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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

June 24, 2010 - 10:39 a.m.  
Concord, New Hampshire

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RE: DE 10-096  
GRANITE STATE ELECTRIC COMPANY  
d/b/a NATIONAL GRID:  
Petition for a Temporary Increase to  
its Storm Fund.

PRESENT: Chairman Thomas B. Getz, Presiding  
Commissioner Clifton C. Below  
Commissioner Amy L. Ignatius

Sandy Deno, Clerk

APPEARANCES: Reptg. Granite State Electric Company  
d/b/a National Grid:  
Sarah B. Knowlton, Esq. (McLane, Graf...)

Reptg. PUC Staff:  
Suzanne G. Amidon, Esq.  
Steven E. Mullen, Asst. Dir./Electric Div.

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

ORIGINAL

## I N D E X

## PAGE NO.

WITNESS PANEL: KRISTIN J. MAHNKE  
DAVID E. TUFTS

Direct examination by Ms. Knowlton 5  
Cross-examination by Mr. Mullen 10  
Interrogatories by Cmsr. Below 11

\* \* \*

## E X H I B I T S

EXHIBIT NO. DESCRIPTION PAGE NO.

1 Storm Fund Recovery Filing 4  
consisting of the Testimony &  
Schedules of David E. Tufts and  
Kristin J. Mahnke (04-08-10)  
2 Revised Schedule KJM-1, Page 1 of 1, 5  
and Revised Schedule KJM-4 consisting  
of 16 pages

\* \* \*

CLOSING STATEMENTS BY: PAGE NO.

Ms. Amidon 12  
Ms. Knowlton 13

## P R O C E E D I N G

CHAIRMAN GETZ: Okay. Good morning, everyone. We'll open the hearing in docket DE 10-096. On April 8, 2010, National Grid filed a proposed tariff to temporarily increase customer contributions to the Company's Storm Fund. The Company seeks to increase funding of its Storm Fund over a three year period beginning July 1, 2010. An order suspending the tariff and scheduling a prehearing conference was issued on April 29, pursuant to which a prehearing conference was held on June 1. After the prehearing conference, a technical session was held, and the parties filed a report on the technical session. And, pursuant to a secretarial letter issued on June 14, the hearing today was scheduled on the merits of the Company's proposal to allow a partial recovery of storm-related costs.

Can we take appearances please.

MS. KNOWLTON: Good morning, Commissioners. My name is Sarah Knowlton. I'm with the McLane law firm. I'm here today on behalf of Granite State Electric Company, doing business as National Grid. And, with me today from the Company are the Company's two witnesses, David Tufts and Kristin Mahnke. And, then, also Jeanne Lloyd is here with me at counsel's table.

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1 CHAIRMAN GETZ: Good morning.

2 MR. TUFTS: Good morning.

3 MS. AMIDON: Good morning. Suzanne  
4 Amidon, for Commission Staff. And, with he today is Steve  
5 Mullen, who is the Assistant Director of the Electric  
6 Division.

7 CHAIRMAN GETZ: Good morning. Are you  
8 ready to proceed, Ms. Knowlton?

9 MS. KNOWLTON: Yes, I am. And, before  
10 the witnesses take the stand, we would propose to mark for  
11 identification two exhibits. As Exhibit 1, the Company's  
12 initial filing that was made on April 8th, 2010.

13 CHAIRMAN GETZ: That will be marked for  
14 identification as "Exhibit 1".

15 (The document, as described, was  
16 herewith marked as **Exhibit 1** for  
17 identification.)

18 MS. KNOWLTON: Thank you. And, we've  
19 proposed to mark as "Exhibit 2" a document on the first  
20 page says "Revised Schedule KJM-1". It's a multipage  
21 packet, and this is revised bill impacts based on  
22 testimony that we'll be presenting today.

