

December 23, 2009

**VIA OVERNIGHT & ELECTRONIC MAIL**

Ms. Debra A. Howland  
Executive Director and Secretary  
New Hampshire Public Utilities Commission  
21 South Fruit Street, Suite 10  
Concord, NH 03301-2429



**Re: DE 09-031; National Grid Reliability Enhancement and Vegetation Management Plans for Fiscal Year 2010 (April 1, 2009-March 31, 2010)**

Dear Ms. Howland:

Pursuant to the merger settlement agreement approved by the Commission in Order No. 24,777 (July 12, 2007) in Docket No. DG 06-107, Granite State Electric Company d/b/a National Grid ("National Grid" or "Company") submitted proposed reliability enhancement and vegetation management plans for the Company's fiscal year 2010 (April 1, 2009-March 31, 2010) on February 17, 2009. This filing was docketed as DE 09-031.

The Company's proposed plans included a proposed base O&M budget of \$1,360,000, with an additional \$100,000 for enhanced hazard tree mitigation. Similarly, the Company also proposed a budget of \$500,000 for capital investments associated with the reliability enhancement program.

On August 13, 2009, the Company met with Commission Staff to discuss the Company's proposed plans for fiscal year 2010. During this meeting, the Staff supported the Company's proposal to spend an additional \$100,000 for enhanced hazard tree mitigation. The Company and Staff also agreed that the Company would increase its proposed capital budget from \$500,000 to \$620,000 to accommodate the installation of three additional reclosers during fiscal year 2010. Because there is a small amount of operation and maintenance ("O&M") expense associated with an increase to the proposed capital budget, the Company's total proposed base O&M budget for the plans was increased from \$1,360,000 to \$1,372,000.

On October 6, 2009, as a result of modifications to the Company's proposed plans for fiscal year 2010 as agreed to with Commission Staff, the Company filed revised budget tables showing the Company's new proposed capital and O&M budgets for fiscal year 2010.

On October 29, 2009, the Company and Commission Staff held a follow-up meeting to discuss discovery responses and future reliability enhancement and vegetation management plans. During this meeting the Company explained that it would exceed its agreed fiscal year

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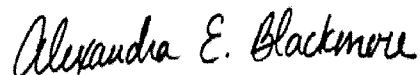
2010 budget for O&M spending by approximately \$471,966 due to a significant increase in costs associated with hazard tree removals. This cost overrun is the result of improvements to the Company's hazard tree removal program over the past year that have increased the cost per mile for hazard tree removals as compared with the estimated cost per mile that was used to create the Company's FY 2010 budget. Specifically, improvements to the Company's comprehensive hazard tree specification and field training programs have allowed field crews to better assess tree risk which has resulted in the removal of significantly more hazard trees per mile than was anticipated when the initial budget was created. It is also important to note that this O&M cost overrun has been offset in part by projected decreases in other O&M cost categories.

Following the October 29, 2009 meeting, the Company and Commission Staff reached agreement to further amend the proposed fiscal year 2010 O&M budget to reflect the cost overrun associated with hazard tree removals. Consequently, the Company is now submitting revised O&M budget tables for fiscal year 2010. Please note that the Company has not made any changes to its proposed fiscal year 2010 capital budget as filed on October 6, 2009.

With this filing, the Company believes it has resolved all outstanding issues related to this docket and respectfully recommends that this docket be closed.

Thank you for your time and attention to this matter. If you have any questions, please feel free to contact me at 781-907-1849.

Very truly yours,



Alexandra E. Blackmore

Enclosures

cc: Suzanne Amidon, Esq.  
Thomas Frantz  
Steve Mullen