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STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

July 16, 2009 - 1:38 p.m.
Concord, New Hampshire

RE: DE 09-094
GRANITE STATE ELECTRIC COMPANY d/b/a
NATIONAL GRID: 2009 Reliability
Enhancement and Vegetation Management
Program.

PRESENT: Commissioner Clifton C. Below, Presiding
F. Anne Ross, Esq., General Counsel

Sandy Deno, Clerk

APPEARANCES: Reptg. Granite State Electric Company d/b/a
National Grid:
Alexandra E. Blackmore, Esq.

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.

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

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I N D E X

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WITNESS PANEL: CATHERINE T. McDONOUGH
 DAVID E. TUFTS
 BRIAN HAYDUK
 SARA M. SANKOWICH

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

2 COMMISSIONER BELOW: I'll open this
3 hearing in DE 09-094. Chairman Getz is not here today
4 because he injured his back this morning and couldn't make
5 it in. I've asked PUC General Counsel Anne Ross to join
6 me behind the Bench and assist me in running the hearing.

7 This hearing is being held pursuant to
8 an order of notice issued on July 6th. On May 15th, 2009,
9 National Grid filed its annual Reliability Enhancement
10 Plan and Vegetation Management Plan Results and
11 Reconciliation Report for fiscal year 2009. And, the
12 order provided for a hearing to be held today, July 16th,
13 2009, at 1:30 p.m.

14 Can we take appearances.

15 MS. BLACKMORE: Good afternoon. My name
16 is Alexandra Blackmore, and I'm here on behalf of National
17 Grid.

18 COMMISSIONER BELOW: Good afternoon.

19 MS. AMIDON: Good afternoon. Suzanne
20 Amidon, for Commission Staff. And, to my far left is Tom
21 Frantz, the Director of the Electric Division, and to my
22 immediate left is Steve Mullen, the Assistant Director of
23 the Electric Division .

24 COMMISSIONER BELOW: Good afternoon.

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1 Are there any procedural matters before we go to the
2 witnesses?

3 MS. BLACKMORE: Yes, I do have a few
4 exhibits I'd like to mark for identification. The first
5 is the Company's May 15th Reconciliation Report. The
6 second exhibit is the Revised Testimony and Schedules of
7 David Tufts, which reflect the changes in the Company's
8 rate design. And, the third exhibit is the Company's
9 February 15th Reliability Enhancement and Vegetation
10 Management Plan for Fiscal Year 2009, which was filed with
11 the Commission in February of 2008.

12 COMMISSIONER BELOW: Okay. We'll mark
13 those for identification as Exhibits 1, 2, and 3,
14 respectively.

15 (The documents, as described, were
16 herewith marked as Exhibit 1, 2, and 3,
17 respectively, for identification.)

18 COMMISSIONER BELOW: The last one that
19 you referred to, is that from this docket or a previous
20 docket?

21 MS. BLACKMORE: Pursuant to the
22 Settlement Agreement, the Company provides the
23 February 15th plan, I apologize, it provides that plan to
24 Staff, and doesn't file that with the Commission. But

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1 that's why we've introduced it here as an exhibit.

2 COMMISSIONER BELOW: Okay. But it
3 wasn't an exhibit in a previous docket?

4 MS. BLACKMORE: I believe it was, the
5 previous year's February filing was an exhibit in --

6 MS. AMIDON: Commissioner Below, I was
7 consulting with Mr. Mullen, and he informed me that the
8 Company did file it, but they filed it under the Merger
9 docket. And, that docket number is DE 06-107. Is that
10 right?

11 MR. MULLEN: DG.

12 MS. AMIDON: Pardon me, DG 06-107.

13 COMMISSIONER BELOW: Okay. Very good.

14 MS. AMIDON: So, that document can be
15 found in that docket.

16 COMMISSIONER BELOW: Okay. You can
17 proceed, Ms. Blackmore, with the witnesses.

18 (Whereupon Catherine T. McDonough,
19 David E. Tufts, Brian Hayduk, and
20 Sara M. Sankowich were duly sworn and
21 cautioned by the Court Reporter.)

22 CATHERINE T. McDONOUGH, SWORN

23 DAVID E. TUFTS, SWORN

24 BRIAN HAYDUK, SWORN

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

1 SARA M. SANKOWICH, SWORN

2 DIRECT EXAMINATION

3 BY MS. BLACKMORE:

4 Q. Dr. McDonough, would you please state your full name
5 and business address.

6 A. (McDonough) Dr. Catherine McDonough, 300 Erie
7 Boulevard, Syracuse, New York.

8 Q. And, what is your position with National Grid?

9 A. (McDonough) I'm the Director of Regulatory Compliance
10 for the Asset Strategy Group within Electric
11 Distribution Operations.

