

Direct Testimony

of

Dr. Catherine T. McDonough

Peter F. Altenburger

and

Sara M. Sankowich

TABLE OF CONTENTS

I. Introduction and Qualifications 3
II. Purpose of Testimony 7
III. Overview of REP and VMP 8
IV. Fiscal Year 2009 REP and VMP Implementation 11
V. Conclusion 12

1 **I. Introduction and Qualifications**

2 **Q. Dr. McDonough, please state your full name and business address?**

3 A. My name is Catherine T. McDonough, and my business address is 300 Erie Blvd West,
4 Syracuse, New York 13202.

5
6 **Q. Dr. McDonough, by whom are you employed and in what position?**

7 A. I am employed as the Director of Regulatory Compliance for Electric Distribution
8 Operations for National Grid USA Service Company, Inc. In my capacity as Director, I
9 am responsible for Granite State Electric Company's d/b/a National Grid ("Granite State"
10 or "Company") regulatory filings and regulatory compliance related to electric
11 distribution operations in New Hampshire and for other National Grid retail distribution
12 companies in Massachusetts, Rhode Island, and New York.

13
14 **Q. Dr. McDonough, please describe your educational background.**

15 A. I graduated from the University of Massachusetts, Amherst in 1979. I received a Masters
16 in Economics from New York University in 1987 and a doctorate in Economics from
17 New York University in 1995.

18
19 **Q. Dr. McDonough, please describe your professional experience.**

1 A. I joined National Grid (formerly Niagara Mohawk) nine years ago. Before being named
2 to my current position in April 2008, I was a project manager directing research to
3 support a variety of strategic decisions related to electric distribution operations, customer
4 satisfaction and electric pricing. Prior to joining Niagara Mohawk, I served as a Finance
5 Professor at SUNY Binghamton and Babson College following several years as a Vice
6 President, Senior Economist with Merrill Lynch Capital Markets in New York City.

7

8 **Q. Dr. McDonough, have you previously testified before the Commission?**

9 A. Yes.

10

11 **Q. Mr. Altenburger, please state your full name and business address.**

12 A. My name is Peter F. Altenburger and my business address is 1125 Broadway, Albany, NY
13 12204.

14

15 **Q. Mr. Altenburger, by whom are you employed and in what position?**

16 A. I am the Manager of the Asset Program Management group for Electric Distribution
17 Operations for Granite State Electric Company, d/b/a National Grid (“Granite State” or
18 the “Company”). In my capacity as Manager, I am responsible for overseeing the
19 Reliability Enhancement Program (“REP”) in New Hampshire and for other National
20 Grid retail distribution companies in Massachusetts, Rhode Island, and New York.

1 **Q. Mr. Altenburger, please describe your educational background?**

2 A. I received a Bachelor of Engineering Degree in Electrical Engineering from Manhattan
3 College, Bronx, NY in 1986 and a Master of Science Degree in Electrical Engineering
4 from Rensselaer Polytechnic Institute, Troy, NY in 1990. I am also a licensed
5 professional engineer in the State of New York.

6

7 **Q. Mr. Altenburger, please describe your professional experience.**

8 A. I joined National Grid (formerly Niagara Mohawk) in 1992. Before being named to my
9 current position in September of 2006, I was Manager - Distribution Asset Management
10 for National Grid's Eastern Division of New York in August 2005. Prior to this position,
11 I have also held various positions within the engineering and operations groups within
12 Niagara Mohawk. Prior to joining Niagara Mohawk, I served as a substation engineer for
13 Pacific Gas and Electric for two years and as an overhead transmission engineer for Long
14 Island Lighting Company for three years.

15

16 **Q. Mr. Altenburger, have you previously testified before the Commission?**

17 A. Yes.

18

19

20

1 **Q. Ms. Sankowich, would you please state your full name and business address?**

2 A. My name is Sara M. Sankowich, and my business address is 25 Research Drive,
3 Westborough MA, 01582.

4

5 **Q. Ms. Sankowich, by whom are you employed and in what position?**

6 A. I am employed as the Manager of Vegetation Management Strategy for Electric
7 Distribution Operations for National Grid USA Service Company, Inc. (“Service
8 Company”). In my capacity as Manager, I am responsible for distribution Vegetation
9 Management Strategy and Policy in Granite State Electric Company’s d/b/a National Grid
10 (“National Grid” or “Company”) territory in New Hampshire and for other National Grid
11 retail distribution company affiliates in Massachusetts, Rhode Island, and New York.

