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STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

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*December 6, 2011 - 10:07 a.m.*  
Concord, New Hampshire

RE: DE 11-221  
GRANITE STATE ELECTRIC COMPANY  
d/b/a NATIONAL GRID:  
*Storm Recovery Adjustment Factor.*

PRESENT: Chairman Thomas B. Getz, Presiding  
Commissioner Amy L. Ignatius  
  
Sandy Deno, Clerk

APPEARANCES: Reptg. Granite State Electric Company  
d/b/a National Grid:  
Steven V. Camerino, Esq. (McLane, Graf...)  
  
Reptg. PUC Staff:  
Suzanne G. Amidon, Esq.

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

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**WITNESS:**                      **THERESA M. BURNS**

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E X H I B I T S

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1	Initial Filing of Granite State Electric Company d/b/a National Grid regarding the Storm Recovery Adjustment Factor (09-30-11)	4
2	Schedule JDO-3, Revised (3 pages)	6

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## P R O C E E D I N G

1  
2 CHAIRMAN GETZ: Okay. Good morning,  
3 everyone. We'll open the hearing in Docket DE 11-221. On  
4 September 30, 2011, National Grid filed a proposed tariff  
5 to adjust its Storm Recovery Adjustment Factor for effect  
6 with services rendered on and after January 1, 2012. We  
7 issued an order suspending the tariff and scheduling a  
8 prehearing conference, which was held on October 24.  
9 Subsequently, we issued a secretarial letter approving the  
10 procedural schedule, culminating the hearing on the merits  
11 today.

12 So, can we take appearances please.

13 MR. CAMERINO: Good morning,  
14 Commissioners. Steve Camerino, from McLane, Graf,  
15 Raulerson & Middleton, on behalf of Granite State Electric  
16 Company, doing business as National Grid.

17 CHAIRMAN GETZ: Good morning.

18 MS. AMIDON: Good morning. Suzanne  
19 Amidon, for Commission Staff. With me today is Grant  
20 Siwinski, an analyst in the Electric Division.

21 CHAIRMAN GETZ: Good morning. Is there  
22 anything we need to address before we hear from the  
23 Petitioner?

24 (No verbal response)

1 CHAIRMAN GETZ: Hearing nothing, then,  
2 Mr. Camerino.

3 MR. CAMERINO: Great. Thank you. The  
4 Company calls Theresa Burns. And, while Ms. Burns is  
5 taking the stand, I would just like to mark for  
6 identification the Company's filing in this case. And, I  
7 believe we're going to do this as one exhibit, if I  
8 understand, I think the Commission has a bound copy?

9 CHAIRMAN GETZ: Yes.

10 MR. CAMERINO: So, if we can mark that  
11 as "Exhibit 1" for identification?

12 CHAIRMAN GETZ: So marked.

13 (The document, as described, was  
14 herewith marked as **Exhibit 1** for  
15 identification.)

16 MR. CAMERINO: And, it contains the  
17 prefiled testimony of Theresa M. Burns and Kurt F. Demmer,  
18 D-e-m-m-e-r, and Jeffrey D. Oliveira, O-l-i-v-e-i-r-a.  
19 And, by agreement with the Staff, Mr. Demmer and  
20 Mr. Oliveira are not appearing, but we would ask that, at  
21 the conclusion of the hearing, their testimony be admitted  
22 into evidence as well.

23 (Whereupon **Theresa M. Burns** was duly  
24 sworn by the Court Reporter.)



[WITNESS: Burns]

1 Fund Recovery mechanism?

2 A. Yes, I am.

3 Q. Okay. I'm going to ask you first, are there any  
4 corrections that you have to your testimony or anything  
5 else in the filing that you would like to make?

6 A. Other than the change in my title that I just  
7 described, there is one revision to Schedule JDO-3,  
8 which is one of the schedules of Jeff Oliveira, who  
9 filed prefiled testimony in this case.

10 Q. And, let me show you a document entitled "Schedule  
11 JDO-3, Revised", and ask you if that's the correction  
12 you're referring to?

13 A. Yes, it is.

14 MR. CAMERINO: Okay. Can we mark that  
15 as "Exhibit 2" for identification?

16 CHAIRMAN GETZ: So marked.

17 (The document, as described, was  
18 herewith marked as **Exhibit 2** for  
19 identification.)

20 BY MR. CAMERINO:

21 Q. And, would you summarize where the change is on that  
22 document and what the need for it is and what its  
23 implications are to the filing?