12 Q. And, what are your duties and responsibilities in that
13 position?

14 A. (McDonough) My principal responsibilities are to make
15 sure that we meet all of our filing -- regulatory
16 filing deadlines for the Electric Distribution
17 Operations Group. And, I'm also charged with making
18 sure that we're doing what we need to do to meet our
19 reliability target, in terms of our spending programs.

20 Q. And, I believe you have your prefiled testimony, which
21 is marked as "Exhibit 1", in front of you. Do you have
22 any corrections to make to your testimony?

23 A. (McDonough) I do not.

24 Q. And, do you adopt your testimony as true and correct?

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

- 1 A. (McDonough) Yes.
- 2 Q. Thank you. Mr. Hayduk, would you please state your
3 full name and business address.
- 4 A. (Hayduk) Sure. My name is Brian Hayduk. Business
5 address is 40 Sylvan Road, Waltham, Massachusetts.
- 6 Q. And, can you please provide the Commission with a brief
7 summary of your educational background and work
8 experience?
- 9 A. (Hayduk) Sure. I have a Bachelor of Science in
10 Electrical Engineering from Northeastern University in
11 1992, a Master's of Power Systems Management from
12 Worcester Polytechnic Institute in 2004. I'm a
13 registered Professional Engineer in the State of Rhode
14 Island.
- 15 Q. And, what is your current position at National Grid?
- 16 A. (Hayduk) I manage the Asset Planning Department in the
17 Electrical Distributions Operations business.
- 18 Q. And, what are your duties in that position?
- 19 A. (Hayduk) My department identifies assets to be replaced
20 on the electric distribution system to meet the asset
21 strategies identified by the organization.
- 22 Q. And, although you did not prepare the prefilled
23 Testimony of Peter Altenburger, are you familiar with
24 the testimony that Peter filed?

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

- 1 A. (Hayduk) Yes, I am.
- 2 Q. And, are you prepared to sponsor Mr. Altenburger's
3 testimony?
- 4 A. (Hayduk) I am.
- 5 Q. Do you have any corrections to make to
6 Mr. Altenburger's testimony?
- 7 A. (Hayduk) No, I do not.
- 8 Q. And, do you adopt Mr. Altenburger's testimony as true
9 and correct?
- 10 A. (Hayduk) I do.
- 11 Q. Ms. Sankowich, would you please state your full name
12 and business address.
- 13 A. (Sankowich) Sara Sankowich, 40 Sylvan Road, Waltham,
14 Massachusetts.
- 15 Q. And, what is your position at National Grid?
- 16 A. (Sankowich) I'm Manager of Vegetation Management
17 Strategy.
- 18 Q. And, what are your duties in that position?
- 19 A. (Sankowich) I come up with a strategy on policy for the
20 vegetation management activities for distribution at
21 National Grid.
- 22 Q. I believe you have your prefiled testimony marked as
23 "Exhibit 1" in front of you. Do you have any
24 corrections to make to your testimony?

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

- 1 A. (Sankowich) Just my business address has changed.
- 2 Q. And, do you adopt your testimony as true and correct?
- 3 A. (Sankowich) I do.
- 4 Q. Mr. Tufts, would you please state your full name and
5 business address.
- 6 A. (Tufts) Yes. My name is David E. Tufts. And, business
7 address is 40 Sylvan Road, Waltham, Mass.
- 8 Q. And, what is your position at National Grid?
- 9 A. (Tufts) I'm the Director of Electric Distribution and
10 Generation Revenue Requirements.
- 11 Q. And, what are your duties and responsibilities in that
12 position?
- 13 A. (Tufts) I am responsible for the oversight of the
14 revenue requirements of the electric distribution and
15 generation business in the U.S.
- 16 Q. And, you have your revised testimony, which is marked
17 as "Exhibit 2" in front of you. Do you have any
18 corrections to your testimony?
- 19 A. (Tufts) No.
- 20 Q. And, do you adopt your testimony as true and correct?
- 21 A. (Tufts) Yes.

22 MS. BLACKMORE: I have nothing further
23 for the witnesses.

24 COMMISSIONER BELOW: Ms. Amidon.

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

1 MS. AMIDON: Thank you. Good afternoon.
2 I'm going to ask some questions, and whoever is the
3 appropriate person can respond. Not knowing that, you can
4 decide among yourselves.

5 CROSS-EXAMINATION

6 BY MS. AMIDON:

7 Q. I wanted to talk about something that was discussed in
8 a technical session yesterday regarding FairPoint's
9 contribution to the Vegetation Management Program.
10 Could you please explain the status of that.

11 A. (Sankowich) Sure. Yes. We have put some invoices into
12 FairPoint to be paid for last year's work. Currently,
13 there have been some invoices that have been paid. The
14 total, there is one remaining unpaid invoice, and they
15 were just paid recently in July, everything but one.

