, correct?

2 A Yes. Yes. I believe it is the largest one,
3 subject to check.

4 Q Okay. All right. That's all I wanted to ask you
5 about on your recommendation there. And, again,
6 just to confirm, your recommendation is that
7 recovery of this project be deferred to the next
8 base rate case?

9 A Yes, it is.

10 Q Now, under the Settlement Agreement, do you
11 recall when, what's the earliest that rate case
12 could come in?

13 A Subject to check, I recall that there was an
14 agreed to stay-out period. I believe it was
15 three years, but I'd have to double-check on
16 that.

17 Q Okay. Yes. All right. The next item that was
18 in our letter was the "Pad Mount Transformer" in
19 Goffstown, New Hampshire. And our letter said
20 that we were considering recommending a
21 disallowance of the over budget amount of
22 371,000, that was basically 90 percent -- a 90
23 percent initial budget overrun. Is that a fair
24 assessment?

[WITNESS: Dudley]

1 A Yes.

2 Q Okay. And, again, you heard the testimony this
3 morning from the Company. What's your primary --
4 what's the Department's primary concern with
5 allowing recovery of the Goffstown project at
6 this time, the way it was presented?

7 A Well, what we took away from the project
8 documentation, in particular, the Supplement
9 Request Form, our indication is that some of
10 these cost overruns were known or could have been
11 known at the time of project inception. And the
12 reason why I say that is, if you look at the
13 Supplement Request Form, and you look at -- and
14 this would be Attachment TS 2-001B. And, if you
15 look at Page 2 of 11, you have kind of a
16 breakdown of the additional costs. And what's
17 noted in some of these is that these were costs
18 that were not previously estimated in the
19 original PAF, not included in the original PAF.

20 CMSR. SIMPSON: Mr. Dudley, I'm sorry.
21 You said "Attachment TS 2- --

22 WITNESS DUDLEY: "001B". And, again, I
23 don't -- I apologize, Commissioner Simpson, I
24 don't have Bates numbers, but --

[WITNESS: Dudley]

1 BY MR. DEXTER:

2 Q Well, before we get to the Bates numbers, so,
3 Exhibit 6 only has 11 pages, and that's related
4 to Goffstown. So, I don't think what you're
5 referring to is in Exhibit 6. I'm guessing it's
6 in Exhibit 14?

7 A Well, again, my exhibit list may be old, Mr.
8 Dexter. I do have it marked as "Exhibit 6",
9 but --

10 Q You do?

11 A Yes.

12 Q Well, let me look. Oh, I'm sorry. Could you
13 give the cite again?

14 A It's TS -- it's "Attachment TS 2-001B".

15 Q Okay. I'm sorry. And that's the entire exhibit?

16 A That's the entire exhibit, yes.

17 CMSR. SIMPSON: And what was the page?

18 WITNESS DUDLEY: It is Page 2 of 11.

19 CMSR. SIMPSON: Okay. Thank you.

20 WITNESS DUDLEY: Yes.

21 MR. DEXTER: My apologies. When you
22 said -- I was looking for an Excel sheet.
23 Something you said prompted me to look for an
24 Excel sheet.

[WITNESS: Dudley]

1 WITNESS DUDLEY: Yes.

2 BY MR. DEXTER:

3 Q Okay. So, what I think you were saying was, that
4 the analysis that the Company provided internally
5 for their -- early in their decision-making
6 overlooked what I think you thought would be some
7 obvious costs that should have been looked in the
8 analysis. Is that a fair assessment?

9 A Yes. And that's reinforced by the "Lessons
10 Learned" section that you find on Page 4.

11 Q And what do they say?

12 A In the "Lessons Learned" section, there's three
13 of them. The first one is "Engineering must
14 validate existing conditions prior to finalizing
15 scope and launching detailed engineering." The
16 second one is "A scope document should be
17 developed as well as conceptual engineering prior
18 to obtaining an accurate estimate for full
19 funding. The Project Manager should be involved
20 in the scope development and estimating process
21 along with engineering." Which we conclude, in
22 this case, the Project Manager was not involved
23 in that stage of the planning. And, lastly, is
24 "A statement of work should be developed for

[WITNESS: Dudley]

1 contracts purposes. This statement of work will
2 give contractors better understanding of the
3 scope of the work of the project."

