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STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

July 16, 2009 - 1:38 p.m.  
Concord, New Hampshire

RE: DE 09-094  
GRANITE STATE ELECTRIC COMPANY d/b/a  
NATIONAL GRID: 2009 Reliability  
Enhancement and Vegetation Management  
Program.

PRESENT: Commissioner Clifton C. Below, Presiding  
F. Anne Ross, Esq., General Counsel

Sandy Deno, Clerk

APPEARANCES: Reptg. Granite State Electric Company d/b/a  
National Grid:  
Alexandra E. Blackmore, Esq.

Reptg. PUC Staff:  
Suzanne G. Amidon, Esq.

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

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## I N D E X

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WITNESS PANEL: CATHERINE T. McDONOUGH  
 DAVID E. TUFTS  
 BRIAN HAYDUK  
 SARA M. SANKOWICH

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1 P R O C E E D I N G S

2 COMMISSIONER BELOW: I'll open this  
3 hearing in DE 09-094. Chairman Getz is not here today  
4 because he injured his back this morning and couldn't make  
5 it in. I've asked PUC General Counsel Anne Ross to join  
6 me behind the Bench and assist me in running the hearing.

7 This hearing is being held pursuant to  
8 an order of notice issued on July 6th. On May 15th, 2009,  
9 National Grid filed its annual Reliability Enhancement  
10 Plan and Vegetation Management Plan Results and  
11 Reconciliation Report for fiscal year 2009. And, the  
12 order provided for a hearing to be held today, July 16th,  
13 2009, at 1:30 p.m.

14 Can we take appearances.

15 MS. BLACKMORE: Good afternoon. My name  
16 is Alexandra Blackmore, and I'm here on behalf of National  
17 Grid.

18 COMMISSIONER BELOW: Good afternoon.

19 MS. AMIDON: Good afternoon. Suzanne  
20 Amidon, for Commission Staff. And, to my far left is Tom  
21 Frantz, the Director of the Electric Division, and to my  
22 immediate left is Steve Mullen, the Assistant Director of  
23 the Electric Division .

24 COMMISSIONER BELOW: Good afternoon.

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1 Are there any procedural matters before we go to the  
2 witnesses?

3 MS. BLACKMORE: Yes, I do have a few  
4 exhibits I'd like to mark for identification. The first  
5 is the Company's May 15th Reconciliation Report. The  
6 second exhibit is the Revised Testimony and Schedules of  
7 David Tufts, which reflect the changes in the Company's  
8 rate design. And, the third exhibit is the Company's  
9 February 15th Reliability Enhancement and Vegetation  
10 Management Plan for Fiscal Year 2009, which was filed with  
11 the Commission in February of 2008.

12 COMMISSIONER BELOW: Okay. We'll mark  
13 those for identification as Exhibits 1, 2, and 3,  
14 respectively.

15 (The documents, as described, were  
16 herewith marked as Exhibit 1, 2, and 3,  
17 respectively, for identification.)

18 COMMISSIONER BELOW: The last one that  
19 you referred to, is that from this docket or a previous  
20 docket?

21 MS. BLACKMORE: Pursuant to the  
22 Settlement Agreement, the Company provides the  
23 February 15th plan, I apologize, it provides that plan to  
24 Staff, and doesn't file that with the Commission. But

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1 that's why we've introduced it here as an exhibit.

2 COMMISSIONER BELOW: Okay. But it  
3 wasn't an exhibit in a previous docket?

4 MS. BLACKMORE: I believe it was, the  
5 previous year's February filing was an exhibit in --

6 MS. AMIDON: Commissioner Below, I was  
7 consulting with Mr. Mullen, and he informed me that the  
8 Company did file it, but they filed it under the Merger  
9 docket. And, that docket number is DE 06-107. Is that  
10 right?

11 MR. MULLEN: DG.

12 MS. AMIDON: Pardon me, DG 06-107.

13 COMMISSIONER BELOW: Okay. Very good.

14 MS. AMIDON: So, that document can be  
15 found in that docket.

16 COMMISSIONER BELOW: Okay. You can  
17 proceed, Ms. Blackmore, with the witnesses.

18 (Whereupon Catherine T. McDonough,  
19 David E. Tufts, Brian Hayduk, and  
20 Sara M. Sankowich were duly sworn and  
21 cautioned by the Court Reporter.)

22 CATHERINE T. McDONOUGH, SWORN

23 DAVID E. TUFTS, SWORN

24 BRIAN HAYDUK, SWORN

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

1 SARA M. SANKOWICH, SWORN

2 DIRECT EXAMINATION

3 BY MS. BLACKMORE:

4 Q. Dr. McDonough, would you please state your full name  
5 and business address.

6 A. (McDonough) Dr. Catherine McDonough, 300 Erie  
7 Boulevard, Syracuse, New York.

8 Q. And, what is your position with National Grid?

9 A. (McDonough) I'm the Director of Regulatory Compliance  
10 for the Asset Strategy Group within Electric  
11 Distribution Operations.