16 Q. And, how will you be accounting for the revenue
17 associated with these FairPoint payments?

18 A. (Sankowich) That's something that we will be discussing
19 within our organization. Since this has just been
20 brought forward to us, and we've just gone forward with
21 the FairPoint payments, we're open for discussions on
22 how we will be going forward with that.

23 Q. Okay. Thank you. I'm looking at the report --

24 MS. AMIDON: Is this identified as

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

1 "Exhibit 1"?

2 MS. BLACKMORE: I believe so. The May
3 15th report?

4 MS. AMIDON: Yes.

5 MS. BLACKMORE: Yes.

6 MS. AMIDON: Okay.

7 MS. BLACKMORE: That's Exhibit 1.

8 BY MS. AMIDON:

9 Q. And, if you would turn to Page 6. There's -- The first
10 sentence of the second paragraph includes a discussion
11 of the per unit costs that have increased since the
12 fiscal year '09 budget was generated. Are these
13 across-the-board cuts or is there any particular cost
14 causer for these cost increases?

15 A. (Hayduk) There are -- We are experiencing cost
16 increases really across the board. But, in general,
17 there are -- there may be more than one reason for the
18 cost increases in the associated REP programs. Feeder
19 hardening, for example, the cost increase associated
20 with that program really is -- is really driven by the
21 nature of the program. Whereas, the cost increases
22 associated with reclosers and cut-outs may be due to
23 other causes, such as material and labor increases.

24 Q. Could you explain what you meant about the "Feeder

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

1 Hardening Program having different cost causers"?

2 A. (Hayduk) Sure. The Feeder Hardening Program is such
3 that we estimate the future costs based on historical
4 costs, based on the amount of work that has been
5 historically identified when we conduct a survey on a
6 particular feeder and that we find deficiencies. So,
7 really, as we progress through the year and conduct
8 surveys on the new feeders to be feeder hardened, we
9 really don't know how many deficiencies or what types
10 of deficiencies we find until we conduct the survey.
11 And, so, in that case, you know, we may find more
12 deficiencies than we expected to find. Furthermore,
13 when we actually go and do the work, and we've
14 completed the survey, we perform a design based on the
15 survey findings, and then go and do the work, we put a
16 bucket truck in the air to perform the work, we may
17 again find additional deficiencies when we're in the
18 air and seeing the equipment close up that we did not
19 identify from the survey.

20 Q. Thank you.

21 A. (McDonough) I'll just expand on that just slightly.

22 Q. Yes.

23 A. (McDonough) The unit that we're talking about here is
24 the unit -- is the number of miles. So, it's the cost

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

1 per mile. So, it's, and just to pick up what Brian
2 said, was that sometimes the cost per mile is going to
3 be higher than what you expect, because there's more
4 work that needs to be done in that particular mile than
5 you would have originally anticipated. When you
6 develop your estimate, you have certain sort of
7 averages that you work off of, in terms of "Well, you
8 know, what is the average amount of work that needs to
9 be done per mile in the Feeder Harding Program?" But,
10 you know, for the particular mile that you're working
11 on, there could be the need for more crossarms or
12 additional equipment than what you might have factored
13 into the average.

14 Q. Who conducts these surveys? Is it National Grid or is
15 it contractors that work with National Grid?

16 A. (Hayduk) We have personnel in the Company that conduct
17 surveys, Company personnel.

18 Q. Thank you. If you go to the top of Page 7, the first
19 full sentence reads as follows: "Three cutouts in the
20 original budget were not replaced due to the
21 inefficiency of writing a new work order for partial
22 feeder work." Could you explain that sentence and how
23 the efficiency or inefficiency of writing a new work
24 order would affect that work?

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

- 1 A. (Hayduk) Basically, the cutouts that we replace under
2 the REP program are identified in a targeted fashion,
3 where we actually go out in the field and do
4 inspections to find these potted porcelain cutouts and
5 replace them. In this case, we, you know, we conduct
6 these replacements throughout the year. And, in this
7 case, particular case, we had replaced, and through our
8 counting, had counted that we replaced 497 cutouts in a
9 targeted fashion. A decision was made to -- A decision
10 was made to say that that was sufficient to meet the
11 goal, understanding that we replace cutouts, potted
12 porcelain cutouts in numerous other normal courses of
13 business, such as new business or public requirements
14 or any time that we put a bucket in the air and work on
15 a pole that has a potted porcelain cutout in it on the
16 pole. We, as a matter of practice, replace these
17 devices. So, we felt that we were meeting the
18 objective in spirit, because we are replacing greater
19 numbers than what we replace solely in the targeted
20 program.
- 21 Q. Well, what is the administrative inefficiency that you
22 -- that you're referring to, though, in this testimony?
23 Is there a point where administrative inefficiency
24 would be outweighed by reliability and safety?

