

1 STATE OF NEW HAMPSHIRE

2 PUBLIC UTILITIES COMMISSION

3
4 **June 14, 2012** - 10:15 a.m.
5 Concord, New Hampshire

6 NHPUC JUN19'12 AM 9:30

7 RE: DE 12-130
8 GRANITE STATE ELECTRIC COMPANY
9 d/b/a NATIONAL GRID:
10 *2012 Reliability Enhancement Plan and*
11 *Vegetation Management Plan.*

12 **PRESENT:** Chairman Amy L. Ignatius, Presiding
13 Commissioner Michael D. Harrington

14 Sandy Deno, Clerk

15 **APPEARANCES:** Reptg. Granite State Electric Company
16 d/b/a National Grid:
17 Jinjue Pak, Esq. (McLane, Graf...)

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

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22
23 Court Reporter: Steven E. Patnaude, LCR No. 52

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I N D E X

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	JEFFREY M. CARNEY	
	WILLIAM R. RICHER	

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	Ms. Amidon	36
	Ms. Pak	36

P R O C E E D I N G

1
2 CHAIRMAN IGNATIUS: I'd like to open the
3 hearing in DE Docket 12-130, which is Granite State
4 Electric Company's reconciliation regarding the
5 Reliability Enhancement and Vegetation Management Plan.
6 Proposed tariff pages were filed that incorporated the
7 reconciliations. And, on June 1st, the Commission
8 suspended the tariff and scheduled a hearing for today.
9 If all of the changes requested were approved, the end
10 result would be a bill increase of 27 cents, or
11 0.3 percent, for residential customers using an average of
12 661 kilowatt-hours per month.

13 So, let's take appearances please.

14 MS. PAK: Good morning, Commissioners.
15 Jinjue Pak, of the McLane law firm, on behalf of Granite
16 State Electric Company, doing business as National Grid.
17 With me today are National Grid's three witnesses,
18 Jennifer Grimsley, Jeffrey Carney, and William Richer.
19 Also, present, observing the hearing today, from National
20 Grid, are Chris Brouillard and Amy Smith; from Liberty
21 Utilities, Meera Reynolds; and, from the McLane law firm,
22 Steve Camerino, observing the hearing.

23 CHAIRMAN IGNATIUS: Good morning,
24 everyone.

1 MS. AMIDON: Good morning. Suzanne
2 Amidon, for Commission Staff. And, with me today is Steve
3 Mullen, the Assistant Director of the Electric Division.

4 CHAIRMAN IGNATIUS: All right. Are
5 there any matters we should take up before beginning with
6 evidence?

7 MS. PAK: I do have one preliminary
8 matter. The Company would like to mark for identification
9 its Reliability Enhancement Plan and Vegetation Management
10 Plan Report and Reconciliation Filing dated May 15, 2012
11 as "Exhibit 1".

12 CHAIRMAN IGNATIUS: All right. And,
13 that was the full multi-attachment packet?

14 MS. PAK: That is correct.

15 CHAIRMAN IGNATIUS: All right. We'll
16 mark that as "Exhibit 1".

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

20 CHAIRMAN IGNATIUS: And, are the
21 witnesses all testifying as a panel, or separately?

22 MS. PAK: Yes, they are.

23 CHAIRMAN IGNATIUS: All right. Anything
24 else?

[WITNESS PANEL: Grimsley~Carney~Richer]

1 (No verbal response)

2 CHAIRMAN IGNATIUS: If not, why don't
3 you seat your witnesses.

4 MS. PAK: Great. With that, the Company
5 calls Jennifer Grimsley, Jeffrey Carney, and William
6 Richer to the witness stand.

7 (Whereupon *Jennifer L. Grimsley,*
8 *Jeffrey M. Carney,* and *William R. Richer*
9 were duly sworn by the Court Reporter.)

10 **JENNIFER L. GRIMSLEY, SWORN**

11 **JEFFREY M. CARNEY, SWORN**

12 **WILLIAM R. RICHER, SWORN**

13 **DIRECT EXAMINATION**

14 BY MS. PAK:

15 Q. Ms. Grimsley, I'll begin with you. Can you please
16 state your full name for the record?

17 A. (Grimsley) My name is Jennifer Grimsley.

18 Q. By whom are you employed?

19 A. (Grimsley) I'm employed by National Grid.

20 Q. In what capacity?

21 A. (Grimsley) I'm the Director of Network Strategy for New
22 England.

23 Q. And, what are your job responsibilities?

24 A. (Grimsley) I'm responsible for regulatory filings and

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[WITNESS PANEL: Grimsley~Carney~Richer]

1 regulatory compliance for electric distribution
2 operations for Granite State Electric, and the
3 Massachusetts and Rhode Island branches of National
4 Grid as well.