24 A. The Company would like to revise Page 3 of 3 of this

[WITNESS: Burns]

1 schedule, which was included in the original filing as  
2 Bates stamp Page 121. If you refer to Page 3 of 3,  
3 Line Numbers 29 of 40 of the revised schedule, Column  
4 (d), which, prior to these line numbers, represented a  
5 monthly interest calculation. When the Company created  
6 Lines 29 through 40, in calculating the interest in  
7 Column (d), it did not correct that the calculation  
8 formula had been a monthly calculation when it was  
9 setting up the annual interest calculation, in  
10 Column (d), of Lines 29 through 40. Thereby, having  
11 the effect of understating the interest accrual for  
12 years 2012 through 2021. So, the Company is correcting  
13 the formula for being an annual interest calculation,  
14 rather than a monthly interest calculation.

15 Q. And, so, if you look at that -- well, first of all, are  
16 there any other changes to this exhibit, other than  
17 that bottom block on Page 3 of 3?

18 A. As a result of correcting the formula, the purpose of  
19 this schedule was to show, absent any new eligible  
20 storms and absent any incremental funding to the Storm  
21 Fund, how long the current funding would take to pay  
22 off the estimated balance of \$4.6 million at  
23 December 31st, 2011. So, in order to update that  
24 analysis, the Company had to add on an additional two

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[WITNESS: Burns]

1 lines, which are Lines 39 and 40, reflecting the years  
2 2022 and 2023, to show that it would actually take 12  
3 years to pay off the balance, absent any new eligible  
4 storm costs or new funding.

5 Q. So, just to be clear, all of the changes that you're  
6 identifying to this exhibit occur below that last line  
7 on Page 3 of 3, and the rest of the document is the  
8 same as the original filing?

9 A. Correct.

10 Q. Okay. And, the implication of this calculation is that  
11 it would take, with no more storms, it would take two  
12 years longer than the Company had initially indicated  
13 to get the Storm Fund back to zero?

14 A. Correct.

15 Q. Does that result in any changes to your testimony or  
16 the other filings in the case?

17 A. Yes, it does, at two locations. If you turn to my  
18 testimony, and I'll refer to the Bates stamp, so it  
19 would be Bates stamp Page 8, which is Page 6 of 12 of  
20 my testimony. On Line 11, where I reference "it would  
21 be ten years, assuming no additional major storms", it  
22 should read "it would be twelve years". And, in one  
23 other location, in Mr. Oliveira's testimony, Bates  
24 stamp 105, Line 21, he also references the same "ten

[WITNESS: Burns]

1 years", which should read now "twelve years". Such  
2 that the line reads "position such that the Storm Fund  
3 will not reach a zero balance for twelve years."

4 Q. Do those changes result in any change in the rate  
5 adjustment that the Company is proposing in this case?

6 A. No, it does not.

7 Q. And, are there any other corrections that you would  
8 like to point out to the Commission relating to the  
9 Company's filing?

10 A. There's just one minor correction, again, to Mr.  
11 Oliveira's testimony, on Bates stamp Page 108, which is  
12 the last page of his testimony. Line 2, which begins  
13 "The Storm Fund would reach a zero balance by 2016."  
14 That year should actually read "2018".

15 Q. With those changes, is your testimony true and correct  
16 to the best of your knowledge and belief?

17 A. Yes.

18 Q. And, if I were to ask you the same questions today,  
19 would your answers be the same?

20 A. Yes.

21 Q. And, to the best of your knowledge and belief, is the  
22 rest of the Company's filing true and accurate as well?

23 A. Yes.

24 Q. Okay. I'd just like to have you briefly summarize your

[WITNESS: Burns]

1 testimony and the Company's filing. And, start with,  
2 if you would just give a quick overview of the Storm  
3 Fund mechanism itself, how it was established and what  
4 it was intended to do?

5 A. Granite State Electric didn't have a Storm Fund until  
6 the National Grid/KeySpan merger proceeding and the  
7 settlement that came out of that proceeding in Docket  
8 DG 06-107. And, for ease of reference, I've included  
9 the exhibit to that Settlement Agreement in my Schedule  
10 TMB-1, which provides the Storm Fund provision and how  
11 it is to operate.

12 Q. How much money was that mechanism initially designed to  
13 collect annually?

14 A. The provision -- the Storm Fund provision was set to  
15 recover and fund \$120,000 per year that will be  
16 credited to the Storm Fund.

17 Q. Can you just give a quick overview of the storms and  
18 their magnitude that have qualified for that fund since  
19 it was established?

