

DIRECT TESTIMONY

OF

JEFFREY D. OLIVEIRA

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1 **I. Introductions and Qualifications**

2 **Q. Please state your full name and business address.**

3 A. My name is Jeffrey D. Oliveira. My business address is 40 Sylvan Road, Waltham, MA
4 02451.

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

7 A. I am a Revenue Requirement Specialist in the Regulation & Pricing Department for
8 National Grid USA Service Company, Inc. (“Service Company”). The Service Company
9 provides engineering, financial, administrative and other technical support to subsidiary
10 companies of National Grid USA including Granite State Electric Company (“National
11 Grid” or “the Company”). My current duties include leading and overseeing the revenue
12 requirement analyses and modeling that support regulatory filings, regulatory strategies
13 and rate cases, including the Company.

15 **Q. Please provide a brief summary of your educational background.**

16 A. In 2000, I earned an Associate degree in Arts in Business Administration from Bristol
17 Community College in Fall River, Massachusetts, and am enrolled as an evening student
18 at the University of Massachusetts in Dartmouth, Massachusetts, from which I expect to
19 receive my Bachelor of Science in Accounting in December, 2012.

21 **Q. Please describe your professional background.**

22 A. From 1999 through 2000, I was employed by Fall River Gas Company as a Staff

1 Accountant. In 2001 Fall River Gas Company merged with Southern Union Company
2 and my responsibilities as a Staff Accountant increased. In August of 2006 the Rhode
3 Island Division of Southern Union d/b/a New England Gas Company was acquired by
4 National Grid USA, at which time I joined the Service Company as a Senior Accounting
5 Analyst. In January 2009, I became a Senior Revenue Requirement Analyst in the
6 Regulation & Pricing Department. In July 2011, I was promoted to my current position.

7
8 **Q. Have you previously testified before New Hampshire Public Utilities Commission**
9 **(“Commission”)?**

10 A. No, I have not.
11

12 **II. Purpose of Testimony**

13 **Q. What is the purpose of your testimony?**

14 A. The purpose of my testimony is to present (1) the final audited costs associated with the
15 Dec. 2008 Ice Storm¹, (2) the O&M costs of the two major storms, one occurring in 2010
16 and one occurring in 2011, including their details, accounting, and eligibility for Storm
17 Fund treatment, and (3) the impact of the costs of these three weather events on the
18 operation of the Company’s Storm Fund assuming no change in the current level of
19 funding as well as the estimated impact under the Company’s proposal as described in
20 the testimony submitted by Ms. Theresa Burns.

¹ This testimony makes reference to defined terms as defined in the testimonies of Ms. Theresa Burns and Mr. Kurt Demmer, and as such they are not re-defined here.

1 **III. Final December 2008 Ice Storm Costs**

2 **Q. What is the status of the Dec. 2008 Ice Storm costs?**

3 A. The Commission Audit Staff has completed its audit of the Dec. 2008 Ice Storm costs,
4 and the Audit Staff and the Company have agreed on the final costs of \$1,762,372
5 associated with that storm. In a letter to the Commission on May 20, 2011 in Docket DE
6 10-096, included in Ms. Theresa Burns's testimony as Schedule TMB-3, the Audit Staff
7 informed the Commission of the results of its review as well as a recommendation to
8 consider an adjustment to the SRA Factor in light of two additional major storms,
9 specifically the Feb. 2010 Wind Storm and the Mar. 2011 Ice Storm, once their costs
10 were finalized. That proposed adjustment, including a review of the costs relating to the
11 Feb. 2010 Wind Storm and the Mar. 2011 Ice Storm, are the subject of this filing,
12

13 **Q. Based upon the results of the audit and the agreement reached between the Audit**
14 **Staff and the Company, what is the final accounting of the Dec. 2008 Ice Storm costs**
15 **to be charged to the Storm Fund?**

16 A. Schedule JDO-1 itemizes the audited costs of the Dec. 2008 Ice Storm as agreed to by the
17 Audit Staff and the Company. Page 1 provides the amount of cost by category and Page
18 2 illustrates the impact of these costs on the Storm Fund, which also includes the
19 temporary funding approved by the Commission in Docket DE 10-096 of \$30,000 per
20 month through the SRA Factor in addition to the \$120,000² included in base rates. As is
21 shown on Pages 2 – 3, assuming, simply for illustrative purposes, that there are no further

² The annual allowance of \$120,000 is credited to the Storm Fund at \$10,000 per month.