5 Q. Thank you. Mr. Carney, can you please state your full
6 name for the record?

7 A. (Carney) Jeffrey M. Carney.

8 Q. By whom are you employed?

9 A. (Carney) National Grid.

10 Q. In what capacity?

11 A. (Carney) I am the System Arborist.

12 Q. What are your job responsibilities?

13 A. (Carney) Essentially, asset management, short and
14 long-term planning, specifications.

15 Q. Thank you. And, Mr. Richer, please state your full
16 name for the record.

17 A. (Richer) William R. Richer.

18 Q. By whom are you employed?

19 A. (Richer) National Grid.

20 Q. In what capacity?

21 A. (Richer) I'm the Director of Revenue Requirements for
22 the Rhode Island and New Hampshire businesses.

23 Q. And, what are your job responsibilities?

24 A. (Richer) I handle the general revenue requirements type

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1 work, involving compliance filings, rate case filings,
2 and the like.

3 Q. Thank you. Ms. Grimsley and Mr. Carney, do you have
4 before you what has been marked as "Exhibit 1"?

5 A. (Grimsley) Yes, I do.

6 A. (Carney) Yes.

7 Q. Does Exhibit 1 contain your prefiled joint testimony?

8 A. (Grimsley) Yes, it does.

9 A. (Carney) Yes.

10 Q. And, were the -- was the joint testimony prepared under
11 your supervision or by you?

12 A. (Grimsley) Yes, it was.

13 A. (Carney) Yes.

14 Q. Ms. Grimsley, do you have any updates or corrections to
15 your joint testimony?

16 A. (Grimsley) Yes. I have two small corrections. My
17 first correction is to the Report itself, the 2012
18 REP/VMP Report. On Page 2 of the Report, approximately
19 midway through the page, there's a paragraph -- there's
20 a paragraph that starts with "The Company is
21 submitting". The last -- the last part of that
22 sentence, it says "capital investment made during
23 Fiscal Year 2011 ("FY 2011")." That should read
24 "Fiscal Year 2012 ("FY 2012")."

1 CHAIRMAN IGNATIUS: I'm sorry. We were
2 still fussing with our papers. Can you tell us again? We
3 got Page 2, and that midparagraph.

4 WITNESS GRIMSLEY: Page 2. There's a
5 paragraph in the middle of the page that starts with "The
6 Company is submitting the combined testimony". That first
7 sentence, at the end of the first sentence in that
8 paragraph, it says "capital investment made during Fiscal
9 Year 2011 ("FY 2011")." That should read "Fiscal Year
10 2012 ("FY 2012")."

11 CHAIRMAN IGNATIUS: Thank you.

12 **BY THE WITNESS:**

13 A. (Grimsley) And, my next correction is in a different
14 part of the Exhibit 1. It's in the "Panel Testimony"
15 section, the "Direct Testimony of Jennifer Grimsley and
16 Jeffrey Carney". On the "Table of Contents" page, Item
17 IV should read "Fiscal Year 2012 REP and VMP
18 Implementation", not "Fiscal Year 2010". Those are my
19 corrections.

20 BY MS. PAK:

21 Q. And, Mr. Carney, do you have any other corrections to
22 the joint testimony?

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

24 Q. Thank you. With these changes, if I were to ask the

[WITNESS PANEL: Grimsley~Carney~Richer]

1 questions contained in the joint testimony to you
2 today, would your answers still be the same?

3 A. (Grimsley) Yes, they would.

4 A. (Carney) Yes.

5 Q. Thank you. Mr. Richer, I will ask you similar
6 questions.

7 A. (Richer) Okay.

8 Q. Do you have before you what has been marked as
9 "Exhibit 1"?

10 A. (Richer) Yes, I do.

11 Q. Are you familiar with Exhibit 1?

12 A. (Richer) Yes, I am.

13 Q. Does Exhibit 1 contain your prefiled testimony and
14 schedules?

15 A. (Richer) Yes, it does.

16 Q. Were the prefiled testimony and schedules prepared by
17 you or under your direction?

18 A. (Richer) Yes, they were.

19 Q. And, do you have any corrections to your testimony?

20 A. (Richer) Yes. I have three corrections. The first
21 correction to my testimony is on Page 9. And, the
22 revision to Lines 13 through 17, that sentence that
23 starts at the end of Line 13, where it says "It is
24 estimated". After "It is estimated", I would insert

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[WITNESS PANEL: Grimsley~Carney~Richer]

1 "based on National Grid's position under its
2 interpretation of the IRS rules and guidelines", then I
3 would continue the sentence. So, I can read the whole
4 sentence, which says: "It is estimated based on
5 National Grid's position under its interpretation of
6 the IRS rules and guidelines that approximately
7 24.7 percent of REP capital work performed during
8 Fiscal Year 2012 is eligible for the capital repairs
9 deduction on the Company's pending Fiscal Year 2012 tax
10 return, as shown on Line 3 of Page 8, which is applied
11 to the REP capital additions to derive the capital
12 repairs deduction." So, that was the first correction.

13 The second correction is on Page 11.

14 And, on Line 3, --

15 CHAIRMAN IGNATIUS: I'm sorry, which
16 page?

17 WITNESS RICHER: I'm sorry. That's
18 Page 11.

19 CHAIRMAN IGNATIUS: Thank you.

20 **BY THE WITNESS:**

21 A. (Richer) And, on Line 3 of that page, the sentence that
22 starts "When the tax", the next word is spelled
23 incorrectly, it should say "depreciation". And, then,
24 finally, my last schedule, Schedule WRR-4, at the very

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[WITNESS PANEL: Grimsley~Carney~Richer]

1 end, it's the very last page of that schedule, there's
2 a Footnote "(3)" on that page.