20 A. Yes. If you turn to Schedule JDO-3 Revised, which I  
21 find visually it's easy to see what we're talking about  
22 here, in terms of the storms that have been charged to  
23 the Fund and the magnitude of the costs. And, again,  
24 if we turn to Page 3 of 3, which we were just

[WITNESS: Burns]

1 discussing earlier, we see that the Company, in its  
2 filing, has reflected four storms as being charged to  
3 its Storm Fund. The first of which was relatively  
4 small, compared to the other three, in June 2008, and  
5 the totals are shown on Line 28 of Page 3 of 3.

6 Then, in December 2008, we show the  
7 December Ice Storm and its audited costs of  
8 1.762 million. And, I believe the Commission Staff has  
9 completed its audit of that storm and its costs.

10 And, then, the two new storms that are  
11 currently under audit, which is the February 2010 Wind  
12 Storm, which has costs of 1.718 million, and the March  
13 2011 Ice Storm showing costs of 1.813 million.

14 Q. Now, there have been some storms since then that the  
15 Company expects to include for recovery in this  
16 mechanism as well, correct?

17 A. Yes.

18 Q. And, can you just identify what those storms are?

19 A. On August 29th of this year, we had Tropical Storm  
20 Irene. And, in a November 3rd e-mail to Commission  
21 Staff, we had estimated the cost of that storm to be  
22 1,050,000. The current estimate is 1,057,000. That  
23 has been charged to expense and reflected in the Storm  
24 Fund.

[WITNESS: Burns]

1                   The second storm, which was in  
2                   October 29th of this year, called the "Halloween  
3                   Snowstorm". That current estimate for that storm is  
4                   1,184,000.

5   Q.   And, are the costs associated with those storms  
6           reflected in this filing at all?

7   A.   No, they are not.

8   Q.   Okay. Now, subsequent to the Storm Fund being  
9           established in the KeySpan/National Grid merger  
10          proceeding, the Company also requested establishment of  
11          a Storm Recovery Adjustment Factor, is that correct?

12   A.   Yes.

13   Q.   Okay. Can you just briefly describe that factor and  
14          its level and what it was intended to accomplish?

15   A.   Of course. About a year to fifteen months after the  
16          December 2008 Ice Storm, which, as we show in Schedule  
17          JDO-3 Revised, of having \$1.762 million, the Company  
18          realized that the Storm Fund was in a significant  
19          deficit position for the size of Granite State Electric  
20          and the current funding of \$120,000 a year, and, in  
21          April 2010, made a request to the Commission to  
22          increase funding to the Storm Fund to address this  
23          deficit over a three year period. The Commission  
24          docketed that in DE 10-096. And, as a result of that

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[WITNESS: Burns]

1 review, the Commission allowed both a tariff provision  
2 to go into effect, which I've provided for ease of  
3 reference in my Schedule TMB-2. And, also, in that  
4 proceeding, the Company had asked for incremental  
5 funding of \$1.98 million over a three year period,  
6 which is essentially \$660,000 a year. However, the  
7 costs needed to be audited. So, on a temporary basis,  
8 the Commission allowed \$360,000 a year, subject to  
9 final adjustment, once the Commission Staff had  
10 completed the audit and determined the appropriate  
11 level of costs to be included in the Storm Fund.

12 Q. And, I believe you indicated in your earlier testimony  
13 that the Commission Staff had completed its audit, is  
14 that correct?

15 A. That is correct.

16 Q. And, is the completion of that audit and the Staff's  
17 recommendation reflected somewhere in the Company's  
18 filing?

19 A. Yes, it is. In Schedule TMB-3, I'm providing the  
20 Staff's letter to the Commission in Docket DE 10-096,  
21 which discussed the audit and the findings and the  
22 agreed upon amount between the Company and the Staff of  
23 the December 2008 storm of \$1,762,372, which can be  
24 found on Bates stamp 24, in the very last paragraph of

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1 the Staff's letter from Mr. Mullen.

2 Q. Thank you. Given the storms you've identified and the  
3 collections from the Storm Recovery Adjustment Factor,  
4 can you give the Commission a sense of what the balance  
5 in the Storm Fund is, and I think you've already  
6 indicated the length of time it would take to get the  
7 Storm Fund balance to zero?

