

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

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Concord, New Hampshire

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RE: DE 14-086
LIBERTY UTILITIES (GRANITE STATE
ELECTRIC) CORP. d/b/a LIBERTY UTILITIES:
*2014 Reliability Enhancement Plan and
Vegetation Management Plan Report.*

PRESENT: Chairman Amy L. Ignatius, Presiding
Commissioner Robert R. Scott
Commissioner Martin P. Honigberg

Sandy Deno, Clerk

APPEARANCES: Reptg. Liberty Utilities (Granite State
Electric) Corp. d/b/a Liberty Utilities:
Sarah B. Knowlton, Esq.

Reptg. Residential Ratepayers:
Susan Chamberlin, Esq., Consumer Advocate
James Brennan
Office of Consumer Advocate

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Thomas C. Frantz, Director/Electric Division
Grant Siwinski, Electric Division

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

ORIGINAL

I N D E X**PAGE NO.**

WITNESS PANEL: **CHRISTIAN P. BROUILLARD**
 JEFFREY M. CARNEY
 DAVID B. SIMEK

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P R O C E E D I N G

CHAIRMAN IGNATIUS: We are here this morning in Docket DE 14-086. This is Liberty Utilities' Reliability Enhancement and Vegetation Management Plan. On March 31st, 2014, Liberty Utilities submitted its Report on its REP and VMP for the period of April 1st, 2013 through December 31st, 2013, and also included in the filing was a proposal to implement rate changes for effect on June 1st, 2014. By an order dated April 21st, we called for a hearing on the Plan and the proposed rate effect for this morning.

So, let's begin first with appearances please.

MS. KNOWLTON: Good morning, Commissioners. My name is Sarah Knowlton. I'm here today on behalf of Liberty Utilities (Granite State Electric) Corp., which does business under the tradename "Liberty Utilities". And, with me today from the Company are the Company's three witnesses, Christian Brouillard, Jeff Carney, and David Simek. And, also from the Company, sitting at the table behind me, is Kurt Demmer and Stephen Hall.

CHAIRMAN IGNATIUS: Good morning. And, welcome.

1 MS. CHAMBERLIN: Good morning. Susan
2 Chamberlin, Consumer Advocate for the residential
3 ratepayers. And, with me this morning is Jim Brennan.

4 CHAIRMAN IGNATIUS: Good morning.

5 MS. AMIDON: Good morning. Suzanne
6 Amidon. I'm here today with Tom Frantz, the Director of
7 the Electric Division, and Grant Siwinski, an Analyst in
8 the Electric Division.

9 CHAIRMAN IGNATIUS: All right. So, the
10 witnesses, are they going to be speaking as a panel?

11 MS. KNOWLTON: Yes.

12 CHAIRMAN IGNATIUS: And, that's
13 acceptable to everyone, I assume?

14 MS. AMIDON: Yes.

15 CHAIRMAN IGNATIUS: Is there any other
16 expectation of witnesses or is it just the Company's three
17 witnesses?

18 MS. AMIDON: It's just the Company's
19 witnesses.

20 CHAIRMAN IGNATIUS: All right. Good.
21 Then, unless there's anything we should take up first, you
22 can have them take their seats?

23 MS. KNOWLTON: I do. There is one
24 matter that I would like to take up, which is the

1 premarking of exhibits, if I may. The first exhibit that
2 I propose to mark for identification, which would be
3 "Exhibit 1", is the March 31st, 2014 filing the Company
4 made, which consists of the Reliability Enhancement Plan
5 and Vegetation Management Plan Report for Calendar Year
6 Stub 2013. And, that's from April 1st, 2013 to
7 December 31st, 2013. And, part of that package also
8 contains the Testimony of David Simek and the Testimony of
9 Christian Brouillard and Jeffrey Carney.

10 CHAIRMAN IGNATIUS: All right. I have
11 sort of taken everything apart, but I can put them back
12 together again. So, that would be the full March 31st
13 packet, the Plan and the testimonies. And, I know we have
14 subsequent testimony from Mr. Simek.

15 MS. KNOWLTON: Correct. I mean, if you
16 prefer that we put them in pieces, we can mark them
17 separately?

18 CHAIRMAN IGNATIUS: No. No, that's
19 fine. So, we'll mark that, that full packet, as "Exhibit
20 1" for identification, the Plan and the three pieces --
21 the two pieces of testimony.

22 MS. KNOWLTON: Correct.

23 (The document, as described, was
24 herewith marked as **Exhibit 1** for

[WITNESS PANEL: Brouillard~Carney~Simek]

1 identification.)

2 MS. KNOWLTON: Exhibit 2 would be the
3 May 7th, 2014 Revised Direct Testimony of David B. Simek.

4 CHAIRMAN IGNATIUS: All right. We'll
5 mark that for identification.

6 (The document, as described, was
7 herewith marked as **Exhibit 2** for
8 identification.)

9 CHAIRMAN IGNATIUS: And, I assume the
10 schedules to his testimony remain with Exhibit 1,
11 correct?

12 MS. KNOWLTON: Correct. And, I would
13 propose to mark as "Exhibit 3" the Second Revised Direct
14 Testimony of David B. Simek, which is presented in redline
15 form, dated May 12, 2014. And, that was distributed this
16 morning, and Mr. Simek would explain, when he takes the
17 stand, the need for making these additional changes.

18 CHAIRMAN IGNATIUS: All right. And,
19 everybody has a copy of that?

20 (Atty. Chamberlin and Atty. Amidon both
21 nodding in the affirmative.)

22 CHAIRMAN IGNATIUS: All right. We'll
23 mark that as "Exhibit 3" for identification.

24 (The document, as described, was

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[WITNESS PANEL: Brouillard~Carney~Simek]

1 herewith marked as **Exhibit 3** for
2 identification.)

3 MS. KNOWLTON: And, that is all the
4 Company has for procedural matters.

5 CHAIRMAN IGNATIUS: Thank you. Then,
6 why don't you gentlemen take your seats.

7 (Whereupon **Christian P. Brouillard,**
8 **Jeffrey M. Carney,** and **David B. Simek**
9 were duly sworn by the Court Reporter.)

10 **CHRISTIAN P. BROUILLARD, SWORN**

11 **JEFFREY M. CARNEY, SWORN**

12 **DAVID B. SIMEK, SWORN**

13 **DIRECT EXAMINATION**

14 BY MS. KNOWLTON:

15 Q. Good morning, Mr. Brouillard. I'll start with you.

16 Would you please state your full name for the record?

17 A. (Brouillard) My name is Christian P. Brouillard.

18 Q. By whom are you employed?

19 A. (Brouillard) Liberty Energy Utilities New Hampshire
20 Corporation.

21 Q. What is your position with the Company?

22 A. (Brouillard) I am Director of Engineering. As Director
23 of Engineering, I am responsible for the activities
24 concerning planning, capacity, maps and records within

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[WITNESS PANEL: Brouillard~Carney~Simek]

1 the Company's electrical and gas divisions. I'm also
2 responsible for the reliability of the electric
3 delivery system, which includes the Reliability
4 Enhancement Program.

5 Q. Do you have before you the document that we have marked
6 for identification as "Exhibit 1"?

7 A. (Brouillard) Yes, I do.

8 Q. Did you have any responsibility in putting together
9 that filing?

10 A. (Brouillard) Yes. I was responsible for the
11 preparation of the document in general, which includes
12 the elements of the Reliability Enhancement Program
13 relative to the scope and cost of the programs. And, I
14 also worked with Mr. Carney on the Vegetation
15 Management sections.

16 Q. And, that would include both the Report for the
17 Calendar Year Stub 2013, as well as the joint testimony
18 that you and Mr. Carney are here sponsoring today?

19 A. (Brouillard) Yes. That is correct.

20 Q. Was the testimony prepared by you or under your
21 direction?

22 A. (Brouillard) Yes.

23 Q. Do you have any corrections to your testimony today?

24 A. (Brouillard) No, I do not.

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[WITNESS PANEL: Brouillard~Carney~Simek]

1 Q. If I were to ask you the questions in your testimony
2 today, would the answers be the same as in the written
3 testimony you filed?