3 CHAIRMAN IGNATIUS: Not on the one I
4 found. So, maybe I'm in the wrong document. My 4, the
5 last page says "Impact on Rate G-2 Default Service
6 Customers".

7 MS. PAK: If I may, Chairman? I believe
8 it's Schedule 5 to Mr. Richer's testimony.

9 WITNESS RICHER: My apologies. So, it's
10 the very last page. And, it's Footnote (3) of that page.
11 And, there's a number in parentheses at the end. That
12 number should be "0.00037".

13 CMSR. HARRINGTON: So, instead of a "2",
14 it's a "7", is that correct?

15 WITNESS RICHER: That's correct.

16 CMSR. HARRINGTON: Thank you.

17 BY MS. PAK:

18 Q. Thank you, Mr. Richer. Do you have any other
19 corrections?

20 A. (Richer) I do not.

21 Q. With these corrections, if I were to ask you the
22 questions contained in your prefiled testimony today,
23 would your answers be the same?

24 A. (Richer) Yes, they would.

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[WITNESS PANEL: Grimsley~Carney~Richer]

1 MS. PAK: Thank you. The witnesses are
2 available for cross-examination.

3 CHAIRMAN IGNATIUS: Ms. Amidon.

4 MS. AMIDON: With your permission, I
5 would like Mr. Mullen to conduct the cross?

6 CHAIRMAN IGNATIUS: That's fine.

7 MS. AMIDON: Thank you.

8 MR. MULLEN: Good morning.

9 WITNESS GRIMSLEY: Good morning.

10 WITNESS CARNEY: Good morning.

11 WITNESS RICHER: Good morning.

12 **CROSS-EXAMINATION**

13 BY MR. MULLEN:

14 Q. If you could turn to Page 2 of the filing. And, it
15 will be in that paragraph in the middle of the page.
16 The second sentence starts that "In addition". Mr.
17 Richer, let me just see if I can clarify what I think
18 is a typo. That sentence talks about a "request for a
19 decrease in distribution rates". That really should
20 say "increase", is that correct?

21 A. (Richer) That is correct. Although we are providing a
22 refund, it is a smaller refund than we -- than what was
23 provided in last year's filing. So, you're correct, it
24 is an increase.

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[WITNESS PANEL: Grimsley~Carney~Richer]

1 Q. While we're on the subject of this refund, let's just
2 make sure we have this clear. And, if you could turn
3 to Page 4 of your testimony, Mr. Richer.

4 CMSR. HARRINGTON: Sorry. We're on Page
5 4 of whose testimony now?

6 MR. MULLEN: Mr. Richer's testimony.

7 CMSR. HARRINGTON: Okay.

8 BY MR. MULLEN:

9 Q. And, starting on Line 13, you talk about this. And, I
10 just want to be clear. There is an increase, but,
11 typically, when we think of "refund", people think that
12 there's a decrease. And, am I correct to say that,
13 while there is a refund, the increase results from the
14 fact that the refund is lower than the prior year's
15 refund that's currently in rates?

16 A. (Richer) That is correct.

17 Q. Okay. So, because there's a lot of back and forth
18 between refunds and increases, but that's essentially
19 what's happening here, is that right?

20 A. (Richer) That is correct.

21 Q. Okay. Let me go back to the beginning here and start
22 going through with some questions. On Page 5 of the
23 filing, and whoever is appropriate to answer this can
24 do so, the first paragraph talks about the "O&M costs

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[WITNESS PANEL: Grimsley~Carney~Richer]

1 associated with the Reliability Enhancement Program".

2 And, the third sentence talks about "inspection and

3 maintenance", and says that some of that "was completed

4 late in the fiscal year", and the "invoices were not

5 processed or paid in Fiscal Year 2012". And, as I read

6 the next sentence, about the "additional costs [of]

7 approximately 3,900", will those costs be included in

8 Fiscal Year 2013 or will they not?

9 A. (Grimsley) They will not be included in 2013, as, in

10 2013, we have not included I&M -- the inspection and

11 maintenance component in the REP program. So, this was

12 a change from previous years, where we had included I&M

13 in our program, and, in FY '13, those costs are not

14 included in the program.

15 Q. You will still be doing the inspection and maintenance?

16 A. (Grimsley) Correct. It will be more in the Base Plan.

17 Q. Okay.

18 CMSR. HARRINGTON: I'm sorry. What did

19 you say in the last sentence?

20 WITNESS GRIMSLEY: It will be in the

21 Base Plan. In the other work we do that's not in the REP

22 Plan.

23 BY MR. MULLEN:

24 Q. Okay. Moving forward to Page 7. And, this describes

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1 some other work again that kind of straddles the end of
2 one fiscal year and gets carried into the next one. If
3 you could just talk briefly about the discussion that
4 starts in the middle of the page about "feeder
5 hardening", and what happened at the end of Fiscal Year
6 2012 and how that's going to be reflected in Fiscal
7 Year 2013?

