

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

April 15, 2013 - 9:12 a.m.
Concord, New Hampshire

NHPUC APR30'13 PM 4:17

RE: DE 13-065
UNITIL ENERGY SYSTEMS, INC.:
*Step Adjustment effective May 1, 2013
pursuant to the Settlement Agreement
approved in Docket No. DE 10-055.*

PRESENT: Chairman Amy L. Ignatius, Presiding
Commissioner Robert R. Scott
Commissioner Michael D. Harrington

Clare Howard-Pike, Clerk

APPEARANCES: Reptg. Unitil Energy Systems, Inc.:
Gary Epler, Esq.

Reptg. Residential Ratepayers:
Susan Chamberlin, Esq., Consumer Advocate
Office of Consumer Advocate
Stephen Eckberg

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Thomas C. Frantz, Director/Electric Division
Al-Azad Iqbal, Electric Division

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

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E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	Step Adjustment, including tariff pages, step adjustment explanation, and schedules (02-28-13)	8
2	UES Major Storm Cost Reserve Fund Report for the period ending December 31, 2012	9
3	UES Responses to Technical Session Data Requests 1-1 through 1-5	9

P R O C E E D I N G

1
2 CHAIRMAN IGNATIUS: Good morning. I'd
3 like to open the hearing in Docket DE 13-065, which is
4 Unutil Energy Systems' tariff regarding step adjustment
5 for the Reliability Enhancement and Vegetation Management
6 Programs, and costs related to storm preparation and
7 response. On February 28, 2013, Unutil Energy Systems
8 filed a proposed tariff that follows from a Settlement
9 Agreement in a prior case involving UES's distribution
10 rates. And, pursuant to the Settlement terms, the 2012
11 report has come in with a number of requested changes for
12 effect on or after May 1st, 2013.

13 And, by order dated March 26th, we
14 scheduled a hearing for today, also requiring publication
15 of the order, which has the affidavit been received?

16 MS. HOWARD-PIKE: Yes.

17 CHAIRMAN IGNATIUS: It appears it has.
18 Good. Thank you. So, let's begin with appearances
19 please.

20 MR. EPLER: Good morning. Gary Epler,
21 Chief Regulatory Counsel of Unutil Service Corp.,
22 appearing on behalf of Unutil Energy Systems, Inc. Thank
23 you.

24 CHAIRMAN IGNATIUS: Good morning.

1 MS. CHAMBERLIN: Good morning. Susan
2 Chamberlin, Consumer Advocate for the residential
3 ratepayers. And, with me today is Stephen Eckberg.

4 CHAIRMAN IGNATIUS: Good morning.

5 MS. AMIDON: Good morning. Suzanne
6 Amidon, for Commission Staff. To my right is Tom Frantz,
7 the Director of the Electric Division -- actually, he's to
8 my left, now that I think of it, and to his left is
9 Al-Azad Iqbal, who is a Analyst in the Electric Division.
10 Thank you.

11 CHAIRMAN IGNATIUS: Good morning.
12 Welcome, everyone. We have back-to-back hearings, but
13 this first one, I take it we have a panel of five
14 witnesses, is that correct?

15 MR. EPLER: Yes, Chairman Ignatius. We
16 have the panel of five. I also have a number of other
17 individuals here in the audience, who I would propose that
18 we swear them all in at the same time, in case there are
19 questions that fall within their subject area, just so we
20 don't have to, you know, pause the record to do that.

21 CHAIRMAN IGNATIUS: All right. Any
22 objection to doing that?

23 (No verbal response)

24 CHAIRMAN IGNATIUS: All right. We'll do

1 that before we begin. Are there any other matters to take
2 up before we begin?

3 (No verbal response)

4 CHAIRMAN IGNATIUS: All right. Then,
5 Mr. Epler, why don't you proceed, and the court reporter
6 will swear the witnesses.

7 MR. EPLER: Yes. If all the witnesses
8 could be sworn in.

9 (Whereupon **Kevin Sprague, Raymond**
10 **Letourneau, Sara Sankowich, Richard**
11 **Francazio** and **David Chong** were sworn in
12 as a panel, and **Lawrence Brock, Karen**
13 **Asbury**, and **Todd Diggins** were also sworn
14 in as possible witnesses by the Court
15 Reporter.)

16 MR. EPLER: Chairman and Commissioners,
17 as indicated, we have a number of witnesses here. I'll
18 just briefly introduce them. I provided a little libretto
19 for the Commission, so you can follow along here. But
20 starting the witness closest to me, is Kevin Sprague, he's
21 the Director of Engineering; sitting to his left is
22 Raymond Letourneau, who is the Director of Operations; to
23 his left is Sara Sankowich, who is the System Arborist;
24 and to her left is David Chong, Director of Finance; and

1 in the corner right now, hiding a little bit, is Richard
2 Francazio, who is the Director of Business Continuity and
3 Emergency Planning. And, then, here in the audience, to
4 my right is Larry Brock, Chief Accounting Officer and
5 Controller of Unutil Corporation. He's also the
6 Controller of each of the subsidiary utility entities,
7 including UES. And, in back of me, immediately in back of
8 me is Todd Diggins, General Accounting Manager; and Karen
9 Asbury, Director of Regulatory Service.

10 CHAIRMAN IGNATIUS: All right. Thank
11 you.

12 MR. EPLER: There are several items that
13 I would like premarked as exhibits. They are, first would
14 be Exhibit Number 1, which is the tariff filing that was
15 made by the Company on February 28th, 2013. That includes
16 a number of reports and attachments and schedules to it.

17 CHAIRMAN IGNATIUS: Is that the full,
18 what we have clipped together, that includes tariff
19 provisions, fold-out maps, --

20 MR. EPLER: Yes. Yes.

21 CHAIRMAN IGNATIUS: -- all sorts of
22 things mixed together?

23 MR. EPLER: Yes. So, that would be
24 Exhibit Number 1.

1 (The document, as described, was
2 herewith marked as **Exhibit 1** for
3 identification.)

4 MR. EPLER: Exhibit Number 2, we filed
5 on -- actually, the day before Exhibit Number 1, on
6 February 27th, a Major Storm Cost Reserve Fund Report. If
7 you recall last year, there was a settlement in Docket DE
8 11-277. And, as part of that Settlement, there was a
9 recommendation of the Staff that was accepted -- I'm
10 sorry, the docket I referred to was DE 11-227.

11 CHAIRMAN IGNATIUS: Is it 227 or 277?

12 MR. EPLER: I'm looking at the Staff
13 report, and it says "11-227", but I thought it was 277.
14 Well, perhaps we can -- I'll check on that in a moment.
15 But, in any event, the Staff report recommended that the
16 Company file an annual report on the storms that it is
17 proposing to include in the -- to recover costs of through
18 the Storm Reserve Fund. And, we did file the first report
19 on May 1st. And, this is the second report for the 2012
20 calendar year. And, I believe it may have been filed in
21 that docket, so that's why I'm providing a copy here to be
22 included in this docket.

