

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 12-130

GRANITE STATE ELECTRIC COMPANY D/B/A NATIONAL GRID

**Fiscal Year 2012 Reliability Enhancement and Vegetation Management Plan
Results and Reconciliation**

Order Following Hearing

ORDER NO. 25,377

June 26, 2012

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

I. PROCEDURAL HISTORY

On May 15, 2012, Granite State Electric Company d/b/a National Grid (National Grid or Company)¹ filed the results of its reliability enhancement plan (REP) and vegetation management plan (VMP) for fiscal year (FY) 2012 (April 1, 2011 through March 31, 2012). The filing was made pursuant to the terms of a settlement agreement approved in Docket No. DG 06-107 regarding the National Grid/KeySpan Corporation merger. *See* Order No. 24,777 (July 12, 2007).

Pursuant to the settlement agreement, the filing included: (1) a report on the actual spending on operation and maintenance (O&M) activities and capital projects for FY 2012, including an explanation of the differences between the actual amounts and the budgeted amounts reviewed by Staff; (2) a request to refund to customers \$295,207, consisting of

¹ On May 30, 2012 by Order No. 25,370, the Commission approved a series of transactions by which the assets of Granite State Electric Company and EnergyNorth Natural Gas, Inc. would be transferred to Liberty Energy NH. Upon completion of the transactions, Liberty Energy NH will operate the two systems and will abide by the terms of this order.

vegetation management reimbursements from FairPoint Communications (FairPoint) reduced by \$107,486, the amount of O&M spending in excess of the base amount of \$1,360,000; (3) an incremental revenue requirement credit of \$18,005 associated with REP capital investment of \$398,239; and (4) a summary of reliability performance for FY 2012.

On June 1, 2012, the Commission issued Order No. 25,371 suspending the tariff and scheduling a hearing for June 14, 2012.

II. POSITIONS OF THE PARTIES AND STAFF

A. Granite State Electric Company

As part of the settlement agreement, National Grid committed to implement an REP and VMP that would achieve by 2013 the reliability performance levels that existed prior to 2005. National Grid described the REP and VMP activities as including feeder hardening, augmented tree-trimming and clearing, asset replacement (including recloser installation) and inspection and maintenance. The REP and VMP budgets are premised on the idea that specified levels of annual spending on capital and O&M activities are necessary to maintain the safety and reliability of the Company's electric distribution system.

According to the Company, the settlement agreement assumes that a base amount of \$1,360,000 will be spent on O&M activities associated with the REP and VMP during each fiscal year of the Company's five-year rate plan established in the settlement agreement. The settlement agreement established a process whereby the Company will prepare a proposed budget for REP capital investments for each fiscal year following discussions with Staff. To the extent that the Company spends less than the agreed-upon base O&M budget on REP and VMP O&M activities for a given fiscal year, the difference would be credited back customers either through a refund commencing on July 1 following the end of the fiscal year, or credited to the

next year's REP and VMP O&M budget, as determined by the Commission. The Company explained that, notwithstanding the base O&M amount of \$1,360,000, the settlement agreement allowed National Grid to implement and collect the revenue requirement with alternative plans that exceed the base O&M amount assuming that the associated spending is just and reasonable.

For FY 2012, the Company submitted an O&M budget of \$1,556,000 (\$97,000 for REP and \$1,459,000 for VMP), which is \$196,000 more than the base plan amount, for which the Staff expressed its support. National Grid reported that its actual spending on REP and VMP O&M activities for FY 2012 was \$1,467,486 or \$88,514 less than the filed budgeted amount of \$1,556,000. The actual spending for VMP O&M was \$1,336,219 and for REP O&M was \$131,267, resulting in variances from budget of (\$122,781) and \$34,267, respectively.