12

13 **Q. Ms. Sankowich, please describe your educational background.**

14 A. I graduated from The State University of New York, College of Environmental Science
15 and Forestry in 2000. I received a Bachelor of Science in Resource Management
16 (Forestry).

17

18 **Q. Ms. Sankowich, please describe your professional experience.**

19 A. I joined the Service Company in 2004. Before being named to my current position in
20 August 2008, I was the New England South Lead Arborist for Construction Delivery

1 Forestry. I oversaw New England South Arborists responsible for delivering distribution
2 Forestry strategy and work plan. Prior to being named to the lead position in May 2007, I
3 was the Rhode Island Coastal District Arborist. Prior to joining the Service Company, I
4 was employed with Orange and Rockland Utilities, in Monroe, NY as an Associate
5 Arborist. I was hired at Orange and Rockland Utilities after being a Contract Arborist
6 through Environmental Consultants Inc., where I contracted for Northern Indiana Public
7 Service Company and then Orange and Rockland Utilities.

8
9 **Q. Ms. Sankowich, have you previously testified before the Commission?**

10 A. No.

11
12 **II. Purpose of Testimony**

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

14 A. This testimony serves two purposes. First, this testimony is intended to provide the
15 Commission with background information regarding the REP and Vegetation
16 Management Program (“VMP”) that Granite State implemented during fiscal year 2009
17 (April 1, 2008-March 31, 2009) and supports the Company’s May 15, 2009 Fiscal Year
18 2009 REP and VMP Results and Reconciliation filing (“May 15th Reconciliation Filing”)
19 which has been submitted to the Commission concurrently with this testimony. Second,
20 this testimony supports the Company’s request for Commission approval to recover the

1 incremental operating and maintenance (“O&M”) expense of \$113,832 above the base
2 O&M amount of \$1,360,000 through the REP/VMP Adjustment Provision as set forth in
3 Exhibit GSE-8 of the Granite State Rate Plan approved as part of the comprehensive
4 merger settlement agreement in Docket No. DG 06-107 (“Settlement Agreement”)¹, as
5 well as a REP Capital Investment Allowance of \$75,740, which is the revenue
6 requirement associated with \$500,000 of REP capital investments made during fiscal year
7 2009. Information regarding the calculation of the REP/VMP Adjustment Provision and
8 the REP Capital Investment Allowance, and the associated rate impacts, is set forth in the
9 Testimony of David E. Tufts.

10
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 improve its reliability
14 performance through implementation of the REP and VMP. In general, the REP and
15 VMP include categories of both capital and O&M spending targeted to improve reliability
16 performance. The REP and VMP are premised on the idea that a certain amount of
17 annual spending on both capital and O&M activities is necessary to maintain the safety
18 and reliability of the Company’s electric distribution system. The Settlement Agreement
19 assumes that a base amount of approximately \$1,360,000 will be spent on O&M activities

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

1 associated with the REP and VMP during each fiscal year of the Company's five year rate
2 plan established in the Settlement Agreement, and that the Company will establish a
3 proposed budget for REP capital investments for each fiscal year following discussions
4 with Staff. To the extent the Company spends less than the agreed upon base O&M
5 budget on REP and VMP O&M activities for the given fiscal year, the difference would
6 be credited to customers either through a refund commencing on July 1st or credited to
7 the following year's REP and VMP O&M budget, at the Commission's discretion.

8 Notwithstanding the base O&M amount of \$1,360,000, the Company has the flexibility to
9 propose and implement alternative plans that exceed the base O&M amount, assuming
10 that Staff agrees to such an alternative plan. In such case, the incremental expense above
11 the base level O&M budget amount, as agreed to with Staff, will be included in rates,
12 subject to the Commission's review and approval, through a uniform adjustment factor on
13 a per kilowatt-hour basis and recovered over a twelve month period, commencing on July
14 1st. Assuming that the Company makes capital investments consistent with the REP
15 agreed to with Staff, and upon review and approval by the Commission, the Company
16 will be allowed a permanent rate increase to recover the annual revenue requirements
17 associated with such capital spending.