4 A. (Brouillard) Yes, they would.

5 Q. Mr. Carney, I'll turn to you next. Would you please
6 state your full name for the record.

7 A. (Carney) Jeffrey M. Carney.

8 Q. By whom are you employed?

9 A. (Carney) Liberty Energy New Hampshire.

10 Q. What is your position with the Company?

11 A. (Carney) I'm the Vegetation Supervisor. And, in my
12 capacity as Vegetation Supervisor, I support electric
13 operations, plan, budget and manage Granite State's
14 vegetation management programs, vendor performance, and
15 provide storm and regulatory support for the Company's
16 distribution and sub transmission assets.

17 Q. Did you assist in the preparation of the document that
18 we've marked for identification as "Exhibit 1"?

19 A. (Carney) Yes.

20 Q. What role did you play in preparing that?

21 A. (Carney) I prepared the vegetation management facts and
22 figures.

23 Q. Included in which parts of the document? Exhibit 1
24 contains the REP and VMP Report for the stub year that

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[WITNESS PANEL: Brouillard~Carney~Simek]

1 we're on, as well as your joint testimony --

2 A. (Carney) In the REP --

3 (Court reporter interruption - multiple
4 parties speaking at the same time.)

5 **BY THE WITNESS:**

6 A. (Carney) In the REP/VMP section of the document.

7 BY MS. KNOWLTON:

8 Q. And, did you prepare the portion of your joint
9 testimony with Mr. Brouillard?

10 A. (Carney) Yes, I did.

11 Q. Do you have any corrections to your testimony today?

12 A. (Carney) No, I do not.

13 Q. Mr. Simek, would you please state your full name for
14 the record.

15 A. (Simek) David B. Simek.

16 Q. By whom are you employed?

17 A. (Simek) Liberty Energy Utilities New Hampshire Corp.

18 Q. What is your position with the Company?

19 A. (Simek) I am a Utility Analyst.

20 Q. Do you provide services to Liberty Utilities'
21 electric -- the Granite State Electric portion of the
22 Company?

23 A. (Simek) Yes. I'm responsible to -- I provide
24 rate-related services for the electric portion of the

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1 Company.

2 Q. What role did you have in the preparation of Exhibit 1?

3 A. (Simek) I completed my testimony, and I also was
4 responsible for completing many other schedules related
5 to my testimony.

6 Q. Are you familiar with the document that we've marked as
7 "Exhibit 2" today?

8 A. (Simek) Yes.

9 Q. Was that prepared by you or under your direction?

10 A. (Simek) Yes.

11 Q. Would you explain why you submitted revised testimony
12 on May 7th.

13 A. (Simek) Yes. There were two changes that were a
14 portion that changed from the original filing. The
15 first change, which was discovered by the Commission
16 Staff, was related to the pretax rate of return
17 calculation, that the methodology needed to change to
18 be what was appropriately approved in our rate case
19 settlement. And, then, the second change was related
20 to the rate impacts, were updated to reflect the
21 current rates that also became effective on April 1st,
22 and were related to our rate case settlement.

23 Q. And, you said that that was the result of Staff's
24 input. Was that through discovery questions that the

[WITNESS PANEL: Brouillard~Carney~Simek]

1 Company had answered from Staff?

2 A. (Simek) Yes.

3 Q. If you would take a look at Exhibit 3, which we've
4 marked today, your Second Revised Testimony dated May
5 12th, are you familiar with that document?

6 A. (Simek) Yes.

7 Q. Was that prepared by you or under your direction?

8 A. (Simek) Yes.

9 Q. Would you explain for the Commission what the necessity
10 is for additional revisions to your testimony?

11 A. (Simek) Yes. The property tax to net plant percentage
12 was updated to reflect values that were finalized after
13 the March 31st and May 7th filing date.

14 Q. Why were they finalized after the filing?

15 A. (Simek) The FERC Form 1 report that includes these
16 final numbers were not -- was not due to the FERC until
17 April 18th. And, hence April 18th was the March 31st
18 filing, and it was not brought to our attention that we
19 also needed to change that for the May 7th filing.

20 Q. Has the Company planned to undertake any efforts in
21 future REP/VMP filings to take into account this timing
22 difference between when this -- this is filed with the
23 Commission, versus when the Company's FERC Form 1 is
24 submitted?

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[WITNESS PANEL: Brouillard~Carney~Simek]

1 A. (Simek) Yes. In the future, as part of our rate case
2 settlement, the REP/VMP filing is due March 15th. And,
3 we plan on submitting and in our testimony stating that
4 we're using estimated numbers, and, in the future, they
5 will be updated once the FERC Form 1 is filed to the
6 finalized numbers.

7 Q. Would you state again the timing of the FERC Form 1
8 each year?

9 A. (Simek) The FERC Form 1, I believe, is due April 18th.

10 Q. What is the impact of the changes that you made to your
11 second revised testimony taking into account the actual
12 property tax figure?

13 A. (Simek) The overall impact between both revisions to
14 the Company, to the ratepayers, was a increase in the
15 amount of money that we are giving back, and it was for
16 \$13,718.

17 Q. That's the incremental difference?

18 A. (Simek) Correct.

19 Q. Would you just state for the record the amount of the
20 refund that the Company is proposing in this filing.

21 A. (Simek) The net distribution rate decrease is \$212,922.

22 MS. KNOWLTON: The Company has no
23 further direct examination for the witnesses, unless the
24 Commission would prefer that we proceed further.

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[WITNESS PANEL: Brouillard~Carney~Simek]

1 Otherwise, I'd make the witnesses available for
2 cross-examination.

3 CHAIRMAN IGNATIUS: Thank you. That's
4 fine. Ms. Amidon, do you have -- excuse me.
5 Ms. Chamberlin, do you have questions?

6 MS. CHAMBERLIN: Yes. Thank you. I
7 have a few.

8 **CROSS-EXAMINATION**

9 BY MS. CHAMBERLIN:

10 Q. The program is divided into O&M expenses and capital
11 spending, correct?

12 A. (Brouillard) That's correct.

13 Q. And, the O&M expense is recovered dollar-for-dollar
14 with a reconciliation, is that true?

15 A. (Simek) That's correct. It's on a dollar per
16 kilowatt-hour basis.

17 Q. And, the capital spending is done differently, it
18 becomes part of the rate base, correct?

19 A. (Simek) Correct.

20 Q. And, in this year, you underspent compared to your
21 budget on the capital spending, is that correct?

22 A. (Simek) Yes.

23 Q. Okay. And, so, the amount of underspending, what
24 happens to that? Do you save it and use it in next

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1 year's budget? Does it disappear as a target?

2 A. (Simek) The capital spend is actually -- it's budgeted
3 based on the Company plan. And, whatever is underspent
4 from the budget was never included in rates to begin
5 with. What's included in rates is just the revenue
6 requirement on the actual amounts that were spent.

7 Q. Correct. So, none of the money that has been spent for
8 capital spending is included in rates until the
9 Commission approves it with this filing, correct?

10 A. (Simek) Correct.

11 Q. Okay. So, the under budget, it just disappears? You
12 don't then add it to next year's budget?

13 A. (Simek) I'm not exactly sure. I would have to ask Mr.
14 Brouillard how the budget gets planned for the
15 following year?

16 A. (Brouillard) Yes. We would -- when it comes to our
17 capital expenditures, we, of course, plan on a yearly
18 basis. So, we would take into account the forward
19 expenditure for our new programs that are occurring in
20 the upcoming year. And, then, at the time that we set
21 our budgets, which is typically around September, we
22 would -- we would forecast any carryover amounts that
23 we might expect to occur from the prior year.

24 Q. So, you do include that as an element of your planning?

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[WITNESS PANEL: Brouillard~Carney~Simek]

1 A. (Brouillard) Correct. To the extent that we have -- we
2 have some visibility of that, of that anticipated
3 carryover into the -- into the next year.

4 Q. Okay. And, that would account, in case that the
5 investment was simply a timing difference, you had
6 plans for and didn't quite spend it, but you still are
7 accounting for it?