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

- 1 A. (McDonough) Really, not at all. I think this really
2 has to do with the fact that, you know, there's kind of
3 a cut-off date, in terms of the numbers that we put
4 into these, into the filing at the end of the fiscal
5 year. And, you know, these programs are ongoing. So
6 you know, it's more that, you know, the work is slated
7 to be done and it may sort of go over to, you know,
8 April of the next fiscal year. So, it's really, you
9 know, trying to get like a continuous program sort of
10 segmented into these fiscal years that create this, you
11 know, this sort of allusion. So, the work, I mean, we
12 have been very active in our Cutout Replacement Program
13 in the past. We were very active this year. And, we
14 will continue to replace cutouts next year as, you
15 know, the work is identified in the work plan, so that,
16 you know, if you're already out working on a particular
17 -- you're designating a certain work area to work in,
18 you know, you'll sort of pick up the cutout work when
19 you're working in that area, as opposed to, you know,
20 creating an inefficiency where you'll go, you know, try
21 to get your 500 cutouts done just to kind of meet this
22 particular goal. So, it's about trying to efficiently
23 deploy the work force in order to get the work done.
- 24 Q. Moving along, still on Page 7, in that testimony,

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

1 there's a statement "there were 199 fewer trees removed
2 than originally estimated." And, I think we're talking
3 about hazard tree removal in this section. Could you
4 explain why you think you came up with 199 fewer trees
5 than what you anticipated?

6 A. (Sankowich) Certainly. The Hazard Tree Program
7 estimates for a number of trees are based on historic
8 measurements of the trees that have been removed in the
9 past. And, basically, when we go out to a feeder
10 that's been scheduled for reliability reasons to have
11 the enhanced hazard tree work done on it or hazard tree
12 work done through circuit pruning, we take care of all
13 of the rest that's out there on the feeders, so that's
14 mitigated to an acceptable level of risk. And, the
15 number of trees that are removed at that time
16 fluctuates, depending on what risk is actually present
17 in the field. So, there could be a lesser number of
18 risk trees on these feeders, but we would still
19 mitigate the risk amount to be acceptable to National
20 Grid.

21 Q. And, in that same section, you talk about the "cost per
22 mile of contracted bid work" going up. That's the next
23 to the last sentence on Page 7.

24 A. (Sankowich) Yes.

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

- 1 Q. Is this -- again, these are costs across the board.
2 And, is this the per mile cost you were talking about,
3 Dr. McDonough?
- 4 A. (Sankowich) This is separate.
- 5 A. (McDonough) Yes.
- 6 A. (Sankowich) This is -- Vegetation management uses
7 contract crews. And, the reason for this increased
8 cost per mile is basically due to the change in
9 contract strategy. And, that comes from changing from
10 a unit price cost, where we were paying on a fixed
11 contract strategy, and we had a vendor default on the
12 work, so that we found that we were not actually paying
13 the market price, which is why the vender couldn't get
14 the work done for the price that they had submitted.
15 So, in the next year, for this work here, in FY09, we
16 put it out to bid in the market to get the actual
17 market price. So, we saw the increases of costs in the
18 market, which are due to increased fuel rates and the
19 risk the contractors have assumed for that, and other
20 costs that have increased over the board. That was the
21 biggest driver for the increase in cost. And, National
22 Grid proactively is looking to reduce some of these
23 costs that we're paying to get the best product for the
24 lowest price. So, we're actually, for this upcoming

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

1 year, we're also looking at the lump sum to get true
2 market value, and at that point we're working towards a
3 new contract strategy called "target pricing", where
4 we'll actually share in the risk of the contractors to
5 eliminate that overhead cost for risk to bring some of
6 these drivers down.

7 Q. All right. Thank you. On Attachment 1, I believe it's
8 two pages to Attachment 1 -- no, Attachment 1 and
9 Attachment 2. Would one of you please describe what we
10 see on Attachment 1 to the report.

11 A. (Sankowich) Sure. Attachment 1 is the vegetation
12 management activities, and their spend for the
13 different months during our fiscal year.

14 Q. And, there are -- just give me a moment please. On the
15 "Planned Cycle Trimming", there are several months that
16 have no cost associated with them in this, that would
17 be "June", "August", "September", and "February".
18 Could you explain the reason why there would be no
19 planned tree trimming costs in these months?

20 A. (Sankowich) Sure. The way that our contract strategy
21 works is that we pay for the work that's being done
22 once it's actually completed and certified in the
23 field. So, sometimes there's work going on in the
24 field, but it has not been certified to meet our

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

1 standards as of yet, so it has not been invoiced and
2 paid. Also, our invoicing system has to be approved
3 and gone through the invoicing procedures. So, it
4 could be that potentially the work was done, and it's
5 lagging behind in actually being paid in that month.