23 CHAIRMAN IGNATIUS: All right. And,
24 you're asking that that be marked for identification --

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1 MR. EPLER: As "Exhibit Number 2".

2 CHAIRMAN IGNATIUS: All right. So
3 marked.

4 (The document, as described, was
5 herewith marked as **Exhibit 2** for
6 identification.)

7 MR. EPLER: And, then, the third
8 exhibit, there was a technical session held among the
9 Company, the Staff, and the Office of Consumer Advocate
10 last week, on Tuesday, April 9th. And, there were several
11 data requests that arose out of that technical session.
12 And, in fact, the number is five, and these are the
13 responses to those requests. And, we'll probably have
14 reason to go through each one of them.

15 CHAIRMAN IGNATIUS: All right. Any
16 objection to marking that as "Exhibit 3" for
17 identification?

18 MS. AMIDON: No.

19 CHAIRMAN IGNATIUS: All right. That's
20 so marked.

21 (The document, as described, was
22 herewith marked as **Exhibit 3** for
23 identification.)

24 MR. EPLER: Okay. With that, I'm ready

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1 to proceed.

2 CHAIRMAN IGNATIUS: All right.

3 **DIRECT EXAMINATION**

4 **KEVIN SPRAGUE, SWORN**

5 **RAYMOND LETOURNEAU, SWORN**

6 **SARA SANKOWICH, SWORN**

7 **DAVID CHONG, SWORN**

8 **RICHARD FRANCAZIO, SWORN**

9 BY MR. EPLER:

10 Q. If I could just now ask the panel -- if I could ask the
11 panel to draw your attention to what's been premarked
12 as "Exhibit Number 1", which is the tariff filing for
13 the step adjustment that's effective May 1, and has the
14 studies and schedules attached to that. Just
15 generally, was this prepared by you or under your
16 direction?

17 A. (Sprague) Yes.

18 Q. And, are there any changes or corrections to this at
19 this time?

20 A. (Sprague) None at this time.

21 Q. Well, actually, if I could draw you to what's been
22 marked as, in the lower right-hand corner, Page 86,
23 which is Schedule 1, Page 3 of 4. And, if you look at
24 Plant Account "303-02" on that, that's about five lines

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1 down, there's a figure that appears not to have been
2 carried all the way through to the "Adjusted Net Book
3 Value" on the right. And, as part of the data
4 responses that we provided to the tech session, which
5 is the second data response, Staff 1-2, did we provide
6 a corrected schedule that includes that amount, Mr.
7 Sprague?

8 A. (Sprague) Yes, we did.

9 Q. Okay. So, that now ties the amounts to the Company's
10 request?

11 A. (Sprague) That is correct.

12 CHAIRMAN IGNATIUS: Do you want to just
13 give us those figures while we're on that page?

14 MR. EPLER: Okay. If you look at the
15 "Adjusted Net Book Value" of the response to the data
16 request, which would be the fourth page of Exhibit
17 Number 3. It should look just like Page 86 of the initial
18 filing.

19 CHAIRMAN IGNATIUS: Thank you.

20 MR. EPLER: And, if you see now, on the
21 -- looking at the column to the right, "Adjusted Net Book
22 Value", on the corrected exhibit, the fifth column,
23 there's now a figure of "2,189". And, then, that changes
24 the total from, originally, it had "5,645,000", and the

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1 correct total is "7,835,000".

2 CHAIRMAN IGNATIUS: Thank you.

3 MR. EPLER: And, that ties to, if you
4 look at the Exhibit 1 to the filing, at the third page,
5 which is titled "Explanation of Filing", the fourth
6 paragraph, "Non-REP Net Plant in Service", fourth sentence
7 -- fourth line in that paragraph -- actually, it starts at
8 the end of the third line: "The actual change in non-REP
9 net plant in service during 2012 was 7,834,633." That's
10 the "7,835,000" I referenced.

11 CHAIRMAN IGNATIUS: Thank you.

12 MR. EPLER: So, Commissioners, just to
13 put this in context, and I believe as the Chairman pointed
14 out in opening up this hearing, the Settlement Agreement
15 that was approved by the Commission in Docket DE 10-055
16 provided for a series of changes in Unitil's permanent
17 distribution revenues under the structure of a five year
18 rate plan, and it also had an earnings sharing provision.
19 And, this all began on May 1st, 2011, and ends on
20 April 30th, 2016. These changes included initial changes
21 to Unitil's permanent rates that occurred on May 1st,
22 2011, plus an amount for prudently incurred rate case
23 expense and recoupment back to the date when temporary
24 rates were set. And, then, had provided for three

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1 additional annual step adjustments, which would occur on
2 May 1st, 2012; May 1st, 2013; and May 1st, 2014. So, the
3 current filing is for the 2013 step adjustment. In last
4 year's step, the Company provided for the removal of the
5 recoupment, to allow for recoupment of the amounts related
6 to temporary rates, and the rate case expense. And, those
7 were removed from distribution rates going forward, as
8 recovery of those costs had been completed. So, this
9 filing includes adjustments under the Reliability
10 Enhancement Program, or REP, and the Vegetation Management
11 Program. And, also, as the Chairman indicated, there are
12 two additional amounts that the Company is requesting as
13 part of this filing. The first is an increase to the
14 Storm Reserve Fund of \$400,000, and the second is to make
15 permanent and increase the amounts in a Storm Resiliency
16 Program, that was first approved by the Commission in last
17 year's step adjustment filing as a pilot program. And,
18 the Company is requesting to make that a permanent
19 program.

20 So, with that, if I can turn to
21 Mr. David Chong, just to be able to walk the Commission
22 through the derivation of the total step adjustment
23 revenue requirement.

24 BY MR. EPLER:

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1 Q. And, to do that, if you could please turn to the page
2 in the Exhibit Number 1 towards the end that's marked
3 at the lower right Page "88". And, the document is, on
4 the top, "Schedule 2", "May 1st, 2013 Step Adjustment
5 Revenue Requirement". And, Mr. Chong, if you could
6 walk us through that exhibit please.

7 A. (Chong) Sure. If you begin at the top of the schedule,
8 you'll see that there's a section called "Non-REP Plant
9 Additions". This amount begins with the beginning
10 plant in service at the beginning of the year, 2012, of
11 146.5 million. During the year, 14.4 million of
12 Non-REP plant additions were added to plant. Also
13 during the year there was 6.6 million of depreciation
14 associated with Non-REP plant. Leading to an ending
15 Non-REP net plant in service of 154.4 million. The
16 change in the plant in service during the year was
17 7.8 million, which ties to the prior schedule Gary had
18 referred to on Page 86. Seventy-five percent of that
19 is 5.9 million. And, under the Settlement Agreement,
20 the Company is allowed to recover the revenue
21 requirement associated with 75 percent of the change in
22 Non-REP net plant in service.

23 The revenue requirement of the
24 \$5.9 million is derived by applying the rate of return,

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1 taxes, income tax effect, depreciation, and property
2 taxes. After all that is accounted for, the revenue
3 requirement associated with the Non-REP plant is
4 \$1.3 million.

