THE STATE OF NEW HAMPSHIRE

BEFORE THE
PUBLIC UTILITIES COMMISSION

DIRECT TESTIMONY OF
David L. Bickford

Petition to Recover Pre-Staging Costs Through Major Storm Cost Reserve

October 26, 2012

Docket No. DE 12-XXX

Q. Please state your name, business address and position.

A. My name is David L. Bickford. My business address is PSNH Energy Park, 780 North Commercial Street, Manchester, New Hampshire. I am Director – Customer Operations for Public Service Company of New Hampshire ("PSNH" or the "Company").

Q. Have you previously testified before this Commission?

A. No, I have not.

Q. Please provide a brief description of your background and qualifications.

A. I received a Bachelor of Science Degree in Business Administration from the University of NH in 1979 and a Master of Business Administration from Southern New Hampshire University in 1999. During my career at PSNH, I have served in various positions including Supervisor- Budgeting, District Manager- Pittsfield, District Manager- Portsmouth, District Manager- Rochester, Manager Economic and Community Development and Division Manager- Seacoast Northern. Since 2010 I have served in my current position as Director - Customer Operations with responsibility for directing the activities of PSNH line crews and new service designers in the operation, maintenance, repair, restoration, design and construction of the PSNH distribution system.

Q. What is the purpose of your testimony?

A. The focus of my testimony is the Company's proposal to allow direct and indirect costs associated with planning and preparation in advance of severe weather events to be charged against the existing Major Storm Cost Reserve (Reserve or MSCR). Included with this filing is the testimony of PSNH witness Stephen R. Hall who will address the function of the MSCR, describe how advance planning costs will be charged to the MSCR and how such costs are ultimately recovered from PSNH customers through the MSCR if the anticipated severe weather event does not meet the specific conditions required to be considered a Major Storm, defined as an event that results in either: a) 10% or more of PSNH's retail customers being without power in conjunction with more than 200 reported troubles; or b) more than 300 reported troubles during the event.

Q. Why is PSNH seeking approval to allow certain costs for pre-storm planning to be charged to the Major Storm Cost Reserve?

A. The frequency and severity of significant regional weather events in recent years has raised the overall impact of such storms on New Hampshire, PSNH and PSNH's customers. These large, regional storms have created a political and business environment that makes it inadvisable for any electric utility to dedicate their crew resources for mutual aid, and release those crews to assist other utilities, until any possibility of storm-related outages has passed for that utility's customers. This evolving change in the availability of, or delay in access to, mutual aid resources has created the need for electric utilities to be more proactive in pre-storm planning to secure available crew resources well in advance of a pending storm. Commission approval of the proposed mechanism will clarify the conditions under which pre-storm costs incurred to prepare for a pending storm can be charged to the MSCR.

Q. Please provide some background regarding initial actions taken by PSNH in advance of severe weather.

A. Since March 2011, Northeast Utilities, on behalf of PSNH and NU's other subsidiaries, has contracted with Telvent DTN for its weather services. Telvent provides continual monitoring of all weather conditions and provides detailed forecasts of potential severe weather that could affect electric system reliability. PSNH monitors the weather forecasts and weather alerts provided by Telvent and various media outlets on a continual basis. If a forecast indicates a high probability that a weather event may have an adverse effect on the continuity of electric service to our customers, a Weather Advisory will be issued to the advisory levels of the PSNH Emergency Response Organization. PSNH will initiate a conference call with key personnel within the Emergency Response Organization to discuss the impending weather and make decisions as to a response level based upon current and anticipated conditions, current crew and staffing levels, as well as anticipated resource needs. Calls for mutual assistance will be made through the NU Emergency Response Organization when the availability of PSNH crews in conjunction with local contract crews is deemed to be inadequate for the anticipated weather event. When the potential for escalating emergency conditions becomes known, PSNH Customer Operations will issue advisories as outlined in the PSNH Emergency Response Plan, Section D. These include the following:

1. Weather Advisory - Issued if escalating emergency conditions may be likely.
2. Level I – Emergency Planning Advisory – Issued whenever the potential for escalating emergency conditions becomes known.