8 A. (Grimsley) Sure. In Fiscal Year 2012, the plan was to
9 do 57 miles of feeder hardening. And, the estimate for
10 that was \$360,000. That work was actually performed at
11 the end of the fiscal year. So, the work was done in
12 March, a lot of the work was done in March. And, those
13 costs were not paid for in Fiscal Year '12. We did
14 anticipate that there would be some carry-over costs
15 from Fiscal Year '12 to Fiscal Year '13. We estimated
16 approximately \$100,000 would carry over from FY '12
17 into FY '13. What actually happened was approximately
18 225,000 of the work that was completed is carrying over
19 into Fiscal Year '13. So, we show that, in Fiscal Year
20 '12, the costs were -- the plant in service was 92,
21 "\$92,346". And, you can see this on Page 6, in the
22 table, Table 4. So, the "\$92,346", plus the 225,000
23 that has yet to be -- to be processed and placed in
24 service, gives us a total capital cost for those

[WITNESS PANEL: Grimsley~Carney~Richer]

1 57 miles of feeder hardening for \$317,000, or 43,000
2 less than what was budgeted. The impact on FY '13, as
3 we assumed 100,000 would carry over, when actually
4 225,000 will carry over, the impact on FY '13 will be
5 an increase in 100 -- in the difference, \$125,000.

6 Q. But, in terms of the work performed, it's not that
7 additional work has been performed that wasn't
8 contemplated, it's just a matter of when the costs are
9 getting -- when the invoices are getting paid and when
10 the plant's being placed in service?

11 A. (Grimsley) Correct.

12 Q. So, it's more of a matter of "pay me now" or "pay me
13 later"?

14 A. (Grimsley) Correct. It's a timing -- it's a timing
15 difference. The work is still, in the FY '12 and the
16 FY '13 plans, are still as originally in the plans.

17 Q. Okay. On Page 8, in the middle of the page you have a
18 discussion about "cutouts". And, I'm just trying to
19 get an idea as to where you stand with those porcelain
20 cutouts?

21 A. (Grimsley) The Potted Porcelain Cutout Program, the
22 intention was to replace all potted porcelain cutouts
23 on the system by 2013. At this time, the replacements
24 that we know of have been completed. There could be a

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[WITNESS PANEL: Grimsley~Carney~Richer]

1 small number of outstanding ones that still require a
2 customer outage. Some of these cutout replacements
3 will require the customer to take an outage, so those
4 have to be coordinated with the customer. So,
5 sometimes there are some of those that might carry
6 over.

7 The cutouts on the system, there -- the
8 Company did not know where all those cutouts were when
9 we went to replace them. They were installed as
10 cutouts. They weren't showing up on our records as the
11 type of cutout. So, to find and replace them required
12 inspections to locate them. At this time, the Company
13 has completed those and identified and replaced the
14 cutouts we are aware of.

15 There is the potential, as I state here,
16 that there were a small amount not replaced due to
17 outage constraints, which should be replaced within
18 this next fiscal year, or a cutout may be encountered
19 that was missed in an inspection. But that should be a
20 very -- a small number. So, essentially, this program
21 is winding down and will complete in this year.

22 Q. Okay. Thank you. If I go to what's labeled as
23 "Attachment 2".

24 A. (Carney) Yes.

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1 Q. The table in the middle of the page is titled "Fiscal
2 Year 2012 Optional Enhanced O&M Budget Hazard Tree
3 Removals".

4 A. (Carney) Yes.

5 Q. If I look at the overhead -- the columns for "Overhead
6 Miles" and "Completed Overhead Miles", are there still
7 some to be completed or what's the plan for those
8 particular two feeders?

9 A. (Carney) The "Overhead Miles" column is the total of
10 three-phase conductor of that feeder. So, those total
11 miles were actually reviewed in the field and hazard
12 trees inspected. And, the "Completed Overhead Miles"
13 essentially are the miles in which we found and
14 completed hazard tree removals.

15 Q. Okay. So, you didn't need to do hazard tree removals
16 from every mile --

17 A. (Carney) That's correct.

18 Q. -- on the feeder?

19 A. (Carney) Correct.

20 Q. Mr. Richer, if we turn to Page 9 of your testimony.
21 And, with respect to the additional language that you
22 inserted on Line 14 earlier, could you give a little
23 discussion about what the meaning of that language is?

24 A. (Richer) Sure. The Company has taken tax deductions on

1 its tax returns related to some guidance that was
2 provided by the IRS in 2009 regarding certain work that
3 the Company capitalizes on its books. But, for tax
4 purposes, is eligible to be deducted immediately as a
5 repairs expense. So, the Company has gone forth and
6 taken those deductions based on its interpretation of
7 those rules. And, so, that was the intent of that
8 particular sentence.

9 Q. Okay. As a matter of course, does National Grid's tax
10 returns get audited by the IRS each year?

11 A. (Richer) They are audited, all years get audited. They
12 may not be audited every year, but I think that they
13 package a handful of years at what one time. But,
14 essentially, every year gets audited, to my knowledge.