4 And this kind of -- this seems to
5 follow, to us, first, as Staff of the PUC, and
6 now with the Department, kind of an historical
7 pattern that Eversource has tended to follow, in
8 terms of planning and scoping out some of these
9 projects. And we, in the past rate case, in
10 19-057, we did notice several projects where this
11 was a consistent pattern, that the project was
12 halfway through completion, cost overruns
13 occurred, and the "Lessons Learned" section of
14 those Supplemental Request Forms indicated that,
15 you know, some of the costs should have been
16 known and should have been taken into
17 consideration during the scoping process. And
18 the descriptions of that are contained in my
19 testimony in that docket, including my
20 supplemental testimony.

21 Q And is that one of the things that led the
22 parties to that case to stipulate to the Business
23 Process Audit that's ongoing now of Eversource's
24 capital expenditure policies and practices?

[WITNESS: Dudley]

1 A Yes. That is correct.

2 Q Okay. So, I mean, the Company did submit a
3 revised or a supplemental analysis of this
4 project, and we looked at that today, right?

5 A Yes.

6 Q And that contained some of the things that you're
7 saying were overlooked that probably shouldn't
8 have been overlooked in the initial project,
9 correct?

10 A Yes.

11 Q What concern then does the Department have about
12 allowing recovery of this project, if, in the
13 final analysis, the internal documents, you know,
14 appropriately accounted for the costs?

15 A Well, our problem is that, and, actually, it's
16 the Commission's problem as well, is that, and
17 I'll actually quote the Commission in a recent
18 order, and actually in the rate case, in the last
19 step adjustment, the second step adjustment from
20 last year, where the Commission stated in its
21 order "Prudent decisions cannot be made if
22 significant foreseeable cost elements of a
23 project are overlooked at the outset, and
24 meaningful reexamination of costs does not take

[WITNESS: Dudley]

1 place during project execution as costs
2 increase." And that's our concern. Is that
3 Eversource gets through a project, they get half,
4 three-quarters of the way through, costs start to
5 escalate, and what they find out is, "Well, oh,
6 gee, we could have planned for this in advance,
7 and we didn't. And, so, here we are."

8 And what oftentimes results in that
9 situation is that the project gets delayed, as in
10 this case, where the project was delayed seven
11 and a half months.

12 Q And we have learned this morning that a delay in
13 a project leads to increased costs, in terms of
14 additional AFUDC and additional indirect charges
15 being added as time goes on, is that right?

16 A Yes.

17 Q Okay. So, based on the -- based on the review of
18 the documents that we did, and what we heard this
19 morning, your recommendation isn't that the
20 Company not recover any of the costs it spent on
21 this Goffstown pad-mounted transformer, is that
22 right?

23 A Yes.

24 Q And you're recommending that recovery be limited

[WITNESS: Dudley]

1 to what was estimated at the time the Company
2 made the decision in the initial detailed
3 estimate of \$407,000, is that right?

4 A Yes.

5 Q Okay. I want to spend a few minutes now on the
6 next project, which is called the "Purchase of
7 Transformers". And I'd like to ask -- well, let
8 me go back to our preliminary recommendation,
9 which was to disallow \$3 million of transformers,
10 which were "over budget, which have not been
11 adequately explained." Is that -- that's kind of
12 a rough summary, but that's where we're headed on
13 that?

14 A That's where we are, yes.

15 Q Okay. Now, just to put this into context, if we
16 were to go back to the Master List, the "Purchase
17 of Transformers", what was the initial estimated
18 amount?

19 A According to the Supplemental Request Form, the
20 initial authorization amount was 11.5 million.

21 Q And the final in-service amount for this step
22 adjustment is 14 and a half million, right?

23 A Correct.

24 Q And that's the \$3 million difference?

[WITNESS: Dudley]

1 A Yes.

2 Q Now, listening to the testimony this morning and
3 looking through the documents, it appears that
4 one of the items that the Company gave as a
5 reason for this increase in actual versus budget
6 is "a change in the Cost of First Installation
7 calculation", did you hear that?