8 A. (Brouillard) That's correct.

9 Q. Okay. The program began in 2006 under National Grid,
10 is that correct?

11 A. (Brouillard) Yes. That sounds like the correct year.

12 Q. All right. Do you -- is it expected to be a ten year
13 plan?

14 A. (Brouillard) Our current Reliability Enhancement
15 Program was approved as part of the last rate case
16 settlement. I'm not aware of any sunset with regards
17 to the Plan. I believe it is identified separately
18 within the -- within the current rate mechanism.

19 Q. And, do you have thoughts on the sunset? Have you
20 planned out that "we will increase our reliability to
21 the target, and then reduce spending"? Has that been
22 part of the planning?

23 A. (Brouillard) We've included Reliability Enhancement
24 Program initiatives in our forward five-year plan. So,

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[WITNESS PANEL: Brouillard~Carney~Simek]

1 our anticipation right now is, you know, the planning
2 would continue throughout the five-year investment
3 period.

4 Q. And, when does the five-year investment period begin
5 and end?

6 A. (Brouillard) Our current plan is for 2014 through 2018.
7 And, then, each year we do -- we renew that five-year
8 plan, looking at the year-ahead spends, and then, of
9 course, you know, the four years out year spends.

10 Q. And, the target was the 2005 reliability numbers, is
11 that correct?

12 A. (Brouillard) That has since changed as a result of the
13 current rate case. We now have -- we are now reporting
14 on five-year average reliability indices, and those
15 present targets are no longer tracked against our
16 actual performance.

17 Q. Did you meet those, the 2005 reliability targets, at
18 some point?

19 A. (Brouillard) Yes. At some point, we did.

20 Q. Okay. And, then, it changed to a five-year average.
21 So, do you expect it to continue through 2018 at
22 similar spending levels?

23 A. (Brouillard) That's correct. The levels that are
24 specified as part of the rate Settlement Agreement.

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[WITNESS PANEL: Brouillard~Carney~Simek]

1 Q. Which, for capital spending, is about a million
2 dollars, is that correct?

3 A. (Brouillard) That is correct.

4 Q. So, that's an additional million dollars as an
5 enhancement over and above your regular vegetation
6 management that's included in distribution?

7 A. (Brouillard) The capital portion is separate from the
8 O&M portion.

9 Q. So, is there no capital spending that's embedded in
10 rates for reliability, in terms of vegetation
11 management, other than this \$1 million?

12 A. (Simek) That's related to this program. That only the
13 revenue requirement of the capital work that's
14 completed would be included in the rates.

15 Q. Okay. All right. So, if we sunsetted this program and
16 no longer had this million dollars into rate base,
17 would you still be undertaking some level of capital
18 spending for reliability? Is that accounted for other
19 than this program?

20 A. (Brouillard) On a year-to-year basis, we always have
21 reliability initiatives even outside of the -- outside
22 of the Reliability Enhancement Program. So, we would
23 surely continue to put forth with similar reliability
24 initiatives. Exactly what those would be ultimately,

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1 and to what extent, you know, some may still reflect
2 the current programs that we do under REP, we'd have to
3 evaluate that as part of our normal process, to
4 evaluate all of our reliability, capacity, and
5 franchise requirement initiatives that -- which we look
6 at every, you know, on an annual basis.

7 MS. CHAMBERLIN: Thank you. That's all
8 I have.

9 CHAIRMAN IGNATIUS: Thank you.
10 Ms. Amidon.

11 MS. AMIDON: Thank you. Good morning.

12 WITNESS BROUILLARD: Good morning.

13 WITNESS SIMEK: Good morning.

14 WITNESS CARNEY: Good morning.

15 BY MS. AMIDON:

16 Q. I just wanted to explore something. There was
17 reference made that this program "began in 2006". But
18 isn't -- doesn't the program arise out of a docket that
19 was initiated in 2006, DG 06-107?

20 A. (Brouillard) I can't recall the number of the docket.

21 Q. Well, subject to check, I believe that the order
22 resulting from that docket was Order Number 24,777, and
23 that was issued July 12th, 2007. So, my expectation is
24 that this program began sometime after that order was

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[WITNESS PANEL: Brouillard~Carney~Simek]

1 entered, is that fair to say? Assuming I'm correct?

2 A. (Simek) Yes.

3 A. (Brouillard) Yes.

4 Q. Okay. Because I didn't recall that it went back to
5 2006.

6 A. (Brouillard) My recollection was that there was some
7 level of spend recognized in the order. I can't recall
8 the exact detail, but there was some initial
9 expectation of spend, you know, right around the time
10 the order was issued. But I would have to go back and
11 review the actual wording of the order.

12 Q. Right. I just wanted to clarify that for the record.

13 A. (Brouillard) Okay. Thank you.

14 Q. That it came out of that proceeding, and occurred
15 sometime after that order was issued or thereabouts. I
16 wanted to refer to Page 5 of the Report. It's Bates
17 stamp 006, but "Page 5" is the biggest number. So, I'm
18 referring to that right now. And, tell me when you're
19 there please.

20 A. (Witness Carney nodding in the affirmative).

21 Q. Okay. When I look at this table, I see that what it
22 compares is the Stub Year 2013 budgeted expenses with
23 the actual expenses. And, as we go down to Table 3,
24 that's where it shows that the actual O&M cost was less

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[WITNESS PANEL: Brouillard~Carney~Simek]

1 than the budgeted O&M cost. Is that fair to say?

2 A. (Simek) Yes.

3 A. (Brouillard) Yes.

4 Q. Okay. Now, the Company has conducted this for some
5 period of time, although we have not an agreement on
6 that. Did the Company at all take a look at the
7 spending as it compared to the prior years when the
8 program was operated by National Grid?

9 A. (Simek) Yes.

10 Q. And, do you recall whether there was any general trend
11 in the spending? Was it going up? Was it going down?
12 Was it relatively level?

13 A. (Simek) Spending was relatively level. There was a
14 methodology in place under National Grid where the
15 FairPoint credits were not taken into account, as far
16 as budgeting -- the budgeting goes. So, moving
17 forward, we have changed that methodology to be more
18 accurate towards budgeting to actual spend.

19 Q. But next year it might be possible for the Company to
20 put, say, a five-year depiction of some of these actual
21 spending, a table that shows five years of spending for
22 these programs, would that be possible?

23 A. (Simek) Yes.

24 Q. Because I think that would benefit us taking a look at

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1 the program, and comparing that to the reliability
2 results. And, in this -- in this Table 2, if we look
3 down, I think it's four rows under "Activities", it
4 says "Cycle Trimming Police Detail Expenses/Other
5 Police Detail Expenses". Do you see that?

6 A. (Witness Carney nodding in the affirmative).

7 Q. Now, am I reading it correctly that "Other Police
8 Detail Expenses" for Calendar Year 2013 was "\$17,200"?

9 A. (Carney) Correct.

10 Q. I did not find a definition of "other police detail
11 expenses". I believe you had a definition of -- the
12 definition reads as follows, it says -- well, pardon
13 me, Commissioners. I'm looking at Page 15, which is
14 Page 2 of an appendix, and it describes "other police
15 detail expenses" as "This captures charges for all O&M
16 police detail expenses not associated with Planned
17 Cycle Trim." Can you explain what that means, because
18 it's not clear to me?

19 A. (Carney) Yes. All of the circuits that are contained
20 within the REP/Veg. Plan have a traffic control
21 requirement, whether it be a uniformed officer or a
22 third party traffic control vendor. Those are the
23 direct traffic control expenses for that plan work.
24 There are other work activities that we perform that

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1 require traffic control, whether they be third party
2 vendors or police details, that are not associated with
3 the planned trim that we have to pay out of our traffic
4 control budget. So, we make the differentiation
5 between the two, so that, as we continue to roll the
6 program forward, if we spend X amount of dollars on a
7 circuit in 2014, what might we conceivably expect to
8 spend on traffic control in 2019. So, it gives us a
9 much more accurate picture of those costs.

10 Q. But I would like a couple of examples, for example, of
11 what other police traffic control might entail?

12 A. (Carney) We may do a hazard tree removal outside the
13 planned program that requires traffic control.

14 Q. Okay.

15 A. (Carney) So, it's not on any of the planned circuits.
16 We may do a customer call or a trouble call that's not
17 on a planned circuit that requires traffic control for
18 the crews to execute the work activity. So, those
19 are -- that's primarily the difference between the two.
20 One, they're there day after day after day, doing the
21 same work, street to street, circuit to circuit. The
22 rest is everything else.