5 There's a second section to the
6 schedule, which details the REP plant additions revenue
7 requirement. During the year, the beginning REP net
8 plant in service at January 1, 2012 is 1.4 million.
9 And, during the year, 1.9 million of REP plant
10 additions were added. REP depreciation during the year
11 was negative 117,000, reflected by the cost removal and
12 depreciation for the year. Ending REP net plant in
13 service was 3.4 million. The change from year end to
14 beginning of the year was 1.9985 million, and the
15 revenue requirement associated with that again is the
16 application of rate of return, income taxes,
17 depreciation, and property taxes. After those factors
18 were applied, the revenue requirement associated with
19 REP plant is 0.4 million.

20 There is a third section with this
21 schedule that details other items associated with the
22 filing. There's a reconciliation component of the VMP
23 Program. And, during the year, that was -- that
24 results in a negative \$0.2 million adjustment. The

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1 Storm Resiliency Program, as Gary mentioned earlier, is
2 a \$0.9 million adjustment, and the Major Storm Reserve
3 is a \$0.4 million adjustment. The total of all these
4 components results in a total step adjustment of
5 \$2.8 million.

6 Q. Okay. And, just --

7 CMSR. HARRINGTON: Before you go on,
8 could I just ask a question on this page please?

9 MR. EPLER: Yes.

10 CMSR. HARRINGTON: To get a
11 clarification. Under the "Non-REP Plant Additions", and I
12 say this as a non-accountant, so I probably just don't
13 understand it, but it says "Less: Non-REP Depreciation",
14 and that seems to be 6.6 million that doesn't have
15 parentheses around it. Then, when we go down to the "REP
16 Depreciation", under the "REP" section, the depreciation
17 shows in parentheses, which I assume is negative. How do
18 you get positive depreciation? Or am I just reading this
19 wrong?

20 WITNESS CHONG: That's a very good
21 question. If I could start with the "REP Plant Additions"
22 with the negative sign.

23 CMSR. HARRINGTON: Uh-huh.

24 WITNESS CHONG: That, the operation of

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1 that is actually additive to the plant, it's subtracting a
2 negative value, so it ends up adding 117,000 to plant.
3 What that's composed of is cost removal, plus depreciation
4 expense. So, during the year, cost removal on the REP
5 plant additions exceeded depreciation expense for the
6 year.

7 CMSR. HARRINGTON: Excuse me. I admit,
8 again, I'm just -- I'm not an accountant, so maybe I'm
9 having a bit of trouble. But I look at "depreciation"
10 meaning, you know, it was worth \$10, now it's worth \$5.
11 So, you say it's \$5 worth of depreciation. So, what
12 you're saying is "117,096 is subtracting a minus, so it's
13 adding." How do you increase value by depreciating
14 something?

15 WITNESS CHONG: It's related to cost
16 removal. So, when we -- when we spend money out in the
17 field to put a new plant addition in, there's a cost
18 removal component associated with that. Let's say we
19 spend \$100 on a project, and let's say 90 percent of that
20 is for plant, and 10 percent is to remove the old
21 facilities or whatever. That 10 percent will be booked to
22 accumulated depreciation, instead of plant. So, it's
23 actually a -- it's booked to accumulated depreciation, and
24 it's actually a negative booking. And, the reason that's

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1 done is because the depreciation accrual rates -- our cost
2 removal is embedded in our depreciation accrual rates, so
3 that reverses that over time.

4 CMSR. HARRINGTON: Okay. I think I
5 understand that.

6 CHAIRMAN IGNATIUS: Yes, but can I just
7 -- so, it's in the category you're lumping as
8 "depreciation", but, in fact, it's something other than
9 depreciation, and the net effect of regular depreciation
10 from the cost removal in that one instance is a negative
11 number?

12 WITNESS CHONG: Yes. I think it is
13 standard to book cost removal in depreciation. But that
14 is true, that it's -- the cost removal is greater than the
15 depreciation for the year.

16 CMSR. HARRINGTON: All right. Thank
17 you. That was helpful. Just one other question while
18 we're on this page. The amount for Non-REP plant
19 additions of 14 and a half million, that's about
20 10 percent. Is that typical, to add that much in one
21 year? Are we going to -- do we expect to see this in
22 future years at that rate? It seems fairly high.

23 WITNESS CHONG: That, if you actually
24 look at the change in Non-REP plant, it would be 146.5,

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1 versus the 154.4, or 7.8 million. That's a fairly typical
2 change that the Company has seen in the past. I think
3 that applies about a 5 or a little bit over 5 percent
4 growth rate in net plant.

5 CMSR. HARRINGTON: Okay. Excuse me,
6 what was the second? You said I should be looking at a
7 different number. I'm looking at the one that says
8 "Non-REP Plant Additions", which looks like 14 million,
9 which is about 10 percent of 146 million.

10 WITNESS CHONG: Right. That's one way
11 to look at it. What I typically look at is net plant,
12 gross plant after depreciation, and I look at growth rates
13 of net plant. And, that's the \$7.8 million.

14 MR. EPLER: The line --

15 CMSR. HARRINGTON: The "change in non"?

16 MR. EPLER: -- "Change in Non-REP Plant
17 in Service" is the percent change that the witness
18 referred to, when he said that he thought it was in the
19 usual ballpark.

20 CMSR. HARRINGTON: So, is that the
21 14,445, less the depreciation? Is that where that number
22 comes from? Seems to be about --

23 WITNESS CHONG: Yes.

24 CMSR. HARRINGTON: Okay.

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1 MR. EPLER: All right. Thank you.

2 BY MR. EPLER:

3 Q. Mr. Chong, I also just wanted to -- just to point out
4 the Footnote Number 1, and the line "VMP
5 Reconciliation", that reconciles actual spending and
6 rate recovery for the calendar year, and it also
7 includes amounts that the Company received from
8 FairPoint. We received some monies from them for
9 payment of vegetation management, is that correct?

10 A. (Chong) Yes. Those are reflected in the reconciliation
11 amount.

12 Q. Okay. Next, what I'd like to do is first do a review
13 of some of the REP plant additions that occurred during
14 the year. Well, just an overview of what's in the
15 filing, and then talk about the VMP report, and save
16 the two changes for the last review. So, Mr. Sprague,
17 can you just give an overview of what's in this report?

18 A. (Sprague) Sure. So, our overall goal for our REP
19 planning and VMP planning is to maintain or improve the
20 reliability of the electric system. And, this is done
21 through a few different approaches. The first is a
22 system hardening approach. Typical projects for system
23 hardening would include equipment upgrades,
24 installation of additional fuses, sectionalizers,

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1 reclosers, SCADA/automation projects, or improvement to
2 lightning protection or installation of animal
3 protection or other types of technologies to avoid
4 outages or reduce the impact of the outage.

5 The second approach is an enhanced tree
6 trimming approach. This is something above and beyond
7 the normal cycle trimming. It's involving an expanded
8 trim zone and more aggressive removal beyond what's
9 normally included in our maintenance trimming. And,
10 this is typically identified through reliability
11 analysis and focus is placed on areas that are
12 experiencing an increased tree-related activity.

