

## STATE OF NEW HAMPSHIRE

## PUBLIC UTILITIES COMMISSION

June 14, 2012 - 10:15 a.m.  
Concord, New Hampshire

NHPUC JUN19'12 AM 9:30

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

PRESENT: Chairman Amy L. Ignatius, Presiding  
Commissioner Michael D. Harrington  
Sandy Deno, Clerk

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

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

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

ORIGINAL

1  
2                   **I N D E X**

		<b>PAGE NO.</b>
3 <b>WITNESS PANEL:</b>	4 <b>JENNIFER L. GRIMSLEY</b>	
	4 <b>JEFFREY M. CARNEY</b>	
	5 <b>WILLIAM R. RICHER</b>	
6	Direct examination by Ms. Pak	5
7	Cross-examination by Mr. Mullen	12
8	Interrogatories by Cmsr. Harrington	23
9	Interrogatories by Chairman Ignatius	33

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11                   **E X H I B I T S**

14 <b>EXHIBIT NO.</b>	14 <b>D E S C R I P T I O N</b>	14 <b>PAGE NO.</b>
15                   1	15                   National Grid's Fiscal Year 16                   2012 Reliability Enhancement Plan 16                   and Vegetation Management Plan 17                   Report and Reconciliation Filing 17                   (05-15-12)	15                   4

18                   \*       \*       \*

19                   **CLOSING STATEMENTS BY:**

22	22                   Ms. Amidon	22                   36
23	23                   Ms. Pak	23                   36

1                   **P R O C E E D I N G**

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

## [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

## [WITNESS PANEL: Grimsley~Carney~Richer]

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 prefilled 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")."

[WITNESS PANEL: Grimsley~Carney~Richer]

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 GRIMSLY: 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  
0 2012 ("FY 2012")."

11 CHAIRMAN IGNATIUS: Thank you.

**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 prefilled testimony and  
14           schedules?  
15 A.       (Richer) Yes, it does.  
16 Q.       Were the prefilled 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

[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.

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.

**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

[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 prefilled testimony today,  
23 would your answers be the same?

24 A. (Richer) Yes, they would.

[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 GRIMSLY: 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.

## [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

[WITNESS PANEL: Grimsley~Carney~Richer]

associated with the Reliability Enhancement Program".  
And, the third sentence talks about "inspection and maintenance", and says that some of that "was completed late in the fiscal year", and the "invoices were not processed or paid in Fiscal Year 2012". And, as I read the next sentence, about the "additional costs [of] approximately 3,900", will those costs be included in 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

[WITNESS PANEL: Grimsley~Carney~Richer]

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

[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.

## [WITNESS PANEL: Grimsley~Carney~Richer]

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

## [WITNESS PANEL: Grimsley~Carney~Richer]

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

## [WITNESS PANEL: Grimsley~Carney~Richer]

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

## [WITNESS PANEL: Grimsley~Carney~Richer]

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

## [WITNESS PANEL: Grimsley~Carney~Richer]

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 Harding". 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.

[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. (Grimsley) Trees are considered as a separate program.

[WITNESS PANEL: Grimsley~Carney~Richer]

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]

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

6 Q. So, is the dollars --

(Court reporter interruption.)

8 BY CMSR. HARRINGTON:

9 Q. The dollars, is that the determining factor? Here's one  
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.

I mean, if a particular place has all the hardware issues, lightning arresters, animal guards, etcetera, are all really in the "top shelf" situation, but we have a lot of trees falling down and taking it out, or, if there's a combination of the two, or there is lousy hardware, but really good vegetation management, why 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.

## [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

[WITNESS PANEL: Grimsley~Carney~Richer]

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

[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

[WITNESS PANEL: Grimsley~Carney~Richer]

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

[WITNESS PANEL: Grimsley~Carney~Richer]

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

[WITNESS PANEL: Grimsley~Carney~Richer]

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

[WITNESS PANEL: Grimsley~Carney~Richer]

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 GRIMSLY: 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.

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

17 CHAIRMAN IGNATIUS: Ms. Pak.

MS. PAK: Thank you, Commissioners. As demonstrated by the Company's REP/VMP Report and Reconciliation Filing, as well as the testimony given here today, the operating and maintenance activities and the capital investments covered by the Company's filing improve the Company's system reliability, and also allowed 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.)**

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