8 A. Excuse me. Sorry. It seems that we keep going back to  
9 JDO-3 Revised, but that seems to be the prevalent  
10 analysis in this case. I rely on it heavily myself.  
11 And, Page 3 of 3 has, I think, the information that  
12 shows that, absent the costs of Tropical Storm Irene  
13 and the Halloween storm, the Company was estimating a  
14 deficit balance in the Storm Fund at December 31st,  
15 2011 of \$4.645 million. And, should there be no  
16 further storms charged to the Fund, which we discuss is  
17 highly unlikely, and no incremental funding, it would  
18 take 12 years, or through 2023, until we finally reach  
19 a positive balance in the Storm Fund.

20 Q. And, well, let me ask you first. Can you summarize  
21 what the Company's proposal is, in terms of adjusting  
22 the Storm Recovery Adjustment Factor and what the  
23 impact of that would be assuming no more storms?

24 A. The Company's filing requested recovery of the

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[WITNESS: Burns]

1 \$4.645 million deficit, plus accrued interest, over a  
2 period of five years. And, absent any new storms, the  
3 Company's proposal is designed to reach that goal  
4 within the five years. And, if we can refer to another  
5 schedule, it's best illustrated in Schedule JDO-5,  
6 which is an illustration of the Company's proposal,  
7 Bates stamp 126. Which shows that the current funding  
8 through the current SRA factor of \$360,000 is replaced  
9 by the Company's proposal of \$900,000 annually over a  
10 five year period, which is intended to bring the Storm  
11 Fund into a positive balance, absent any new storms, by  
12 the end of 2016, which is shown on Line 10 of that  
13 schedule.

14 Q. Okay. And, so, to be clear, when the Company said that  
15 "its proposal would result in a zero balance in the  
16 Storm Fund after five years", that was without taking  
17 into consideration the costs of the October snowstorm  
18 or Tropical Storm Irene?

19 A. That's correct.

20 Q. And, so, is it fair to say that the Company does not  
21 anticipate, given this proposal, that the Storm Fund  
22 will go to a zero balance within five years?

23 A. No, it does not.

24 Q. The "no" is --

[WITNESS: Burns]

1 A. That it won't hit zero by the end of the 2016.

2 Q. Okay.

3 A. They will still be in a deficit position.

4 Q. Okay. Can you just provide just a short summary of why  
5 the Company believes that its proposal in this case  
6 will benefit customers?

7 CHAIRMAN GETZ: Excuse me, Mr. Camerino.  
8 Can I interrupt?

9 BY CHAIRMAN GETZ:

10 Q. I just want to make sure I understand, on the last  
11 point, about the change from 2016 to 2017. So that  
12 implicates, in your testimony, Bates stamp Page 13,  
13 those last two lines then?

14 A. Yes.

15 Q. So, the return to 0.127 cents per kWh in 2017, then,  
16 given Irene and the Halloween storm, your expectation  
17 is that it would no longer be 2017?

18 A. I think those storm costs need to be audited, and the  
19 Company's proposal definitely does not consider those  
20 costs. And, maybe we need to take a step back and talk  
21 about the Company's proposal really has two phases,  
22 which is what's being described on Bates stamp 13.  
23 And, it's ignorant to Tropical Storm Irene and the  
24 Halloween storm.

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[WITNESS: Burns]

1                   The first part of the Company's  
2                   proposal, which is what I was just discussing with Mr.  
3                   Camerino, was intended to deal with the balance at  
4                   December 31st, 2011, which is the \$900,000 a year for  
5                   five years. But, then, we have this other, a second --  
6                   sorry -- a second element of the Company's proposal,  
7                   which was intended to deal with future storms, that  
8                   it's hard to speculate when they will occur, whether  
9                   they will be eligible for storm fund treatment -- I'm  
10                  sorry.

11                   CMSR. IGNATIUS: We've got some water on  
12                  the way.

13                   WITNESS BURNS: Thank you. This is so  
14                  unlike me having laryngitis.

15                  **CONTINUED BY THE WITNESS:**

16                  A. And, also, difficult to determine what the level of  
17                  costs for those future storms would be. And, so, the  
18                  second element of the Company's proposal is to -- is  
19                  intended to address those future storms, which would  
20                  also be effective January 1, 2012, but continue until  
21                  such time as they were changed.

22                   CHAIRMAN GETZ: And, that's the  
23                  discussion on Page 8 and Page 9?

24                   WITNESS BURNS: Right. Exactly.

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[WITNESS: Burns]

1 CHAIRMAN GETZ: So, you can resume, Mr.  
2 Camerino, please.

3 BY MR. CAMERINO:

4 Q. And, maybe to be clear, the Company is not proposing a  
5 change at this point to what it requested in its  
6 filing, is that correct?

7 A. That's correct.

8 Q. Okay. So, would you just summarize for the Commission  
9 why you think adopting the proposal that the Company  
10 has put forward will benefit customers?