13 The third would be asset replacement.
14 Typical projects here would be replacement of
15 components that are at an increased risk of failure.
16 Such as porcelain cutouts or insulators, transformers,
17 circuit breakers, underground cable, wood poles, or
18 other types of equipment, such as spacer cable.

19 The last is a reliability inspection and
20 maintenance approach. These are enhanced inspection
21 methods above and beyond what we would normally do, use
22 to detect and mitigate outages before they occur. This
23 is typically done with new technology. For instance,
24 in 2012, we took a pilot program to use infrared

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1 cameras on our distribution system. In 2013, we're
2 proposing to change that and actually use radio
3 frequency. The goal of these programs is to identify
4 equipment that may be failing sooner than otherwise
5 would be expected, and ultimately get those pieces of
6 equipment out of service prior to the outage. This can
7 also include software applications to help us better
8 manage our inspection and maintenance and reliability
9 programs.

10 So, the REP filing is kind of broken
11 down into two aspects. One being an O&M aspect, and
12 the other being a capital expenditure aspect. And,
13 I'll start with the O&M. So, in 2012, our O&M spending
14 broke down into two different categories. One is
15 enhanced tree trimming, and the second is reliability
16 inspection and maintenance.

17 For enhanced tree trimming, engineering
18 analysis identifies those areas that would be in need
19 of enhanced tree trimming. In 2012, we identified
20 three different what we would call "subtransmission
21 lines", which are essentially express feeder lines that
22 go from our system supplies and feed our substations.
23 They're generally located out in right-of-ways and
24 off-road.

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1 For the enhanced tree -- for the
2 enhanced tree trimming, we spent approximately \$47,000.
3 And, as I stated before, in 2012, we took the approach
4 of -- or, take a pilot approach to infrared survey of
5 our distribution system. This pilot, where it has been
6 very successful at times in substations, it does come
7 with some -- with some challenges that we found.
8 Infrared survey is very -- you need load and you need a
9 good ambient temperature, and you need those two to
10 kind of coincide in order to get the results that you
11 expect. So, our results, after infraredding our
12 system, included seven "issues", I'll call them, on our
13 primary system, and 47 "issues" on secondaries, or the
14 lower voltage portion of our system. All of those
15 identified issues have been replaced. Some of them
16 were -- or, the majority of them were connection-based,
17 that connections that may have either loosened up over
18 time or have corroded or so forth. We estimated the
19 impact or the reliability savings of those is somewhere
20 around 7 SAIDI minutes, if those -- if those had failed
21 and resulted in an outage.

22 CMSR. HARRINGTON: I'm sorry, could you
23 repeat the results again? I didn't quite hear it.

24 WITNESS SPRAGUE: It was approximately 7

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1 SAIDI minutes. And, the way we came up with that is, if
2 those locations were to fail and lead to an outage, the
3 estimated outage would be of a certain amount, add those
4 all together and it comes to be about 7 SAIDI minutes.

5 CMSR. HARRINGTON: Okay. Are you saying
6 "7 SAIDI minutes"?

7 WITNESS SPRAGUE: S-A-I-D-I.

8 CMSR. HARRINGTON: Okay. But what's
9 "SAIDI", I guess?

10 WITNESS SPRAGUE: "SAIDI" is the "System
11 Average Interruption Duration Index". And, what that is
12 is that's the average amount of time that the average
13 customer expects to experience an outage in a given year.

14 CMSR. HARRINGTON: So, that would be --
15 so, basically, what you're saying then is, extrapolated
16 over your entire customer base, if these repairs hadn't
17 been done or if these replacements hadn't been done, each
18 customer would have been without power for 7 minutes?

19 WITNESS SPRAGUE: Correct.

20 CMSR. HARRINGTON: All right.

21 WITNESS SPRAGUE: On average.

22 **BY THE WITNESS:**

23 A. (Sprague) The total amount that was spent on infrared
24 survey was \$56,000 approximately. I had mentioned

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1 before, in 2013, we're proposing to use a different
2 technology. And, this is a newer technology that has
3 been -- being rather aggressively developed over the
4 past seven to ten years, and this is radio frequency.
5 You'll notice in the Exhibit 1, we talk about the
6 "EXACTER" technology, that's the name of the
7 technology. And, essentially, what this does is the
8 EXACTER technology uses a radio frequency to identify
9 problems before they occur, arcing, tracking, any type
10 of breakdown. And, there are different signatures, as
11 you're going around listening, there are different
12 signatures to the sound that you're picking up. And,
13 those signatures can tell you "oh, you have failing
14 insulator" or "oh, you have a bad connection on this
15 transformer."

16 Again, the idea of this is to -- is to
17 pilot this type of technology. We're going to focus on
18 our three-phase backbone portion of our systems, which
19 is essentially from our substations out to the first
20 protected devices. So, that's theoretically where most
21 of our customers are served or impacted.

22 So, moving on to the capital portion.

23 So, Unitil evaluates reliability performance on an
24 ongoing basis. It could be daily, monthly, quarterly,

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1 annually. The two reliability reports that you see
2 attached to Exhibit 1, I think they're listed as
3 "Attachment 2" and "Attachment 3".

4 CHAIRMAN IGNATIUS: Do you have a Bates
5 page number?

6 WITNESS SPRAGUE: Yes. It starts on,
7 the first one, Attachment 2, starts on Bates Page 41.

8 CHAIRMAN IGNATIUS: Thank you.

9 WITNESS SPRAGUE: And, that's a
10 reliability study for our capital area. And, starting on
11 Bates Page 58, which is Attachment 3, is a reliability
12 study focused on our Seacoast area.

13 **BY THE WITNESS:**

14 A. (Sprague) So, these -- these studies are developed by
15 the engineers that are responsible for those areas.
16 So, they have an in-depth knowledge of the area,
17 because they're, you know, consistently working with
18 the system. Reliability performance is evaluated on
19 worst outages, worst performing circuits, or generally
20 poorer performing reliability areas. The engineers use
21 GIS to provide a spatial analysis of the outages, and
22 then use that information to design potential projects
23 that are focused on (1) eliminating outages, (2)
24 reducing the size of the outage, or (3) improving the

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1 restoration time of an outage.

2 All of those projects are then combined
3 together and evaluated on a cost/benefit standpoint.
4 And, there's two cost/benefit approaches we use. One
5 being the project cost per estimated saved customer
6 minute, and the second is the project cost per
7 estimated saved customer interruptions. Then, all of
8 those projects are then ranked together, and,
9 ultimately, the projects with the highest benefit,
10 meaning the lowest cost per saved customer interruption
11 or saved customer minutes, are ultimately the ones that
12 are decided on.