23 CHAIRMAN GETZ: And, that will be marked  
24 for identification as "Exhibit Number 2".

[WITNESS PANEL: Tufts ~ Mahnke]

1 MS. KNOWLTON: Thank you. The Company  
2 calls David Tufts and Kristin Mahnke.

3 (Whereupon *David E. Tufts* and  
4 *Kristin J. Mahnke* were duly sworn and  
5 cautioned by the Court Reporter.)

6 DAVID E. TUFTS, SWORN

7 KRISTIN J. MAHNKE, SWORN

8 DIRECT EXAMINATION

9 BY MS. KNOWLTON:

10 Q. I'll start with you, Mr. Tufts. If you would state  
11 your full name for the record please.

12 A. (Tufts) David Tufts.

13 Q. By whom are you employed?

14 A. (Tufts) National Grid.

15 Q. In what capacity?

16 A. (Tufts) I am the Director of Revenue Requirements for  
17 National Grid.

18 Q. Are you familiar with the document that's been marked  
19 as "Exhibit 1"?

20 A. (Tufts) Yes.

21 Q. And, that is the Testimony and Schedules of David Tufts  
22 and Kristin Mahnke in support of the Company's Storm  
23 Fund Recovery Filing?

24 A. (Tufts) That's correct.

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[WITNESS PANEL: Tufts ~ Mahnke]

1 Q. And, was this prepared by you or under your direction?

2 A. (Tufts) Yes, it was.

3 Q. Do you have any corrections to this?

4 A. (Tufts) No, I do not.

5 Q. If I were to ask you the questions today that are  
6 contained in your testimony, would the answers be the  
7 same?

8 A. (Tufts) Yes, they would be.

9 Q. Are they true and correct?

10 A. (Tufts) Yes, they are.

11 Q. Thank you. Ms. Mahnke, if you would state your full  
12 name for the record please.

13 A. (Mahnke) Kristin Mahnke.

14 Q. And, by whom are you employed?

15 A. (Mahnke) National Grid.

16 Q. What is your position with the Company?

17 A. (Mahnke) I'm an analyst in the Regulation and Pricing  
18 Department at National Grid.

19 Q. Are you familiar with the document that's been marked  
20 as "Exhibit 1"?

21 A. (Mahnke) Yes.

22 Q. And, was that -- that is your testimony in this  
23 proceeding?

24 A. (Mahnke) Correct.

{DE 10-096} {06-24-10}

[WITNESS PANEL: Tufts ~ Mahnke]

1 Q. Was that testimony prepared by you or under your  
2 direction?

3 A. (Mahnke) Yes.

4 Q. Do you have any corrections to it?

5 A. (Mahnke) I have revised schedules that I prepared.

6 Q. And, that has been marked for identification as  
7 "Exhibit 2"?

8 A. (Mahnke) Correct.

9 Q. If I were to ask you the questions contained in your  
10 testimony that's in Exhibit 1 today, would your answers  
11 be the same?

12 A. (Mahnke) Correct.

13 Q. Are they true and correct?

14 A. (Mahnke) Yes.

15 Q. Mr. Tufts, are you familiar with any discussions  
16 between the Company and Staff with regard to a proposed  
17 level of increased funding for the Storm Fund on a  
18 temporary basis?

19 A. (Tufts) Yes, I am.

20 Q. And, what are those? What is the nature -- what are  
21 the nature of those discussions?

22 A. (Tufts) To increase the Storm Fund Recovery temporarily  
23 of \$30,000 additional incremental amount per month  
24 beginning July 1st.

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[WITNESS PANEL: Tufts ~ Mahnke]

1 Q. And, when you say "incremental", what would that be in  
2 addition to?

3 A. (Tufts) In addition to the 10,000 a month that's  
4 currently being recovered through our Storm Funding  
5 provision.