11 A. Of course. I think, first and foremost, the Company's  
12 proposal will significantly reduce the carrying charges  
13 on the Storm Fund that customers will eventually have  
14 to pay should there be no increase in funding. In  
15 terms of the value of the carrying charges, if there  
16 were no new storms, and there was no commencement of  
17 recovery, the carrying charges for that 12-year period  
18 that we discussed in Schedule JDO-3 Revised would be  
19 approximately \$911,000. That would be a customer  
20 liability. By commencing recovery to provide the  
21 incremental funding that the Company is proposing would  
22 significantly reduce those carrying charges that  
23 customers would have to pay.

24 Another benefit would be a more smooth

[WITNESS: Burns]

1 rate projectory for customers and mitigate bill  
2 volatility to customers. Should the deficit balance  
3 grow, which we expect it will, with the addition of  
4 Tropical Storm Irene and the Halloween storm, the costs  
5 were deferred with no incremental recovery to help  
6 defray those costs, at some point in the future  
7 customers would experience a larger bill increase as a  
8 result of when that funding would actually begin  
9 sometime in the future, compounded with the carrying  
10 charges that would accrue on that incremental balance  
11 from those two storms.

12 And, then, finally, in terms of the  
13 customers who benefited from the Company's restoration  
14 efforts during those storms, it seemed to be a good  
15 balance between the customers who benefited should pay  
16 into the fund to help pay or fund those costs. So,  
17 more to eliminate intergenerational inequities.

18 Q. Okay. Can you summarize the bill impacts to customers  
19 from the Company's proposal?

20 A. Of course. Under the Company's proposal, in which it's  
21 requesting an increase to the SRA factor to 0.223 cents  
22 per kilowatt-hour, the current factor is 0.04 cents per  
23 kilowatt-hour, my Schedule TMB-5 reflects the impact to  
24 customer bills January 1, 2012. And, on Bates stamp

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[WITNESS: Burns]

1 Page 28, which is Page 1 of 16 of that schedule, for a  
2 500 kilowatt-hour residential customer receiving  
3 Default Service from the Company, the impact is 92  
4 cents a month, or 1.4 percent an increase. And, we  
5 also show the impact for the average use customer in  
6 that class.

7 And, then, with all other things being  
8 equal, if we fast-forward to January 1, 2017, and  
9 Schedule TMB-6, Bates stamp 45, when the -- we'll call  
10 it the "temporary" nature of the Company's proposal, or  
11 the \$900,000 a year terminates, what remains is just  
12 the ongoing funding that the Company is proposing of  
13 1.3 million, we would actually see a decrease in the  
14 SRA factor to 0.127 cents per kilowatt-hour. So,  
15 customers would see a decrease in their bill. And, for  
16 a 500 kilowatt-hour residential customer on Default  
17 Service, we show that as a decrease of 48 cents a  
18 month, or 0.7 percent.

19 Q. The Commission Staff has made a recommendation to the  
20 Commission in a November memorandum that included a  
21 request that the Company be required to file an annual  
22 report on the Storm Fund status effective July 1. What  
23 is the Company's position with regard to that  
24 recommendation?

[WITNESS: Burns]

1 A. Although the Company is comfortable with that  
2 recommendation, the Company also is under the  
3 requirement to submit by April 1 of each year, pursuant  
4 to the Storm Fund provision, an annual Storm Fund  
5 Report, which does lay out the same information that  
6 the Commission Staff was requesting in this July 1  
7 report. And, so, we would propose to, rather than send  
8 two reports in to the Commission on the same Storm  
9 Fund, to actually reflect everything that is required  
10 under the Storm Fund provision and the Commission Staff  
11 in its memorandum in that April 1st report.

12 Q. So, essentially, do what the Staff is requesting, but  
13 have the date of that filing -- maybe I should borrow  
14 your water -- be April 1, rather than July 1?

15 A. Yes.

16 MR. CAMERINO: Okay. Thank you. That  
17 concludes my direct examination.

18 CHAIRMAN GETZ: Thank you. Ms. Amidon.

19 MS. AMIDON: Thank you. Good morning.

20 WITNESS BURNS: Good morning.

21 MS. AMIDON: Has, Mr. Chairman, I may  
22 have been remiss, has the revised Exhibit JDO-3 been  
23 marked for identification as "Exhibit 2"?

