

Direct Testimony

of

Jennifer Grimsley

and

Jeffrey Carney

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1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Jennifer Grimsley**

3 **Q. Ms. Grimsley, please state your full name and business address.**

4 A. My name is Jennifer L. Grimsley, and my business address is 40 Sylvan Road, Waltham,
5 MA 02451.

6

7 **Q. By whom are you employed and in what position?**

8 A. I am employed as the Director, New England Electric Network Strategy, by National
9 Grid USA Service Company, Inc. (the “Service Company”). In my capacity as Director,
10 I am responsible for regulatory filings and regulatory compliance related to electric
11 distribution operations, specifically for reliability and capital expenditures, for Granite
12 State Electric Company d/b/a National Grid (“Granite State” or the “Company”) in New
13 Hampshire and for other National Grid retail distribution companies in Massachusetts
14 and Rhode Island.

15

16 **Q. Please describe your educational background.**

17 A. I graduated from Washington University in 1986, earning a bachelor’s degree in
18 electrical engineering and from Rivier College in 1991, earning a master’s degree in
19 business administration.

20

1 **Q. Please describe your professional experience.**

2 A. In 1986, I began my engineering career as an associate engineer with Massachusetts
3 Electric Company, a subsidiary of National Grid USA (“National Grid”) and an affiliate
4 of Granite State, in North Andover, Massachusetts. In 1993, I was promoted to district
5 engineering manager, and have held various engineering and management positions since
6 that time, including Project Manager for the Reliability Enhancement Program in 2006.
7 In 2007, I became Manager Asset Strategy and Policy and was responsible for
8 developing the strategies to replace distribution assets. I was promoted to Director, Asset
9 Strategy & Policy in 2008. In 2009, I became Executive Advisor to the Chief Operating
10 Officer of Electricity Operations for National Grid. In 2011, I assumed my current role
11 as Director, New England Electric Network Strategy.

12
13 **Q. Have you previously testified before the New Hampshire Public Utilities
14 Commission (the “Commission”)?**

15 A. No, I have not.

16
17 **Jeffrey Carney**

18 **Q. Mr. Carney, would you please state your full name and business address?**

19 A. My name is Jeffrey Carney, and my business address is 40 Sylvan Road, Waltham, MA
20 02451.

21

1 **Q. By whom are you employed and in what position?**

2 A. I am employed by the Service Company as the System Arborist, Vegetation Management
3 Strategy for Electric Distribution Operations. In my capacity as System Arborist, I
4 support the Manager of Vegetation Management Strategy and assist with distribution
5 Vegetation Management Strategy and Policy for Granite State in New Hampshire and for
6 other National Grid retail distribution companies in Massachusetts, Rhode Island, and
7 New York.

8
9 **Q. Please describe your educational background.**

10 A. I graduated from Paul Smith's College of Arts and Sciences in Paul Smiths, New York in
11 1976. I received an associate's degree in Applied Science in Forestry and Land
12 Surveying.

13
14 **Q. Please describe your professional experience.**

15 A. I joined the Service Company in 2007. Before being named to my current position in
16 2007, I was the Transmission and Distribution Forester for Granite State and New
17 England Power Company's territory in New Hampshire and Vermont from 1989 to 2005.
18 From 2005 to 2007, I was the New England North Lead Arborist and oversaw New
19 England North Arborists responsible for developing forestry strategy and delivery the
20 work plan. During that time, I simultaneously served as the Company's District Arborist
21 in New Hampshire. From 1979 to 1989, I was a self-employed Consulting Forester.

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Q. Have you previously testified before the Commission?