12 Q. And, what are your duties and responsibilities in that  
13 position?

14 A. (McDonough) My principal responsibilities are to make  
15 sure that we meet all of our filing -- regulatory  
16 filing deadlines for the Electric Distribution  
17 Operations Group. And, I'm also charged with making  
18 sure that we're doing what we need to do to meet our  
19 reliability target, in terms of our spending programs.

20 Q. And, I believe you have your prefiled testimony, which  
21 is marked as "Exhibit 1", in front of you. Do you have  
22 any corrections to make to your testimony?

23 A. (McDonough) I do not.

24 Q. And, do you adopt your testimony as true and correct?

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

1 A. (McDonough) Yes.

2 Q. Thank you. Mr. Hayduk, would you please state your  
3 full name and business address.

4 A. (Hayduk) Sure. My name is Brian Hayduk. Business  
5 address is 40 Sylvan Road, Waltham, Massachusetts.

6 Q. And, can you please provide the Commission with a brief  
7 summary of your educational background and work  
8 experience?

9 A. (Hayduk) Sure. I have a Bachelor of Science in  
10 Electrical Engineering from Northeastern University in  
11 1992, a Master's of Power Systems Management from  
12 Worcester Polytechnic Institute in 2004. I'm a  
13 registered Professional Engineer in the State of Rhode  
14 Island.

15 Q. And, what is your current position at National Grid?

16 A. (Hayduk) I manage the Asset Planning Department in the  
17 Electrical Distributions Operations business.

18 Q. And, what are your duties in that position?

19 A. (Hayduk) My department identifies assets to be replaced  
20 on the electric distribution system to meet the asset  
21 strategies identified by the organization.

22 Q. And, although you did not prepare the prefilled  
23 Testimony of Peter Altenburger, are you familiar with  
24 the testimony that Peter filed?

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

- 1 A. (Hayduk) Yes, I am.
- 2 Q. And, are you prepared to sponsor Mr. Altenburger's  
3 testimony?
- 4 A. (Hayduk) I am.
- 5 Q. Do you have any corrections to make to  
6 Mr. Altenburger's testimony?
- 7 A. (Hayduk) No, I do not.
- 8 Q. And, do you adopt Mr. Altenburger's testimony as true  
9 and correct?
- 10 A. (Hayduk) I do.
- 11 Q. Ms. Sankowich, would you please state your full name  
12 and business address.
- 13 A. (Sankowich) Sara Sankowich, 40 Sylvan Road, Waltham,  
14 Massachusetts.
- 15 Q. And, what is your position at National Grid?
- 16 A. (Sankowich) I'm Manager of Vegetation Management  
17 Strategy.
- 18 Q. And, what are your duties in that position?
- 19 A. (Sankowich) I come up with a strategy on policy for the  
20 vegetation management activities for distribution at  
21 National Grid.
- 22 Q. I believe you have your prefiled testimony marked as  
23 "Exhibit 1" in front of you. Do you have any  
24 corrections to make to your testimony?

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

- 1 A. (Sankowich) Just my business address has changed.
- 2 Q. And, do you adopt your testimony as true and correct?
- 3 A. (Sankowich) I do.
- 4 Q. Mr. Tufts, would you please state your full name and  
5 business address.
- 6 A. (Tufts) Yes. My name is David E. Tufts. And, business  
7 address is 40 Sylvan Road, Waltham, Mass.
- 8 Q. And, what is your position at National Grid?
- 9 A. (Tufts) I'm the Director of Electric Distribution and  
10 Generation Revenue Requirements.
- 11 Q. And, what are your duties and responsibilities in that  
12 position?
- 13 A. (Tufts) I am responsible for the oversight of the  
14 revenue requirements of the electric distribution and  
15 generation business in the U.S.
- 16 Q. And, you have your revised testimony, which is marked  
17 as "Exhibit 2" in front of you. Do you have any  
18 corrections to your testimony?
- 19 A. (Tufts) No.
- 20 Q. And, do you adopt your testimony as true and correct?
- 21 A. (Tufts) Yes.

22 MS. BLACKMORE: I have nothing further  
23 for the witnesses.

24 COMMISSIONER BELOW: Ms. Amidon.

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

1 MS. AMIDON: Thank you. Good afternoon.  
2 I'm going to ask some questions, and whoever is the  
3 appropriate person can respond. Not knowing that, you can  
4 decide among yourselves.

5 CROSS-EXAMINATION

6 BY MS. AMIDON:

7 Q. I wanted to talk about something that was discussed in  
8 a technical session yesterday regarding FairPoint's  
9 contribution to the Vegetation Management Program.  
10 Could you please explain the status of that.

11 A. (Sankowich) Sure. Yes. We have put some invoices into  
12 FairPoint to be paid for last year's work. Currently,  
13 there have been some invoices that have been paid. The  
14 total, there is one remaining unpaid invoice, and they  
15 were just paid recently in July, everything but one.