8 A Yes, I did.

9 Q Does that explain, based on your review, the
10 entire cost overrun of \$3 million?

11 A No, it does not. If you look at the
12 supplemental, which is "Attachment DOE 1-4", --

13 Q Now, let me interrupt you, so we get to the right
14 exhibit. I'm in Exhibit 7, --

15 A Yes.

16 Q -- "DOE 1-4" appears at the beginning of that
17 exhibit. And there's an internal page number,
18 something out of "450"?

19 A Yes. This starts at "399 out of 450".

20 Q Okay.

21 A I'm looking at "400 out of 450".

22 Q 400 out of 450. Okay. Sorry to interrupt you.

23 A No, that's fine.

24 Q This is a schedule that we looked at at length

[WITNESS: Dudley]

1 this morning?

2 A It is. Yes.

3 Q Yes?

4 A Yes, it is. And clearly, what you can see, as
5 the Eversource witness has pointed out, internal
6 labor and outside services are not included in
7 the cost summary, for the initial cost summary.
8 And then, they're later added in the Supplemental
9 Request.

10 But what I heard this morning from the
11 witnesses was that the bulk of those costs,
12 internal labor and outside labor, were lumped in
13 with the "Materials" cost of 10.7 million. But
14 what I'm seeing is I'm only seeing 1.1 million as
15 a corrective entry in the Supplemental Request,
16 leaving a total of 9.5 million in the total for
17 "Materials". So, to me, that leaves about
18 2 million in internal labor and outside services
19 that hasn't been explained.

20 In other words, you would think that
21 the -- if I'm understanding the testimony
22 correctly, you would think that the 10.7 million
23 would have been adjusted by 3 million, and it was
24 not. It was adjusted by 1.1 million.

[WITNESS: Dudley]

1 Q All right. And what was the date of the original
2 authorization that totaled 11.6 million?

3 A The original authorization was December 18th,
4 2020.

5 Q And we're talking about 2021 here. So, that's
6 before the year happened?

7 A Yes.

8 Q And then, the supplemental came in when?

9 A The supplemental came in on January 13th, 2022.

10 Q So, that's after the year in question, correct?

11 A It is, yes.

12 Q Okay. And, on Bates Page 399 -- it's not a Bates
13 page, but it's "399 of 450", in the last
14 paragraph, there's a discussion of the "CFI"
15 calculation, and then there's some red ink that
16 talks about "cost increases were in outside
17 services and internal labor."

18 Do we have a breakdown of how that
19 overall \$3 million increase fell into the three
20 categories of attributable to CFI changes,
21 outside services changes, and internal labor
22 changes?

23 A No. We have no detail on that.

24 Q Okay. And, based on the documentation that was

[WITNESS: Dudley]

1 provided, our recommendation with respect to this
2 project is to allow recovery up to the initially
3 budgeted amount of 11.6 million, but not to allow
4 the Supplemental Request of 14.6 million, in
5 other words, a disallowance of the \$3 million
6 differential?

7 A Yes. Just to correct myself, Mr. Dexter. That
8 Eversource did respond to Data Request TS 3-005
9 on September 9th. And the -- what the data
10 request asked was "Please provide a detailed
11 explanation for how the costs were allocated
12 between categories in the Supplement Cost Summary
13 table."

14 And what we received was a very general
15 response that was not detailed. It simply said
16 "The original PAF listed only materials as a
17 direct cost; however, this was erroneous and was
18 corrected in the supplement, which listed the
19 costs for internal labor and outside services
20 that were necessary to install the transformers,
21 as well as material costs for the purchase of the
22 transformers."

23 So, what we get in answer to some of
24 these questions is that we get the "what", but we

[WITNESS: Dudley]

1 don't get the "why" and the "how". That's what
2 we don't know.

3 Q Now, with respect to the reliability and the --
4 CMSR. SIMPSON: Mr. Dexter, I think
5 we're at 3:20. So, I'd like to take a
6 five-minute break.

7 MR. DEXTER: Sounds good.

8 CMSR. SIMPSON: We'll reconvene at
9 3:25. Thank you. Off the record.

10 *(Recess taken at 3:20 p.m., and the*
11 *hearing resumed at 3:29 p.m.)*

12 CMSR. SIMPSON: All right. We'll go
13 back on the record. Attorney Dexter, please
14 proceed.

15 MR. DEXTER: Thank you, Commissioner.

16 BY MR. DEXTER:

17 Q Mr. Dudley, I was about to ask you about the
18 Reliability Annual Program and the Maintain
19 Voltage Annual Program. These are what we
20 sometimes hear from other utilities described as
21 "blanket programs", is that right?