A. Yes, I have.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of this testimony?

A. This testimony serves two purposes. First, this testimony will provide the Commission with background information regarding the Reliability Enhancement Program (“REP”) and Vegetation Management Program (“VMP”) that Granite State implemented during Fiscal Year 2011 (April 1, 2010 - March 31, 2011) and is described in the Company’s Fiscal Year 2011 Reliability Enhancement Plan and Vegetation Management Plan Report dated May 13, 2011 (the “2011 REP/VMP Report”) submitted to the Commission as part of this filing. Second, this testimony provides information on the Company’s request to refund to customers the amount of \$758,113, which is the amount of expense below the Base Plan operating and maintenance (“O&M”) amount of \$1,360,000 that was defined by the settlement agreement approved by the Commission as part of the National Grid/KeySpan merger proceeding in Docket No. DG 06-107¹ (“Settlement Agreement”). The refund amount consists of \$114,015 of O&M spending for the REP and VMP below the Base Plan O&M amount of \$1,360,000 plus \$644,098 in credits for vegetation management reimbursements from FairPoint Communications (“FairPoint”), as discussed in more detail in Section 1 below. The refund of \$758,113 represents a decrease of

1 \$1,805,883 below the incremental \$1,047,770 of REP/VMP O&M that is currently
2 embedded in rates. The new O&M amount requested would be effective for usage on
3 and after July 1, 2011. The amount will be refunded through the REP/VMP Adjustment
4 Provision as set forth in Exhibit GSE-8 of the Granite State Rate Plan approved as part of
5 the Settlement Agreement. In addition, the Company is requesting an incremental
6 revenue requirement of \$102,941 associated REP Capital Investment of \$610,835.
7 Information regarding the calculation of the REP/VMP Adjustment Provision and the
8 REP Capital Investment Allowance, and the associated rate impacts, is set forth in the
9 Testimony of David E. Tufts, which is a part of this filing.

10
11 **III. OVERVIEW OF REP AND VMP**

12 **Q. Please explain the purpose of the REP and VMP.**

13 A. As part of the Settlement Agreement, Granite State committed to implement an REP and
14 VMP to bring the Company back to the historical reliability performance levels that
15 existed prior to 2005, with the goal of meeting those historical performance levels by
16 2013. In general, the REP and VMP include categories of both capital and O&M
17 spending targeted to improve reliability performance. The REP and VMP are premised
18 on the idea that a certain amount of annual spending on both capital and O&M activities
19 is necessary to maintain the safety and reliability of the Company's electric distribution
20 system. The Settlement Agreement assumes that a base amount of \$1,360,000 will be
21 spent on O&M activities associated with the REP and VMP during each fiscal year of the

¹ See Order No. 24,777 (July 12, 2007).

1 Company's five-year rate plan established in the Settlement Agreement, and that the
2 Company will establish a proposed budget for REP capital investments for each fiscal
3 year following discussions with Staff. To the extent the Company spends less than the
4 agreed upon base O&M budget on REP and VMP O&M activities for the given fiscal
5 year, the difference would be credited to customers either through a refund commencing
6 on July 1 or credited to the following year's REP and VMP O&M budget, at the
7 Commission's discretion. Notwithstanding the base O&M amount of \$1,360,000, the
8 Company has the flexibility to propose, implement and collect the revenue requirement
9 associated with alternative plans that exceed the base O&M amount assuming that the
10 associated spending is just and reasonable.²

11
12 **Q. What kinds of activities are included in the REP and VMP?**

13 A. As described in detail in Exhibit GSE-8 to the Settlement Agreement, the REP and VMP
14 include the following categories of activities: feeder hardening, augmented tree-
15 trimming and clearing, asset replacement, and inspection and maintenance.

16

² Settlement Agreement, Exhibit GSE-8 at 4-5 provides for cost recovery for any deviations from the plan reviewed by Staff, providing that the deviations were either due to circumstances out of the Company's reasonable control or, if within its control, were reasonable and prudent. Exhibit GSE-8 at 8-9.