16 Q. And, how will you be accounting for the revenue  
17 associated with these FairPoint payments?

18 A. (Sankowich) That's something that we will be discussing  
19 within our organization. Since this has just been  
20 brought forward to us, and we've just gone forward with  
21 the FairPoint payments, we're open for discussions on  
22 how we will be going forward with that.

23 Q. Okay. Thank you. I'm looking at the report --

24 MS. AMIDON: Is this identified as

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

1 "Exhibit 1"?

2 MS. BLACKMORE: I believe so. The May  
3 15th report?

4 MS. AMIDON: Yes.

5 MS. BLACKMORE: Yes.

6 MS. AMIDON: Okay.

7 MS. BLACKMORE: That's Exhibit 1.

8 BY MS. AMIDON:

9 Q. And, if you would turn to Page 6. There's -- The first  
10 sentence of the second paragraph includes a discussion  
11 of the per unit costs that have increased since the  
12 fiscal year '09 budget was generated. Are these  
13 across-the-board cuts or is there any particular cost  
14 causer for these cost increases?

15 A. (Hayduk) There are -- We are experiencing cost  
16 increases really across the board. But, in general,  
17 there are -- there may be more than one reason for the  
18 cost increases in the associated REP programs. Feeder  
19 hardening, for example, the cost increase associated  
20 with that program really is -- is really driven by the  
21 nature of the program. Whereas, the cost increases  
22 associated with reclosers and cut-outs may be due to  
23 other causes, such as material and labor increases.

24 Q. Could you explain what you meant about the "Feeder

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

1 Hardening Program having different cost causers"?

2 A. (Hayduk) Sure. The Feeder Hardening Program is such  
3 that we estimate the future costs based on historical  
4 costs, based on the amount of work that has been  
5 historically identified when we conduct a survey on a  
6 particular feeder and that we find deficiencies. So,  
7 really, as we progress through the year and conduct  
8 surveys on the new feeders to be feeder hardened, we  
9 really don't know how many deficiencies or what types  
10 of deficiencies we find until we conduct the survey.  
11 And, so, in that case, you know, we may find more  
12 deficiencies than we expected to find. Furthermore,  
13 when we actually go and do the work, and we've  
14 completed the survey, we perform a design based on the  
15 survey findings, and then go and do the work, we put a  
16 bucket truck in the air to perform the work, we may  
17 again find additional deficiencies when we're in the  
18 air and seeing the equipment close up that we did not  
19 identify from the survey.

20 Q. Thank you.

21 A. (McDonough) I'll just expand on that just slightly.

22 Q. Yes.

23 A. (McDonough) The unit that we're talking about here is  
24 the unit -- is the number of miles. So, it's the cost

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

1 per mile. So, it's, and just to pick up what Brian  
2 said, was that sometimes the cost per mile is going to  
3 be higher than what you expect, because there's more  
4 work that needs to be done in that particular mile than  
5 you would have originally anticipated. When you  
6 develop your estimate, you have certain sort of  
7 averages that you work off of, in terms of "Well, you  
8 know, what is the average amount of work that needs to  
9 be done per mile in the Feeder Harding Program?" But,  
10 you know, for the particular mile that you're working  
11 on, there could be the need for more crossarms or  
12 additional equipment than what you might have factored  
13 into the average.

14 Q. Who conducts these surveys? Is it National Grid or is  
15 it contractors that work with National Grid?

16 A. (Hayduk) We have personnel in the Company that conduct  
17 surveys, Company personnel.

18 Q. Thank you. If you go to the top of Page 7, the first  
19 full sentence reads as follows: "Three cutouts in the  
20 original budget were not replaced due to the  
21 inefficiency of writing a new work order for partial  
22 feeder work." Could you explain that sentence and how  
23 the efficiency or inefficiency of writing a new work  
24 order would affect that work?

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

- 1 A. (Hayduk) Basically, the cutouts that we replace under  
2 the REP program are identified in a targeted fashion,  
3 where we actually go out in the field and do  
4 inspections to find these potted porcelain cutouts and  
5 replace them. In this case, we, you know, we conduct  
6 these replacements throughout the year. And, in this  
7 case, particular case, we had replaced, and through our  
8 counting, had counted that we replaced 497 cutouts in a  
9 targeted fashion. A decision was made to -- A decision  
10 was made to say that that was sufficient to meet the  
11 goal, understanding that we replace cutouts, potted  
12 porcelain cutouts in numerous other normal courses of  
13 business, such as new business or public requirements  
14 or any time that we put a bucket in the air and work on  
15 a pole that has a potted porcelain cutout in it on the  
16 pole. We, as a matter of practice, replace these  
17 devices. So, we felt that we were meeting the  
18 objective in spirit, because we are replacing greater  
19 numbers than what we replace solely in the targeted  
20 program.
- 21 Q. Well, what is the administrative inefficiency that you  
22 -- that you're referring to, though, in this testimony?  
23 Is there a point where administrative inefficiency  
24 would be outweighed by reliability and safety?