22 A Yes.

23 Q And how do you understand that these -- well, let
24 me ask you this instead.

[WITNESS: Dudley]

1 Are there features of a blanket program
2 or an annual program that make them difficult to
3 review in a step adjustment process?

4 A Yes, there is. These blanket projects cover
5 numerous and sometimes hundreds of subprojects.
6 And, if there's a cost overrun, if something
7 doesn't add up in the project documentation, it's
8 very time-consuming to try and flesh that out.

9 Q Now, for example, on the Reliability Project, I
10 believe we were provided a spreadsheet with about
11 400 lines that totaled \$3,913,000. And I've got
12 that listed as "Exhibit 15, Attachment TS 3-003".
13 Do I have that right?

14 A Yes.

15 Q And that ties to the -- that ties to the Annual
16 Reliability Project?

17 A Yes.

18 Q Now, what gave rise to the Company providing you
19 this spreadsheet, as you understand it?

20 A Well, when you look at the Supplement Request
21 Form, and this is part of Attachment DOE 1-014,
22 we see that -- we understand that there's a cost
23 increase of 913,000. At first, I thought that
24 the Supplemental Request of 2.2 was not fully

[WITNESS: Dudley]

1 used. But my understanding, from Mr. Johnson's
2 testimony this morning, that it was, it just
3 hasn't been booked yet this year.

4 But, nevertheless, there's still a cost
5 overrun of 900,000 over the authorized amount of
6 3 million. But the --

7 Q Well, let me interrupt you then.

8 A Yes.

9 Q So, you had asked the Company "what makes up this
10 additional 900,000?" Is that right?

11 A Yes.

12 Q Okay. And I'm sorry to cut you off. I just
13 wanted to get back on track to that. And, so, we
14 got this Excel sheet, right?

15 A Yes.

16 Q That, in fact, breaks down, not just the 900,000,
17 but the full 3,900,000 that was included on "the
18 list" for inclusion in the step adjustment?

19 A It does. And, if you look at the pivot table,
20 it's a little more granular, and contains about
21 800 line items.

22 Q Now, given that, given the number of -- and when
23 did you get this list?

24 A This was provided in discovery. It was a

[WITNESS: Dudley]

1 follow-up request from the August 31st tech
2 session, and we received it on September 8th.

3 Q Okay. And looking at the list, and Mr. Johnson
4 indicated that it's sort of abbreviated
5 descriptions, there's no way for you to -- well,
6 let me ask it this way. Is it possible for you
7 to assess, from this list, you know, the detailed
8 nature of this project, and whether or not the
9 projects were necessary or prudently incurred, or
10 any of the things that you'd want to look at when
11 you look at a project?

12 A No, I cannot. And neither can I parse out the
13 components of the 913,000 cost overrun.

14 Q In other words, you can't tell the initially
15 budgeted from the overrun?

16 A No. The only thing I can confirm from the
17 spreadsheet is the total amount of the
18 expenditure, which is 3.9.

19 Q Okay. Which does have some value. In other
20 words, this would indicate to you that the
21 Company, in fact, spent \$3.9 million on
22 reliability projects, correct?

23 A Correct. Yes.

24 Q Okay. But, beyond that, you can't make any

[WITNESS: Dudley]

1 recommendations?

2 A No.

3 Q Okay. And -- well, I'll leave it at that.

4 And, finally, turning to the Submarine
5 Cable, you heard Ms. Paruta's explanation of how
6 that was treated in this Step Adjustment,
7 correct?

8 A Yes.

9 Q And is it your understanding that her conclusion
10 was that the Step Adjustment had been reduced by
11 the full \$163,000 that was ordered by the
12 Commission in the second step adjustment order
13 that I cited?

14 A Yes. Through various adjustments, yes.

15 Q Right. And, but what we didn't see, if we were
16 to go back to Exhibit 1, Page 29, where all the
17 projects are listed, we did not see a reduction
18 on that list for \$163,000, correct, we saw
19 148,000?