6 Q. How do you determine whether the work was done to the
7 Company's satisfaction?

8 A. (Sankowich) We do 100 percent audit of all the work
9 that's done in the field. And, that's done by an
10 in-house arborist, that looks at the work to make sure
11 it meets all of our specifications.

12 Q. Also, in Attachment 1, there's a section "Enhanced" --
13 let me make sure I have the right name to it, just give
14 me a minute please -- "Enhanced Hazard Tree Removal".
15 And, if we look at that line across the months, the
16 largest amount of costs incurred is in the month of
17 January. I would assume this is January 2009?

18 A. (Sankowich) Correct.

19 Q. Why is there such a large amount for this planned
20 enhanced tree removal for just the one month of
21 January 2009? I mean, it really is the most cost
22 represented across the board. And, in addition, could
23 you explain whether it relates to the December Ice
24 Storm?

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

1 A. (Sankowich) Sure. The way that our Enhanced Hazard
2 Tree Mitigation Program is scheduled is that we use a
3 specific crew with a skill set that's matched towards
4 removing large trees. And, those crews work all over
5 our service territory in New England. And, so, the
6 schedule that was set up for the Enhanced Hazard Tree
7 Removal just happened to fall at the end of our fiscal
8 year, that was when the work was scheduled to be done.
9 This does not include any ice storm remediation work.
10 Our crews were taken off during the immediate
11 restoration time, and then, following that restoration,
12 they went back to do their remediate work. We had
13 completely separate crews that did any restoration work
14 past that in separate accounting, so there would be no
15 charges relative to any remediation work from the ice
16 storm in these numbers.

17 Q. So, there's -- So, nothing from the ice storm is
18 associated with the costs in this "Enhanced Hazard Tree
19 Removal" line?

20 A. (Sankowich) Correct.

21 MS. AMIDON: One moment please.

22 (Atty. Amidon conferring with Mr.
23 Mullen.)

24 MS. AMIDON: Mr. Mullen has a few

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

1 questions for the witnesses.

2 COMMISSIONER BELOW: Okay.

3 MR. MULLEN: Good afternoon.

4 BY MR. MULLEN:

5 Q. Just a follow-up related to the ice storm. Did the ice
6 storm change any of the Company's plans, in terms of
7 its maintenance and/or trimming activities?

8 A. (Sankowich) The ice storm didn't change any of our
9 maintenance activities. We still are continuing on
10 with our regular program. We are actually already
11 starting our hazard tree removal work in New Hampshire
12 for this upcoming year. It did make us focus on our
13 impact on -- for reliability with tree-related events.
14 But we feel that our strategies and our policies
15 equipped us well for handling the ice storm. And, the
16 results of that, a lot of the ice damage was from
17 large, heavy amounts of ice that our regular program
18 would not be something that would prevent any major
19 damage. We felt we did as best we could for preparing
20 for it, and that our specifications and our strategy,
21 if we continue with them, that would be sufficient.

22 Q. Do you happen to know offhand what the Company's total
23 costs related to the ice storm were in New Hampshire?

24 A. (Sankowich) For vegetation management?

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

1 Q. I'd say in total first, and then, you know, I imagine
2 some of those are capital and some of those are O&M,
3 but --

4 A. (McDonough) I don't think that we have those with us
5 right now.

6 Q. Okay.

7 A. (McDonough) But we can take that as an information
8 request.

9 Q. While we were on the subject, I figured I'd throw that
10 one out there.

11 [Laughter]

12 COMMISSIONER BELOW: Do you want a
13 record request on that?

14 MR. MULLEN: No, I don't think it's
15 necessary for this proceeding.

16 COMMISSIONER BELOW: Okay. Fine.

17 MR. MULLEN: We can get that off-line
18 afterwards. We have, as you know, we have that separate
19 investigation going on, so there will be plenty of details
20 in there.

21 COMMISSIONER BELOW: Okay.

22 BY MR. MULLEN:

23 Q. Before we leave Attachment 1, just briefly, there's a
24 couple of other trimming categories on there, "Spot

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[WITNESS PANEL: McDonough|Tufts|Hayduk|Sankowich]

1 Tree Trimming" and "Interim Trimming". Could you just
2 explain what the difference is for those?

3 A. (Sankowich) Yes. "Spot tree trimming" is relative to
4 smaller jobs, mostly customer-driven. There were
5 re-investigates, small occurrences that we have
6 concerns, and we need to send tree crews out for.

7 The "interim trimming" is larger scale
8 projects, where we find that there's a reliability
9 risk. It may be an entire street that has had an
10 exceptional amount of growth or a project to improve
11 reliability in a certain area. And, it's usually a
12 little bit of a larger scoped job.