18
19 **Q. What kinds of activities are included in the REP and VMP?**

1 A. As described in detail in Exhibit GSE-8 to the Settlement Agreement, the REP and VMP
2 include the following categories of activities: feeder hardening, augmented tree-trimming
3 and clearing, asset replacement, and inspection and maintenance.
4

5 **Q. Please explain the May 15th Reconciliation Filing.**

6 A. By May 15th for each fiscal year associated with the five-year rate plan period (January 1,
7 2008 through December 31, 2012), the Company is required to make a reconciliation
8 filing with the Commission for both its REP and VMP detailing the actual amounts spent
9 on REP and VMP activities during the prior fiscal year as compared with budgeted
10 amounts. Following the Company's submission of a proposed budget for fiscal year 2009
11 REP and VMP activities to Staff on February 15, 2008, the Company reached agreement
12 with Staff to spend a total of \$1,473,832 on O&M during fiscal year 2009, consisting of
13 an initial O&M budget of \$1,373,832 and an additional \$100,000 to be spent on hazard
14 tree removals. As set forth in the May 15th Reconciliation Filing, the Company spent a
15 total of \$1,477,916 on O&M during fiscal year 2009. Although the Company exceeded
16 its O&M budget for fiscal year 2009, the Company is now requesting an adjustment to its
17 base distribution rates to recover only the incremental O&M expense of \$113,832 above
18 the base O&M amount of \$1,360,000 established in the Settlement Agreement. The
19 Company is also requesting approval to recover a REP Capital Investment Allowance of
20 \$75,740, which is the revenue requirement associated with \$500,000 of REP capital

1 investments made during fiscal year 2009. If approved, the Company is requesting that
2 these rate adjustments become effective for usage on and after July 1, 2009, as set forth in
3 the Settlement Agreement.

4
5 **IV. Fiscal Year 2009 REP and VMP Implementation**

6 **Q. Please explain the actual amounts spent on implementing the REP and VMP for**
7 **fiscal year 2009.**

8 A. As mentioned previously, the Company spent a total of \$1,477,916 on REP and VMP
9 O&M activities comprised of \$1,309,167 spent on VMP O&M, \$106,566 spent on
10 enhanced hazard tree removals as part of the optional enhanced VMP O&M budget
11 agreed to with Staff, and \$62,183 spent on REP O&M during fiscal year 2009. A
12 breakdown of these expenses is set forth in Tables 1, 2a and 2b on pages 2-3 of the May
13 15th Reconciliation Filing. The Company also spent a total of \$543,229 on capital
14 investments associated with REP during fiscal year 2009. A breakdown of these costs is
15 set forth in Table 3 at page 4 of the May 15th Reconciliation Filing.

16
17 **Q. Why did the Company exceed its proposed capital budget for fiscal year 2009 REP**
18 **spending?**

19 A. The Company experienced an increase in its per unit costs to perform feeder hardening
20 activities since the time its fiscal year 2009 REP capital investment budget was created.

1 However, the Company is requesting recovery of the revenue requirement associated only
2 with incremental capital spending of \$500,000, rather than the actual amount spent on
3 REP capital investment activities during fiscal year 2009.

4
5 **Q. Why did the Company exceed its estimated O&M budget for fiscal year 2009?**

6 A. Actual costs associated with cycle pruning, cycle pruning police detail expenses, and
7 subtransmission right of way clearing exceeded budgeted amounts for these activities due
8 to the higher cost-per-mile of contracted bid work (\$4,297.35) than was planned
9 (\$3,839.16).

10
11 **Q. Has the Company reached agreement with Staff on its REP and VMP plans for**
12 **fiscal year 2010?**

13 A. Not yet. The Company provided Staff with a proposed budget for fiscal year 2010 REP
14 and VMP spending, but has not yet met with Staff to discuss these plans. The Company
15 expects to schedule a meeting with Staff to discuss its proposal for fiscal year 2010 in the
16 near future.

17
18 **V. Conclusion**

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

20 A. Yes it does.