20 A That is correct. Yes.

21 Q Did you understand Ms. Paruta's testimony that --
22 well, let me rephrase that. Did you understand
23 the request of the DOE audit was to, you know,
24 "write off \$163,000"?

[WITNESS: Dudley]

1 A Yes.

2 Q And did you understand, from Ms. Paruta's
3 testimony, that there would be a way to refigure
4 Exhibit 1 -- reconfigure Exhibit 1 such that
5 163,000 would be removed from the list, rather
6 than it being broken down into two different
7 accounts?

8 A Yes.

9 Q Okay. If you had seen \$163,000 removed from the
10 list on Exhibit 1, Page 29, would that have ended
11 the discussion in your mind?

12 A Yes. It would have indicated that the full
13 amount of the disallowance had been removed from
14 plant in service.

15 Q Okay. But you do understand that Ms. Paruta's
16 testimony is "we got to the same place", we just
17 did it by retracing, sort of reengineering --
18 reverse engineering the entries that had been
19 made, and it so happened that 148,000 came off
20 the list, and that the other 15,000 was an offset
21 to accumulated depreciation?

22 A Yes, I saw that. But it doesn't cause me to
23 question the findings of the audit, which
24 questioned the actual methodology.

[WITNESS: Dudley]

1 Q The methodology of --

2 A The methodology used by Ms. Paruta.

3 Q Okay. All right. So, in summary then, what
4 would be your recommendation on the submarine
5 cable?

6 A Well, my understanding is that Eversource is
7 going to file an update. And what we would
8 recommend is that they include in the update what
9 the accounting would look like if they had
10 followed the recommendation of the Audit Report
11 and simply deducted 163,000 from plant.

12 Q Okay. And, so, in total, I believe you've laid
13 out six recommendations, following along the
14 September 16th letter. Have you quantified the
15 impact of these recommendations on the proposed
16 revenue requirement?

17 A No, I have not.

18 Q Is that something that you believe Eversource
19 could do fairly easily, if asked?

20 A Yes.

21 Q And playing into that calculation -- well, let me
22 rephrase that. One of the complicating factors
23 in that calculation is how the Settlement cap of
24 \$9.3 million factors in, is that right?

[WITNESS: Dudley]

1 A Yes.

2 MR. DEXTER: Okay. That's all the
3 questions I have for Mr. Dudley.

4 CMSR. SIMPSON: Thank you, Attorney
5 Dexter. I will recognize Attorney Ralston for
6 the Company for cross-examination.

7 MS. RALSTON: Thank you. Would it be
8 possible for the Commission to ask its questions
9 first? We're trying to go through all the
10 information we just received and determine how to
11 proceed with our cross. A couple of minutes
12 would be helpful.

13 CMSR. SIMPSON: Just a moment.

14 *[Cmsr. Simpson, Cmsr. Chattopadhyay,*
15 *and Atty. Speidel conferring.]*

16 CMSR. SIMPSON: Does the Company still
17 have a preference for a continued hearing in this
18 matter?

19 MS. RALSTON: So, we're trying to make
20 that decision right now. This was a lot of
21 additional information --

22 CMSR. SIMPSON: Uh-huh.

23 MS. RALSTON: -- to receive this
24 afternoon. And, so, I think our preference would

[WITNESS: Dudley]

1 either be an opportunity for a second day of
2 hearings, or an opportunity for written comments.
3 The burden of proof is on the Company here.

4 CMSR. SIMPSON: Uh-huh.

5 MS. RALSTON: And we just really need
6 an opportunity to respond to everything that was
7 presented today, however the best the Commission
8 would like that process to work.

9 CMSR. SIMPSON: Uh-huh. Okay. I mean,
10 in my view, just being frank here, if there is
11 some coalescence around a common viewpoint in
12 some of the projects that could be included
13 within the step, I think the Commission would be
14 open to that with an October 1st date in mind, if
15 by that -- by the end of the week or very early
16 next week. Otherwise, we're looking at rates
17 effective November 1st. So, you know, a
18 significantly larger impact.

19 MS. RALSTON: The Company does
20 understand that.

21 CMSR. SIMPSON: Okay.

22 MS. RALSTON: Based on the
23 disallowances we just heard, --

24 CMSR. SIMPSON: Uh-huh.

[WITNESS: Dudley]

1 MS. RALSTON: -- it's a significant
2 impact to the Company's step adjustment. And, as
3 you know, there's a stay-out provision.