24 CHAIRMAN GETZ: Yes.

[WITNESS: Burns]

1 MS. AMIDON: Thank you.

2 CROSS-EXAMINATION

3 BY MS. AMIDON:

4 Q. I wanted to draw your attention, Ms. Burns, to the line  
5 or the column marked "(i)", at the very bottom, those  
6 numbers changed, the numbers that begin with the year  
7 2012, along with the different calculation of interest,  
8 those numbers in the right-hand column, Column (i),  
9 also changed, correct?

10 A. Correct.

11 Q. And, could you just explain what this column shows?

12 A. Column (i), on Schedule JDO-3 Revised, Page 3 of 3, is  
13 the ending balance in the Storm Fund as estimated by  
14 the Company. And, the section from Line 29 for  
15 calendar year 2012 and beyond reflects that ending  
16 balance. And, because the interest amount was  
17 corrected in Column (d), and the ending balance is a  
18 function of that interest, that then serves to change  
19 the ending balance as well to reflect that correction.

20 Q. Okay. Thank you. And, I understand, from this exhibit  
21 and from your testimony, that the current balance in  
22 the Storm Fund is a negative \$4.645 million, is that  
23 correct?

24 A. Correct.

[WITNESS: Burns]

1 Q. And, if we add the amounts that are estimates only, I  
2 understand, from the two most recent storms, that, if  
3 those storms were to be -- or, those costs for those  
4 storms were to be put into this balance at this point,  
5 that's roughly \$6.829 million, subject to check, would  
6 you agree?

7 A. Correct. I agree with that.

8 Q. Okay. Thank you. The audit -- as you understand, the  
9 Staff is still auditing the costs in connection with  
10 Tropical Storm Irene and with the -- I'm sorry, with  
11 the I think it's the wind storm in 2010 and the ice  
12 storm in early 2011, I think March of this year, is  
13 that correct?

14 A. That's correct.

15 Q. And, one of the things that the Staff has recommended  
16 is that the costs for those storms would be subject to  
17 reconciliation based on the outcome of that audit, is  
18 that correct?

19 A. That's correct.

20 Q. And, does the Company agree with that recommendation?

21 A. Yes, it does.

22 Q. Okay. Thank you. And, from information that I have, I  
23 don't know if it was shared with you, we expect that  
24 audit results would be available in the first quarter

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[WITNESS: Burns]

1 of 2012. Does that -- do you know or have any  
2 information on that?

3 A. That seems consistent with what I've heard.

4 Q. Okay. Thank you. Then, finally, there was an  
5 additional recommendation that Staff made with regard  
6 to the review of the Storm Fund generally and the Storm  
7 Recovery Adjustment Factor and other issues related to  
8 the Storm Fund in the next distribution rate case for  
9 the Company. Do you recall that?

10 A. Yes, I do.

11 Q. And, does the Company have any position on that  
12 recommendation?

13 A. I think, in terms of reviewing the Storm Fund and the  
14 SRA factor in the next general rate case of Granite  
15 State Electric Company, or the successor company,  
16 knowing that a sale is pending, is typically done in a  
17 general rate case, in terms of what the funding levels  
18 should be to a Storm Fund, in light of the costs the  
19 Company has incurred historically for storms, whether  
20 they be eligible for Storm Fund treatment or  
21 non-eligible and just part of base rates through the  
22 cost of service. And, I believe that the Commission  
23 would always have the right to review any mechanism  
24 collecting distribution costs from the Company's

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1 customers in any general rate case. So, this isn't  
2 changing that right. It's just setting the rate until  
3 the next time it's changed, whether through a base rate  
4 case or a future request for a change in the SRA  
5 factor.

6 Q. Thank you. And, the Settlement Agreement that came out  
7 of Docket 06-107, does that extend through 2012, to  
8 your reconciliation?

9 A. I believe the five year plan ends December 31st, 2012  
10 for Granite State Electric, yes.

11 MS. AMIDON: Okay. Thank you. One  
12 moment please.

13 (Atty. Amidon conferring with Mr.  
14 Siwinski.)

15 MS. AMIDON: That concludes our  
16 questions. Thank you.

17 CHAIRMAN GETZ: Thank you. Commissioner  
18 Ignatius.

19 BY CMSR. IGNATIUS:

20 Q. Ms. Burns, it seems as though application of the SRA  
21 has you in a position where you're always playing  
22 catch-up. And, even as you're projecting in this case,  
23 that already the numbers are off, the final numbers  
24 haven't been audited, two major storms have already

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1 occurred, and so that you're always in a position  
2 where, even at the day that you've identified the  
3 amount to get you to a break-even point in five year,  
4 you know you're not really going to get there, even if  
5 there's no other storms, and that may be wishful  
6 thinking.