13 Q. Now, related to the REP and VMP Plans in general, how
14 are spending decisions made, in terms of how many
15 people get involved in that? Is it the same in other
16 states that National Grid serves? Just how does that
17 whole process work?

18 A. (Sankowich) For vegetation management, it's based on
19 risk. And, it's done the same throughout all of our
20 states. And, we basically do a risk analysis of
21 reliability and what's present. And, we make sure that
22 we allocate the resources and the funds to the highest
23 risk area for the most improvement.

24 A. (Hayduk) And, for the maintenance and REP programs,

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1 really direction -- direction on the program and
2 magnitude of the program, and which assets or quantity
3 of assets really come from our Asset Strategy
4 Department. And, that type of decision is really
5 value-based, based on reliability performance or
6 expected reliability benefit from these, from the
7 various programs, and the costs associated with
8 implementing those improvements, so that we're looking
9 for the biggest -- the biggest value for the dollar.

10 And, to get to your point about how
11 we're addressing each state, we have recently or are in
12 the midst of recently developing what are called "State
13 Plans", which are targeted and focused to each state,
14 to basically, you know, maximize the performance, the
15 reliability performance in each state to meet our
16 objectives going forward.

17 Q. Do you have similar types of recovery mechanisms in the
18 other states?

19 A. (Tufts) Like the REP?

20 Q. Yes.

21 A. (Tufts) No.

22 Q. And, you mentioned that there was some assessment of
23 risk when you start looking at that. How do you define
24 that and how do you assess that, especially when you're

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1 looking at various states at once?

2 A. (Sankowich) Going on with what Brian said, it's the
3 Strategy Department, Asset Strategy Department that's
4 looking at that. So, we're looking at risk relative to
5 reliability within the Company. And, we have a number
6 of tools in vegetation management to track reliability
7 and tree-related reliability contribution. And, our
8 risk is based on reliability-based tools that we have
9 there. We also look at individual customers and the
10 effect on the customer and safety within our company.

11 Q. Now, would it be fair to say that, since you have
12 reliability enhancement programs basically
13 company-wide, that the details from state-to-state may
14 be a little bit different?

15 A. (Hayduk) Well, I want to say that we implement the
16 program consistently across the territory. But, again,
17 the recent foray into developing these state plans is
18 to ensure that we are, in fact, meeting -- that we are
19 optimizing the plans in each state to meet our
20 reliability goals, based on the performance issues in
21 that state, in each state. And, the metrics and the
22 identification of risks or expected benefit, really, it
23 varies by the type of program that we're looking to
24 implement, because we expect to get different, you

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1 know, benefits from these different programs.

2 A. (Sankowich) And, writing sort of a prescription for
3 individual states. So, it might be a combination of
4 strategies that we have available --

5 [Court reporter interruption]

6 BY THE WITNESS:

7 A. (Sankowich) We write a prescription of work for the
8 different states, so we have a variety of strategies,
9 which we use as tools to customize a plan for a state,
10 but the strategies themselves overall are consistent.

11 BY MR. MULLEN:

12 Q. Related -- oh, did you have something to add?

13 A. (McDonough) I had something to add. Yes. With regard
14 to recovery of these programs, and we have a REP in
15 every state. And, I think, I mean, the way that we
16 collect the costs associated with the REP in each state
17 is different. And, so, I think the answer to the
18 question is "do we have a recovery mechanism in other
19 states that are similar to New Hampshire for the REP?"
20 And, that's not true, but we do recover these costs and
21 are seeking to recover costs for these programs in our
22 other states.

23 Q. Okay. Thank you for that. Related to metrics, if we
24 could just turn to Page 9 of the report. And, going

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1 back in a little history here, am I correct to say that
2 the REP was first established to try and address what
3 was then a worsening trend in some of the reliability
4 statistics?

5 A. (McDonough) Yes. During our settlement plan in the
6 Granite State, we recognized that reliability, the
7 reliability metrics had deteriorated after 2004. And,
8 obviously, that was a big concern to the Company and to
9 the State. So, the reason why this program was
10 implemented as part of the settlement program was to
11 restore the performance based on those metrics back to
12 the levels that had been experienced prior to 2005.

13 Q. So, if we were to look at the chart on the bottom of
14 Page 9, and there's a little hash mark to the right of
15 2004, if you were to basically draw a line straight up
16 from there, that would give us an idea of the targets
17 we're looking at for --

18 A. (McDonough) Yes.

19 Q. -- for SAIDI, SAIFI and CAIDI?

20 A. (McDonough) Yes. We set a goal for SAIFI at 1.8 by
21 2013, and for SAIDI at 126 by 2013. And, you know, and
22 we're sort of making pretty good progress getting back
23 to those levels. We had a little bit of a setback last
24 year in our metrics, but this year things seem very

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1 much on course. And, we're very much kind of on course
2 with meeting the goals that we set to restore our
3 performance back to those levels.