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

- 1 A. (McDonough) Really, not at all. I think this really  
2 has to do with the fact that, you know, there's kind of  
3 a cut-off date, in terms of the numbers that we put  
4 into these, into the filing at the end of the fiscal  
5 year. And, you know, these programs are ongoing. So  
6 you know, it's more that, you know, the work is slated  
7 to be done and it may sort of go over to, you know,  
8 April of the next fiscal year. So, it's really, you  
9 know, trying to get like a continuous program sort of  
10 segmented into these fiscal years that create this, you  
11 know, this sort of allusion. So, the work, I mean, we  
12 have been very active in our Cutout Replacement Program  
13 in the past. We were very active this year. And, we  
14 will continue to replace cutouts next year as, you  
15 know, the work is identified in the work plan, so that,  
16 you know, if you're already out working on a particular  
17 -- you're designating a certain work area to work in,  
18 you know, you'll sort of pick up the cutout work when  
19 you're working in that area, as opposed to, you know,  
20 creating an inefficiency where you'll go, you know, try  
21 to get your 500 cutouts done just to kind of meet this  
22 particular goal. So, it's about trying to efficiently  
23 deploy the work force in order to get the work done.
- 24 Q. Moving along, still on Page 7, in that testimony,

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

1           there's a statement "there were 199 fewer trees removed  
2           than originally estimated." And, I think we're talking  
3           about hazard tree removal in this section. Could you  
4           explain why you think you came up with 199 fewer trees  
5           than what you anticipated?

6    A.   (Sankowich) Certainly. The Hazard Tree Program  
7           estimates for a number of trees are based on historic  
8           measurements of the trees that have been removed in the  
9           past. And, basically, when we go out to a feeder  
10          that's been scheduled for reliability reasons to have  
11          the enhanced hazard tree work done on it or hazard tree  
12          work done through circuit pruning, we take care of all  
13          of the rest that's out there on the feeders, so that's  
14          mitigated to an acceptable level of risk. And, the  
15          number of trees that are removed at that time  
16          fluctuates, depending on what risk is actually present  
17          in the field. So, there could be a lesser number of  
18          risk trees on these feeders, but we would still  
19          mitigate the risk amount to be acceptable to National  
20          Grid.

21   Q.   And, in that same section, you talk about the "cost per  
22          mile of contracted bid work" going up. That's the next  
23          to the last sentence on Page 7.

24   A.   (Sankowich) Yes.

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

- 1 Q. Is this -- again, these are costs across the board.  
2 And, is this the per mile cost you were talking about,  
3 Dr. McDonough?
- 4 A. (Sankowich) This is separate.
- 5 A. (McDonough) Yes.
- 6 A. (Sankowich) This is -- Vegetation management uses  
7 contract crews. And, the reason for this increased  
8 cost per mile is basically due to the change in  
9 contract strategy. And, that comes from changing from  
10 a unit price cost, where we were paying on a fixed  
11 contract strategy, and we had a vendor default on the  
12 work, so that we found that we were not actually paying  
13 the market price, which is why the vender couldn't get  
14 the work done for the price that they had submitted.  
15 So, in the next year, for this work here, in FY09, we  
16 put it out to bid in the market to get the actual  
17 market price. So, we saw the increases of costs in the  
18 market, which are due to increased fuel rates and the  
19 risk the contractors have assumed for that, and other  
20 costs that have increased over the board. That was the  
21 biggest driver for the increase in cost. And, National  
22 Grid proactively is looking to reduce some of these  
23 costs that we're paying to get the best product for the  
24 lowest price. So, we're actually, for this upcoming

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

1 year, we're also looking at the lump sum to get true  
2 market value, and at that point we're working towards a  
3 new contract strategy called "target pricing", where  
4 we'll actually share in the risk of the contractors to  
5 eliminate that overhead cost for risk to bring some of  
6 these drivers down.

7 Q. All right. Thank you. On Attachment 1, I believe it's  
8 two pages to Attachment 1 -- no, Attachment 1 and  
9 Attachment 2. Would one of you please describe what we  
10 see on Attachment 1 to the report.

11 A. (Sankowich) Sure. Attachment 1 is the vegetation  
12 management activities, and their spend for the  
13 different months during our fiscal year.

14 Q. And, there are -- just give me a moment please. On the  
15 "Planned Cycle Trimming", there are several months that  
16 have no cost associated with them in this, that would  
17 be "June", "August", "September", and "February".  
18 Could you explain the reason why there would be no  
19 planned tree trimming costs in these months?

20 A. (Sankowich) Sure. The way that our contract strategy  
21 works is that we pay for the work that's being done  
22 once it's actually completed and certified in the  
23 field. So, sometimes there's work going on in the  
24 field, but it has not been certified to meet our

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

1 standards as of yet, so it has not been invoiced and  
2 paid. Also, our invoicing system has to be approved  
3 and gone through the invoicing procedures. So, it  
4 could be that potentially the work was done, and it's  
5 lagging behind in actually being paid in that month.

