

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 10-140

GRANITE STATE ELECTRIC COMPANY d/b/a NATIONAL GRID

**Fiscal Year 2010 Reliability Enhancement Plan and Vegetation Management Plan
Results and Reconciliation**

Order Approving Reconciliation

ORDER NO. 25,126

June 30, 2010

Appearances: McLane, Graf, Raulerson & Middleton by Sarah B. Knowlton, Esq., on behalf of Granite State Electric Company d/b/a National Grid; and Suzanne G. Amidon, Esq., on behalf of Commission Staff.

I. PROCEDURAL BACKGROUND

On May 17, 2010, Granite State Electric Company d/b/a National Grid (National Grid or Company) filed the results of and the reconciliation of the budget associated with its reliability enhancement plan (REP) and vegetation management plan (VMP) for the Company's fiscal year (FY) 2010 (April 1, 2009 through March 31, 2010). The filing was made pursuant to the terms of a settlement agreement approved by the Commission in Docket No. DG 06-107 regarding the National Grid /KeySpan Corporation merger. *See* Order No. 24,777 (July 12, 2007) 92 NH PUC 279. National Grid also filed supporting testimony and exhibits and proposed tariff pages.

Pursuant to the settlement agreement, the filing included: (1) a report on actual spending on operation and maintenance (O&M) activities and capital projects for FY 2010, including an explanation of the differences between the actual amounts and the budgeted amounts reviewed by Staff; (2) a request for recovery of the incremental O&M expense of \$1,047,770 above the

threshold amount of \$1,360,000, effective for service rendered on and after July 1, 2010; (3) a request for a capital investment allowance of \$163,663; and (4) a summary of 2009 reliability performance.

On June 16, 2010, the Commission issued Order No. 25,115 suspending the tariff and scheduling a hearing for July 25, 2010. No motions to intervene were filed. The hearing was held as scheduled.

II. POSITIONS OF THE PARTIES

A. National Grid

As dictated by the settlement agreement, National Grid annually provides Staff a proposed O&M budget that assumes REP and VMP O&M spending for each FY will approximate the base plan O&M amount of \$1,360,000 or an alternative amount that exceeds the base amount for Staff's consideration. In its prefiled testimony, the Company said that it had originally agreed with Staff to an O&M budget of \$1,848,966 for FY 2010. Subsequently, National Grid proposed a revised O&M budget of \$1,943,966, which was supported by Staff. The funding beyond the base amount would allow for additional hazard tree removal as well as inspections and the O&M expenses associated with capital projects. Nonetheless, as reflected in its May 17, 2010 filing, the Company actually spent \$2,407,770 for FY 2010 O&M expenses.¹

For FY 2010, National Grid proposed an REP capital budget of \$620,000 but actual expenditures were \$876,243. Among the reasons for the increased expenditures, according to National Grid, was an increase in the number of miles of feeder hardening that was actually

¹ At the outset of the hearing, National Grid corrected its prefiled testimony to properly reflect that the Company and Staff had agreed upon a budget for the ensuing fiscal year, FY 2011.

performed as well as an increase in the number of porcelain cutouts that were replaced. The Company proposed to recover in its distribution rates the revenue requirements associated with those capital expenditures, or \$163,663.

National Grid said that the REP capital investment allowance revenue requirement translates into a percentage increase of 0.79% to base distribution rates, while the incremental O&M expense adjustment results in a proposed REP/VMP adjustment factor of \$0.00125 per kilowatt-hour (kWh), which would be billed to customers over a twelve-month period beginning July 1, 2010. In terms of rate impacts of the combined REP capital investments allowance and the O&M expense adjustment, National Grid testified that a typical residential customer taking default service and using 500 kWh per month would see an overall bill increase of \$0.70 per month, or 1.1%, from \$66.39 to \$67.09. For a residential default service customer using 640 kWh per month, which is the average monthly residential usage for the 12 months ending April 2010, the overall bill impact is an increase of \$0.91 per month, from \$85.57 to \$86.48. For other customers, increases would range from 1.0% to 1.2%.

National Grid said that it decided to exceed the budgeted goals in the feeder hardening and cutout programs to further improve system reliability and to take advantage of the fact that crews were available to perform the necessary work. While National Grid originally planned to complete 25 miles of feeder hardening, it actually completed 64 miles at an additional capital cost of about \$149,000. According to the filing, an additional \$77,000 was spent to install reclosers and an additional \$30,000 was spent replacing potted porcelain cutouts. Overall,

National Grid said that the capital costs exceeded the budget by about \$256,000. The resulting revenue requirement calculated by the Company associated with the total capital cost of \$876,243 is \$163,663. National Grid said it will continue its feeder hardening activities and that one of its reliability enhancement goals is to replace all potted porcelain cutouts by 2013.

National Grid explained that the O&M budget was exceeded for a number of reasons, including an unanticipated increase in cycle pruning and associated costs related to a circuit reconfiguration. In addition, the Company said that while it spent less than anticipated for spot tree trimming, trouble and restoration calls and interim trimming than in the prior fiscal year, it experienced increased demand in cycle pruning, cycle pruning police detail expenses, and hazard tree removals.

