

Direct Testimony

of

Jennifer Grimsley

and

Jeffrey Carney

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I. INTRODUCTION AND QUALIFICATIONS

Jennifer Grimsley

Q. Ms. Grimsley, please state your full name and business address.

A. My name is Jennifer L. Grimsley and my business address is 40 Sylvan Road, Waltham, Massachusetts 02451.

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

A. I am employed as the Director, New England Electric Network Strategy, by National Grid USA Service Company, Inc. (the “Service Company”). In my capacity as Director, I am responsible for regulatory filings and regulatory compliance related to electric distribution operations, specifically for reliability and capital expenditures, for Granite State Electric Company d/b/a National Grid (“Granite State” or the “Company”) in New Hampshire and for other National Grid retail distribution companies in Massachusetts and Rhode Island.

Q. Please describe your educational background.

A. I graduated from Washington University in 1986, earning a bachelor’s degree in electrical engineering and from Rivier College in 1991, earning a master’s degree in business administration.

1 **Q. Please describe your professional experience.**

2 A. In 1986, I began my engineering career as an associate engineer with Massachusetts
3 Electric Company, a subsidiary of National Grid USA (“National Grid”) and an affiliate
4 of Granite State, in North Andover, Massachusetts. In 1993, I was promoted to district
5 engineering manager and have held various engineering and management positions since
6 that time, including Project Manager for the Reliability Enhancement Program in 2006.
7 In 2007, I became Manager Asset Strategy and Policy and was responsible for
8 developing the strategies to replace distribution assets. I was promoted to Director, Asset
9 Strategy & Policy in 2008. In 2009, I became Executive Advisor to the Chief Operating
10 Officer of Electricity Operations for National Grid. In 2011, I assumed my current role
11 as Director, New England Electric Network Strategy.

12 **Q. Have you previously testified before the New Hampshire Public Utilities**
13 **Commission (the “Commission”)?**

14 A. Yes. I have previously testified before this Commission on the Company’s Reliability
15 Enhancement Program.

16 **Jeffrey Carney**

17 **Q. Mr. Carney, would you please state your full name and business address?**

18 A. My name is Jeffrey Carney, and my business address is 40 Sylvan Road, Waltham,
19 Massachusetts 02451.

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

2 A. I am employed by the Service Company as the System Arborist, Vegetation Management
3 Strategy for Electric Distribution Operations. In my capacity as System Arborist, I
4 support the Manager of Vegetation Management Strategy and assist with distribution
5 Vegetation Management Strategy and Policy for Granite State in New Hampshire and for
6 other National Grid retail distribution companies in Massachusetts, Rhode Island, and
7 New York.

8 **Q. Please describe your educational background.**

9 A. I graduated from Paul Smith's College of Arts and Sciences in Paul Smiths, New York in
10 1976. I received an associate's degree in Applied Science in Forestry and Land
11 Surveying.

12 **Q. Please describe your professional experience.**

13 A. I joined the Service Company in 2007. Before being named to my current position in
14 2007, I was the Transmission and Distribution Forester for Granite State and New
15 England Power Company's territory in New Hampshire and Vermont from 1989 to 2005.
16 From 2005 to 2007, I was the New England North Lead Arborist and oversaw New
17 England North Arborists responsible for developing forestry strategy and delivery the
18 work plan. During that time, I simultaneously served as the Company's District Arborist
19 in New Hampshire. From 1979 to 1989, I was a self-employed Consulting Forester.