13 So, for 2012, we spent approximately
14 \$2 million on REP projects. And, if I could get you to
15 turn to Bates Page 83. This provides a schedule of the
16 REP spending. And, as you can see, it's probably like
17 the -- it's about the third line from the bottom, all
18 the way over to the right, where it says "Total Project
19 Spending", you'll see "1,994,219". So, as part of our
20 projects that we did in 2012, you can see these
21 projects included pole replacements, installation or
22 replacement of reclosers and sectionalizers. We had a
23 project to increase phase spacing. We have two
24 circuits that are located on the same pole out near

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1 Hampton Beach. And, during severe weather and winds,
2 we had some problems. So, we rebuilt those poles and
3 essentially spread it out more. We've installed more
4 cutouts, more fusing. And, we completed a circuit
5 automation project up here in the Capital area.

6 CHAIRMAN IGNATIUS: Mr. Sprague, I
7 assume it's a typo at the top that says "Project Spending
8 2011". This is 2012, correct?

9 WITNESS SPRAGUE: That is correct.

10 CHAIRMAN IGNATIUS: Okay. Good.

11 **BY THE WITNESS:**

12 A. (Sprague) For 2013, if you look at or turn to Bates
13 Page 31, which is Table 17, there are three projects
14 that have been identified for 2013. One is to install
15 reclosers on a circuit out of our Portsmouth Ave.
16 Substation in Exeter. The second one is to install
17 breakers at Hampton Substation on our subtransmission
18 line, in an attempt to break potential outages into
19 smaller pieces. And, the third one is to install a
20 recloser on Circuit 4W4. The estimated cost of those
21 projects are \$925,960.

22 We are also budgeting 850 --
23 approximately \$850,000 on distribution pole
24 replacements. These pole replacements are completed

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1 annually. We do an inspection of ten percent of our
2 poles every year. And, the poles that are evaluated
3 and found that they will not last the next ten years
4 are then prioritized for replacement. So, in total,
5 for capital REP spending for 2013, we're estimating a
6 total of \$1,776,019.

7 BY MR. EPLER:

8 Q. All right. Thank you. Ms. Sankowich, can you please
9 just give an overview of the VMP Program for 2012?

10 A. (Sankowich) Certainly. The Vegetation Management
11 Program for 2012 kicked off very well. We began the
12 first full year of our maintenance pruning cycle,
13 that's one component, one activity of the vegetation
14 management work that we undertook. And, for that
15 pruning component, we completed all lines, all circuits
16 that were scheduled for pruning to be undertaken, which
17 was a mileage of 253.6 miles.

18 Q. And, just in context, what's the total mileage that we
19 have?

20 A. (Sankowich) The total mileage we have is 1,100 miles,
21 just shy of 1,200 miles total.

22 Q. Okay. So, what was completed was --

23 A. (Sankowich) It was a five-year, was one-fifth of the
24 system. So that, in five years, we would complete

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1 100 percent of all the miles in our service territory.

2 Q. Thank you.

3 A. (Sankowich) Along with our cycle pruning work, we also
4 undertook hazard tree removal. And, for that program,
5 we also completed all the circuits that we had planned.
6 We had them marked for hazard removal and completed. A
7 couple of the circuits are carrying over the actual
8 removals into this year, but all of the work was
9 planned and approved by homeowners in 2012. And, total
10 number of hazard trees removed was 1,004, over 146
11 miles of line.

12 CMSR. HARRINGTON: Excuse me, when you
13 say "hazards removed", could you give us an example of
14 what's a "hazard"?

15 WITNESS SANKOWICH: Sure. We have a
16 protocol that describes tree health, and compared to risks
17 on our system. So, we look at the tree's health
18 biologically and stability structurally, and we compare
19 that to the risk at the site. So, it could be the -- the
20 target is our electric lines, is a major one, and we look
21 and see how many customers are served at that point, and
22 what kind of damage that tree would do if it would fall.
23 And, we have a matrix that puts that tree health and where
24 it is in location on our system and other factors into a

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1 matrix, and we decide whether or not that risk level is
2 actionable. So, at that point, we take into account how
3 the tree is functioning and if it's stable, whether or not
4 it has a potential to fail within the next five years, and
5 if the target is high enough, then it becomes a tree that
6 is actionable, we will take it down and remove it at that
7 point.

8 CMSR. HARRINGTON: And, you mentioned
9 the homeowners. Has there been a high level of
10 cooperation on this or do you get a lot of people saying
11 "don't touch my tree"?

12 WITNESS SANKOWICH: We get a fair amount
13 of homeowners that allow us to do the work. When the tree
14 is on their private property, we have to get consent.
15 But, when explaining the dangers that are associated with
16 the tree and failure and how it impacts them, most people
17 understand and are aware that, as a homeowner, they
18 usually want that danger removed from their property as
19 well. So, we've had a fair amount of support for that
20 work.

21 CMSR. HARRINGTON: And, if somebody just
22 says "no", do you have any other options at that point?

23 WITNESS SANKOWICH: No. If they really
24 don't want it removed, we can take care of anything that's

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1 out into the public way, to try to mitigate the tree from
2 falling towards our wires, up until the point where we
3 don't have rights anymore. And, we usually do a lot of
4 education, and that usually turns it around. We haven't
5 had any major refusals, where there is something that
6 would really impact our system that we haven't been able
7 to turn around on.

8 CMSR. HARRINGTON: Okay. Thank you.

9 WITNESS SANKOWICH: We often do replace
10 the tree and give a replacement, if there is a significant
11 concern, and we feel the homeowner has a benefit for
12 having a replacement, a low-growing tree that would not
13 contact the wires in the future.

14 **BY THE WITNESS:**

15 A. (Sankowich) Along with hazard tree work, we also
16 implement work that's driven by reliability needs
17 related from a forestry or tree-related perspective
18 only. So, when we're looking at additional REP work,
19 we're looking at reliability related to the whole
20 system as it performs. So, we do prioritize some tree
21 work related to tree-related reliability only. And,
22 for 2012, we completed 11.6 miles of this work. So,
23 this gives us a little bit of flexibility to respond to
24 immediate dangers that come up within a year that's

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1 outside of our normal scheduled work.

2 As well as doing the reliability work,
3 we also did some mid-cycle review. And, mid-cycle
4 review is taking a look at specific circuits that are
5 in the middle of their cycle. So, if we have a
6 five-year cycle, we look at it between two and three
7 years. We will review the circuit to see if there's
8 any ingrowth or any exposure problems that have
9 occurred between the times of which they're due for
10 pruning. And, we completed 20 miles of mid-cycle
11 review and mitigation as well.

12 And, finally, we completed 165 miles of
13 right-of-way work, where we clear the right-of-way and
14 also take down any danger or hazard trees on the
15 sidelines of the right-of-way as well.

16 BY MR. EPLER:

17 Q. Okay. Thank you. What I'd like to do now is begin our
18 discussion of the two areas where the Company is asking
19 for additional funding. And, I thought that maybe we
20 would start with the Storm Resiliency Program. And,
21 perhaps Mr. Chong and Mr. Francazio can switch seats.

22 A. (Francazio) Okay.

23 Q. And, Mr. Francazio, before we get into a discussion of
24 actually the experience of the pilot, if you could give

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1 a context for the Company's involvement in the pilot,
2 and, generally, what you, as the Director of Emergency
3 Planning, what issues are you coming across, in terms
4 of the ability of the Company to respond to major
5 storms?