3. Level II – Emergency Preparation Advisory –Issued when it becomes likely that a significant loss of electric service is probable due to adverse weather conditions.
4. Level III – Emergency Response Organization Activation – Issued when an emergency condition has been declared by PSNH and will result in prompt activation of PSNH's Emergency Response Organization and all related procedures.

Q. Please briefly describe the Company's Emergency Response Plan you referenced above and the major elements contained in it.

A. Since 2008, PSNH has relied on its Emergency Response Plan (ERP), which aligns with the National Incident Management System (NIMS), as the primary tool to guide the Company's response to severe weather emergencies that affect electric service. The ERP incorporates the five elements of the Incident Command System structure, including Command, Operations, Planning, Logistics and Finance Administration. The Company's proposal to allow direct and indirect costs associated with planning and preparation in advance of severe weather events to be charged against the existing MSCR has a direct link to the ERP and the planning function contained within it. With the number and severity of storms that have affected New Hampshire in the last few years, it has become increasingly evident that an effective plan to restore customers and repair the electric system after a storm hits must be combined with an effective plan for acquiring and placing crews on the system before a storm hits. Past Commission reviews support the need for an enhanced focus on a pre-storm action plan. As noted above, an additional issue that must now be taken into consideration is the effect that recent severe storms have had on regional cooperation among electric utilities that are members of mutual aid organizations. PSNH expects that approval of the mechanism described in this filing will provide an additional tool to be used as part of an effective pre-storm action plan. To the

extent that crews are pre-staged and deployed to the field before a storm hits, it will expedite the restoration process and therefore reduce the total cost of the storm to PSNH and its customers.

Q. How has PSNH relied on mutual aid in the past and how has it changed?

A. Northeast Utilities, on behalf of its operating companies, is a member of EEI's Mutual Assistance Agreement. NU is also a member of NYMAG (New York Mutual Aid Group - includes New York utilities and NU), and NEMAG (Northeast Mutual Aid Group - includes New England utilities and Canadian utilities from Ontario to Nova Scotia). PSNH has traditionally relied on crews supplied through the aforementioned mutual aid organizations as a reactive response to a severe weather event. Mutual aid is certainly an effective tool to address crew availability in response to a local storm – one where neighboring utilities may be impacted only minimally or not at all. When such an event occurs, members of the mutual assistance organization have generally been cooperative and provided resources to assist other members with restoration. PSNH supplements resources supplied through mutual aid with crews and other resources supplied by PSNH's sister companies within the NU System when available. However, the magnitude and severity of recent major storms has created a situation where electric utilities that traditionally have provided crew resources under various mutual aid agreements are under increasing pressure from local and/or state authorities not to release any crews to assist other utilities until any possibility of outages has passed. NU encountered difficulty in securing mutual aid crew resources due to this restriction in 2011 during hurricane Irene and again during the October 2011 snowstorm. There was at least one event where crews had already been deployed to assist PSNH and were called back due to concern with outages on their own system. The overall impact of these issues raises a concern that over-reliance on mutual aid resources may create significant challenges in the future and that utilities need to find new ways to address storm

restoration. Pre-storm planning activities such as standby arrangements and pre-staging of crews have become essential elements to an effective overall strategy to restore electric service due to major weather events.

Q. Can you provide details on how the mutual aid process typically works?

A. Yes. First let me state that although there have been some recent issues with mutual aid, Northeast Utilities and its operating companies fully support the mutual aid agreements that are in place and will continue to rely on the resources provided through these agreements to restore their electric systems. Furthermore, NU will continue to provide resources whenever it is reasonable to do so to assist neighboring utilities with restoration. Mutual aid continues to be a valuable tool and resource during local or limited regional weather events, especially when other utilities in the region have not been severely impacted. It is also very useful when a member utility is facing an extensive restoration effort that will continue for many days and mutual aid resources can be utilized during the later stages of the restoration. This was the case during the 2008 ice storm where PSNH relied on crews from neighboring utilities that became available during latter stages of the restoration process. It should be noted that if the severe weather event involves only a two or three day restoration and crews have not been pre-staged in the field, then requesting mutual aid crews that must travel from a distance is impractical since they may arrive when the restoration is nearly complete. To the extent that crews are pre-staged, the delays in restoration work and the need for requesting additional crews that might not arrive until late in the restoration process are minimized. Mutual aid activities typically begin on the first day after the storm once the magnitude of the restoration effort becomes known and the extent of the damage becomes evident. Depending on their location, crews supplied through the mutual aid process may be available on the day they are requested, or may not arrive for a day or two if travelling from out-of-state or outside the New England region. Once crews arrive, they report to

