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1 So, Mr. Camerino, statement of the case?

2 MR. CAMERINO: Basically, a quick
3 summary of the case for the Commission. As you noted,
4 that the Company is seeking to adjust its Storm Recovery
5 Adjustment Factor to address costs that were incurred
6 related to the February 2010 wind storm and the March 2011
7 ice storm, as well as a small amount of costs remaining
8 from the December 2008 ice storm. This proceeding does
9 not involve recovery of costs related to tropical storm
10 Irene, although that storm may have some relevance as the
11 Commission considers issues related to the severity and
12 frequency of storms, and how to address that in adjusting
13 the Storm Recovery Adjustment Factor.

14 The Storm Fund mechanism itself was
15 established in the KeySpan/National Grid merger
16 proceeding, as part of adjustments to Granite State
17 Electric's base rates at the time. And, it was set at a
18 level that assumed funding for storm recovery costs of
19 \$120,000 a year.

20 In Docket DE 10-096, in response to the
21 December 2008 ice storm, the Commission established the
22 Storm Recovery Adjustment Factor, to provide an additional
23 \$360,000 a year of funding to address the higher level of
24 costs that was being incurred.

1 The costs from the 2010 -- the
2 February 2010 and March 2011 storms that are the subject
3 of this proceeding total approximately \$3.5 million. And,
4 the Company has calculated that, if no more storms were to
5 occur this year, the fund would be expected to have a
6 negative balance of approximately \$4.65 million at the end
7 of this year.

8 CHAIRMAN GETZ: Can we hold the Company
9 to that?

10 MR. CAMERINO: The number, not the
11 storms. Similarly, it's notable that, if no change were
12 made in the Storm Recovery Adjustment Factor, and the last
13 five years' experience of storms were to continue, not
14 including Irene, the fund balance would be at a negative
15 \$15.1 million by the year 2020. And, it's this concern
16 about the greater frequency and magnitude of the storms
17 than was assumed in the original Storm Fund and the last
18 adjustment of the factor that are of concern to the
19 Company.

20 In order to address that situation, the
21 Company is proposing a two-phase approach. The first is
22 to temporarily, that is for five years, adjust the Storm
23 Recovery Adjustment Factor so that it will be collecting
24 \$2.2 million annually, and that would eliminate the

1 deficit the Company estimates over a five-year period.
2 Thereafter, the factor would drop down to an annual amount
3 of \$1.3 million. And, the Company has attempted to
4 estimate, to come up with a figure that it estimates would
5 be sufficient to cover the cost of storms on an ongoing
6 basis, based on a five-year average of experience.

7 The Company has provided the Staff with
8 supporting documentation for all of the expenses that it's
9 seeking recovery for in this proceeding, and understands
10 that the Staff will be auditing those. And, we very much
11 look forward to working with Staff and the Consumer
12 Advocate, if they participate in this proceeding, and
13 expect discovery to begin shortly. Thank you.

14 CHAIRMAN GETZ: Thank you. Ms. Amidon.

15 MS. AMIDON: Thank you. The Staff
16 appreciates that the Company needs to recover the costs
17 associated with the severe storms that it experienced in
18 the past several years. However, we're also mindful that
19 there's a ratepayer expense involved. And, to that
20 extent, we are going to be looking forward to Staff
21 Audit's review of those costs and supporting
22 documentation. And, we understand that they have already
23 commenced, looking at the materials that were provided by
24 the Company, and have some questions. So, that process --

1 we will wait for that process to conclude before we make
2 any final recommendations.

3 We're also mindful of the fact that the
4 Company is in the process of requesting the Commission's
5 approval to be acquired by Liberty, and that in the
6 current docket, I believe it's -- I can't remember if it's
7 "DG", but it's 11-040.

8 And, finally, in the Settlement
9 Agreement that was approved in the acquisition to which
10 Attorney Camerino referred, in DG 06-107, the Storm
11 Recovery Adjustment Factor was going to end at the end of
12 2012, I believe. And, then, the Company was going to come
13 in with a rate case, and the Staff was going to be able to
14 take a fresh look at all the situations and determine what
15 was appropriate in that regard.

16 So, while we don't have a recommendation
17 at this point, we're considering all of these factors.
18 And, we do hope to come to some kind of agreement with the
19 Company as to how to move forward to commence recovery of
20 some of those costs, while perhaps not going forward with
21 recommending that the full relief that the Company
22 requests be implemented in the short-term.

23 Having said that, we have identified a
24 hearing date. And, we'll meet with the Company after this

1 prehearing conference to discuss other issues in a
2 technical session.

3 CHAIRMAN GETZ: Thank you.

4 CMSR. IGNATIUS: I have a question.
5 Ms. Amidon, were you saying just now that the Company was
6 remiss in not filing for something that it should have
7 done when the rate -- when the Settlement Agreement from
8 the old KeySpan case came to an end?

9 MS. AMIDON: No. What I was saying is
10 that there are several events to be considered in looking
11 at this request for relief.

12 First of all, the proposed acquisition
13 that is currently going through Commission review.
14 Secondly, the fact that, under the agreement, which I
15 assume a new acquirer would assume in the transaction, if
16 it is approved, has a duration that goes till the end of
17 2012. So, what I'm suggesting is perhaps that, if, in the
18 event that there is an approval of this acquisition, the
19 Commission may not want to have -- grant the relief for
20 Granite State, if, indeed, they're going to be coming in
21 for a rate case following the end of 2012, for the long
22 term. In other words, rebuilding or increasing the amount
23 in the Storm Reserve Fund.

24 So, I'm just -- what I was just trying

1 to suggest is that there are a number of events that are
2 taking place surrounding this docket. And, if I confused
3 the Commissioner, I apologize.

4 CMSR. IGNATIUS: Thank you. I guess,
5 Mr. Camerino, following up on that, do you see any either
6 obligation or prohibition on National Grid in pursuing
7 this right now, given the terms of that old agreement?
8 Which I have not looked at, so I don't really know what
9 I'm asking here, but --

10 MR. CAMERINO: No. Frankly, I think
11 what I hear Attorney Amidon saying is that the Storm Fund
12 was originally part of base rates, and the Company is
13 seeking here, as part of the adjustment factor, to have a
14 portion of that be permanent, in essence. And, so, I hear
15 Staff thinking about "well, that sounds like base rates,
16 and we have a high level of certainty that this company is
17 going to be in for a rate case in another year and a
18 half", something that it said publicly, and so they want
19 to understand how those two things fit together.

20 But I don't think there's a -- there's
21 not a timing issue, so much as a mechanism issue, I think
22 is what I'm hearing.

23 MS. AMIDON: I would agree with that
24 characterization. Thank you, Attorney Camerino.

1 CMSR. IGNATIUS: Thank you.

2 CHAIRMAN GETZ: Okay. Is there anything
3 else this afternoon?

4 MS. AMIDON: Nothing.

5 CHAIRMAN GETZ: All right. Then, we
6 will close this prehearing conference and await a
7 recommendation out of the technical session. Thank you,
8 everyone.

9 **(Whereupon the prehearing conference**
10 **ended at 1:47 p.m., and thereafter a**
11 **technical session was held.)**

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