4 Q. When you say you "had a little bit of a setback last
5 year", can you explain that a little further?

6 A. (McDonough) Sure. Yes. You know, we had a very strong
7 improvement in our safety metric in 2007, we had a
8 30 percent reduction in that metric. And, that
9 reversed course a little bit last year, it was up about
10 10 percent. Now, most of what was driving that higher
11 was we did have -- we still have, you know, stubborn
12 problems with regard to trees. But the other thing
13 that drove the metric higher in 2008 was a couple of
14 transmission outages that we had, which have a large
15 impact on customer interruptions and was responsible
16 for lifting that metric. The same metric, however,
17 showed substantial improvement last year and the year
18 before. So, we've continued to see a steady
19 improvement in that metric over time. And, actually,
20 as we -- as 2009 has progressed, we're expecting to see
21 another, you know, significant improvement in both
22 metrics, I'm sorry, metrics this year, based on what
23 we've experienced so far.

24 Q. Related to, you mentioned some transmission outages

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1 that occurred in 2008, how closely do you work with the
2 transmission side of the Company, in terms of resolving
3 some of these issues and determining what the cause was
4 and that sort of thing and going forward in the future?

5 A. (McDonough) Well, they are very focused on these. I
6 mean, we obviously talk and interact. And, when the
7 numbers are up, there's a discussion. We have a
8 Reliability Council that meets monthly. We have a
9 Reliability Council that meets monthly for each state.
10 And, then, we have a systemwide Reliability Council
11 that meets monthly. And, then, we have -- And, at
12 those meetings, we have representatives from both the
13 distribution and the transmission sides of the
14 business, and we have extensive discussions about what
15 was driving performance each month, and steps that
16 we're taking to make sure that we stay on target.

17 And, there are additional committees
18 that are even, you know, that include the senior
19 leadership that also review the results that we're
20 seeing, and also review the actions that we're taking,
21 to make sure that we're on track with meeting our
22 targets.

23 Q. Okay. Mr. Tufts, you filed some revised testimony and
24 schedules actually today?

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1 A. (Tufts) Yes.

2 Q. Would I be correct to say that the purpose for filing
3 those was solely to reflect the change in the effective
4 date from July 1st of 2009 to August 1st of 2009?

5 A. (Tufts) That's correct.

6 Q. So, as I look through the schedules attached to your
7 testimony, basically, the three pages of Schedule
8 DET-1, --

9 A. (Tufts) Uh-huh.

10 Q. -- for the revenue requirement, that has not changed,
11 because it's still the same amount of dollars you're
12 looking to recover?

13 A. (Tufts) That's correct.

14 Q. But DET-2, for rate design, those are the schedules
15 that have changed as a result, because you're basically
16 looking to recover the same number of dollars over 11
17 months, rather than 12?

18 A. (Tufts) That's correct. Yes.

19 MR. MULLEN: Okay. Thank you.

20 BY MS. AMIDON:

21 Q. And, I have -- Mr. Tufts, what is the average rate
22 impact as a result of this reconciliation?

23 A. (Tufts) The average rate impact that, I have in the
24 schedules here, --

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1 Q. Right.

2 A. (Tufts) -- is, on a residential customer, is about 13
3 cents on a 500 kilowatt-hour customer. And, on an
4 average customer, which is about 656 kilowatt-hours,
5 it's 18 cents.

6 Q. And, that's per month?

7 A. (Tufts) Per month.

8 MS. AMIDON: Okay.

9 MR. MULLEN: Just a couple more.

10 BY MR. MULLEN:

11 Q. Do you -- Does National Grid keep track of the worse
12 performing circuits for each of its distribution
13 utilities?

14 A. (McDonough) Yes.

15 Q. So, you track them by, I'm sure, a variety of different
16 statistics?

17 A. (McDonough) Yes. Generally, circuit CAIFI and circuit
18 SAIDI. And, there's probably other ones.

19 A. (Hayduk) Yes. It varies by state.

20 Q. I don't know if you happen to know offhand, if you know
21 for New Hampshire, which ones they may be, the worst
22 ones?

23 A. (Hayduk) We're getting slightly out of my realm, so I
24 don't. I can get the information to you, but I don't

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1 know.

2 Q. Okay. Again, it's not necessary for purposes of
3 today's hearing, but that's something that we'll be
4 having further discussions anyhow.

5 A. (Hayduk) Sure.

6 Q. Because I would mention, too, that, in February of
7 2009, the Company did file its plan for the year that's
8 actually in progress now. And, would I be correct to
9 say that Staff and the Company still have to meet to
10 review the details of that plan?