1 qualifying major storms, it will take 2 more years before the Storm Fund returns to zero,
2 let alone a surplus position. However, as I describe below, there have been two
3 additional qualifying major storms that have been charged against the Storm Fund,
4 resulting in the Storm Fund falling into an even greater deficit position.

5
6 **IV. February 2010 Wind Storm Costs**

7 **Q. What is the amount of O&M costs the Company incurred as a result of the Feb.**
8 **2010 Wind Storm?**

9 A. The Company incurred \$1,718,966 in costs associated with the Feb. 2010 Wind Storm.
10 The costs, by category, are identified in Schedule JDO-2, which is the Company's final
11 accounting for these costs. There are no accrued expenses included, only those that are
12 supported by actual invoices and other supporting documentation received.

13
14 **Q. Are the storm's costs reflected in Schedule JDO-2 the same as those identified in the**
15 **Company's April 15, 2011 annual Storm Fund report for calendar year 2010?**

16 A. The costs of the Feb. 2010 Wind Storm shown in Schedule JDO-2 are slightly different
17 than those reflected in the Company's annual Storm Fund report. In the process of
18 validating the costs of this storm as part of this filing, the Company identified two
19 revisions to the storm's costs. First, the Company determined that some costs previously
20 identified as costs associated with the Feb. 2010 Wind Storm should not have been
21 identified as such, and therefore removed them from the tally of storm costs. Second, the
22 Company, in reviewing the invoicing of Fairpoint for reimbursable storm costs to

1 National Grid, overstated the Feb. 2010 Wind Storm Fairpoint credit and has corrected
2 that amount in this filing.
3

4 **Q. How are these Feb. 2010 Wind Storm costs eligible for Storm Fund treatment?**

5 A. Pursuant to the provisions of the Storm Fund, all costs of major storms are eligible for
6 recovery from the Storm Fund. The Feb. 2010 Wind Storm qualifies as a major storm as
7 discussed in the testimony of Mr. Demmer. Therefore, the total cost identified in
8 Schedule JDO-2 is eligible to be charged against the Storm Fund.
9

10 **Q. What impact does the cost of the Feb. 2010 Wind Storm have on the Storm Fund?**

11 A. Page 3 of Schedule JDO-2 layers on the cost of the Feb. 2010 Wind Storm into the Storm
12 Fund activity presented on Page 3 of Schedule JDO-1 to present the cumulative Storm
13 Fund impact of the Dec. 2008 Ice Storm and the Feb. 2010 Wind Storm. Consistent with
14 the illustration presented in Schedule JDO-1, Schedule JDO-2 assumes no further
15 qualifying major storms. As is shown on that schedule, the cost of this major storm
16 moves the Storm Fund into an even greater deficit position than that shown in Schedule
17 JDO-1. Even when considering the temporary funding authorized by the Commission in
18 Docket DE 10-096, the Storm Fund will remain in a deficit position for nearly six years,
19 or through the end of calendar year 2017 even if the Company experiences no additional
20 major storm costs.
21
22

1 **V. March 2011 Ice Storm Costs**

2 **Q. What is the amount of O&M costs the Company incurred as a result of the Mar.**
3 **2011 Ice Storm?**

4 A. The Company incurred \$1,813,201 in costs associated with the Mar. 2011 Ice Storm.
5 The costs, by category, are identified in Schedule JDO-3, which is the Company's final
6 accounting for these costs. There are no accrued expenses included, only those that are
7 supported by actual invoices and other supporting documentation received

8
9 **Q. How are these costs eligible for Storm Fund treatment?**

10 A. Similar to the Feb. 2010 Wind Storm, the Mar. 2011 Ice Storm qualifies as a major storm
11 as discussed in the testimony of Mr. Demmer. Therefore, the total cost identified in
12 Schedule JDO-3 is eligible to be charged against the Storm Fund.