6 A. (Francazio) Okay. Well, there is three major areas I
7 think we need to talk about. One is the weather
8 itself. And, if you look at the Climate Stream Index
9 that NOAA actually puts out, which is a 100-year look
10 at the weather forecast, we are in a cycle right now
11 where the weather extremes are greater than in the
12 lower periods, all right? And, it appears that ever
13 since 2000, that trend has been upward. So, we are
14 seeing, and this is my experience as well, I've been
15 doing this for a number of years, we are seeing more
16 extreme events, I wouldn't say that they're more
17 frequent, but they're definitely more extreme, all
18 right, when we are impacted. So, that's one component.

19 The second component is customer
20 expectations, okay? I think customer expectations have
21 changed dramatically over the last four to five years,
22 specifically in the urban areas. And, I do think it's
23 a reflection of the work environment, home work that
24 people do today, a lot of folks work from home, that

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1 connection, that instant information requirements that
2 a lot of people have. So, there is a lot of changing
3 expectations from that perspective.

4 And, as far as actual challenges, I
5 think the big challenge for us, in our response, is
6 getting resources. What we're seeing is that, as a
7 result of a number of events, companies around us, in
8 general, have put in place policies and practices that
9 are locking up crews sooner and sooner in the process.
10 So, previously, we used to have things like
11 right-of-first-refusal, where we would actually talk to
12 a contractor and say "Look, give us a call, before you
13 actually, you know, are deployed to some other
14 location." A lot of the things that we used to do
15 previously are no longer applicable. What's happening
16 is that some companies are actually locking crews up
17 four or five days in advance of a storm, whether or not
18 they even know exactly what the impact of that event is
19 going to be. And, that's just their policy and
20 practice.

21 Of course, the contractors have learned
22 that, you know, there is an opportunity to charge a
23 premium for that as well in this process. So, you
24 know, we have to take that into consideration. And,

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1 even though we have processes in place that we are
2 looking at at least three days in advance, and, for
3 those major events, more like five days in advance. It
4 is getting more and more difficult to get those
5 resources, and we have to go further and further to get
6 the resources.

7 Even for the smaller storms, we are now
8 focused on getting crews mostly from Canada. Nearly
9 every event we have, we are bringing crews across the
10 border. And, that's because the local -- the local
11 contractors are being locked up by the bigger
12 companies, and I want to say, you know, those to the
13 south of us, quicker and quicker. And, obviously, a
14 lot of that is because of some of the legislation,
15 because of some of the penalties that are being
16 imposed. It is, obviously, not helping the industry.
17 If you talk to those companies, I'm sure they are going
18 to agree with that, that statement as well.

19 But, be that as it may, we still have to
20 deal with that environment. And, we are finding
21 ourselves acquiring resources from further and further
22 away, just to make sure we have the appropriate
23 resources to respond to those customer expectations.
24 And, you know, our process does allow us to pre-stage,

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1 which I think is a big benefit. Most of the Storm
2 Reserve Fund that we're looking at is, again, to
3 support those pre-staging activities. So, from that
4 perspective, I guess those are the major challenges
5 that we're looking at. And, it's not just us, it's an
6 industry issue as well.

7 Q. Okay. Ms. Sankowich, now could you give a report or
8 review the Company's experience with the pilot program?

9 A. (Sankowich) Sure. In 2012, last year, the Company
10 decided to embark on a Storm Pilot Program through the
11 Vegetation Management Program. And, basically, that
12 came about because of some of the major storms we had
13 seen in 2011, and the response that we had seen from
14 customers, and some of the things that Rich had talked
15 about. So, we wanted to see if there was a
16 cost-effective way to respond and be more proactive to
17 events. And, so, we decided -- we looked at a number
18 of different options available, and vegetation
19 management was the top option from a cost perspective,
20 with potential results. So, we identified three
21 circuits in our Seacoast area. And, those circuits
22 were chosen because of their historical performance in
23 the past, as well as the support expressed from the
24 towns themselves to undergo additional vegetation

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1 management work. We then planned the program to take
2 into account the backbone of our circuits in that area,
3 from our substation out to our first or second
4 protection device, depending on how many customers were
5 there. And, then, we also involved the towns, by
6 getting them involved, to take a look at where their
7 critical areas in their towns are, where the areas that
8 serve the basic needs of their towns. Whether it's the
9 fire station, police station, shelters. And, a lot of
10 times there would be major gas stations, restaurants,
11 and other things along those same corridors that we
12 were trying to mitigate to be more resilient in a storm
13 event.

14 So, after doing that, we then put the
15 work out to bid, and the work, planned it, and we got
16 very good customer response. There is very little
17 opposition from customers. I think the storms and our
18 intensive education effort went a long way. So, there
19 is very good response. We got the ability to remove a
20 lot of trees and do a lot of pruning. That work took
21 place beginning late September/early October, and we
22 started removing trees.

23 And, in the course of removing the
24 trees, we actually -- we removed 1,685 trees over

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1 14.73 miles. So, that's a high number of trees per
2 mile that were removed. And, we tried to reduce the
3 impact to the customers by using appropriate machinery.
4 And, through our bid response -- our RFP process, we
5 got a vendor that was very centered on the community,
6 and did their best to make sure the impact to customers
7 was low. And, as a result, we had a very, very good
8 response from our customers. We actually had phone
9 calls, Web submissions, e-mails, Twitter tweets about
10 how happy people were that this work was happening.
11 And, as luck maybe may be, we had Hurricane Sandy right
12 in the middle of implementing our work. And, that gave
13 a unique opportunity to be able to assess how the storm
14 worked on those circuits. We had one of the three
15 circuits that was almost completed finished being
16 mitigated, and one that was just being started, and
17 another one that hadn't been started yet. And, they're
18 all within ten miles of each other geographically, so
19 they were hit with pretty much a similar impact from
20 the storm. And, we were able to then look at the
21 differences between those circuits and look at the
22 impact of that work that was completed.

23 Q. And, on the circuits that you had not completed the
24 work, had you marked the trees that were --

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1 A. (Sankowich) Yes. All the trees were marked before the
2 vendors began in September. So, we had identified all
3 the trees that were to be removed during that process.
4 And, we did find that, on the main line of one circuit,
5 that there were two trees that failed that were marked
6 to be removed. And, if the program had happened two
7 weeks earlier, we would have avoided those failures and
8 the damage resulting to the system. And, that came
9 from a direct field review by myself right after the
10 storm had hit.

11 Q. Did you also have an experience with the particular
12 customer who you were negotiating the tree removal
13 before the storm hit?