4 CMSR. SIMPSON: Uh-huh.

5 MS. RALSTON: The step adjustment is
6 intended to support the Company during that
7 stay-out. And, so, we would like to have a fair
8 opportunity to respond to everything, even if
9 it --

10 CMSR. SIMPSON: Yes.

11 MS. RALSTON: -- requires a further
12 delay. We do understand the time constraints.

13 CMSR. SIMPSON: It has been a challenge
14 for us coming into this hearing today not having
15 updated revenue requirements from either the
16 Company or the Department of Energy worked with
17 the Company on that. Because we recognize the
18 list of projects that are at issue here, but
19 we're not crystal clear on what the ultimate
20 impact on a future step would be because of that.

21 MS. RALSTON: I understand.

22 CMSR. SIMPSON: I'll ask Attorney
23 Dexter if you have any thoughts on whether we
24 proceed or continue the hearing and schedule

[WITNESS: Dudley]

1 another hearing date?

2 MR. DEXTER: Well, since I got to do
3 all the things I came here to do, it sounds like
4 this -- I would defer to the Company on this.
5 And I understand I took a lot of time up today,
6 and I hope we can bring this to conclusion. But
7 I don't have any objection to what I --

8 CMSR. SIMPSON: Uh-huh.

9 MR. DEXTER: -- what I understand the
10 Company to be saying.

11 And maybe written comments might be a
12 way to go. If they need another hearing date,
13 we're certainly willing to show up for another
14 hearing date.

15 CMSR. SIMPSON: Okay. I mean, I think
16 both Commissioner Chattopadhyay and I are open to
17 asking our questions now. But, to be honest,
18 it's often helpful to hear the cross-examination,
19 so that we can frame our questions more acutely.

20 MS. RALSTON: I think our preference
21 would be a second hearing day, if possible. And
22 we will also work with DOE ahead of time to see
23 if there are any areas where we can come to an
24 agreement ahead of that hearing, to hopefully

1 narrow the issues, based on what we now know in
2 terms of DOE's recommendations.

3 CMSR. SIMPSON: Okay. So, we have a
4 few record requests as well, if -- would the
5 Company be able to provide responses to those
6 prior to a continued hearing date?

7 MS. RALSTON: I believe so. And I
8 think the first record request we received today
9 was asking for the updated rates and bill impacts
10 assuming October 1st.

11 CMSR. SIMPSON: Uh-huh.

12 MS. RALSTON: So, we should now update
13 that to be November 1st, would that be correct?
14 Or should we provide both?

15 CMSR. CHATTOPADHYAY: I think you
16 should provide both. And I was remiss on also
17 maybe adding that give us the numbers if it's
18 twelve months as well.

19 MS. RALSTON: Okay. So, twelve months
20 from October 1st and twelve months from November
21 1st?

22 CMSR. CHATTOPADHYAY: Yes.

23 CMSR. SIMPSON: That's more
24 illustrative.

1 CMSR. CHATTOPADHYAY: That's more
2 illustrative. So, and, I mean, I haven't decided
3 what the purpose necessarily is. But it's
4 helpful to know.

5 MS. RALSTON: You'd like to understand
6 it better. Okay. Understood.

7 CMSR. CHATTOPADHYAY: Yes.

8 CMSR. SIMPSON: Okay. So, I have four
9 record requests. One of which is somewhat new
10 that we haven't discussed yet. Just a moment.

11 *[Cmsr. Simpson, Cmsr. Chattopadhyay,*
12 *and Atty. Speidel conferring.]*

13 CMSR. SIMPSON: Okay. So, in order to
14 provide the parties with an opportunity to begin
15 working on responses to these record requests,
16 I'm going to summarize them. We will issue a
17 procedural order outlining the language
18 specifically.

19 But we'd like updated schedules, in
20 live Excel format, for the new calculations that
21 account for the removal of the Nashua and
22 Millyard Projects, which is what the Company came
23 in today stipulating was their updated request.

24 I would also ask the Company to work

1 with the Department of Energy to develop similar
2 calculations, based on their recommended Step
3 Adjustment total, in light of the recommended
4 disallowances.