The Company further explained that more trees were removed per mile due to its adoption of specific risk tolerances that involved a more thorough inspection of trees. With additional training, the ability of field arborists to identify potential hazard trees improved, which, in turn, resulted in more hazard trees being identified and removed as well as additional cost. Finally, National Grid observed that it experienced an increase in unmaintained trees in close proximity to its conductors which, it posited, resulted from a combination of a decline in tree health due to recent storm events and reduced municipal and private tree care budgets.

Although the Company presented improved reliability performance in terms of SAIFI (system average interruption frequency index), SAIDI (system average interruption duration index) and CAIDI (customer average interruption duration index) metrics due to its reliability enhancement activities, it pointed out that part of the reason for the favorable results in 2009 was the relatively favorable weather experienced during the year. The Company noted that minor

storms but not major storms are accounted for in the reliability metrics of SAIFI, SAIDI and CAIDI. National Grid said that reliability results to date 2010 were not nearly as good as 2009, due in part to an insulator failure in Enfield, an increase in minor storms, and resulting tree failures, which it stated are the cause of about 90% of all customer interruptions. The Company stated its intent to remain vigilant in attaining its reliability goals.

National Grid conceded that it had not appropriately communicated with Staff regarding the variance in activities that resulted in the Company exceeding its REP/VMP budgets and committed to improving communication going forward.

B. Commission Staff

Staff said that the record showed National Grid spent more money on VMP and REP activities than was previously discussed and reviewed by Staff. While Staff did not dispute that the additional money was spent for the purposes of enhancing reliability, Staff asserted that the Company should have communicated to Staff that the plans and/or the dollar amounts were changing based on need, opportunity or other reasons. Staff requested that the Commission remind National Grid of its responsibility to keep Staff informed of changes to the VMP/REP plans as they occur.

Staff noted that the settlement agreement in Docket DG 06-107 provided a process whereby Staff would work with National Grid to help the Company achieve its reliability goals and to receive timely reimbursement of the associated expenses through rates. One aspect of the agreement allowed National Grid to file for a rate adjustment 45 days prior to the implementation of that rate adjustment of July 1 of each year. For FY 2010, the Company undertook additional activities and, within that abbreviated time frame, Staff had to accelerate its

review through discovery and at hearing. Staff said that, based on its review, the additional costs were intended to improve reliability and, consequently, Staff did not oppose the Company's request to recover the costs through rates. Staff stated, however, that had it known there would be additional activities to review, it may not have agreed to a 45-day turn around.

III. COMMISSION ANALYSIS

At the outset, we note that both National Grid and Staff agree the Company failed to update Staff on the additional VMP/REP activities performed in FY 2010 as compared to those reflected in the budget to which Staff and the Company had agreed as recently as December 2009. While we recognize that the settlement agreement that we approved in Order No. 24,777 does not specifically require the Company to inform Staff of each and every change to its budgets and/or planned activities, we direct the Company to inform Staff of any significant changes to the FY 2011 REP/VMP and future budgets, whether the changes are a result of opportunities that present themselves, increased costs for planned activities, or any other reason. Such continued communication will allow for a more orderly and streamlined rate adjustment process at the conclusion of a fiscal year. To the extent future significant variations are not sufficiently communicated, we will consider changes to the rate adjustment process.

We have reviewed the Company's filing, the additional discovery that was submitted as Exhibit 2 at hearing and the testimony given during the hearing and conclude that the activities performed by the Company during the year are consistent with goals and parameters of the reliability enhancement and vegetation management programs. We have also reviewed the associated rate impacts and find that the rates are just and reasonable and in the public interest.

Therefore, we will grant the petition and allow the Company to commence recovery of the costs through rates effective with services rendered on and after July 1, 2010.

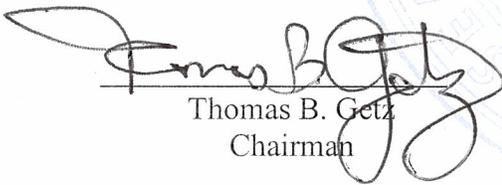
Based upon the foregoing, it is hereby

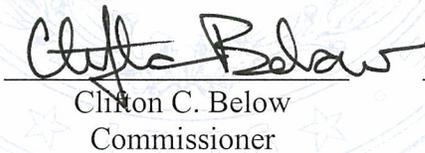
ORDERED, that the Fiscal Year 2010 reliability enhancement plan and vegetation management plan report and reconciliation filing of Granite State Electric Company d/b/a National Grid is hereby APPROVED; and it is

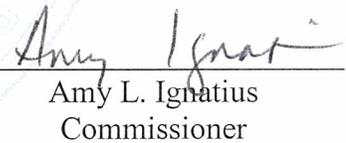
FURTHER ORDERED, that request for recovery of the FY 2010 REP/VMP capital expenditures and operation and maintenance costs in rates effective with service rendered on and after July 1, 2010 is hereby APPROVED; and it is

FURTHER ORDERED, National Grid shall file tariff pages conforming with this Order pursuant to Puc Part 1603 within 30 days hereof.

By order of the Public Utilities Commission of New Hampshire this thirtieth day of June, 2010.


Thomas B. Getz
Chairman


Clinton C. Below
Commissioner


Amy L. Ignatius
Commissioner

Attested by:


Debra A. Howland
Executive Director

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FILING INSTRUCTIONS: PURSUANT TO N.H. ADMIN RULE PUC 203.02(a),

WITH THE EXCEPTION OF DISCOVERY, FILE 7 COPIES (INCLUDING COVER LETTER) TO:

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