15 Q. So, am I correct to say that, consistent with the
16 language that was inserted into your testimony earlier,
17 IRS is still reviewing the Company's position on that
18 particular tax provision, and is it possible that,
19 depending on what the IRS determines, there could be a
20 different outcome?

21 A. (Richer) That's correct. Yes. The Company made its
22 best estimate based on its interpretation of the rules,
23 but it is subject to audit by the IRS. And, the
24 percentage -- or, the deductions that were taken by the

1 Company could change.

2 Q. And, I don't know if you're aware, are you also aware
3 that was this issue discussed in another National Grid
4 Company's most recent rate case here, for EnergyNorth?

5 A. (Richer) Yes, I'm aware of that. Yes, for EnergyNorth,
6 it was discussed as part of the rate case. That, to
7 the extent that the deductions that the Company took on
8 its tax returns on -- and I should state that the
9 deductions that we take result in a higher level of
10 deferred taxes. And, deferred taxes represents a
11 reduction to rate base. So, these -- the tax
12 deductions that we take and the resulting deferred
13 taxes have the effect of lowering the Company's revenue
14 requirement and lowering rates that we charge to
15 customers. So, it's in the customers' best interest
16 that we take these deductions.

17 But, to the extent that the Company's
18 position, in terms of its interpretation of these
19 deductions, the IRS ultimately comes out with a
20 different result on audit. The order in EnergyNorth's
21 rate case gave the Company the ability to reflect that
22 change in position at the time that -- that it's
23 required to pay additional taxes.

24 Q. But it could be, I mean, IRS could say "we're fine with

1 what you did", they could say "we don't agree with it
2 at all", or they could say "we agree with it
3 partially"?

4 A. (Richer) That's correct. Yes.

5 Q. Okay. Just to put some specifics to this case, if you
6 turn to your Schedule WRR-1, Page 3 of 14. If I look
7 at the bottom of the page, Footnote (d), could you
8 explain what Footnote (d) shows?

9 A. (Richer) Sure. During the preparation of the revenue
10 requirement in this particular proceeding, the Company
11 determined that there were tax deductions taken by the
12 Company for both its capital repairs tax deduction that
13 we've been talking about, as well as bonus
14 depreciation, that essentially should have been
15 reflected in some prior years' filings. So, we've --
16 so, the revenue requirement, as I've calculated it, is
17 calculated based on the tax deductions taken in those
18 years. And, what I'm doing down in Footnote (d) is
19 actually comparing my revised revenue requirement to --
20 for years 2008 through 2011 to the revenue requirements
21 that were filed in the past are related to this
22 program. And, that comparison generated a difference,
23 the difference being 73,471 of a reduction that we're
24 making in the revenue requirement calculation this

[WITNESS PANEL: Grimsley~Carney~Richer]

1 year, to adjust for -- for the fact that we have taken
2 these deductions. So, that's -- we're providing that
3 benefit to customers here.

4 Q. And, on that schedule that we're looking at, that
5 reduction to the revenue requirement shows up on Line
6 36?

7 A. (Richer) It does. It shows up on Line 36, in Column
8 (e).

9 Q. So, if the IRS were to say whether -- either "they did
10 not agree" or they "partially agreed", that number
11 could change?

12 A. (Richer) That number could change.

13 Q. Okay. And, just circling back to one of the first
14 things I asked you, if you turn to WRR-2, Page 3 of 5.
15 The rate credit that's shown on Line 7, that's
16 consistent with the number that you corrected on the
17 last page of the filing earlier, is that correct?

18 A. (Richer) That is correct.

19 Q. And, in terms of the discussion related to "refund" or
20 "increase in rates", and that sort of discussion, that
21 rate credit is not as much of a credit as what is
22 currently in rates, is that correct?

23 A. (Richer) That is correct.

24 Q. And, that's why we're talking about an increase, rather

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1 than a decrease?

2 A. (Richer) That is correct.

3 MR. MULLEN: Thank you. I have nothing
4 further.

5 CHAIRMAN IGNATIUS: Thank you.
6 Commissioner Harrington.

7 CMSR. HARRINGTON: Yes. Good morning.
8 There's only a couple of questions today. I'll ask you
9 the first one -- the easy one first.

10 BY CMSR. HARRINGTON:

11 Q. So, on Page 7 of the -- I don't know what we call it,
12 the beginning part, that's kind of unlabeled, that
13 after the tab that says "Table of Contents". In the
14 middle of the page, it says "Feeder Hardening". It talks
15 about "a remedial program in which the worst performing
16 feeders are targeted". Could you explain a little bit
17 how you determine which are the worst performers, and
18 what's your cut-off point there? Obviously, you can't
19 do everything that fails. So, how do you decide which
20 are the worst performing ones?