23 Q. Okay. That's very helpful. Thank you. And, now, I
24 wanted to address the issue that Mr. Simek raised,

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1 which was the FairPoint issue. And, as I understand
2 from this filing, Liberty proposes to change the way it
3 accounts for payments from FairPoint for the value of
4 vegetation management services performed by Liberty
5 that also benefits FairPoint. Is that fair to say?
6 You explained that you were doing -- conducting that
7 consideration of FairPoint payments differently than
8 National Grid. Would you mind explaining that for the
9 Commission please.

10 A. (Simek) Going forward, we plan on budgeting the
11 FairPoint expense and including it in our planned
12 budget.

13 Q. So, could you explain how you forecast FairPoint
14 expenses in a budget.

15 A. (Brouillard) Yes. When we budget for the FairPoint
16 credits, we look back at the -- we did look back at the
17 five-year history of FairPoint credits to determine
18 what the average amount that we have -- that has been
19 applied to the actuals at the end of the -- at the end
20 of the period. And, then, as part of the 2015 Program,
21 we indicated that, as part of our filing, the
22 anticipated amount of FairPoint credits that we expect
23 to receive. And, as we have done with all of our
24 actual filings, apply against the O&M budget and veg.

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1 management budget actuals.

2 Q. And, as you are proposing to budget this amount, and it
3 sounds like you have a high level of confidence in the
4 FairPoint payments?

5 A. (Brouillard) Now that we have a running history and we
6 have an average, yes. That is correct.

7 Q. Okay. So, what if the forecast is incorrect either
8 way?

9 A. (Brouillard) If it was -- if it was significantly
10 different -- well, there's two issues that may come up.
11 It may be a timing issue, you know, relative to the
12 payment of the FairPoint credit. So, in which case
13 we'd want to reflect in the filing that, although it
14 wasn't received in the calendar year, we anticipate it
15 going forward. And, I would make, you know, Mr. Simek
16 and others aware that there is a, you know, if accruing
17 were appropriate in the case, depending on the timing
18 of the payments, we could look at doing that, as a way
19 to incorporate the FairPoint credits that are
20 anticipated to be received. I'd have that
21 conversation, along with Mr. Carney, you know, when we
22 realize that there was a timing issue involved. If it
23 were some other issue, some other dispute, say, with,
24 you know, with FairPoint, which is not -- not likely in

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1 this case, but, if there was, then we'd have to figure
2 out, you know, a way to communicate that accordingly.
3 And, we would -- we would likely finish the -- still
4 undertake the program, but indicate as part of the
5 filing that the actuals did not reflect a credit, and
6 when -- if such time we expected to receive that. I
7 would like to think that we would -- we would fully
8 undertake the vegetation management work that we had
9 targeted for that year.

10 Q. And, my understanding is the Company has an agreement
11 with FairPoint by which this arrangement is made, where
12 they pay for vegetation management?

13 A. (Carney) Correct.

14 Q. Thank you. One of the interesting things in your
15 filing is that the tree planting expenditures exceeded
16 budgeted amounts. Could you explain why?

17 A. (Carney) We typically have budgeted for tree planting
18 more in line with Arbor Day celebrations with
19 communities and schools. That's essentially,
20 historically, how it happened. We then subsequently
21 discovered, where we've had some issues with tight
22 clearances or no clearance as a result of a
23 long-standing refusal, is we've taken the position that
24 we can do a right tree/right place tree replacement in

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1 exchange for a reliability-related fix, which is more
2 long term. So, we have actually identified a number of
3 those, and we have, in fact, been spending more money
4 on tree replacements/tree planting, as a result of
5 getting those reliability enhancements through tree
6 trimming or tree removal. So, it's well received by --

7 Q. And, just for the record, just explain what a
8 "long-standing refusal" is please.

9 A. (Carney) A "long-standing refusal" is anything that was
10 a refusal five years ago when we were on that circuit,
11 and it continues to be a refusal. However, the
12 property owner may be a little more receptive, based on
13 some occurrences, a small storm-related and so on and
14 so forth, that now they realize that there is some
15 value in allowing the utility to perform this service
16 for reliability and safety. So, we have found a way to
17 actually bridge that conversation and make something
18 happen.

19 Q. Okay. That's helpful. Could you briefly explain what
20 "demand-driven tree removal" is? "Demand-driven"?

21 A. (Carney) Demand-driven activities?

22 Q. Yes.

23 A. (Carney) Or one in particular?

24 Q. Well, tree removal, in particular.

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- 1 A. (Carney) Okay. Demand-driven tree removal usually can
2 result from feeder patrols that are being done on
3 feeders that are not part of that year's REP/Veg. So,
4 we never really know at the beginning of the year
5 whether there's going to be one or 1,001. So, that
6 would essentially be the scope of the demand. It could
7 be a customer call, that they're bringing something to
8 our attention that they believe is a reliability issue
9 or a potential reliability issue, and we choose to take
10 action because it is, in fact, a reliability issue.
11 That's "demand-driven". We don't -- we can't predict
12 that, really, at the beginning of the year. We can't
13 predict that when we put the budget together.
- 14 Q. And, when a customer asks for a tree to be removed,
15 what does the Company do to determine who's responsible
16 for the removal -- the cost of the removal of those
17 trees?
- 18 A. (Carney) If the tree removal appears to be completely
19 at the customer's convenience, meaning they're asking
20 that this tree be removed, and, as the risk assessor,
21 if you will, for the Company, I don't really see any
22 advantage to the Company from safety and reliability,
23 then I can identify to the customer that that's simply
24 not our work, we don't function as a tree service.

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1 However, more often than not, when in
2 the field, when assessing risk, it usually results in
3 some fix applied by the Company for a reasonable cost
4 to bolster safety and reliability.

5 Q. Okay. So, safety and reliability --

6 A. (Carney) Correct.

7 Q. -- basically drives the decision?

8 A. (Carney) That's correct.

9 Q. And, the 2013 Plan, this was the Plan that was
10 originally put in place, included the replacement of
11 one mile of bare mainline conductors in Salem. And,
12 the Report stated that you actually replaced
13 "1.8 miles", almost double the original amount. Could
14 you please describe what factors drove that decision?

15 A. (Brouillard) Yes. When the original scope was
16 prepared, we had anticipated to install
17 approximately -- replace approximately one mile of bare
18 conductor with spacer cable construction, which is a
19 tree-retardant construction. When we ultimately went
20 to do our final engineering and design, we discovered
21 an opportunity to install spacer cable and replace the
22 bare conductor mainline up to the first interrupting
23 device, which was a line recloser that had recently
24 been installed on the circuit. This, in effect,

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1 provided us with the opportunity to protect the entire,
2 you know, first mainline run against incidental tree
3 contact right up to the first interrupting device. So,
4 we would then be in a favorable situation of having the
5 entire run protected with tree-retardant conductor, as
6 opposed to having, you know, a split construction, if
7 you will, between bare and spacer cable.

8 Q. So, would you characterize that as taking advantage of
9 an opportunity to improve reliability on that line?

10 A. (Brouillard) That's correct. It was not only taking
11 advantage of an opportunity to improve the mainline
12 reliability of that circuit, but it was also an
13 opportunity to leverage the engineering, design, and
14 construction presence that was in the field to, you
15 know, to achieve that, more so than if we had, you
16 know, taken it independently at a future date.

17 Q. Okay. Thank you. Over the operation of this program,
18 and I understand Liberty is assuming this program from
19 National Grid, does the Company believe that the
20 reliability of the system has improved?

21 A. (Brouillard) Yes.

22 Q. And, do you have data that supports that?

23 A. (Brouillard) Yes. As part of the -- as part of the
24 Report, we have indicated, on Page 12, I believe that

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1 would be Bates Page 013, we have included a graph of
2 the historical performance of the reliability of the
3 system. The trend line for both the SAIDI and SAIFI
4 continues on a downward projection, indicating to us
5 that, since the 2006-2007 time frame, we're continuing
6 to incrementally improve reliability.