1 **Q. How does the Company decide how to allocate funds towards vegetation**
2 **management and reliability activities within a given year's budget and how does the**
3 **Company determine which REP/VMP projects to undertake in any given year?**

4 A. Each year the Company develops an Annual Work Plan that is designed to achieve the
5 overriding performance objectives of the business (safety, reliability, efficiency,
6 customer satisfaction and environmental). At the outset, a draft work plan consists of a
7 compilation of proposed spending for Asset Strategies, individual capital projects and
8 statutory and regulatory mandatory work activities. Each potential project specified
9 within the plan contains justification and estimated costs. The Company uses a
10 prioritization model based on relative risk of each project proposal to facilitate the
11 selection of appropriate projects to be included in the Annual Work Plan. The ranking
12 and selection of projects is reviewed in challenge sessions and further prioritized to
13 achieve an optimized portfolio of projects considering the most up to date reliability
14 performance information compared to the reliability improvements targeted by the
15 various programs and the deliverability of the various programs within the fiscal year.
16 The Company's objective is to arrive at a budget that is the optimal balance in terms of
17 making investments necessary to maintain and improve the performance of the system,
18 while also ensuring a cost-effective use of the Company's available resources. At the
19 same time the Company must maintain a level of flexibility inherent with regard to the
20 budget and spending process to deal with circumstances that inevitably arise during the

1 year. The allocation of funds for vegetation management and reliability activities is part
2 of this budgeting process.

3
4 **Q. Are the capital improvements in the REP/VMP Plan the only capital investments**
5 **made by the Company to its system?**

6 A. No. The Company has a five-year capital plan that includes investments in the following
7 key categories: (a) expenditures required to ensure that the Company meets its legal,
8 regulatory and contractual obligations; (b) capital expenditures required to replace failed
9 or damaged equipment and to restore the Company's system to its normal operating
10 configuration and capability following storm or other events; (c) non-infrastructure
11 improvements that are required to run the Company's power system, such as tools and
12 other general plant; (d) expenditures undertaken to maintain and/or upgrade the
13 capability of the Company's system to provide adequate or improved thermal loading,
14 voltage, stability, reliability or availability performance; and (e) capital expenditures
15 required to reduce the risk and consequences of potential failures of transmission and
16 distribution assets.

17
18 **Q. Please explain the Fiscal Year 2011 REP/VMP Report.**

19 A. By May 15 of each fiscal year associated with the five-year rate plan period (January 1,
20 2008 through December 31, 2012), the Company is required to make a reconciliation
21 filing with the Commission for both its REP and VMP detailing the actual amounts

1 associated with REP and VMP activities during the prior fiscal year as compared with
2 budgeted amounts. The Company met with Staff to discuss the Company's Fiscal Year
3 2011 plan. The Staff and Company agreed on a budget of \$1,552,000 for the Company's
4 Fiscal Year 2011 plan, which was submitted to Staff on February 12, 2010. This budget
5 reflected an incremental increase of \$192,000 over the threshold amount of \$1,360,000 in
6 O&M expense set forth in the Settlement Agreement due to a significant increase in the
7 costs associated with hazard tree removals. As set forth in the 2011 REP/VMP Report
8 and the Pre-filed Direct Testimony of David E. Tufts, the Company's actual O&M
9 expense and capital investment associated with REP/VMP activities deviated from the
10 filed budget. Specifically, the Company is seeking to refund to ratepayers \$758,113
11 O&M expense below the threshold amount of \$1,360,000, which consists of \$114,015
12 under spending for REP and VMP O&M plus \$644,098 in credits for vegetation
13 management reimbursements from FairPoint. The Company also requests an incremental
14 REP Capital Investment Allowance of \$102,941, representing the revenue requirement
15 associated with \$610,835 of capital investment in Fiscal Year 2011. If approved, the
16 Company is requesting that these rate adjustments become effective for usage on and
17 after July 1, 2011, as set forth in the Settlement Agreement.