6 Q. And, that's pursuant to the Merger Settlement  
7 Agreement?

8 A. (Tufts) That is correct.

9 Q. And, is it your understanding that the Staff has agreed  
10 to that level?

11 A. (Tufts) That is my understanding.

12 Q. Thank you. Ms. Mahnke, if you could look at what's  
13 been marked for identification as "Exhibit 2" and  
14 explain to the Commission what this document is.

15 A. (Mahnke) Sure. Revised Schedule KJM-1 is a calculation  
16 of the Storm Recovery Adjustment Factor with that  
17 incremental 30,000 over the 36-month period, the three  
18 year period. And, Revised Schedule KJM-4 is using that  
19 Storm Recovery Adjustment Factor and creating the  
20 typical bills, which, for a residential 500  
21 kilowatt-hour customer, is an overall increase of 20  
22 cents, or 0.3 percent.

23 Q. And, which page do you see that on?

24 A. (Mahnke) Oh, I'm sorry. It's Revised Schedule KJM-4,

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[WITNESS PANEL: Tufts ~ Mahnke]

1 Page 1, and it's actually highlighted.

2 Q. And, Ms. Mahnke, is it your understanding that this  
3 agreement is for a temporary basis only?

4 A. (Mahnke) Correct.

5 Q. And, are you aware that there is an audit that's  
6 ongoing of the costs incurred by the Company --

7 A. (Mahnke) Yes.

8 Q. -- for storms?

9 A. (Mahnke) Yes.

10 Q. And, this amount, which the Company is proposing for  
11 the Commission to adopt, would be subject to a true-up  
12 proceeding?

13 A. (Mahnke) Correct.

14 Q. And, that true-up proceeding is conditioned upon  
15 completion of the Staff audit, correct?

16 A. (Mahnke) Correct.

17 MS. KNOWLTON: I have nothing further  
18 for these witnesses.

19 CHAIRMAN GETZ: Thank you. Ms. Amidon.

20 MS. AMIDON: Mr. Mullen has a couple of  
21 questions, I believe.

22 MR. MULLEN: Good morning.

23 CROSS-EXAMINATION

24 BY MR. MULLEN:

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[WITNESS PANEL: Tufts ~ Mahnke]

1 Q. Mr. Tufts, if you refer to Exhibit 1, I'm looking at  
2 Page 6 of your testimony, which is Bates Page 9.

3 A. (Tufts) Yes, I have that.

4 Q. Starting on Line 16, there's a question and answer.  
5 The question says "Is the Company asking the Commission  
6 to approve the inclusion of the ultimate costs of the  
7 December 12th Ice Storm in the Storm Fund?" And, your  
8 answer said that "No. The Company must submit a final  
9 storm report with the Commission." Am I correct that  
10 on April 1st, 2010, the Company, in fact, did file a  
11 storm report with the Commission?

12 A. (Tufts) Yes, the Company did file that report.

13 Q. And, that was filed under the docket DG 06-107, which  
14 was the merger case with National Grid and KeySpan?

15 A. (Tufts) That's correct.

16 Q. Okay. So, the costs that were included in the filing  
17 in the instant docket are the same as the costs that  
18 were in that storm fund report?

19 A. (Tufts) Yes, that's correct.

20 Q. Okay. And, Ms. Mahnke, the Storm Recovery Adjustment  
21 provision, that's a new proposed provision, correct?

22 A. (Mahnke) Correct.

23 Q. So, this would be a separate line item appearing on  
24 customers' bills that is not currently there?

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[WITNESS PANEL: Tufts ~ Mahnke]

1 A. (Mahnke) Correct.

2 Q. And, why does the Company propose a separate line item  
3 for this?

4 A. (Mahnke) We want to have it as a placeholder to set up  
5 for adjustments when necessary going forward in the  
6 future.

7 Q. So, to the extent that there's any other major storms,  
8 which we hope there isn't, but, to the extent that  
9 there is, this would be a place to adjust for those  
10 costs going forward?