7 I would point out that there are, you
8 know, year-to-year variations that will, you know, that
9 will occur, you know, due to weather or due to other,
10 you know, other one-off events on the system. So,
11 hence, that's why we look at a trend line type
12 approach. And, you'll also notice, on the subsequent
13 page, we're beginning to track the five year
14 reliability indices of the performance of our system,
15 again, to give a, you know, to give a tempered approach
16 to measuring the reliability performance.

17 Q. And, do these, the table on Page 12, and, actually,
18 it's the graph, I'm sorry, does that -- did you say
19 that that included weather data or other -- all events
20 and didn't exclude major storms? Or, does it include
21 major storms?

22 A. (Brouillard) That excludes the major storms using the
23 PUC regulatory criteria.

24 MS. AMIDON: Okay. Great. One moment

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1 please.

2 (Atty. Amidon conferring with Mr. Frantz
3 and Mr. Siwinski.)

4 MS. AMIDON: Thank you. That's all we
5 have. Thank you.

6 CHAIRMAN IGNATIUS: Thank you.
7 Commissioner Scott, questions?

8 CMSR. SCOTT: Thank you. Good morning.

9 WITNESS BROUILLARD: Good morning.

10 WITNESS SIMEK: Good morning.

11 CMSR. SCOTT: And, my usual caveat,
12 whoever feels best to answer these questions, feel free.

13 BY CMSR. SCOTT:

14 Q. I suspect the first question will be Mr. Carney, but I
15 want to talk a little bit about the VMP Program. There
16 was a statement in the testimony about that you had
17 lower-than-forecast -- one of the reasons for looking
18 for a rebate to customers is lower-than-forecasted
19 prices for cycle pruning and the need for spot
20 trimming, the costs were less. Do you expect that to
21 continue or is that an aberration?

22 A. (Carney) Probably the more significant one is the
23 pricing we get from our contractor for the planned
24 work. We don't collect those prices for trimming and

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1 tree removal from the vendor until a month and a half
2 after the filing has been made. So, we've taken the
3 position that we're really not incrementally
4 forecasting for a lot more money, because historically
5 they have either held their prices or, in fact, have
6 lowered their prices on certain activities. So, I
7 think we've got a pretty good track record now with
8 that, that going forward we can probably end up being
9 fairly close to being right on.

10 Q. So -- and, I think you've answered my next question.
11 So, how have you incorporated that in the future -- how
12 do you plan on incorporating that in the future
13 budgeting?

14 A. (Carney) Basically, having tighter historicals to be
15 able to do that forecasting. At this point, I don't
16 really expect any dramatic swings one way or the other,
17 in terms of their pricing. The system now is in such
18 condition that the amount of work that we need to stay
19 on cycle doesn't change much. The only way that's
20 going to change is if we require some additional,
21 whether they be safety or tree removal requirements, or
22 any other activity that would cause them to add cost
23 onto their unit prices. And, right now, we're really
24 not anticipating that.

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1 Q. Great. So, and I'll refer in a moment to the chart on
2 Bates 013 with the SAIDI and SAIFI, the frequency and
3 duration numbers, figures. How do you know you're --
4 can you explain a little bit, do you target? I assume
5 the VMP targets certain areas. How do you make sure
6 that the money that's being spent for the VMP is the
7 right money and the right place?

8 A. (Carney) In my former career at National Grid, I was in
9 the Asset Management Department for Forestry. So, I
10 always put my asset manager hat on first when selecting
11 circuits. We have fairly stable reliability from trees
12 under normal conditions. We may have pockets of poor
13 performance, but they may not be large enough for us to
14 accelerate an entire circuit, it may be a small portion
15 of a circuit. But, if those metrics are out there that
16 indicate that a circuit can't be on a five-year cycle
17 and it needs to be on a four-year cycle, we would move
18 that circuit to a four-year cycle. And, we could
19 probably find a circuit that we could move out to a
20 little later date in the same five-year cycle. So, we
21 have the ability to, based on reliability performance
22 from trees, all things being equal, system protection,
23 placing geographic space on our system, we can -- we
24 could get pretty close as to making the fix or applying

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1 the program to circuits. And, I've been tracking
2 long-term reliability metrics since 2007 now year on
3 year, since we spent money to trim a circuit on
4 schedule. And, with the exception of some weather
5 variabilities that don't rise to the level of being
6 major storms, so, we have some tree disturbances from
7 weather in there. The general trend is we're getting
8 stable year on year performance from reliability for
9 the dollars spent. So, there's nothing in the metrics
10 that tell me we're going down the wrong road.

11 Q. Great. Is that literally the wrong road or -- and
12 going to the Figure 1 on Bates 013, Page 12. That's
13 just general frequency and duration. Are you able to
14 parse out, I know this is difficult to do, I suspect,
15 the impact of the VMP Program? You know, can you parse
16 out that --

17 A. (Carney) Yes. Frequency is, in fact, the measure of
18 the efficiency of our program, in terms of maintaining
19 or improving reliability in incremental steps.
20 Currently, year-to-date, our tree SAIFI for Calendar
21 Year 2014 is 0.12, versus a rolling five-year average
22 of 0.13. So, again, weather disturbances that are not
23 excludable under the storm rules notwithstanding, in
24 this place, the State of New Hampshire, our service

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1 territories, I think that that's more than adequate
2 performance from trees. And, frequency is all I have
3 influence over, not duration.

4 Q. So, would the chart look, if this was somehow
5 normalized for just the VMP impact or the things
6 related to the Vegetation Program, this chart, would it
7 look pretty much the same?

8 A. (Carney) I don't have the answer to that question.
9 Chris, what's your feeling on that? I mean, I can't
10 tell you what percentage of that is -- I mean, I can
11 tell you the tree safety is 0.12 out of the total. In
12 any given year, did it go up or down at a couple of
13 points? Probably did, again, based on regional weather
14 disturbances. Would it change the trend dramatically
15 upwards or dramatically downward? No, because I think
16 it's at a relatively stable place at this particular
17 point in time.

18 Q. Okay. And, still on the VMP, how do you know or how do
19 we know that the amount of money being put in that is
20 the right amount? Is it too much? Too little?
21 Obviously, you're looking at a rebate this time. So, I
22 get that, but --

23 A. (Carney) We've been on this trajectory now for quite a
24 while. So, the money has stayed fairly stable. And,

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1 you know, we're trimming anywhere from 165 to 180 miles
2 a year, which is roughly a fifth of our system. And,
3 the pricing that we're getting from our pruning and
4 tree removal contractor seems to be able to keep us on
5 that, on that improvement trajectory. So, we don't
6 have circuits that are being deferred. We don't have
7 circuits that are becoming chronic poor performers,
8 which we may want to say -- I might say to Chris "I
9 need to add a 50-mile circuit to this year's plan, and
10 I don't have the money for that. How do we crack that
11 nut?" But we're not there. I mean, I think that our
12 predecessors put us on the right path. And, I think
13 that we're very serious about maintaining that course
14 going forward. So, I think it's the right amount of
15 money.

16 Q. Thank you. Interesting. Thank you. And, I'm going to
17 ask a -- probably all my questions are loaded, but I'll
18 ask a loaded question for you. So, the concept of
19 vegetation growing in New Hampshire is probably not
20 unexpected, I would assume. That's not the loaded
21 part. So, you know, you're on a five-year program
22 cycle, should the -- is your vision that the VMP
23 Program should continue indefinitely? Or is there a
24 point where you don't need a program to do that?

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1 A. (Carney) Well, my feeling is this. I was at National
2 Grid when the REP/Veg. concept was hatched. I did the
3 first reconciliation filing in 2008. And, we were on
4 the trajectory that we continue to be on today. And,
5 that that program essentially put a stopgap in place,
6 so that the Company would not take funds from the
7 program. We had a commitment for X number of miles to
8 spend X number of dollars on reliability-related
9 maintenance, tree work and other subsequent
10 improvements from trees. And, that has allowed the
11 Company to maintain that same level of spending without
12 there being these wild fluctuations or deferring
13 vegetation management, which was the practice, and is
14 still the practice at some large utilities, to defer
15 maintenance. But, really, when you defer maintenance,
16 the cost of doing that maintenance a year later can
17 increase as much as three times. So, I don't know why
18 anybody wouldn't want a REP/Veg. program over the
19 course of a cycle or some foreseeable point in the
20 future. It keeps things stable.