21 A. (Grimsley) The Feeder Hardening Program is a program
22 that looks at reliability on the feeders due to causes
23 of deteriorated equipment, lightning, and
24 animal-related --

[WITNESS PANEL: Grimsley~Carney~Richer]

1 Q. Can I -- excuse me just one second please?

2 A. (Grimsley) Sure.

3 Q. Could you define "feeder", I guess, so I know --

4 A. (Grimsley) Okay. A "feeder"?

5 Q. -- exactly what you're talking about, where the break
6 is?

7 A. (Grimsley) A "feeder" is essentially a circuit. So,
8 it's the part of the distribution system that starts at
9 the substation. So, the transmission supply would come
10 into the substation, and there would be a transformer
11 there where that would step the voltage down to a
12 distribution voltage level, 13,000 volts. And, then,
13 coming out of that station would be one or more
14 feeders.

15 Q. Okay.

16 A. (Grimsley) Typically, a feeder might have 3,000
17 customers. A 13 kV feeder might have 13 -- or, 3,000
18 customers on it, approximately. So, the Feeder
19 Hardening Program is looking at making upgrades to that
20 circuit, specifically on the main line of the circuit,
21 the three-phase, but some improvements on the
22 single-phase taps. To improve its performance relative
23 to deteriorated equipment, lightning, and animal
24 outages.

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[WITNESS PANEL: Grimsley~Carney~Richer]

1 So, the engineers would look at the
2 performance of all the feeders, looking at a three-year
3 average, to determine what are the feeders that have
4 the worst performance related to those specific cause
5 codes. Because the Feeder Hardening Program is
6 targeted specifically to replacing deteriorated
7 equipment, improving lightning protection, and
8 installing animal guards. So, that's where the
9 improvement would be seen. So, a feeder may have poor
10 performance, because it might have supply outages or it
11 might have had a motor vehicle accident take out the
12 feeder or tree-related issues. It's not targeting
13 that. It's specifically targeting "what can we do to
14 replace the equipment, install better lightning
15 protection, and animal guards to improve performance?"

16 Q. So, excuse me just one second. You said
17 "tree-related". So, if it was -- I can understand if
18 the outage was caused by what went into the substation
19 or somebody -- a truck hit the telephone pole, there's
20 really nothing you can do about that situation to
21 improve the feeder. But, when you talk about the
22 "trees", so that's -- the vegetation management issue
23 is separate from this?

24 A. (Grimmsley) Trees are considered as a separate program.

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1 Q. Okay.

2 A. (Grimsley) So, Mr. Carney could talk about -- they do a
3 similar thing in the Enhanced Hazard Tree Removal
4 Program, looking at "what are the tree-related outages
5 and how do we improve performance?" So, it's really
6 separating out what's driving the poor performance and
7 fixing those types of issues.

8 Q. And, I'm still trying to get what your criteria is,
9 though. Where do you decide something's "worst
10 performing"? I mean, what's -- I'm assuming there's
11 got to be some type of a number or something, where you
12 say "if the outages are higher than this, they're
13 considered "worst performing", if they're below this,
14 they're not." I mean, am I correct in doing that? I'm
15 just trying to figure out how you do this.

16 A. (Grimsley) There isn't an actual -- there isn't an
17 actual number that we use. It's really ranking them.
18 And, this was a five year program. So, it was starting
19 with, you know, the worse offenders. And, essentially,
20 it's trying to balance all components of a budget. So,
21 this is looking at "how much can be included for and
22 for what cost?" So, initially the program was looking
23 at both three-phase and single-phase, and then we
24 realized that we were getting much more of a benefit on

[WITNESS PANEL: Grimsley~Carney~Richer]

1 the three-phase sections of the feeder. So, we altered
2 the program to do less work on the single-phase, so
3 that we could do more miles overall. So, it's really
4 just balancing the dollars we have available with how
5 much work is out there.

6 Q. So, is the dollars --

7 (Court reporter interruption.)

8 BY CMSR. HARRINGTON:

9 Q. The dollars, is that the determining factor? Here's on
10 budget, how much can I do with this amount of money?

11 A. (Grimsley) Essentially. Essentially, it is the
12 dollars, yes.

13 Q. And, you mentioned -- I said I wasn't going to have
14 that many questions, but you're asking me -- you're
15 inviting me to ask a couple more. You said that the
16 vegetation and the hardware issues are separate. But
17 I'm trying to figure again how you look at something.
18 I mean, if a particular place has all the hardware
19 issues, lightning arresters, animal guards, *etcetera*,
20 are all really in the "top shelf" situation, but we
21 have a lot of trees falling down and taking it out, or,
22 if there's a combination of the two, or there is lousy
23 hardware, but really good vegetation management, why
24 would you separate those two? I mean, isn't it the

[WITNESS PANEL: Grimsley~Carney~Richer]

1 reliability of the circuit, however it becomes reliable
2 or unreliable, is the only thing that counts?

3 A. (Grimsley) Correct. So, what the customer sees is the
4 total circuit no matter what the cause, you're correct.
5 The Feeder Hardening Program would look at "Is
6 vegetation part of the problem?" And, they might,
7 while they were doing that, do some spot trimming, to
8 be sure they have addressed those, or they would refer
9 it to the Vegetation Management team to say "we need to
10 do this jointly and coordinate this." So, it is
11 coordinated, but something can be on just the Feeder
12 Harding List, something can be on just the Enhanced
13 Hazard Tree List, or it can be on both.