6 Q. How do you determine whether the work was done to the  
7 Company's satisfaction?

8 A. (Sankowich) We do 100 percent audit of all the work  
9 that's done in the field. And, that's done by an  
10 in-house arborist, that looks at the work to make sure  
11 it meets all of our specifications.

12 Q. Also, in Attachment 1, there's a section "Enhanced" --  
13 let me make sure I have the right name to it, just give  
14 me a minute please -- "Enhanced Hazard Tree Removal".  
15 And, if we look at that line across the months, the  
16 largest amount of costs incurred is in the month of  
17 January. I would assume this is January 2009?

18 A. (Sankowich) Correct.

19 Q. Why is there such a large amount for this planned  
20 enhanced tree removal for just the one month of  
21 January 2009? I mean, it really is the most cost  
22 represented across the board. And, in addition, could  
23 you explain whether it relates to the December Ice  
24 Storm?

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

1 A. (Sankowich) Sure. The way that our Enhanced Hazard  
2 Tree Mitigation Program is scheduled is that we use a  
3 specific crew with a skill set that's matched towards  
4 removing large trees. And, those crews work all over  
5 our service territory in New England. And, so, the  
6 schedule that was set up for the Enhanced Hazard Tree  
7 Removal just happened to fall at the end of our fiscal  
8 year, that was when the work was scheduled to be done.  
9 This does not include any ice storm remediation work.  
10 Our crews were taken off during the immediate  
11 restoration time, and then, following that restoration,  
12 they went back to do their remediate work. We had  
13 completely separate crews that did any restoration work  
14 past that in separate accounting, so there would be no  
15 charges relative to any remediation work from the ice  
16 storm in these numbers.

17 Q. So, there's -- So, nothing from the ice storm is  
18 associated with the costs in this "Enhanced Hazard Tree  
19 Removal" line?

20 A. (Sankowich) Correct.

21 MS. AMIDON: One moment please.

22 (Atty. Amidon conferring with Mr.  
23 Mullen.)

24 MS. AMIDON: Mr. Mullen has a few

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

1 questions for the witnesses.

2 COMMISSIONER BELOW: Okay.

3 MR. MULLEN: Good afternoon.

4 BY MR. MULLEN:

5 Q. Just a follow-up related to the ice storm. Did the ice  
6 storm change any of the Company's plans, in terms of  
7 its maintenance and/or trimming activities?

8 A. (Sankowich) The ice storm didn't change any of our  
9 maintenance activities. We still are continuing on  
10 with our regular program. We are actually already  
11 starting our hazard tree removal work in New Hampshire  
12 for this upcoming year. It did make us focus on our  
13 impact on -- for reliability with tree-related events.  
14 But we feel that our strategies and our policies  
15 equipped us well for handling the ice storm. And, the  
16 results of that, a lot of the ice damage was from  
17 large, heavy amounts of ice that our regular program  
18 would not be something that would prevent any major  
19 damage. We felt we did as best we could for preparing  
20 for it, and that our specifications and our strategy,  
21 if we continue with them, that would be sufficient.

22 Q. Do you happen to know offhand what the Company's total  
23 costs related to the ice storm were in New Hampshire?

24 A. (Sankowich) For vegetation management?

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

1 Q. I'd say in total first, and then, you know, I imagine  
2 some of those are capital and some of those are O&M,  
3 but --

4 A. (McDonough) I don't think that we have those with us  
5 right now.

6 Q. Okay.

7 A. (McDonough) But we can take that as an information  
8 request.

9 Q. While we were on the subject, I figured I'd throw that  
10 one out there.

11 [Laughter]

12 COMMISSIONER BELOW: Do you want a  
13 record request on that?

14 MR. MULLEN: No, I don't think it's  
15 necessary for this proceeding.

16 COMMISSIONER BELOW: Okay. Fine.

17 MR. MULLEN: We can get that off-line  
18 afterwards. We have, as you know, we have that separate  
19 investigation going on, so there will be plenty of details  
20 in there.

21 COMMISSIONER BELOW: Okay.

22 BY MR. MULLEN:

23 Q. Before we leave Attachment 1, just briefly, there's a  
24 couple of other trimming categories on there, "Spot

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1       Tree Trimming" and "Interim Trimming". Could you just  
2       explain what the difference is for those?

3    A.   (Sankowich) Yes. "Spot tree trimming" is relative to  
4       smaller jobs, mostly customer-driven. There were  
5       re-investigates, small occurrences that we have  
6       concerns, and we need to send tree crews out for.

7                        The "interim trimming" is larger scale  
8       projects, where we find that there's a reliability  
9       risk. It may be an entire street that has had an  
10      exceptional amount of growth or a project to improve  
11      reliability in a certain area. And, it's usually a  
12      little bit of a larger scoped job.