21 Q. Well, when I talked about the "need for the program", I
22 was really talking about a separate funding mechanism
23 is what I was talking about?

24 A. (Carney) Outside of the REP/Veg. process? I don't have

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1 an answer for that. No comment here.

2 Q. Thank you. On the REP Program, I think I've already
3 got my answer to my question on the chart, if you were
4 able to back out the SAIDI and SAIFI numbers just for
5 that program, it sounds like it would be hard to do?

6 A. (Brouillard) Correct. But I would agree with
7 Mr. Carney's statement, that the veg. management
8 performance has remained relatively -- remained
9 relatively stable over the last, you know, last few
10 years.

11 Q. So, the same question for the REP Program is, how do
12 you know that's the right size, if you will?

13 A. (Brouillard) I believe that, first and foremost, I
14 think the REP, similar to what Mr. Carney was saying,
15 the REP Program provides us with a focus and a
16 commitment and a mechanism to undertake reliability
17 enhancement initiatives, and also to discuss those
18 initiatives, you know, with the Staff, through our
19 filing, and to present the results of that, you know,
20 on an annual basis to the Staff and the Commission.
21 That has a great deal of value for us. And, I think,
22 even as a whole, I think it has, you know, value for
23 everyone. And, it also gives us an opportunity to
24 fine-tune the program with full visibility.

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1 Regarding the question, "is it the right
2 level?" I guess we can always -- we can always come up
3 with, as engineers, we can always come up with
4 additional reliability enhancement initiatives beyond a
5 doubt. It's a question of where those initiatives, you
6 know, fit into the overall investment plan of the
7 Company, with regards to the capacity requirements that
8 the Company has, the franchise requirements that the
9 Company has. And, you know, not to be -- not to be
10 neglecting the ability of our customers to sustain
11 those improvements. So, it's a balance and a trade off
12 just, you know, just as with any other engineering
13 problem, if you will.

14 Q. So, is your view the current level is appropriate?

15 A. (Brouillard) The current level is appropriate for us to
16 continue on our path to meet our five-year average
17 goals that are put in the program. Would we -- you
18 know, could we put more to use? You know, yes, we
19 could.

20 Q. This next question may be a little bit outside the
21 scope, but I notice, for the REP Program, which makes
22 sense, you have a component for inspection and
23 maintenance. I was curious, does that include the
24 condition of poles, supports, cross arms, those type of

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1 components?

2 A. (Brouillard) We no longer have the feeder hardening or
3 the Inspection and Maintenance Program as part of
4 reliability enhancement. But we do do that as part of
5 our normal course of business.

6 Q. Okay. So, those are normally conducted on some kind of
7 cycle?

8 A. (Brouillard) Correct. That's correct. We inspect our
9 facilities on a regular cycle. And, we've since
10 inherited that from National Grid. And, I'm working
11 with our Operations leadership to bring that program
12 forward in a Liberty-centric fashion.

13 CMSR. SCOTT: Okay. Thank you. And,
14 that's all I have. Thank you.

15 CHAIRMAN IGNATIUS: Thank you.
16 Commissioner Honigberg, questions?

17 CMSR. HONIGBERG: Yes. I'm also going
18 to ask a couple of questions about the graph on Page 12
19 and the data on Page 13. For some reason, this one
20 fascinates me. I can't tell you why.

21 BY CMSR. HONIGBERG:

22 Q. But, continuing to use the trend going all the way back
23 to '05 at some point is going to cease being useful to
24 you, don't you think? Aren't you going to want to

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1 start to graph the five-year averages that you started
2 maintaining?

3 A. (Brouillard) And, we could indeed begin to do that. If
4 that were the wish of the Commission, we could convert
5 to that, to that particular view.

6 Q. Am I correct that, if we started to do it just
7 back-of-the-envelope, we'd see a line that, you know, a
8 series of points that goes down, and then is starting
9 to flatten, and may well start to go up, as some low
10 years get replaced by more average years. Is that a
11 fair statement?

12 A. (Brouillard) That's a fair statement.

13 Q. I guess continuing the question that Commissioner Scott
14 was asking, are we plateauing at a good point from your
15 perspective?

16 A. (Brouillard) From my perspective, I'm always -- I
17 guess, the engineer that's in me always wants to, you
18 know, look for that next improvement, and to always
19 push towards moving the indices downward. I think the,
20 you know, the five-year look is a good one. It dampens
21 out the effects, you know, some of the variable effects
22 regarding weather and one-off, you know, one-off
23 incidents that may occur on the -- that may occur on
24 the system.

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1 In terms of a target, I think, comparing
2 year on year to the rolling five-year, it does from --
3 depending on what year has dropped off the back-end, if
4 you will, it can lead one to perhaps a quick conclusion
5 that might not be appropriate. But, if we look at the
6 overall context of plotting a five-year average, and
7 then looking year on year, and then looking at, you
8 know, some of the individual years, I think it points
9 one in a pretty good direction, if we target ourselves
10 at trying to bring each year in below the -- you know,
11 at or below the five-year average. It gives us a
12 pretty good target to, you know, to shoot for, that is,
13 again, independent of some of the weather and one-off
14 variables.

15 Q. I think you mentioned it earlier, though, that the
16 engineer has to be balanced off by the dollars, and
17 whether the cost of that additional improvement is
18 worth it in the larger context, isn't that right?

19 A. (Brouillard) That's correct. And, I'll give an
20 example. When it comes to our Bare Conductor
21 Replacement Program, we not only need to view that
22 program in the context of its anticipated reliability
23 improvements, but we also need to recognize that there
24 are other improvements that come about with a program

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1 such as bare conductor replacement. We get enhanced
2 storm performance, not only in terms of reliability,
3 but in terms of the, you know, the number of, over the
4 long run, the number of crews that we have to muster or
5 allocate to, you know, to certain areas of the system.
6 I think it gives Mr. Carney some options in his Veg.
7 Management Program, in that, where we do have the
8 tree-retardant conductor in place, it does provide him
9 with some options regarding some of his short-term
10 initiatives. So, we need to look beyond the indices
11 and see what other benefits, you know, these programs
12 bring to bear.

13 CMSR. HONIGBERG: Thank you. That's all
14 I have.

15 CHAIRMAN IGNATIUS: Thank you. I have
16 just a few questions, most have been answered.

17 BY CHAIRMAN IGNATIUS:

18 Q. Is the underspending for this year in part just because
19 it's less than a full 12-month period?

20 A. (Simek) No. We did prorate the budget to be
21 appropriate. So, it's not related to the nine-month
22 period.

23 Q. Thank you. And, on Page -- this is Bates Page 011,
24 it's in the Report, there's an odd footnote. I just

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1 didn't understand why it was done this way. It says
2 that your "Actual Calendar Year 14...is an estimate and
3 is being reviewed for accuracy." When you're reporting
4 actuals, why would you have estimates?

5 A. (Brouillard) Those are -- those refer to those
6 expenditures that have come in post January 1 of 2014.
7 At the time that the Report was prepared, we hadn't yet
8 received and processed all the materials or invoices,
9 nor have we yet completed our detailed review of all
10 those invoices and material processing through our
11 system. So, we wanted to clearly indicate in the
12 Report filing that it was still an estimate at this
13 point.

14 Q. But it's a estimate, because you don't have the exact
15 numbers, but of funds that have actually been expended.
16 It's not a budget for '14?

17 A. (Brouillard) That is correct. It is not a budget.

18 Q. So, I guess I'm not following. How is it that, in
19 2013, you spent 73 -- just looking at the top line,
20 \$73,000, in '14, and you're only a couple of months
21 into '14 at this point, you've already spent
22 approximately \$124,000? Am I reading that correctly?

23 A. (Brouillard) That's correct. Those are for the
24 initiatives that are part of the 2013 Stub Year

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[WITNESS PANEL: Brouillard~Carney~Simek]

1 Program. So, I would characterize those as the
2 carryover material and vendor invoices that have, you
3 know, again, yet to be -- are yet to undergo their
4 final review.