According to the Company, the spending variance for VMP O&M activities resulted from two factors. First, bid prices for cycle pruning were lower than expected, resulting in lower than forecasted unit prices. Second, the Company spent less than anticipated for spot tree trimming, trouble and restoration calls, and interim trimming due to lower demand for those activities. On the other hand, National Grid said that the cost of police details for cycle pruning exceeded the anticipated spending levels. The total costs, however, were offset by \$402,693 of vegetation management reimbursements paid by FairPoint to National Grid.

National Grid said that the increase in O&M spending associated with the REP activities was driven by the greater than forecasted amount of equipment needing maintenance or repair in the feeder hardening program. Feeder hardening is a remedial program in which the worst performing circuits are targeted for replacement or installation of requirements such as fuse cutouts, cross arms, poles, transformers, reclosers, lightning arresters and animal guards. In

summary, National Grid proposes to seek recovery of the total O&M spending, net of FairPoint reimbursements, or \$1,064,793.

With respect to its capital budget for FY 2012, the Company proposed a \$689,000 REP capital budget in addition to the \$97,000 in O&M costs for REP. The capital budget was targeted for funding feeder hardening, installation of reclosers and the replacement or installation of 400 potted porcelain cutouts on various feeders. The Company actually spent \$398,239 in capital investment for FY 2012, including a carry-over amount of \$86,819 from FY 2011, and requested a revenue requirement credit (customer refund) of \$18,005 associated with the \$398,239 capital investment. National Grid explained that included in the refund is a prior period adjustment of \$73,471 associated with increased tax depreciation due to a capital repairs tax deduction and bonus depreciation. That prior period adjustment reduced distribution revenue requirements. Taking into account refunds and associated interest, National Grid calculated the increase in revenue requirements to be recovered through distribution rates to be \$392,143. The Company requested approval to begin recovery of this amount through rates effective on and after July 1, 2012. The Company said that the proposed increase to distribution revenues results from the fact that the proposed net refund to customers for FY 2012 of \$365,969 is lower than the net refund of \$758,112 provided to customers in the prior year effective July 1, 2011.

According to the Company, the rate changes associated with the REP/VMP reconciliation for usage on and after July 1, 2012 for a typical residential default service customer using 500 kilowatt hours (kWh) per month would be an overall monthly bill increase of \$0.21, or 0.3%, from \$60.33 to \$60.54. A default service residential customer with an average monthly usage of 661 kWh, the average monthly usage over the 12 month period ending April 2012, would

experience a monthly bill increase of \$0.27, or 0.3%, from \$80.44 to \$80.71. For other customers, increases range from 0.3% to 0.5%.

B. Staff

Staff said it had reviewed the filing and concluded that National Grid had calculated the reconciliation and the resulting rates in accordance with the terms of the settlement agreement approved by the Commission in DG 06-107. Staff recommended that the Commission approve the petition.

III. COMMISSION ANALYSIS

We have reviewed the Company's filing and the testimony given during the hearing and conclude that the activities performed by the Company during the year are consistent with the 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, 2012.

We understand that the report and the associated measures of reliability are related to the “routine” reliability enhancement and vegetation management programs approved in connection with Docket No. DG 06-107. The activities in the reliability enhancement and vegetation management programs do not include the reliability metrics and restoration of power costs associated with “major storms” as defined by the Commission; and we recognize that FY 2013 is the final year of the program. We believe, however, that the Company in its FY 2013 filing should clearly identify in its testimony and in the preface to the report that major storms and related data are excluded from the report.

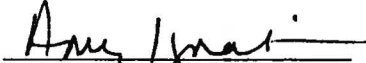
Based upon the foregoing, it is hereby


ORDERED, that the Fiscal Year 2012 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 2012 REP/VMP capital expenditures and operation and maintenance costs in rates effective with service rendered on and after July 1, 2012 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 twenty-sixth day of June, 2012.


Amy Ignatius
Chairman


Michael D. Harrington (KNS)
Commissioner

Attested by:


Debra A. Howland
Executive Director

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Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

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