7 Has the Company thought about whether  
8 that's just the way life is or there's some way to find  
9 a way to be more current and not always have this  
10 catching up to do?

11 A. I believe that's a very good question, because we have  
12 felt like we've been in a catch-up position. Almost at  
13 the beginning of the Storm Fund, when it was set at a  
14 funding level of \$120,000 a year, having no real  
15 experience with how the Storm Fund would work with the  
16 triggering mechanisms that are set in the provision,  
17 which are concurrent outages and customer  
18 interruptions. So, you know, going into it, I wasn't  
19 involved in that negotiation to know the discussions  
20 that happened to set that level. In hindsight, it  
21 appears that it was too low and it should have been  
22 higher.

23 But, then, some of the storms that we've  
24 seen in the last three years have been tremendous, and

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1 all-encompassing, for not just Granite State Electric,  
2 but for other utilities in New England. And, I believe  
3 the Company provided, in response to a Staff data  
4 request, some information on some prior storms that,  
5 although we didn't have the outage information to  
6 determine whether they would be analogous to storms  
7 that would be reimbursed through the Fund, we did  
8 provide some storm costs going back to October 2005.  
9 And, they were nowhere near the costs of the magnitude  
10 that we're seeing today. And, just for reference, that  
11 was Staff 1-4.

12 And, I think one of the approaches the  
13 Company has taken, to be mindful that the Commission  
14 Staff performs audits of the storm costs, is a process  
15 of validation of the costs after they're incurred.  
16 And, sometimes it takes a few months to actually get  
17 the costs and the invoices from either contractors or  
18 third party tree-trimming crews, or other utilities  
19 through mutual aid, before we can even begin the  
20 scrubbing process. So, we're mindful of the resources  
21 of the Audit Staff. And, sometimes it just takes a  
22 while for us to get through that and then to determine  
23 when the right time is to come in and ask for  
24 incremental funding, because we are also mindful of

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1 bill impacts to customers.

2 So, you know, we're trying to strike a  
3 balance here with some form of rate stability, but also  
4 to not save, you know, a big bill up for the next rate  
5 case or some larger filing that would have a very  
6 negative impact on customer bills. But, I agree with  
7 you, it's hard to catch up with some of these big  
8 storms that we've seen recently.

9 Q. Do you have a calculation, it may be here and I've  
10 forgotten it, of what it would cost, what the impact to  
11 ratepayers would be if you were to try to reach a  
12 break-even point on the deficit immediately, within a  
13 year, to recover it all at once, and not phased over a  
14 five-year period?

15 A. Under the Company's existing proposal, without the  
16 impact of Irene and the Halloween storm, it would be  
17 the 4.65 million, plus some element of interest. So,  
18 you know, \$4.7 million, which is tremendous for Granite  
19 State Electric customers. If we add in the estimates  
20 for Tropical Storm Irene and the Halloween storm, we  
21 talked about a balance of around 6.9 million. And, to  
22 relinquish that or take care of that in a year is even  
23 more extreme. And, then, we'd still have the issue of  
24 "what about the next storm?" And, what would be the

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1 right level to start building up the fund into a  
2 positive balance on top of those two 1-year funding?  
3 You know, you could be seeing over 5, \$6 million in the  
4 first instance, and potentially around \$8 million in  
5 the second instance in the first year. But, then, it  
6 would drop off in year two, assuming that was the right  
7 level going forward.

8 Q. You don't have a calculation of what that would  
9 actually mean on a per customer basis, per  
10 kilowatt-hour basis?

11 A. I don't. I'm sorry. I could take that back with me in  
12 a record request, if you'd like?

13 CMSR. IGNATIUS: That's all right. I  
14 mean, no one's proposing it, and I'm not asking you to  
15 consider enacting it. But, just as a comparison, to think  
16 about what the costs that need to be -- the fully audited  
17 costs need to be recovered, what the kind of impact would  
18 be and different ways of phasing out the recovery. But  
19 you don't need to do that. No other questions. Thank  
20 you.

21 CHAIRMAN GETZ: Okay. Any redirect, Mr.  
22 Camerino?

23 MR. CAMERINO: No thank you.

24 CHAIRMAN GETZ: Anything further for

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1 this witness?

2 (No verbal response)

3 CHAIRMAN GETZ: Hearing nothing, then  
4 you're excused. Thank you.

5 Is there any objection to striking the  
6 identifications and admitting the exhibits into evidence?

7 (No verbal response)

8 CHAIRMAN GETZ: Hearing no objection,  
9 they will be admitted into evidence.

10 (Chairman Getz and Commissioner Ignatius  
11 conferring.)