13   Q.   Now, related to the REP and VMP Plans in general, how  
14      are spending decisions made, in terms of how many  
15      people get involved in that? Is it the same in other  
16      states that National Grid serves? Just how does that  
17      whole process work?

18   A.   (Sankowich) For vegetation management, it's based on  
19      risk. And, it's done the same throughout all of our  
20      states. And, we basically do a risk analysis of  
21      reliability and what's present. And, we make sure that  
22      we allocate the resources and the funds to the highest  
23      risk area for the most improvement.

24   A.   (Hayduk) And, for the maintenance and REP programs,

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1 really direction -- direction on the program and  
2 magnitude of the program, and which assets or quantity  
3 of assets really come from our Asset Strategy  
4 Department. And, that type of decision is really  
5 value-based, based on reliability performance or  
6 expected reliability benefit from these, from the  
7 various programs, and the costs associated with  
8 implementing those improvements, so that we're looking  
9 for the biggest -- the biggest value for the dollar.

10 And, to get to your point about how  
11 we're addressing each state, we have recently or are in  
12 the midst of recently developing what are called "State  
13 Plans", which are targeted and focused to each state,  
14 to basically, you know, maximize the performance, the  
15 reliability performance in each state to meet our  
16 objectives going forward.

17 Q. Do you have similar types of recovery mechanisms in the  
18 other states?

19 A. (Tufts) Like the REP?

20 Q. Yes.

21 A. (Tufts) No.

22 Q. And, you mentioned that there was some assessment of  
23 risk when you start looking at that. How do you define  
24 that and how do you assess that, especially when you're

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1 looking at various states at once?

2 A. (Sankowich) Going on with what Brian said, it's the  
3 Strategy Department, Asset Strategy Department that's  
4 looking at that. So, we're looking at risk relative to  
5 reliability within the Company. And, we have a number  
6 of tools in vegetation management to track reliability  
7 and tree-related reliability contribution. And, our  
8 risk is based on reliability-based tools that we have  
9 there. We also look at individual customers and the  
10 effect on the customer and safety within our company.

11 Q. Now, would it be fair to say that, since you have  
12 reliability enhancement programs basically  
13 company-wide, that the details from state-to-state may  
14 be a little bit different?

15 A. (Hayduk) Well, I want to say that we implement the  
16 program consistently across the territory. But, again,  
17 the recent foray into developing these state plans is  
18 to ensure that we are, in fact, meeting -- that we are  
19 optimizing the plans in each state to meet our  
20 reliability goals, based on the performance issues in  
21 that state, in each state. And, the metrics and the  
22 identification of risks or expected benefit, really, it  
23 varies by the type of program that we're looking to  
24 implement, because we expect to get different, you

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1 know, benefits from these different programs.

2 A. (Sankowich) And, writing sort of a prescription for  
3 individual states. So, it might be a combination of  
4 strategies that we have available --

5 [Court reporter interruption]

6 BY THE WITNESS:

7 A. (Sankowich) We write a prescription of work for the  
8 different states, so we have a variety of strategies,  
9 which we use as tools to customize a plan for a state,  
10 but the strategies themselves overall are consistent.

11 BY MR. MULLEN:

12 Q. Related -- oh, did you have something to add?

13 A. (McDonough) I had something to add. Yes. With regard  
14 to recovery of these programs, and we have a REP in  
15 every state. And, I think, I mean, the way that we  
16 collect the costs associated with the REP in each state  
17 is different. And, so, I think the answer to the  
18 question is "do we have a recovery mechanism in other  
19 states that are similar to New Hampshire for the REP?"  
20 And, that's not true, but we do recover these costs and  
21 are seeking to recover costs for these programs in our  
22 other states.

23 Q. Okay. Thank you for that. Related to metrics, if we  
24 could just turn to Page 9 of the report. And, going

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1 back in a little history here, am I correct to say that  
2 the REP was first established to try and address what  
3 was then a worsening trend in some of the reliability  
4 statistics?

5 A. (McDonough) Yes. During our settlement plan in the  
6 Granite State, we recognized that reliability, the  
7 reliability metrics had deteriorated after 2004. And,  
8 obviously, that was a big concern to the Company and to  
9 the State. So, the reason why this program was  
10 implemented as part of the settlement program was to  
11 restore the performance based on those metrics back to  
12 the levels that had been experienced prior to 2005.

13 Q. So, if we were to look at the chart on the bottom of  
14 Page 9, and there's a little hash mark to the right of  
15 2004, if you were to basically draw a line straight up  
16 from there, that would give us an idea of the targets  
17 we're looking at for --

18 A. (McDonough) Yes.

19 Q. -- for SAIDI, SAIFI and CAIDI?

20 A. (McDonough) Yes. We set a goal for SAIFI at 1.8 by  
21 2013, and for SAIDI at 126 by 2013. And, you know, and  
22 we're sort of making pretty good progress getting back  
23 to those levels. We had a little bit of a setback last  
24 year in our metrics, but this year things seem very

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1 much on course. And, we're very much kind of on course  
2 with meeting the goals that we set to restore our  
3 performance back to those levels.