20

1 **Q. Have you previously testified before the Commission?**

2 A. Yes. I have previously testified before this Commission on vegetation management
3 issues.

4 **II. PURPOSE OF TESTIMONY**

5 **Q. What is the purpose of this testimony?**

6 A. This testimony provides the Commission with specific background information regarding
7 the Reliability Enhancement Program (“REP”) and Vegetation Management Program
8 (“VMP”) that Granite State implemented during Fiscal Year 2012 (April 1, 2011 - March
9 31, 2012) and as described in the Company’s accompanying Fiscal Year 2012 (“FY
10 2012”) Reliability Enhancement Plan and Vegetation Management Plan Report dated
11 May 15, 2012 (the “2012 REP/VMP Report”) submitted with this filing. Additionally,
12 this testimony provides support for the Company’s request to refund to customers the
13 amount of \$295,207, which represents the amount of expense below the Base Plan
14 operating and maintenance (“O&M”) amount of \$1,360,000 that was defined by the
15 settlement agreement approved by the Commission in the National Grid/KeySpan merger
16 proceeding in Docket No. DG 06-107¹ (“Settlement Agreement”). Specifically, this
17 refund amount is comprised of \$107,486 of O&M spending for the REP and VMP above
18 the Base Plan O&M amount of \$1,360,000 plus an additional \$402,693 in credits for
19 vegetation management reimbursements received from FairPoint Communications
20 (“FairPoint”). The refund of \$295,207 represents an increase of \$462,906 above the

1 incremental refund of \$758,113 of REP/VMP O&M that is currently embedded in rates.
2 Subject to approval by the Commission, this amount is proposed to be refunded through
3 the REP/VMP Adjustment Provision as set forth in Exhibit GSE-8 of the Granite State
4 Rate Plan approved as part of the Settlement Agreement.

5 Finally, the Company is requesting an incremental revenue requirement credit of
6 (\$18,005) associated REP Capital Investment of \$398,239. Information regarding the
7 calculation of the REP/VMP Adjustment Provision and the REP Capital Investment
8 Allowance, and the associated rate impacts, is set forth in the testimony of William
9 Richer, which is a part of this filing. The new O&M amount requested would be
10 effective for usage on and after July 1, 2012.

11 **III. OVERVIEW OF REP AND VMP**

12 **Q. Please explain the purpose of the REP and VMP.**

13 A. As part of the Settlement Agreement, Granite State committed to implement an REP and
14 VMP to bring the Company back to the historical reliability performance levels that
15 existed prior to 2005, with the goal of meeting those historical performance levels by
16 2013. In general, the REP and VMP include categories of both capital and O&M
17 spending targeted to improve reliability performance. The REP and VMP are premised
18 on the understanding that a certain amount of annual spending on both capital and O&M
19 activities is necessary to maintain the safety and reliability of the Company's electric

¹ See Order No. 24,777 (July 12, 2007).

1 distribution system. The Settlement Agreement assumed that a base amount of
2 \$1,360,000 will be spent on O&M activities associated with the REP and VMP during
3 each fiscal year of the Company's five-year rate plan with the Company establishing a
4 proposed budget for REP capital investments for each fiscal year following discussions
5 with Staff. Under the Settlement Agreement, to the extent the Company spends less than
6 the agreed upon base O&M budget on REP and VMP O&M activities in a given fiscal
7 year, the difference would be credited, at the Commission's discretion, either to
8 customers through a refund commencing on July 1 or a credit to the following year's
9 REP and VMP O&M budget. Notwithstanding the base O&M amount of \$1,360,000, the
10 Company has the flexibility to propose, implement and collect the revenue requirement
11 associated with alternative plans that exceed the base O&M amount assuming that the
12 associated spending is just and reasonable.²

13 **Q. Please describe what types of activities are included in the REP and VMP.**

14 A. As described in detail in Exhibit GSE-8 to the Settlement Agreement, the REP and VMP
15 include the following categories of activities: feeder hardening, augmented tree-
16 trimming and clearing, asset replacement (including recloser installation), and inspection
17 and maintenance.

² Settlement Agreement, Exhibit GSE-8 at pages 4-5 provides for cost recovery for any deviations from the plan reviewed by Staff, providing that the deviations were either due to circumstances out of the Company's reasonable control or, if within its control, were reasonable and prudent. Exhibit GSE-8 at pp. 8-9.

1 **Q. Please explain how the Company decides to allocate funds towards vegetation**
2 **management and reliability activities within a given year's budget and the process**
3 **the Company uses to determine which REP/VMP projects to undertake in any given**
4 **year.**