14 A. (Sankowich) Yes. On the one circuit that was almost
15 completely finished, we did have one customer that was
16 concerned about the loss of some of his privacy in the
17 front area. And, we were negotiating removal and
18 potential replacement of a low-growing species. And,
19 we just hadn't gotten to the point of signing all the
20 paperwork for that, and that tree also failed.
21 However, it was past the protection device on the
22 circuit that was almost finished. So, there was one
23 interruption on the circuit that was almost finished,
24 but, again, it was marked to be removed. So, we would

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1 have -- we would have seen that savings as well, if we
2 had been 100 percent completed with that circuit. But
3 some customers on that circuit that was almost finished
4 saw no interruptions at all during Hurricane Sandy.
5 And, we actually got some letters back from customers,
6 amazed that they didn't lose it at all, because people
7 are now expecting to lose power. So, they said, even
8 though they know that this is not the norm, they were
9 very happy in this event to not have lost power. And,
10 they think it was directly attributed to doing all the
11 tree work, which was nice to hear.

12 Q. So, based on the success that you had with the pilot,
13 is it the Company's recommendation to continue and make
14 this program permanent?

15 A. (Sankowich) Yes. We would like to continue this
16 program, and continue the benefits that we see from
17 this on a larger scale across the state. We found
18 that, not only did we remove some of the troubles that
19 failed during a storm, that we also had a number of
20 benefits that are more intangible. So, the customer
21 satisfaction from doing this was a large one. Being
22 able to keep your police stations on, your fire
23 stations on, minimizing the number of crews that we
24 might have in the future, because we would have less

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1 troubles during an event. So, the pre-staging and the
2 actual costs from that would be minimized. And, we
3 were looking at shortening the duration. If you have
4 less troubles on your backbone, less damage you have to
5 repair, not only are the costs directly from the assets
6 less, but also the cost to the overall duration.

7 And, so, for those benefits, we felt
8 that this was very worthwhile, from a customer
9 perspective, that the impact from removing the
10 vegetation and the aesthetics was not a major obstacle
11 to do that. And, from a cost perspective, the benefits
12 that come out of it are very great. And, there's been
13 such an outcry for this type of a benefit, that we feel
14 that it would be well-served to be rolled out to other
15 areas, besides the pilot area, across the system.

16 Q. How, in putting together the proposal that's before the
17 Commission, how did you come up with the mileage for
18 the program and the duration of the program?

19 A. (Sankowich) We started off by looking at all of the
20 circuits that are on our system. And, then, taking
21 those circuits and removing those that are not suited
22 for a program like this. So, we looked at the tree
23 density, the field conditions that are available on all
24 the circuits. And, from there, we got a list of the

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1 circuits that have a tree condition and a field
2 condition that would warrant a program like this. From
3 that point, we then looked at the number of customers
4 served and the number of miles of our critical areas.
5 And, anything that was below 500 customers or less than
6 one mile -- or, two miles of backbone, we then took a
7 look in the field and decide whether or not it really
8 needed to be mitigated.

9 So, from that point, we shortened the
10 overall number of circuits that needed to be mitigated
11 down to an additional 51. So, if you have the three
12 that we already worked on, there would be 54 total
13 circuits in our area. Which the remaining 51 circuits
14 is 331 miles of line that we feel would have benefit
15 directly from this program from looking at it in the
16 field. And, from that point, we wanted to see how much
17 we think we could do in a year and be able to
18 effectively deliver the work and manage the work, and
19 the vendors would be able to deliver at a
20 cost-efficient basis.

21 We didn't want to get into doing too
22 much work, where the vendors aren't able to provide
23 adequate pricing or we weren't able to manage it. So,
24 we did just shy of 15 miles on the Storm Pilot. And,

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1 we felt that, by doubling that, somewhere right around
2 there, we would still be able to manage it effectively,
3 and we wouldn't get over that point where we could not
4 manage that program. So, that would lead us to around
5 anywhere from 25 to 35 miles annually. And, so, from
6 that, we took the 331 miles total. And, if we did
7 approximately 33 miles a year, that would mean a ten
8 year time frame to complete all the rest of the miles.
9 So, that's how we came up with a figure for how many
10 miles to do for a year, and how long the program would
11 extend.

12 Q. And, how did you come up with the cost estimate?

13 A. (Sankowich) The cost estimate came directly from the
14 costs that we've -- that it took to implement the pilot
15 program in 2012, plus an estimate for expanding the
16 pilot to other areas. We felt that the bids for 2012
17 were very favorable, because the vendor that won was
18 basically located within one of the towns. So, we just
19 added a cost factor to be moving outside of that town,
20 which would include travel and moving resources and
21 things to that. So, a fairly minor addition for the
22 future, and that comes to about \$43,000 a mile. And,
23 so, you multiply that by the 33 miles a year, comes out
24 to \$1,423,000 a year to implement that program each

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1 year.

2 Q. And, so, the increment that we're asking for is to
3 bring the amount that was spent last year on the pilot,
4 approximately \$550,000, up to the total of 1.4 million,
5 is that correct?

6 A. (Sankowich) That is correct.

7 Q. Okay. And, is there a customer education component to
8 the program?

9 A. (Sankowich) Yes. There's a very big customer education
10 component. We developed materials that we hand out to
11 customers. We have a dedicated person that speaks with
12 each individual customer, to explain why the program is
13 being implemented and realistic benefits we hope to get
14 from the program. And, that is one of the biggest
15 pieces at the very beginning, before even doing any of
16 the tree work.

17 Q. In performing your analysis, has the Company looked at
18 alternatives to this kind of Storm Resiliency Program?
19 Are there any other alternatives, such as potentially
20 undergrounding lines or things of that nature that
21 could -- that could take the place of this program?

22 A. (Sankowich) Yes, we did look at a number of
23 alternatives that are available. Undergrounding is one
24 of them. And, looking at the costs to implement that

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1 program, and the associated benefits, we found that the
2 vegetation management is a fraction of the cost. And,
3 so far, with the pilot, has produced excellent results.
4 So, we chose to stick with the Vegetation Management
5 Programs over doing some other alternatives that are
6 available.

7 Q. Next, I'd like to turn to the Company's proposal to
8 increase the amount in the Storm Reserve. And,
9 currently, the Settlement Agreement provides for an
10 annual amount to be deposited in the reserve of
11 \$400,000. And, the Company's request is to double
12 that. Mr. Francazio, could you speak to how the
13 Company arrived at its proposal to double the amount?

14 A. (Francazio) Yes. Okay. As I indicated, the costs, in
15 general, have been escalating, just in response, in
16 general. But we have, over the last four years, been
17 spending an average of some \$655,000 on storms. So,
18 we've pretty much been in a deficit ever since the
19 inception of this program.

20 I think the initial 400,000 was, you
21 know, was to get the program up and running and see how
22 it fared. But, clearly, we've been in a deficit ever
23 since. And, if you look at Attachment 1, which is the
24 schedule of costs associated with these events. Excuse

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1 me, Attachment 1.

2 Q. Are you referring to --

3 A. (Francazio) Exhibit 3.

4 Q. -- Exhibit 3, the response to Technical Session Data
5 Request 1-1?

6 A. (Francazio) Correct.

7 Q. Okay. So, that would be the second page of that
8 exhibit, as "Attachment 1".

9 A. (Francazio) Okay. You see it says "Cost of storms, the
10 actual and projected". And, what we've actually done
11 is run a model out to 2018, both at the \$400,000 level
12 and at the \$800,000 level. And, you can see that, at
13 the \$400,000 level, we are going to remain in deficit
14 pretty much indefinitely, based on the fact that we
15 continue to see storms. But I also want you to look at
16 what's going to influence some of the costs associated
17 with those storm programs. So, we're not just looking
18 specifically at the costs for restoration, we're also
19 incorporating some of the things that you've heard both
20 Kevin and Sara talk about. And, we're trying to
21 harmonize both the asset management, the preventative
22 components, as well as the emergency response
23 component.