4 Q. When you say you "had a little bit of a setback last  
5 year", can you explain that a little further?

6 A. (McDonough) Sure. Yes. You know, we had a very strong  
7 improvement in our safety metric in 2007, we had a  
8 30 percent reduction in that metric. And, that  
9 reversed course a little bit last year, it was up about  
10 10 percent. Now, most of what was driving that higher  
11 was we did have -- we still have, you know, stubborn  
12 problems with regard to trees. But the other thing  
13 that drove the metric higher in 2008 was a couple of  
14 transmission outages that we had, which have a large  
15 impact on customer interruptions and was responsible  
16 for lifting that metric. The same metric, however,  
17 showed substantial improvement last year and the year  
18 before. So, we've continued to see a steady  
19 improvement in that metric over time. And, actually,  
20 as we -- as 2009 has progressed, we're expecting to see  
21 another, you know, significant improvement in both  
22 metrics, I'm sorry, metrics this year, based on what  
23 we've experienced so far.

24 Q. Related to, you mentioned some transmission outages

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1           that occurred in 2008, how closely do you work with the  
2           transmission side of the Company, in terms of resolving  
3           some of these issues and determining what the cause was  
4           and that sort of thing and going forward in the future?

5    A.   (McDonough) Well, they are very focused on these.  I  
6           mean, we obviously talk and interact.  And, when the  
7           numbers are up, there's a discussion.  We have a  
8           Reliability Council that meets monthly.  We have a  
9           Reliability Council that meets monthly for each state.  
10          And, then, we have a systemwide Reliability Council  
11          that meets monthly.  And, then, we have -- And, at  
12          those meetings, we have representatives from both the  
13          distribution and the transmission sides of the  
14          business, and we have extensive discussions about what  
15          was driving performance each month, and steps that  
16          we're taking to make sure that we stay on target.

17                                And, there are additional committees  
18          that are even, you know, that include the senior  
19          leadership that also review the results that we're  
20          seeing, and also review the actions that we're taking,  
21          to make sure that we're on track with meeting our  
22          targets.

23    Q.   Okay.  Mr. Tufts, you filed some revised testimony and  
24          schedules actually today?

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1 A. (Tufts) Yes.

2 Q. Would I be correct to say that the purpose for filing  
3 those was solely to reflect the change in the effective  
4 date from July 1st of 2009 to August 1st of 2009?

5 A. (Tufts) That's correct.

6 Q. So, as I look through the schedules attached to your  
7 testimony, basically, the three pages of Schedule  
8 DET-1, --

9 A. (Tufts) Uh-huh.

10 Q. -- for the revenue requirement, that has not changed,  
11 because it's still the same amount of dollars you're  
12 looking to recover?

13 A. (Tufts) That's correct.

14 Q. But DET-2, for rate design, those are the schedules  
15 that have changed as a result, because you're basically  
16 looking to recover the same number of dollars over 11  
17 months, rather than 12?

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

19 MR. MULLEN: Okay. Thank you.

20 BY MS. AMIDON:

21 Q. And, I have -- Mr. Tufts, what is the average rate  
22 impact as a result of this reconciliation?

23 A. (Tufts) The average rate impact that, I have in the  
24 schedules here, --

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1 Q. Right.

2 A. (Tufts) -- is, on a residential customer, is about 13  
3 cents on a 500 kilowatt-hour customer. And, on an  
4 average customer, which is about 656 kilowatt-hours,  
5 it's 18 cents.

6 Q. And, that's per month?

7 A. (Tufts) Per month.

8 MS. AMIDON: Okay.

9 MR. MULLEN: Just a couple more.

10 BY MR. MULLEN:

11 Q. Do you -- Does National Grid keep track of the worse  
12 performing circuits for each of its distribution  
13 utilities?

14 A. (McDonough) Yes.

15 Q. So, you track them by, I'm sure, a variety of different  
16 statistics?

17 A. (McDonough) Yes. Generally, circuit CAIFI and circuit  
18 SAIDI. And, there's probably other ones.

19 A. (Hayduk) Yes. It varies by state.

20 Q. I don't know if you happen to know offhand, if you know  
21 for New Hampshire, which ones they may be, the worst  
22 ones?

23 A. (Hayduk) We're getting slightly out of my realm, so I  
24 don't. I can get the information to you, but I don't

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1 know.

2 Q. Okay. Again, it's not necessary for purposes of  
3 today's hearing, but that's something that we'll be  
4 having further discussions anyhow.

5 A. (Hayduk) Sure.

6 Q. Because I would mention, too, that, in February of  
7 2009, the Company did file its plan for the year that's  
8 actually in progress now. And, would I be correct to  
9 say that Staff and the Company still have to meet to  
10 review the details of that plan?