5 I think we're probably looking at a
6 November 1st effective date under the
7 circumstances. If you are able to provide
8 October 1st as well, that would be excellent.
9 But it sounds like we're going to be working on a
10 November 1st date. And we'd also like a 12-month
11 outlook, recognizing it's illustrative, under the
12 terms of the 19-057 Settlement Agreement.

13 The second record request was to
14 provide the total dollar amount associated with
15 title amounts for vehicles as part of the Step
16 Adjustment.

17 The third record request, based on a
18 review during lunch, pertains to Exhibit 1, Bates
19 Page 045, I'd like you to confirm whether the
20 application of depreciation and property tax to
21 net plant change and gross plant change,
22 respectively, is correct? That those line items
23 are appropriately attributed on Exhibit 1,
24 Bates 045.

1 MS. RALSTON: Can you just repeat those
2 categories again? I have "property tax" --

3 CMSR. SIMPSON: Of course. Whether the
4 application of depreciation and property tax to
5 net plant change and gross plant change,
6 respectively, is correct?

7 MS. RALSTON: Thank you.

8 CMSR. SIMPSON: And the final record
9 request, in line with the first one, was to
10 provide the final revenue requirements for the
11 Company's update -- updated sought adjustment --
12 step adjustment and the DOE's recommended step
13 adjustment.

14 If the parties -- or, I should ask,
15 when do you believe you would be able to provide
16 substantive responses to those questions? A
17 week? Two weeks?

18 MR. DEXTER: Can I ask a clarifying
19 question, before counsel answers?

20 CMSR. SIMPSON: Please.

21 MR. DEXTER: I don't understand the
22 difference between 1 and 4? In other words, I
23 think we would need the updated -- or, the
24 Company would need the updated revenue

1 requirements, --

2 CMSR. SIMPSON: Uh-huh.

3 MR. DEXTER: -- in order to do any of
4 the calculations that were laid out in 1.

5 CMSR. SIMPSON: When we had initially
6 articulated the first record request, it only
7 pertains to the Company's request, with the
8 removal of the Millyard and Nashua Projects. The
9 fourth record request, which I've just
10 articulated, was to include an update with the
11 DOE's scenario, if all of the disallowances
12 sought by DOE, post this hearing, were ordered by
13 the Commission, what would that revenue
14 requirement look like?

15 MR. DEXTER: Okay. Thanks for that
16 clarification.

17 CMSR. SIMPSON: Yes. No problem.
18 Timing?

19 MS. RALSTON: Timing, we can do a week.

20 CMSR. SIMPSON: Okay. And would you be
21 able to coordinate with the Department of Energy
22 on a procedural schedule?

23 MS. RALSTON: Sure.

24 CMSR. SIMPSON: And provide that in

1 your filing?

2 MS. RALSTON: Yes. We can do that.

3 CMSR. SIMPSON: Okay. Great. So, if
4 you can provide all of that information by the
5 27th, that would be helpful. And then, we can
6 issue an order scheduling a continued hearing in
7 due course.

8 MS. RALSTON: Thank you.

9 *[Cmsr. Simpson, Cmsr. Chattopadhyay,*
10 *and Atty. Speidel conferring.]*

11 CMSR. SIMPSON: Okay. So, I was just
12 advised, to make sure it's clear, that we'd like
13 the updated schedules that account for the
14 removal of the Nashua, the Millyard Projects, and
15 any of the other audit findings that the Company
16 agreed to remove from recovery within this Step
17 Adjustment.

18 MS. RALSTON: Yes. I assumed that was,
19 yes.

20 CMSR. SIMPSON: Okay. Very good. is
21 there anything else today?

22 *[No verbal response.]*

23 CMSR. SIMPSON: All right. So, we'll
24 hold the record open pertaining to the record

1 requests and the exhibits. We will await a
2 response from the Company pertaining to the RRs,
3 and a procedural schedule, and issue an order
4 scheduling a continued hearing in this matter.

5 MS. KIMBALL: Thank you.

6 CMSR. SIMPSON: All right. Thank you.

7 MS. RALSTON: Thank you.

8 CMSR. SIMPSON: Off the record.

9 ***(Whereupon the hearing was adjourned***
10 ***at 3:49 p.m., and the hearing to***
11 ***reconvene on a date to be determined***
12 ***for Day 2 in this docket.)***