12 CHAIRMAN GETZ: Is there anything before  
13 opportunity for closings?

14 (No verbal response)

15 CHAIRMAN GETZ: Hearing nothing, then,  
16 Ms. Amidon.

17 MS. AMIDON: Thank you, Commissioners.  
18 Staff has reviewed this filing, and we believe that the  
19 recommendation by the Company is appropriate, and it's  
20 reasonable, and in the interest of ratepayers to begin  
21 recovery at this point, both with respect to the temporary  
22 rate and to the increase in contribution to the Storm  
23 Fund. The Company has agreed to Staff's recommendations,  
24 which is to condition this on the Staff audit and

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1 reconciliation for the 2010 and the early 2011 storms, and  
2 to the annual reporting, which the Staff agrees can be  
3 done on an April 1st basis, according to the  
4 recommendation and the preference of the Company.

5 And, finally, and I think the Commission  
6 would have authority to do this in any event, but we  
7 believe it would be appropriate that the next time the  
8 Company, in whatever ownership, came to the Commission  
9 with a distribution rate case, that the Storm Fund be  
10 reviewed. And, some of the issues, for example, that  
11 Commissioner Ignatius mentioned in her questioning of the  
12 Company be addressed in the review of the Storm Fund at  
13 that point.

14 CHAIRMAN GETZ: Thank you. Mr.  
15 Camerino.

16 MR. CAMERINO: Thank you. First, I  
17 would just note, the Company is certainly prepared to work  
18 with Staff if there's information that the Commission  
19 thinks would be helpful to and aside from deliberating on  
20 this docket, I'm sure that we can provide that to the  
21 Commission. So, we'll take Commissioner Ignatius's  
22 questions to heart and see if there's some information  
23 that can be provided through Staff.

24 The Company believes that its proposal

1 in this case is a reasonable balance of trying to address  
2 the significant deficit of the Storm Fund with rate  
3 impacts on customers and the now fleeting hope that the  
4 level of storm activity will subside somewhat, and maybe  
5 the last few years are not representative. Obviously,  
6 it's impossible to tell, but we have our hopes. Although,  
7 we weren't able to meet Commissioner Getz's challenge from  
8 the prehearing conference not to have any more storms this  
9 year. So, if no action were taken, as you heard, the  
10 Storm Fund would go to a zero balance by 2018, which,  
11 obviously, is not something that's appropriate and would  
12 result in significant carrying charges accruing.

13 The Company is seeking that its proposal  
14 be made effective with service rendered January 1, 2012.  
15 And, so, we're hoping that the Commission can issue an  
16 order by year-end approving that.

17 I would also note that the Company's  
18 filing in this case incorporates the Staff's final  
19 recommendation on the December 2008 storm, which  
20 recommended recognition of \$1,762,372 of costs related to  
21 that storm. So, the open issue from the prior docket was  
22 moved into this proceeding and should now be resolved.

23 The Company recognizes that the two  
24 additional storms, whose costs are included in this case,

1 are still subject to final audit review by the Staff.

2 And, we would ask that, once that final recommendation  
3 from the Staff comes in, which we recognize will be after  
4 the order in this case, subject to the Company's right to  
5 review any final determination, also be included in this  
6 docket. And, so, we would request that, once the  
7 Commission issues its order with regard to today's  
8 proceedings, it leave the docket open for a final  
9 determination on those costs as recommended by Staff.

10 Finally, I would just note that the  
11 Company has made some very minor wording changes to the  
12 Storm Recovery Adjustment provision in its tariff, and  
13 those are included in the Company's proposal and are set  
14 out in Schedule TMB-7, but I just wanted to make sure that  
15 the Commission was aware that those are included in this  
16 proceeding as well. Thank you.

17 CMSR. IGNATIUS: Can I just clarify one  
18 thing, Mr. Camerino? The two storms you're saying you're  
19 hoping "the docket's left open for final audited numbers"  
20 are the February 2010 and the March 2011 storms?

21 MR. CAMERINO: That's correct.

22 CMSR. IGNATIUS: Thank you.

23 CHAIRMAN GETZ: Okay. Is there anything  
24 further?

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(No verbal response)

CHAIRMAN GETZ: Hearing nothing, then  
we'll the close the hearing and take the matter under  
advisement. Thank you, everyone.

(Whereupon the hearing ended at 10:52  
a.m.)