11 A. (Mahnke) Correct.

12 MR. MULLEN: Thank you. I have nothing  
13 further.

14 CHAIRMAN GETZ: Thank you. Commissioner  
15 Below.

16 CMSR. BELOW: A couple of questions.

17 BY CMSR. BELOW:

18 Q. With the current roughly 10,000 per month that goes  
19 into the Storm Fund, that would stay in the regular  
20 distribution rate and not show up in the separate line  
21 item on the bills, is that correct?

22 A. (Mahnke) Correct.

23 Q. And, what is the -- Mr. Tufts, I think in your  
24 testimony you say the interest paid, if there's a

[WITNESS PANEL: Tufts ~ Mahnke]

1 positive balance, is "3.25 percent", the customer  
2 deposit rate, which is currently 3.25. What is the  
3 rate that the Fund accrues on behalf of the Company  
4 when it's in a deficit position?

5 A. (Tufts) It's the same customer deposit rate.

6 CMSR. BELOW: Okay. Thank you.

7 CHAIRMAN GETZ: Okay. Nothing further  
8 from the Bench. Do you have anything in addition,  
9 Ms. Knowlton?

10 MS. KNOWLTON: I have nothing further.

11 CHAIRMAN GETZ: Okay. Then, the  
12 witnesses are excused. Thank you. Is there any objection  
13 to striking the identification and admitting the exhibits  
14 into evidence?

15 (No verbal response)

16 CHAIRMAN GETZ: Hearing no objection,  
17 they will be admitted into evidence. Is there anything  
18 else we need to address before opportunity for closings?

19 (No verbal response)

20 CHAIRMAN GETZ: Hearing nothing, then,  
21 Ms. Amidon.

22 MS. AMIDON: Thank you. The Staff does  
23 not dispute that the Company incurred some costs related  
24 to the December 2008 Ice Storm. And, we have asked the

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1     Audit Division to review the costs claimed by the Company,  
2     and the audit is ongoing, as was mentioned by the  
3     witnesses. And, however, in recognition that National  
4     Grid needs to begin to recover costs for the Storm  
5     Reserve, since they are in a negative position, we've  
6     agreed to allow the Company, as was stated by the  
7     witnesses, to begin recovering \$30,000 per month, in  
8     addition to the \$10,000 per month they recover for the  
9     Storm Reserve Fund, beginning with rates effective July 1,  
10    2010.

11                   Once the Audit Division has completed  
12    their review of the costs associated with the storm, we  
13    will review that audit result and make appropriate  
14    recommendations to the Commission at that time. I expect  
15    we will have one final hearing to discuss the audit review  
16    results and the proposed rate to allow the Company to  
17    recover the costs associated with the December 12, 2008  
18    storm and to bring their Storm Reserve up to a positive  
19    amount.

20                   CHAIRMAN GETZ: Thank you.

21    Ms. Knowlton.

22                   MS. KNOWLTON: The Company has incurred  
23    significant costs associated with storm restoration  
24    activities. And, the Company's proposal and agreement

1 with Staff to increase the funding of that Storm -- the  
2 Storm Fund on a temporary basis I believe is in the  
3 customers' interest. There's a significant deficit  
4 balance right now. And, with the increase, that will  
5 start to decrease that deficit. Customers are paying  
6 interest, you know, to the Company based on the amount  
7 that is currently outstanding and owing. So, I think it  
8 is important to begin to chip away at that deficit.

9 The Company recognizes that the audit is  
10 ongoing, and we look forward to continuing to work with  
11 the Staff in responding to the audit questions, and hope  
12 that we can conclude the audit soon and resolve the matter  
13 on a permanent basis, and, you know, get to the right  
14 final number for this Storm Fund Adjustment.

15 CHAIRMAN GETZ: Okay. All right. Thank  
16 you. Then, we will close the hearing and take the matter  
17 under advisement.

18 (Whereupon the hearing ended at 10:51  
19 a.m.)  
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24