5 A. Each year, the Company develops an Annual Work Plan that is designed to achieve the
6 overriding performance objectives of the business (safety, reliability, efficiency,
7 customer satisfaction and environmental responsibility). At the outset, the Company
8 compiles a draft work plan that consists of a compilation of proposed spending for asset
9 strategies, individual capital projects and statutory and regulatory mandatory work
10 activities. Each potential project specified within the plan includes a business
11 justification for the project and estimated costs. The Company then uses a prioritization
12 model based on relative risk associated with each project proposal to facilitate the
13 selection of appropriate projects to be included in the Annual Work Plan. All of the
14 proposed projects then undergo review and are prioritized to achieve an optimized
15 portfolio of projects considering the most up to date reliability performance information
16 compared to the reliability improvements targeted by the various programs and the
17 deliverability of the various programs within the fiscal year. The process is designed to
18 ensure the Company arrives at a budget that is the optimal balance in terms of selecting
19 the investments necessary to maintain and improve the performance of the system, while
20 also ensuring a cost-effective use of the Company's available resources. At the same
21 time, the Company attempts to maintain a level of flexibility inherent to the budget and

1 spending process in order to deal with changes in circumstances that inevitably arise
2 during the year. The allocation of funds for vegetation management and reliability
3 activities is part of this budgeting process.

4 **Q. Please explain how capital improvements in the REP/VMP Plan relate to the other**
5 **capital investments made by the Company to its system.**

6 A. The capital improvements in the REP/VMP Plan are developed within Company's
7 overall capital investment plans. The REP/VMP Plan are a subset of the Company's five-
8 year capital plan that includes investments in the following key areas: (a) expenditures
9 required to ensure that the Company meets its legal, regulatory and contractual
10 obligations; (b) capital expenditures required to replace failed or damaged equipment and
11 to restore the Company's system to its normal operating configuration and capability
12 following storm or other events; (c) non-infrastructure improvements that are required to
13 run the Company's power system, such as tools and other general plant; (d) expenditures
14 undertaken to maintain and/or upgrade the capability of the Company's system to provide
15 adequate or improved thermal loading, voltage, stability, reliability or availability
16 performance; and (e) capital expenditures required to reduce the risk and consequences of
17 potential failures of transmission and distribution assets.

18 **Q. Please summarize the Company's actual results for the Fiscal Year 2012 REP/VMP**
19 **Report and the level of recovery the Company is requesting.**

20 A. By May 15 of each fiscal year, the Company is required to make a reconciliation filing
21 with the Commission for both its REP and VMP detailing the actual amounts associated

1 with REP and VMP activities during the prior fiscal year as compared with budgeted
2 amounts. For the Company's FY 2012 plan, the Company met with Commission Staff
3 and agreed on a budget of \$1,459,000 which was submitted to Staff on February 15,
4 2011. This budget reflected an incremental increase of \$99,000 over the threshold
5 amount of \$1,360,000 in O&M expense to account for a significant projected increase in
6 the costs associated with hazard tree removals. However, as noted above and set forth in
7 the 2012 REP/VMP Report, the Company's actual O&M expense and capital investment
8 associated with REP/VMP activities were below the level in the filed budget and as a
9 result the Company is proposing to refund to customers \$295,207 O&M expense in this
10 filing. At the same time, as described in more detail in the testimony of William Richer,
11 the Company is also requesting an incremental REP Capital Investment credit of
12 (\$18,005), representing the revenue requirement associated with \$398,239 of capital
13 investment in FY 2012. If approved, the Company is requesting that these rate
14 adjustments become effective for usage on and after July 1, 2012, as set forth in the
15 Settlement Agreement.

1 **IV. FISCAL YEAR 2012 REP AND VMP IMPLEMENTATION**

2 **Q. Please describe the Company's capital investment during the fiscal year.**

3 A. The Company proposed a \$689,000 capital budget and \$97,000 for O&M associated with
4 its REP in Fiscal Year 2012 ("FY 2012") as shown in Table 1 and Table 4 of the 2012
5 REP/VMP Report. As previously discussed with Commission Staff, the Company
6 budgeted this amount to perform hardening activities along fifty-seven (57) miles of the
7 Vilas Bridge 12L1 feeder, to install three (3) reclosers and to replace/install four hundred
8 (400) cutouts. As shown in Table 4 of the 2012 REP/VMP Report, except for the cutout
9 replacement target, the Company met each of these targets. Cutout replacements were
10 completed for all remaining cutouts identified on the system, which totaled 299 cutouts,
11 less than the projected 400.