13
14 **Q. What impact does the cost of the Mar. 2011 Ice Storm have on the Storm Fund?**

15 A. Page 3 of Schedule JDO-3 layers on the cost of the Mar. 2011 Ice Storm into the Storm
16 Fund activity presented on Page 3 of Schedule JDO-2 to present the cumulative Storm
17 Fund impact of the Dec. 2008 Ice Storm, the Feb. 2010 Wind Storm and the Mar. 2011
18 Ice Storm. Consistent with the illustration presented in Schedules JDO-1 and JDO-2,
19 Schedule JDO-3 assumes no further qualifying major storms. As is shown on that
20 schedule, the cost of this major storm moves the Storm Fund further into a deficit
21 position such that the Storm Fund will not reach a zero balance for ten years, also
22 incorporating and unlikely assumption that the Company experiences no additional major

1 storms eligible for Storm Fund treatment.

2
3 **VI. Storm Contingency Fund Analysis**

4 **Q. Can the Company summarize the impact of the costs of these three major storms on**
5 **the Storm Fund?**

6 A. Yes. The Dec. 2008 Ice Storm, Feb. 2010 Wind Storm, and Mar. 2011 Ice Storm resulted
7 in the Company incurring costs of \$1,762,372, \$1,718,966, and \$1,813,201, respectively.
8 Reflecting these costs in the Storm Fund as paid, and assuming the Company receives no
9 additional Storm Fund recoveries beyond what the Commission has authorized through
10 base rates and the existing SRA Factor as well as no further charges to the Storm Fund
11 through the remainder of calendar year 2011, the Storm Fund balance at December 31,
12 2011³ is estimated to be in a deficit of \$4,645,761. Pages 2 – 3 of Schedule JDO-3
13 present this analysis.

14
15 **Q. Has the Company attempted to model what the Storm Fund balance would be over**
16 **time assuming some level of eligible storm costs charged to the fund?**

17 A. Yes. Schedule JDO-4 illustrates activity beyond December 2011 Storm Fund position
18 presented in Schedule JDO-3 assuming an average annual level of major storm costs
19 charged to the Storm Fund each year. The average annual major storm cost amount is
20 based on a five year average of actual storm costs eligible for Storm Fund treatment.

³ The Company anticipates that Hurricane Irene, which affected New England on August 29, 2011, will qualify as a major storm and its costs eligible for Storm Fund treatment. Since this major storm affected such a large area of New England (and therefore the service areas of the Company's affiliates) and required extensive internal and external resources to restore electric service, the Company is not prepared to include an estimate of the costs of this

1 The average cost is calculated on Page 2 of Schedule JDO-4. It is important to note that
2 calculation of this annual average does not included costs associated with Hurricane Irene
3 and is therefore a relatively conservative annual cost estimate. Again, the Company is
4 not reflecting any additional revenue beyond that currently reflected in rates. Schedule
5 JDO-4 clearly illustrates that the current base rate and SRA Factor collections are
6 inadequate to address the current Storm Fund deficit and to fund estimated future major
7 storm costs. As shown on Schedule JDO-4, Page 1 at current base rate and SRA Factor
8 collections, the estimated storm fund deficiency grows at an alarming rate, reaching
9 \$15.1 million by 2020.
10

11 **Q. Has the Company illustrated the impact to the Storm Fund under its proposal as**
12 **described by Ms. Burns?**

13 A. Yes it has. As discussed in the testimony of Ms. Theresa Burns, the Company is
14 proposing a \$1,840,000 increase in the SRA Factor to generate \$2,200,000 annually for
15 five (5) years and to reduce the SRA factor to an annual level of \$1,300,000 annually
16 thereafter. Page 1 of Schedule JDO-5 presents the impact of the additional revenue the
17 Company has calculated to be required to address only the estimated deficit balance at
18 December 31, 2011, or \$900,000 which is \$75,000 per month. As shown on that page,
19 assuming no additional storm costs charged to the Fund, the current deficit balance would
20 be extinguished in 2016. Page 2 of Schedule JDO-5 then layers in additional collections
21 which the Company believes will be necessary to address the likelihood of additional

major storm in this filing.

1 major storms beyond December 2011. With this proposed increase in the SRA Factor,
2 the Storm Fund would reach a zero balance by 2016, and build a reasonable surplus
3 balance beyond that date assuming the assumed annual level of future major storm costs
4 is experienced. Should actual experience vary from what the Company has assumed for
5 purposes of this proposal, the Commission can review the level of collections and
6 investigate whether a further adjustment to the SRA Factor is warranted.

7
8 **VII. Conclusion**

9 **Q. Does this conclude your testimony?**

10 **A.** Yes it does.