11 A. (McDonough) We do.

12 Q. Just one other thing. Does National Grid, in general,
13 have any incentives for compensation or anything that
14 are tied to reliability targets?

15 A. (Tufts) I'm not aware of any.

16 A. (Hayduk) At what level?

17 A. (McDonough) Yes.

18 A. (Hayduk) I think I'm a little unclear on the question.
19 To whom?

20 Q. Say, like, you know, for the Director, say, of the
21 Asset Management Department, is compensation tied in
22 any way to reliability targets?

23 A. (Tufts) Well, our compensation plan has goals that are
24 applicable to all employees. To the extent that we

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1 meet our goals that we set for reliability and safety,
2 those will impact the supplemental pay that would be
3 paid out to all employees.

4 Q. Are the goals different for different parts of the
5 Company?

6 A. (Tufts) There some differences. I'm not the expert, so
7 I'd hate to delve too far into that one. But I know
8 there are some differences, depending on what operation
9 part of the business you're in.

10 A. (McDonough) Yes. This is a company-wide portion of the
11 incentive program that applies to all, all employees.
12 Just the percentage that's based on the Company results
13 varies at different levels of the Company, you know,
14 for individual contributors there's a much larger
15 section that's based on their own individual objectives
16 and less on the Company. But everybody's compensation
17 to some extent is connected to how well we're doing in
18 terms of meeting our targets and goals in terms of
19 reliability performance.

20 MR. MULLEN: Thank you. I have nothing
21 further.

22 COMMISSIONER BELOW: Do you have any
23 redirect, Ms. Blackmore?

24 MS. BLACKMORE: I do. I just have -- I

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1 think I have a couple of questions. One is for
2 Ms. Sankowich.

3 REDIRECT EXAMINATION

4 BY MS. BLACKMORE:

5 Q. Ms. Sankowich, could you explain just generally the
6 strategy behind altering the Company's mechanism for
7 contracting for the tree work. I know you testified
8 earlier that there was an issue where the Company had
9 to go out and bid -- rebid work that we previously had
10 bid, so we experienced a cost increase. But you
11 mentioned in your testimony something about a change to
12 our overall strategy, and so I would like to understand
13 a little better.

14 A. (Sankowich) Yes. A change to our overall strategy is
15 that we are sharing in the risk with our contractors.
16 We like to keep our vendors and our tree workers
17 on-site, to eliminate some of the turnover and
18 associated cost with that, and to share in the cost or
19 savings of working and doing work on a particular
20 feeder. So, the target pricing scenario, we would set
21 a target price for the contractor, and that's both
22 agreed upon by both parties, and then, at that point,
23 when the work is done, if it comes in above the target
24 price, we share in the overage on the expense side.

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1 And, if it comes in underneath the target price, we
2 share in the benefit of the savings for our vendors.
3 So, we're eliminating the price of risk and uncertainty
4 of risk that the contractors would normally add in to
5 their lump sum pricing.

6 Q. Thank you. And, I also have a follow-up question
7 regarding whether the Company has other mechanisms in
8 other states for recovery of the Reliability
9 Enhancement Program costs. I'm not sure if anyone on
10 the panel is aware of whether New York has a capital
11 tracker program that would allow for incremental
12 recovery of costs associated with these types of
13 programs?

14 A. (McDonough) Yes, we do. We do.

15 Q. Okay.

16 A. (McDonough) Yes.

17 MS. BLACKMORE: Thank you. I have
18 nothing further.

19 COMMISSIONER BELOW: Okay. If there's
20 no other procedural matters, we'll enter the exhibits as
21 full exhibits and move to closing statements.

22 MS. AMIDON: Thank you, Commissioner
23 Below. The Staff has reviewed the filing and the
24 activities that were reported by the Company. And, we

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1 find that it is consistent with the terms of the
2 Settlement Agreement reached in docket number DG 06-107.
3 Staff does plan to sit down with the Company to further
4 discuss the details about their vegetation management
5 activities in the current fiscal year. And, having said
6 that, we would recommend that the Commission approve the
7 petition.

8 COMMISSIONER BELOW: Okay.

9 MS. BLACKMORE: Thank you. We're
10 respectfully requesting that the Commission approve the
11 Company's reconciliation of the fiscal year 2009
12 Reliability Enhancement and Vegetation Management Program
13 and the proposed rates effective for usage on and after
14 August 1st. The Company has implemented its fiscal year
15 2009 Reliability Enhancement and Vegetation Management
16 Program consistent with the terms of the Settlement
17 Agreement, and we believe that the proposed rates are
18 reasonable. Thank you.

19 COMMISSIONER BELOW: Okay. Thank you.
20 We'll close the hearing and take the matter under
21 advisement.

22 (Whereupon the hearing ended at 2:22 p.m.)

23

24