their assigned Area Work Center (AWC) location to receive further instructions and supplies. As restoration nears completion in each AWC, mutual aid crews may be deployed to other AWC's still in need of further restoration work, sent to another utility, or released to return to their "home" utility.

Q. Has the PUC taken a position on resource planning and procurement issues, including reliance on mutual aid resources?

A. Yes it has. The Commission raised these issues in its "After Action Report" released in response to the 2008 ice storm. The report highlighted two issues related to resource planning: first, it noted that utilities should increase the use of outside (non-utility) contractors and reduce reliance on mutual aid arrangements; and second, utilities should have more crews on the ground faster, at an earlier point in time, following major storms. The report indicated that one advantage of non-utility contractors is that they can be put into place prior to any storm.

Q. What types of direct and indirect costs associated with storm preparations and pre-staging of crews should be considered for inclusion in the MSCR?

A. The costs proposed to be allowed under the MSCR generally fall into several categories and include: contractual retainer costs, allocated contract costs associated with pre-staging line and tree crews, administrative and other costs to manage crew resources, food and lodging, fuel, and other costs directly resulting from activities related to storm preparation. There will also be some incremental staffing and other costs in order to open the Company's Emergency Operating Center and ramp-up staffing and emergency materials and supplies at the Area Work Centers throughout New Hampshire. It is likely that as this process is further developed, there will be other costs not listed that would be reasonable and prudent to include in the mechanism.

Q. What forecast will PSNH rely on to determine whether storm preparation costs will be allowed for recovery under the MSCR?

A. As noted above, Northeast Utilities, on behalf of its operating companies, has an existing long-term contract with Telvent, DTN to provide highly detailed weather forecasts by region and zone for the NU service area. Telvent's forecast includes all relevant weather metrics needed in order to determine the likely severity and location of an impending severe storm. See Attachment 1 to this testimony. As part of its portfolio of weather forecasting services, Telvent provides to PSNH an Energy Event Index (a.k.a. Power Disruption Index, or "PDI") similar to what is provided by WSI Corporation to Unitil for use in its determinations of Qualifying Major Storms. As noted in Unitil's Settlement Agreement on Permanent Distribution Rates and approved by the Commission in Order No. 25,214 issued April 26, 2011, costs associated with a likely Qualifying Major Storm are recoverable from the MSCR if the PDI is greater than or equal to Level 2 with a "High" level of confidence (greater than 60% probability). PSNH is proposing a similar standard for its mechanism.

Q. How does PSNH envision the cost recovery mechanism will work?

A. Currently, PSNH continually monitors all weather forecasts, including those provided by Telvent, and will take any action that is deemed prudent and necessary to prepare for any likely severe weather event. The existence of a recovery mechanism will not change this practice. If approved by the Commission, this mechanism will simply allow for a clear definition of those weather events for which pre-staging costs will be allowed for recovery under the MSCR - even if the severe storm does not materialize. To clarify, currently, if a major storm appears highly likely within its service area, PSNH will pre-stage internal resources and contract tree and line crews as necessary to prepare for the event. This mechanism will not change the Company's more proactive approach to pre-storm planning that has been enacted due to the magnitude and frequency of major

storms. Approval of this mechanism will clarify when such pre-staging costs may be booked to the MSCR, subject to Commission review of those costs. To the extent that there are costs incurred for pending weather events in advance of the PDI triggers being met and the storm never becomes a Major Storm, the Company will work with the Staff to seek recovery of prudently incurred costs on a case-by-case basis. Approval of the mechanism will bring an additional level of clarity to the process and allow the Commission to establish a pre-set trigger point to allow recovery of pre-storm costs.

Q. Does this conclude your testimony?

A. Yes, it does.