18

1 **IV. FISCAL YEAR 2010 REP AND VMP IMPLEMENTATION**

2 **Q. Please summarize the Company's capital investment during the fiscal year?**

3 A. The Company proposed a \$653,000 capital budget and \$134,000 for O&M associated
4 with its REP in Fiscal Year 2011 as shown in Table 1 and Table 4 of the 2011 REP/VMP
5 Report. As discussed with Staff, the Company budgeted this amount to perform
6 hardening activities along 25 miles of the Vilas Bridge 12L1 feeder, to install four
7 reclosers and to replace/install 400 cutouts. As shown in Table 4 of the 2011 REP/VMP
8 Report, the Company met or exceeded each of these targets.

9

10 **Q. Why did the Company's O&M spending vary from the Company's original budget?**

11 A. As described in the 2011 REP/VMP Report, lower than forecast actual O&M spending is
12 due to lower than forecast bid prices for cycle pruning were lower than expected resulting
13 in an under spend for this activity; however, cycle pruning police detail expenses and
14 hazard tree removal exceeded the anticipated spending level. In addition, the Company
15 also experienced lower than anticipated demand for VMP work.

16

17 **Q. Has the Company changed its reporting of reliability metrics in the Fiscal Year**
18 **2011 report?**

19 A. In previous years, this report has presented reliability results on a calendar year basis.
20 However, as set forth in Exhibit GSE-8 of the Settlement Agreement, the REP and VMP
21 are being implemented by the Company in order to bring the Company's reliability

1 performance back to historical performance levels that existed prior to 2005³, with the
2 goal of meeting those historical performance levels by the end of Fiscal Year 2013⁴.
3 Therefore, beginning in this report, the Company's reliability performance metrics are
4 presented on a fiscal year basis in addition to a calendar year basis.
5

6 **Q. Please summarize the reliability results shown in the Fiscal Year 2011 report?**

7 A. Metrics for Calendar Year 2010 and the Fiscal Year 2011 are presented in Table 5 and
8 Table 6, respectively, of the 2011 REP/VMP Report. The metrics are based on both the
9 regulatory standard for excluding major weather events and the IEEE Standard 1366
10 method for excluding major weather events. The metrics include Customers Interrupted,
11 Customer Minutes Interrupted, system average interruption frequency index ("SAIFI"),
12 and system average interruption duration index ("SAIDI").
13

14 As shown in Figure 1, the reliability metrics in Fiscal Year 2011 were slightly above the
15 metrics of Fiscal Year 2010. Despite the increase in Fiscal Year 2011, however, the
16 metrics remained below the peak that occurred in 2006 and the multi-year trend in
17 performance since 2005 remains on a downward trajectory. The Company remains
18 vigilant with its REP and VMP activities to sustain this overall trend and to meet the
19 2013 goals.

³ See Exhibit GSE-8 of the Settlement Agreement at pp. 1.

⁴ Historical performance level is defined as average SAIDI and SAIFI performance, plus one standard deviation, over the period 1996 to 2004 excluding storms that meet the IEEE criteria. The goal by the end of fiscal year 2013 is to achieve average SAIFI of 1.8 and average SAIDI of 126.

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Q. Were the REP/VMP expenditures for which the Company is seeking recovery reasonable and prudent?

A. Yes. As described in this filing, the expenditures were reasonable and prudent because these expenditures were made for programs that are specifically referenced in the Settlement Agreement as necessary to achieve continued improvement in the Company’s system reliability in order to achieve pre-2005 reliability levels. The work taken on this year in terms of vegetation management, feeder hardening and cutout replacements was necessary to enable the Company to deliver on its commitment to restore reliability performance to the goals set in the Agreement. It is reasonable to grant the Company recovery of those costs because they are associated with the specific REP activity that is being undertaken, were prudently incurred for the explicit purpose of improving system reliability, consistent with the intent of the Settlement Agreement, and generated real customer benefits in the form of improved reliability performance. These expenditures were prudent because they were the result of a rigorous and deliberate budgeting project which as described above, prioritizes capital projects based on a number of criteria.

V. CONCLUSION

Q. Does that conclude your testimony?

A. Yes, it does.