14 Q. But, I would think then, as a matter of an absolute
15 checklist, if you're doing some -- sending somebody out
16 for a feeder hardening, on their list of things that
17 they would have to look at would be "is this subject to
18 vegetation falling on it?" I mean, you said "might",
19 and I would like to hear "absolutely", that's what they
20 do every single time while they're out there looking at
21 it.

22 A. (Grimsley) They do include a review of what is causing
23 the poor performance on the circuit, including looking
24 at -- looking at the trees.

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[WITNESS PANEL: Grimsley~Carney~Richer]

1 Q. Okay. Well, now I'll move onto the hard question. I'm
2 going to change my hat here just for a second, put on
3 my old state representative hat. And, if I read this
4 report, the footnote on the bottom of Page 11, which is
5 actually Footnote "11", would be probably the only
6 thing that I would remember from this entire report.
7 Now, I -- and once you get a chance to get there. I
8 understand these were agreed on criteria with the PUC.
9 But what it says is the "eight days were excluded in
10 Fiscal Year 2012: August 28th to August 30", which was
11 the tropical storm, "and October 29th to November 2nd",
12 which was the -- I guess we call it the "Halloween
13 Snowstorm".

14 Again, putting on my state rep. hat, my
15 constituents, including my wife, those would be the
16 only dates they cared about in the entire year. And,
17 yet, they're excluded here. So, what good is all the
18 rest of this, if those are pulled out? What are you
19 doing to make sure that doesn't happen? Because that's
20 when people lost their power for multiple days, that's
21 when they had the real inconveniences.

22 A. (Grimsley) The Company does look at performance both
23 with major storms and without major storms. The intent
24 of the -- taking major storms out, and every state does

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[WITNESS PANEL: Grimsley~Carney~Richer]

1 have some criteria to take major storms out, is to look
2 at improvements that are going to be those day-to-day
3 type of reliability improvements. The -- addressing
4 major storm performance, whether you address the --
5 what caused the outage in the first place or the
6 response, how long it took, requires some different
7 tactics, I believe. So, for example, in both Tropical
8 Storm Irene and in the October snowstorm, in past ice
9 storms, some of those occurrences, the distribution
10 system is not designed to stay in place. So, when a
11 tree comes down, because it had snow, an excessive
12 amount of snow on it with the leaves, that is going to
13 take -- that is going to take part of the circuit down
14 sometimes. Whether that tree would have been caught in
15 a Hazard Tree Program, if it was a healthy tree, we
16 wouldn't have -- we wouldn't have caught that. So,
17 some healthy trees can be damaged, as well as other
18 trees. And, I'll stop talking about trees, because
19 Jeff is much better at that than I am. But other
20 programs can look at how you do more storm hardening of
21 your system. And, those are different, different
22 measures, and really going above and beyond what some
23 of the design criteria are today. And, you know, just
24 looking at the devastation in all of New England and

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[WITNESS PANEL: Grimsley~Carney~Richer]

1 throughout all of the East Coast, I think utilities
2 experienced similar things in the damage to their
3 systems. Those types of storms would require, I think,
4 other, you know, feeder hardening, the Feeder Hardening
5 Program that we do, is not a Storm Hardening Program.
6 You know, the feeders that received feeder hardening
7 still had outages during the storms. A higher level of
8 storm hardening would be required at an additional
9 cost. And, how often do they happen on balance --
10 Q. If I can stop you just for one second? I mean, because
11 I don't want to belabor the point. But I guess my
12 concern here is that someone picks up this report, and
13 it's titled "Fiscal Year 2012 Reliability Enhancement
14 Plan and Vegetation Management Plan Report", and, if
15 they don't see that footnote, they're going to think
16 things are getting much, much better. You have a graph
17 showing the outages going down and everything. And, I
18 realize that, you know, the ice storm, or my house
19 experienced power outages in all of those, sometimes
20 for over a week. So, I know exactly what you're
21 talking about. But somehow, and this is partially the
22 PUC's fault as well, we have to make sure this report
23 is identified as for, you know, "routine outages, does
24 not include" -- and this should be right on the front

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1 page of this. So, if anybody picks this report up,
2 whether it be a normal ratepayer or a state
3 representative or a governor, they will not get the
4 idea that we're trying to say "all is well". And,
5 because the only thing they're going to be concerned
6 about is those days that we say "we're not concerned
7 about in the report." So, somehow that's got to be
8 highlighted right up front, on the cover page, made
9 clear to everybody. We're not talking about those.
10 Because, again, the average citizen, they may get a
11 little ticked off when they lose the power for, you
12 know, two or three hours because of a squirrel. But
13 what they're really ticked off about is when they lose
14 it for two, three, four, five, six days, because of
15 whether it's an ice storm or a hurricane or whatever.
16 And, I think we have to really say that, and then
17 reference the other report that's addressing what
18 they're doing about those things, because I understand
19 it's a real cost thing. Everyone wants to spend a lot
20 of money the day after the ice storm, but they don't
21 want to spend it when they get their electric bill 30
22 days later. So, we've just got to make sure this is
23 clear to everybody. Because this is kind of -- it's
24 kind of misleading. And, like I say, the PUC takes

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1 some responsibility for that as well. But, if that
2 could be corrected, I would appreciate it. And, that
3 will be my last question. Thank you.