5 Q. So, in your view, the only really important column is
6 the final one that's the total between things that fell
7 within Calendar Year 2013 and those expenses that sort
8 of carried into '14, but are really being considered
9 part of the 2013 year's investments?

10 A. (Brouillard) For the purposes of this hearing, it's
11 those -- those expenditures that reflect the actual
12 capital investment through Calendar Year 2013.

13 Q. Even though the vast majority of it shows up in the
14 "'14" column?

15 A. (Brouillard) That is correct.

16 Q. I'm sure there's a good reason for it, but it's -- you
17 want to try one more time explaining why, they're
18 almost -- they're, in some cases, double, and, in some
19 cases, it's even more than that. You know,
20 "Underperforming Area Mitigation" is a small 18,000
21 under '13, and 259,000 in '14. So, why -- what's going
22 on that makes such a large carryforward into the next
23 year's recording of the information? I would expect
24 some, but it's usually, I would think, would go the

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[WITNESS PANEL: Brouillard~Carney~Simek]

1 other way.

2 A. (Brouillard) Yes. There are some factors at play here.
3 To begin with, we began the program as a stub year
4 program. So, we were later in the year in our start to
5 our program, which admittedly was more aggressive on
6 paper than what we had done in the past. So, we've got
7 a significant amount of -- we had a significant amount
8 of REP construction ahead of us, in terms of the, you
9 know, the one mile of bare conductor replacement. And,
10 also, the initiatives that we had, single phase
11 reclosing applications and single phase trip savers,
12 the Company had no experience applying these devices on
13 the system, nor had, you know, nor had National Grid
14 traditionally employed these. We had used three phase
15 reclosers, but these are different devices. They, you
16 know, had to be engineered, spec'd, and ordered and
17 applied to the system. So, we had admittedly
18 challenges in moving these projects through on a stub
19 year prior to the end of the year.

20 We also, as I had mentioned earlier, we
21 increased the scope of the spacer cable -- or, rather
22 the Bare Conductor Replacement Initiative with spacer
23 cable by eight-tenths of a mile. That also presented
24 us, you know, with challenges to get all that

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[WITNESS PANEL: Brouillard~Carney~Simek]

1 construction done by the end of the year.

2 I should point out that we indeed
3 completed all of the actual construction, all of the
4 equipment and systems were in service by the end of
5 the -- by the end of the calendar year, save one set of
6 trip saver fusing applications. So, we did get all the
7 equipment in service. The customers enjoy the benefits
8 of that, of that equipment which was placed in service,
9 albeit recognizing that there is a lag in terms of the
10 billing, you know, the processing of the vendor bills,
11 the processing of the material, not only the physical
12 processing, but the processing of that same material,
13 vendor invoices, and related overheads through our
14 system.

15 Q. Do you expect that next year you will not have this
16 magnitude carried into the following year, and that the
17 vendor invoices and billing will be done in a more
18 timely way?

19 A. (Brouillard) That is definitely the Company's goal.
20 And, we have a very heightened focus on, to the extent
21 possible, minimizing any carryover expenditures
22 year-to-year. And, that is our commitment to put that
23 forth.

24 CHAIRMAN IGNATIUS: All right. Thank

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[WITNESS PANEL: Brouillard~Carney~Simek]

1 you. I have no other questions. Commissioner Honigberg,
2 did you have another inquiry?

3 CMSR. HONIGBERG: It might be for Ms.
4 Knowlton. It has to do with the relationship of Exhibit 2
5 to Exhibit 3. It's not clear to me that Exhibit 2 has any
6 life left in it at this point. That's the first stage of
7 revision to Mr. Simek's testimony, I assume?

8 MS. KNOWLTON: That's correct. They're
9 cumulative. So, Exhibit 3 would be the final numbers for
10 Mr. Simek.

11 CMSR. HONIGBERG: And, there's no
12 separate exhibits that went with Exhibit 2, is that
13 correct?

14 MS. KNOWLTON: That's correct.

15 CMSR. HONIGBERG: Thanks.

16 CHAIRMAN IGNATIUS: All right. Then,
17 Ms. Knowlton, any redirect?

18 MS. KNOWLTON: Yes. I have a few
19 questions.

20 **REDIRECT EXAMINATION**

21 BY MS. KNOWLTON:

22 Q. Mr. Brouillard, with regard to the trip savers that you
23 just testified about not being in service by the end of
24 December of 2013, those are not included in the -- the

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[WITNESS PANEL: Brouillard~Carney~Simek]

1 cost of those trip savers are not included in the
2 proposed rates, correct?

3 A. (Brouillard) The trip savers are indeed in service.
4 There was one -- there was one set that was not -- just
5 one set that was not installed, because the further
6 engineering review indicated that the application was
7 not appropriate. And, well, there are no costs for
8 that. And, so, the -- well, there are no costs for
9 that, so, therefore, they are not a part of this
10 presentation.

11 Q. I want to go back to a line of questioning from
12 Ms. Chamberlin regarding the life of the current
13 REP/VMP Program, if I would. And, I would ask either
14 Mr. Brouillard or Mr. Simek, or if Mr. Carney knows,
15 and I want to try to refresh your recollection, if I
16 may, with regard to the Settlement that the Company,
17 the OCA, and the Staff entered into in DE 13-063, which
18 was Granite State Electric's rate case, which concluded
19 this year and was approved by a Commission order. In
20 that Settlement, are any of the witnesses aware of
21 whether there was a provision in the Settlement
22 providing for the continuation of the REP/VMP Program?

23 A. (Simek) Yes.

24 Q. Mr. Simek, if I were to show you the Settlement, which

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[WITNESS PANEL: Brouillard~Carney~Simek]

1 contains Attachment F, which is a description of the
2 Program.

3 MS. KNOWLTON: I have it on my computer
4 screen. It's an unusual way to approach the witness.
5 But, if I may, may I do that?

6 CHAIRMAN IGNATIUS: That's fine.

7 MS. KNOWLTON: And, if the Commission
8 wanted to take administrative notice of that Settlement,
9 it was filed in DE 13-063.

10 (Atty. Knowlton showing laptop computer
11 to Witness Simek.)

12 BY MS. KNOWLTON:

13 Q. Do you have that before you, Mr. Simek?

14 A. (Simek) Yes.

15 Q. Would you read the first line of that Settlement
16 please, of Attachment F to the Settlement.

17 A. (Simek) "Beginning April 1st, 2014, and until the
18 conclusion of the Company's next distribution rate
19 case, the Company will continue its Reliability
20 Enhancement Program and a Vegetation Management Program
21 as set forth below."

22 Q. To the extent that Ms. Chamberlin was asking about a
23 "sunset date" for this Program, would you consider that
24 provision to apply?

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[WITNESS PANEL: Brouillard~Carney~Simek]

1 A. (Simek) Absolutely.

2 Q. So, to your understanding, in Granite State Electric's
3 next distribution rate case, whether or not the REP/VMP
4 Program is to be continued will be considered then?

5 A. (Simek) Yes.

6 Q. And, Mr. Brouillard, I believe you testified, in
7 response to Ms. Chamberlin, that "if the program didn't
8 exist, the Company would continue these efforts." Do
9 you recall that testimony?

10 A. (Brouillard) Yes.

11 Q. Wouldn't the Company need permission from the
12 Commission to continue the REP/VMP Program?

13 A. (Brouillard) With respect to the REP/VMP, absolutely.
14 With respect to, you know, reliability initiatives, I
15 didn't want -- I answered the way I did, because I
16 didn't want to give the impression that the Company
17 would, you know, stop all reliability work, you know,
18 outside of the, you know, outside of having a REP
19 mechanism.

20 Q. And, if that were the case, then those costs would be
21 included in the Company's next distribution rate case
22 filing, I presume?

23 A. (Brouillard) Correct.

24 MS. KNOWLTON: I have nothing further.

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1 CHAIRMAN IGNATIUS: Thank you. Then,
2 witnesses are excused. Thank you for your testimony.

3 Is there any objection to striking the
4 identification on the three exhibits and making them full
5 exhibits to the docket?