11 A. (McDonough) We do.

12 Q. Just one other thing. Does National Grid, in general,  
13 have any incentives for compensation or anything that  
14 are tied to reliability targets?

15 A. (Tufts) I'm not aware of any.

16 A. (Hayduk) At what level?

17 A. (McDonough) Yes.

18 A. (Hayduk) I think I'm a little unclear on the question.  
19 To whom?

20 Q. Say, like, you know, for the Director, say, of the  
21 Asset Management Department, is compensation tied in  
22 any way to reliability targets?

23 A. (Tufts) Well, our compensation plan has goals that are  
24 applicable to all employees. To the extent that we

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1 meet our goals that we set for reliability and safety,  
2 those will impact the supplemental pay that would be  
3 paid out to all employees.

4 Q. Are the goals different for different parts of the  
5 Company?

6 A. (Tufts) There some differences. I'm not the expert, so  
7 I'd hate to delve too far into that one. But I know  
8 there are some differences, depending on what operation  
9 part of the business you're in.

10 A. (McDonough) Yes. This is a company-wide portion of the  
11 incentive program that applies to all, all employees.  
12 Just the percentage that's based on the Company results  
13 varies at different levels of the Company, you know,  
14 for individual contributors there's a much larger  
15 section that's based on their own individual objectives  
16 and less on the Company. But everybody's compensation  
17 to some extent is connected to how well we're doing in  
18 terms of meeting our targets and goals in terms of  
19 reliability performance.

20 MR. MULLEN: Thank you. I have nothing  
21 further.

22 COMMISSIONER BELOW: Do you have any  
23 redirect, Ms. Blackmore?

24 MS. BLACKMORE: I do. I just have -- I

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1 think I have a couple of questions. One is for  
2 Ms. Sankowich.

3 REDIRECT EXAMINATION

4 BY MS. BLACKMORE:

5 Q. Ms. Sankowich, could you explain just generally the  
6 strategy behind altering the Company's mechanism for  
7 contracting for the tree work. I know you testified  
8 earlier that there was an issue where the Company had  
9 to go out and bid -- rebid work that we previously had  
10 bid, so we experienced a cost increase. But you  
11 mentioned in your testimony something about a change to  
12 our overall strategy, and so I would like to understand  
13 a little better.

14 A. (Sankowich) Yes. A change to our overall strategy is  
15 that we are sharing in the risk with our contractors.  
16 We like to keep our vendors and our tree workers  
17 on-site, to eliminate some of the turnover and  
18 associated cost with that, and to share in the cost or  
19 savings of working and doing work on a particular  
20 feeder. So, the target pricing scenario, we would set  
21 a target price for the contractor, and that's both  
22 agreed upon by both parties, and then, at that point,  
23 when the work is done, if it comes in above the target  
24 price, we share in the overage on the expense side.

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1 And, if it comes in underneath the target price, we  
2 share in the benefit of the savings for our vendors.  
3 So, we're eliminating the price of risk and uncertainty  
4 of risk that the contractors would normally add in to  
5 their lump sum pricing.

6 Q. Thank you. And, I also have a follow-up question  
7 regarding whether the Company has other mechanisms in  
8 other states for recovery of the Reliability  
9 Enhancement Program costs. I'm not sure if anyone on  
10 the panel is aware of whether New York has a capital  
11 tracker program that would allow for incremental  
12 recovery of costs associated with these types of  
13 programs?

14 A. (McDonough) Yes, we do. We do.

15 Q. Okay.

16 A. (McDonough) Yes.

17 MS. BLACKMORE: Thank you. I have  
18 nothing further.

19 COMMISSIONER BELOW: Okay. If there's  
20 no other procedural matters, we'll enter the exhibits as  
21 full exhibits and move to closing statements.

22 MS. AMIDON: Thank you, Commissioner  
23 Below. The Staff has reviewed the filing and the  
24 activities that were reported by the Company. And, we

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1 find that it is consistent with the terms of the  
2 Settlement Agreement reached in docket number DG 06-107.  
3 Staff does plan to sit down with the Company to further  
4 discuss the details about their vegetation management  
5 activities in the current fiscal year. And, having said  
6 that, we would recommend that the Commission approve the  
7 petition.

8 COMMISSIONER BELOW: Okay.

9 MS. BLACKMORE: Thank you. We're  
10 respectfully requesting that the Commission approve the  
11 Company's reconciliation of the fiscal year 2009  
12 Reliability Enhancement and Vegetation Management Program  
13 and the proposed rates effective for usage on and after  
14 August 1st. The Company has implemented its fiscal year  
15 2009 Reliability Enhancement and Vegetation Management  
16 Program consistent with the terms of the Settlement  
17 Agreement, and we believe that the proposed rates are  
18 reasonable. Thank you.

19 COMMISSIONER BELOW: Okay. Thank you.  
20 We'll close the hearing and take the matter under  
21 advisement.

22 (Whereupon the hearing ended at 2:22 p.m.)

23

24

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