12 The plant additions placed in service for FY 2012 and qualifying for the REP totaled
13 \$398,239. These FY 2012 additions form the basis for the REP capital-related revenue
14 requirement calculation provided in Mr. Richer's testimony included in this filing. Key
15 factors contributing to the difference between the FY 2012 budgeted amount and the FY
16 2012 actual capital investment are (1) timing differences due to budgeted amounts from
17 the prior fiscal year being placed into service in FY 2012, or due to FY 2012 spending for
18 plant not placed into service in FY 2012, which can typically occur as capital work is
19 performed, completed, and processed through the accounting system, and (2) the changes
20 in actual versus estimated costs as site specific requirements are determined by inspection
21 or detailed design. The Feeder Hardening work was completed at the end of FY 2012,

1 but the invoices for these associated charges will not be received until FY 2013. Because
2 the plant associated with these costs will not be considered placed in service until the
3 invoices have been paid, total additions versus estimated cost for the Feeder Hardening
4 program are lower than expected for FY 2012 and slightly higher than expected for FY
5 2013. Specifically, in its FY 2013 REP/VMP Plan made on February 15, 2012, the
6 Company anticipated approximately \$100,000 for this carryover, but now expects
7 approximately \$225,000 in additions in FY 2013 associated with the Feeder Hardening
8 FY 2012 construction, resulting in an additional \$125,000 in carryover into the FY 2013
9 REP/VMP Plan.

10 In addition, Cutout and Recloser projects were completed under budget. During FY 2010
11 and FY 2011, the Company completed construction for a line recloser on the 11L1
12 circuit. However, this recloser was charged to the reliability blanket project CNN015
13 instead of the Recloser project C20473. This issue was identified late in the FY 2011
14 reconciliation filing process and therefore was not known in time to be included in the
15 final reconciliation for FY 2011. As such, the \$86,819 in FERC Account 101/106
16 electric plant additions placed in service for this recloser is now included in the FY 2012
17 actual results. This higher than average unit cost was due to the replacement of four
18 poles required for this particular installation, which is more than an average installation
19 requires.

20 **Q. Please explain why the Company's actual O&M spending for FY 2012 varied from**
21 **the Company's original budget.**

1 A. As described in the 2012 REP/VMP Report, the lower than forecasted actual O&M
2 spending can be attributed to lower than forecasted bid prices for cycle pruning. In
3 addition, the Company also experienced lower than anticipated demand for VMP work.
4 However, these expense savings were offset by cycle pruning police detail expenses
5 which exceeded the anticipated spending level as well as O&M spending for feeder
6 hardening work which was higher than budgeted due to an increase in equipment that
7 needed maintenance or repair in the program.

8 **Q. Please summarize the reliability results shown in the Fiscal Year 2012 report.**

9 A. Metrics for Calendar Year 2011 and the FY 2012 are presented in Table 5 and Table 6,
10 respectively, of the 2012 REP/VMP Report. The metrics are based on both the
11 regulatory standard for excluding major weather events and the IEEE Standard 1366
12 method for excluding major weather events. The metrics include Customers Interrupted,
13 Customer Minutes Interrupted, system average interruption frequency index (“SAIFI”),
14 and system average interruption duration index (“SAIDI”).

15 As shown in Figure 1 of the 2012 REP/VMP Report, the reliability metrics in FY 2012
16 are more favorable than the metrics in FY 2011, and the multi-year trend in performance
17 since 2005 remains on an improving (downward) trajectory. Both the SAIDI and SAIFI
18 metrics for FY 2012 met the reliability performance goals set for FY 2013.

19 **Q. Are the REP/VMP expenditures for which the Company is now seeking recovery**
20 **reasonable?**

1 A. Yes. As described in this filing, the expenditures were reasonable because these
2 expenditures were made for programs that are specifically referenced in the Settlement
3 Agreement as necessary to achieve continued improvement in the Company's system
4 reliability in order to achieve pre-2005 reliability levels. The work undertaken this year
5 for vegetation management, feeder hardening, recloser installation and cutout
6 replacements was incurred for the explicit purpose of improving system reliability and
7 consistent with the intent of the Settlement Agreement. These expenditures generated
8 real customer benefits in the form of improved reliability performance. As such, the
9 Commission should approve recovery of these expenditures and permit the requested rate
10 adjustments to become effective for usage on and after July 1, 2012.

11 V. **CONCLUSION**

12 Q. **Does that conclude your testimony?**

13 A. Yes, it does.