4 BY CHAIRMAN IGNATIUS:

5 Q. A couple of questions I had that build on that. In
6 looking at the routine results, and after the major
7 events have been excluded, and it looks like Pages 10
8 and 12 of the Report. The numbers are significantly
9 down and show good progress in reliability and the
10 different ways accounted between the two charts. Is
11 there anything that -- can you draw the connection that
12 this program is what's accounting for these good
13 results? Or, is it also related to any other factors
14 of weather or the fact that do we now pull more storms
15 out, and so we're not really comparing apples-to-apples
16 in prior years? Any way to help interpret, and I don't
17 mean to be, you know, looking for bad news, when it
18 looks like good news on the charts. I mean, it is an
19 impressive reduction. But is there sort of another
20 part to the story we need to know when we look at those
21 two charts?

22 A. (Grimsley) Okay. To address your last -- some of your
23 last comments about "are they the same year after
24 year?" Essentially, by using the PUC criteria or the

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1 IEEE criteria, that is what normalizes it to a certain
2 extent, so that it is the same. So, I think going back
3 to 1999, in both of these graphs, I think, one starts
4 at 2000, though, the Fiscal Year '01, I would say it is
5 a consistent scale. So, that is not an issue. And, I
6 would say that the Company has made a concerted effort
7 on reliability, using the Reliability Enhancement
8 Program, and that has been a driver for the reducing --
9 the improving trend in reliability outages. That we've
10 seen that in other states as well. So, the Reliability
11 Enhancement Program was in all of our jurisdictions,
12 and we've seen similar -- similar results. And, we
13 measure the results of the Feeder Hardening Program to
14 see how our feeders performing before and after. And,
15 as I've said before, we've made some changes to the
16 program to really get that better benefit.

17 So, reliability does have variability
18 year on year. So, there can be impacts of a good
19 weather year. And, I think, in the past, we've talked
20 about 2009, as anecdotally a very good weather year.
21 So, you can see that, on the calendar year chart, the
22 2009 dipped, and that was partially due to a very good
23 weather year. So, the Company does look more at trends
24 in monitoring this and deciding what to do going

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1 forward, to kind of avoid that bias of "we had a good
2 year and we're done."

3 I think there is still always room for
4 improvement, and it does require sustaining the
5 reliability, so continuing -- continuing these
6 programs, to not let it deteriorate again, I think is
7 important. So, did that get to all your questions?

8 Q. It does to much of it. I think the one thing, and you
9 may have said it, but let me just make sure I
10 understand it. In years prior to 2009, were these
11 calculated in the same way of removing certain
12 qualifying major storms?

13 A. (Grimsley) Yes. Yes. The criteria for the PUC that's
14 listed in the footnote, that's the same criteria for
15 all years.

16 CHAIRMAN IGNATIUS: Thank you. I think
17 that's it for us. Thank you very much. Any redirect,
18 Ms. Pak?

19 MS. PAK: I have none. Thank you.

20 CHAIRMAN IGNATIUS: All right. Then,
21 the witnesses are excused. Thank you very much for your
22 testimony.

23 WITNESS GRIMSLEY: Thank you.

24 CHAIRMAN IGNATIUS: Are there any other

1 matters, other than striking the identification of
2 Exhibit 1? I assume there's no objection to that?

3 (No verbal response)

4 CHAIRMAN IGNATIUS: We'll make it a full
5 exhibit. Any other procedural matters, before we go to an
6 opportunity for closings?

7 MS. PAK: Nothing.

8 CHAIRMAN IGNATIUS: All right. Then,
9 Ms. Amidon.

10 MS. AMIDON: Thank you. Staff has
11 reviewed the filing. And, we've determined that the
12 Company calculated the reconciliation and the resulting
13 rates in accordance with the terms of the Settlement
14 Agreement approved by the Commission in Docket DG 06-107.
15 Therefore, the Staff would recommend that the Commission
16 approve the Petition. Thank you.

17 CHAIRMAN IGNATIUS: Ms. Pak.

18 MS. PAK: Thank you, Commissioners. As
19 demonstrated by the Company's REP/VMP Report and
20 Reconciliation Filing, as well as the testimony given here
21 today, the operating and maintenance activities and the
22 capital investments covered by the Company's filing
23 improve the Company's system reliability, and also allowed
24 them to achieve their performance goals for Fiscal Year

1 2012. Which results are consistent with the intent and
2 purposes of the Settlement Agreement. And, we would ask
3 that the Commission approve its filing, as well as the
4 requested rate adjustments. Thank you.

5 CHAIRMAN IGNATIUS: And, you're
6 requesting that for effect July 1st?

7 MS. PAK: That is correct.

8 CHAIRMAN IGNATIUS: Then, if nothing
9 else, we appreciate everyone's testimony this morning, and
10 are pleased to see the good results. We will take the
11 requests under advisement, and close the hearing today.
12 Thank you.

13 (Whereupon the hearing ended at 11:04
14 a.m.)