6 (No verbal response)

7 CHAIRMAN IGNATIUS: Seeing none, we'll
8 do so. Is there anything else to take up before closing
9 statements?

10 (No verbal response)

11 CHAIRMAN IGNATIUS: All right. Then,
12 why don't we begin with Ms. Chamberlin. And, gentlemen,
13 you're free to head back to the table, if you'd like.

14 MS. CHAMBERLIN: Thank you, your Honor.
15 In terms of the projects undertaken for reliability in
16 this filing, and the reconciliation process, the OCA has
17 no objection.

18 What I would ask for, in the next
19 filing, is that consideration for reducing the budget be
20 part of the planning. The project was started with the
21 goal of reaching the 2005 reliability. That goal has been
22 met. And, now, the program appears to be fairly stable.
23 I would ask -- I'm reading just the Settlement, and it
24 says "the target is a million annually." I don't think

1 that prevents us from asking for consideration of reducing
2 the amount spent sometime in the future. I think that
3 it's very easy to spend a lot of money on reliability,
4 tree trimming, and vegetation management.

5 It's wonderful that it has resulted in
6 increased reliability. The question that arises is "where
7 is the sweet spot? And, is there a point at which we go
8 back to a lower level of spending?"

9 So, I would ask that that be considered
10 and perhaps planned for, or at least analyzed as we go
11 forward with this program.

12 CMSR. SCOTT: Could I ask for a
13 clarification. You said "next filing". Could you clarify
14 what you mean by that?

15 MS. CHAMBERLIN: Well, they file reports
16 of investments. And, you know, each year, I mean, I have
17 an example from 2013, is they have an annual plan, and it
18 appears that it's part of the five-year plan. I would ask
19 them to include, if they spend, you know, less than a
20 million dollars, say, 20 percent less or something, and
21 just start to -- start to consider the impact of ramping
22 the program down.

23 There may be other ways of getting at
24 these same reliability efficiencies that no one will look

1 at until the money is not available. So, I would like to
2 encourage the Company to look at ways of, you know,
3 ramping it down, so that we can make sure that the amount
4 being spent is truly necessary to keep the reliability.

5 I appreciate that a good portion of it
6 is police detail that the Company has no control over.
7 That's a very expensive element to tree trimming and
8 hazard tree removal. So, I started to think "well, maybe
9 there's a way that we could do some things instead of
10 incurring that type of cost." I'd just like the Company
11 to look at it and include it, perhaps it can be part of
12 their five-year chart. I think it's a relevant analysis
13 that should be done.

14 CHAIRMAN IGNATIUS: And, can I ask you,
15 was that something that, and I won't ask for confidential
16 information in settlement negotiations, but in anything
17 that was formally addressed in testimony or data requests,
18 was it addressed in the distribution rate case that just
19 was concluded in April of this year?

20 MS. CHAMBERLIN: No.

21 CHAIRMAN IGNATIUS: Is there a reason
22 why then that where, if you had signed off on that
23 provision in April, and the thing was subsequently ordered
24 in April, why now, in May, it's something that's of

1 concern to you?

2 MS. CHAMBERLIN: It's always a concern
3 that we reach the -- that the cost/benefit is done
4 correctly. And, you can always spend a lot of money to
5 get a little benefit, and the goal is to spend less money
6 to get the same benefit. It's not an exact science. It's
7 hard to do. So, I'm not saying that -- I am not saying
8 that I am under -- my intent is not to undercut the
9 Settlement Agreement. My intent is to gather data to find
10 that sweet spot. And, so, by asking the Company to at
11 least consider a different level of spending, we start to
12 generate that data. And, the Company is the only one who
13 has the data. I mean, I suppose I could get an
14 engineering firm to do an analysis. But I guess I was
15 looking for the Company to at least target a lesser amount
16 of spending, you know, to consider it.

17 CHAIRMAN IGNATIUS: Thank you.

18 Ms. Amidon.

19 MS. AMIDON: Thank you. The Staff has
20 reviewed the Company's filing, and we believe it is
21 consistent with the Settlement Agreement approved by the
22 Commission in DG 06-107. And, we think that the resulting
23 rates are appropriately calculated, and are mindful that
24 it results in a credit to customers for this program. So,

1 therefore, we support the filing as it was revised by the
2 May 12th testimony of Mr. Simek.

3 Insofar as the comments from the OCA, we
4 support the Settlement Agreement. And, we think this
5 Program should be continued as agreed to in the Settlement
6 Agreement through the beginning of the next rate case, and
7 believe that the data gathered by the Company over the
8 course of that period will inform Staff and the OCA and
9 the Commission as to the merits of the Program and the
10 nature of its continuation beyond that period. Thank you.

11 CHAIRMAN IGNATIUS: Thank you.
12 Ms. Knowlton, I'm going to turn to you. And, I'll give
13 you fair warning, there's one question that I will ask.
14 So, I'll ask it now to let you think about responding to
15 it. Is the investments made and the resulting rate effect
16 consistent with the Commission -- excuse me, with the
17 Company's last found adequate Least Cost Integrated
18 Resource Plan? As you know, any rate impact is required
19 that it be consistent with the last found plan. And, I
20 failed to ask that of your witness, although it may be as
21 much a legal issue as a factual question.

22 MS. KNOWLTON: Yes, it is. With regard
23 to the Company's closing statement, the Company would --
24 is requesting that the Commission approve the proposed

1 rates set forth in Exhibit 3, and that those rates be
2 approved to take effect on June 1st, 2014. All the
3 capital investments that are included in its proposed
4 rates are used and useful. And, I think the testimony
5 demonstrates that this program has value to the Company's
6 customers, and that it's part of a long-term effort to
7 improve reliability, to maintain and improve reliability
8 on the Company's system. And, as Mr. Brouillard
9 testified, the Company has undertaken some particular
10 efforts to incorporate new activities in the reliability
11 enhancement part of the Program, which it has just
12 embarked on. Those activities and the Program in general
13 were the subject of significant consideration in the
14 Company's last rate case, DE 13-063.

15 The Company made a proposal in that
16 docket to continue the REP/VMP Program. As the
17 Commissioners may remember, what the Company proposed was
18 actually a higher level of spending. And, in response to
19 testimony filed by the Staff, the Company, the Staff, and
20 Office of Consumer Advocate reached a settlement on the
21 spending level for this Program. And, that spending
22 level, which is contained in Attachment F to the
23 Settlement Agreement, provides for \$1.36 million annually
24 for operation and maintenance expense associated with the

1 Program, as well as a \$1 million capital allowance.

2 I would submit that to now embark on an
3 effort to reconsider that spending level prior -- the
4 appropriateness of that spending level prior to the
5 Company's next distribution rate case really turns the
6 settlement process on its head. Settlements provide
7 parties with predictability and reliability in going
8 forward, and that is the value to a party in settling an
9 issue.

10 And, in the Company's position, we
11 signed on to a settlement that allows for spending until
12 our next distribution rate case. And, the time for that
13 was also set forth in the Settlement Agreement. I believe
14 that the test year will be no later than Calendar Year
15 2015.

16 MR. HALL: No sooner than.

17 MS. KNOWLTON: No sooner than, excuse
18 me, Calendar Year 2015. So, we do have a defined time
19 horizon where we will be coming back into the Commission
20 for the Company's rates to be examined. And, it was the
21 intent of the Settling Parties to look at this Program.
22 So, I think that is the time to do it. And, to ask the
23 Company to, not even midstream, I mean, we're just out of
24 the gates, to start changing the spending amounts now

1 again, you know, it really, to me, substantially undercuts
2 our faith in the system that we have when we settle cases
3 and bring them to the Commission for its approval. And, I
4 would point out that the Commission did, by Order 25,638,
5 approve that Settlement Agreement. It found the
6 Settlement to be in the public interest.

7 So, I would ask that the Commission
8 respectfully decline the Consumer Advocate's request, and
9 approve the proposed rates for this coming year, and allow
10 the Company to continue with the Program as it is provided
11 for in DE 13-063. Thank you.

12 CHAIRMAN IGNATIUS: Thank you. We then
13 will take all this under advisement. We understand the
14 request that it be resolved for service on and after
15 June 1st, 2014. With that, we are adjourned.

16 **(Whereupon the hearing was adjourned at**
17 **11:23 a.m.)**