24 Q. Okay. Before you continue, if I could just briefly,

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 let's just look at this Attachment 1 and its language,
2 what's provided here. There is a thick black line that
3 runs horizontally through the middle. So, it's correct
4 that, on the top of that, that shows the balance
5 assuming a \$400,000 amount deposited into the reserve
6 on a yearly basis, and below that line shows \$800,000?

7 A. (Francazio) Correct.

8 Q. Okay.

9 A. (Francazio) All right. And, this is exclusive of any
10 exogenous-type events, such as Sandy, okay? So, Sandy
11 is a separate entity -- item. So, again, continuing
12 through, you can see that we are taking into account
13 our best estimate of what some of these additional
14 feeder hardening programs, as well as the Storm
15 Resiliency Program is going to also benefit the
16 customers on a real -- on a real tangible basis going
17 forward.

18 We think that, at some point, we'd like
19 to see the program be positive in the reserve. And,
20 again, what that cap might be going forward is
21 something that I think is open to discussion. But what
22 we are seeing is somewhere around 2.2 million for
23 normal, I'm going to say large -- large types of
24 events.

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 So, at this point, if we were to go to
2 the 800,000, which is the bottom section, it appears
3 that, in 2018, we'll finally have a positive reserve
4 within the program that, you know, we will not see if
5 we continue on with the 400,000 at this point. And,
6 again, we talked about the reason why the programs are
7 getting more expensive. Clearly, the cost to meet
8 customer expectations, you know, has dramatically
9 increased. And, I think a lot of it is related to the
10 cost of acquiring the resources necessary. The only
11 way to really compete today, and to meet those customer
12 expectations, is through pre-staging. And, you know,
13 as I said, the cost for that has been escalating over
14 time. So, this program, you know, provides the Company
15 an opportunity to recover those costs in a reasonable
16 period of time.

17 Q. Okay. And, then, just the last thing I just wanted to
18 point out. Mr. Letourneau, in the response to the
19 third Technical Session Data Request 1-3, during the
20 technical session, is it correct the Company was asked
21 to provide some additional support for the Storm
22 Resiliency Pilot, an additional analysis of the
23 benefits that occurred, is that correct?

24 A. (Letourneau) That is correct.

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 Q. And, so, as a result, there were some items that were
2 discussed during the technical session, but the Company
3 then prepared a further analysis, and that's provided
4 in the attachment to that request?

5 A. (Letourneau) That is correct.

6 Q. And, so, just briefly looking through that, that
7 explains the development of the pilot, and the
8 experience of the Company, the work result, customer
9 response. For example, if you look on Page 5 of 16?

10 A. (Letourneau) Yes. Those are letters submitted, either
11 via our website or on e-mails that we received directly
12 from customers, that had experienced some very good
13 reliability during some of these significant weather
14 events that we've experienced over the last year.

15 Q. Okay. And, then, the report goes on to review the
16 experience of the actual tests, as discussed by Ms.
17 Sankowich, of the pilot during the Hurricane Sandy,
18 discusses the benefits, and tries to give an estimate
19 of costs, both to the customers and avoided costs as a
20 result of the pilot?

21 A. (Letourneau) That's correct.

22 MR. EPLER: Okay. With that, I think
23 the Company has completed its presentation.

24 CHAIRMAN IGNATIUS: Thank you.

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 MR. EPLER: Thank you.

2 CHAIRMAN IGNATIUS: Ms. Chamberlin,
3 questions?

4 **CROSS-EXAMINATION**

5 BY MS. CHAMBERLIN:

6 Q. Mr. Sprague, you're familiar with the terms of the
7 Settlement Agreement from DE 10-055?

8 A. (Sprague) Yes, I am.

9 Q. Okay. That's the -- it was -- the Commission order was
10 April 26, 2011. A substantial portion of the step
11 adjustments proposed in the Settlement was dedicated
12 towards expanded Reliability Enhancement Programs and
13 the augmented Vegetation Management Program. Do you
14 agree with that?

15 A. (Sprague) Yes.

16 Q. So that the revenue requirement for permanent rates,
17 beginning May 1, 2011, includes 200,000 of augmented
18 Vegetation Management Program. Do you agree with that?

19 A. (Sprague) That is correct.

20 Q. And additional increases of 1.250 million -- I didn't
21 say that right, 1,250,000 augmented revenue requirement
22 effective May 1, 2011?

23 A. (Sprague) Yes. I believe so.

24 Q. Would it help if I showed you the order?

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 A. (Sprague) Sure. I don't have that in front of me.

2 (Atty. Chamberlin handing document to
3 Witness Sprague.)

4 BY MS. CHAMBERLIN:

5 Q. If you just read that out please.

6 A. (Sprague) Yes. "The revenue requirement for the
7 permanent rates effective May 1st, 2011, includes
8 \$200,000 of augmented VMP spending above the test year
9 amount while the step adjustments effective May 1st,
10 2011 and May 1, 2012, provide for additional increases
11 to the revenue requirement of \$1,250,000 and \$950,000
12 respectively."

13 Q. Thank you. So, you are able to do a certain level of
14 vegetation management and reliability enhancement under
15 the terms of the Settlement Agreement, correct?

16 A. (Sprague) That is correct.

17 Q. And, what you're asking for in addition is, to make
18 sure that I understood this correctly, it's an addition
19 of 1.4 million per year, is that correct?

20 A. (Letourneau) I don't believe that's correct.

21 Q. Well, I'm looking at Page 88 of the filing. Is the
22 amount that is outside of the Settlement Agreement
23 "1.124038"? That doesn't have line numbers, but it's
24 on Schedule 2?

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 A. (Chong) Okay. So, if we're on Schedule 2, which is
2 Bates Page 88, the Storm Resiliency Program of 888,000
3 is an additional amount over last year's step of
4 535,000. So, it is a total of 1.423 million of
5 additional.

6 Q. Okay. So, 1.4 million approximately is the amount over
7 and above the Settlement Agreement?

8 A. (Chong) That's correct.

9 Q. And, that was for a period of how many years? Is that
10 ten years?

11 A. (Chong) I'm sorry, I didn't catch that.

12 Q. Are you asking for 1.4 million in addition over the
13 Settlement Agreement continually for a period of ten
14 years? Is that a correct summary?

15 A. (Chong) Yes. It will be part of base rates. So,
16 either ten years or the next base rate case.

17 Q. Okay. And, I'm not sure which witness is the best
18 witness to answer this, but my recollection is that,
19 from the base rate case, that the Company originally
20 requested approximately a \$17 million increase, and
21 settled at 9.8 million?

22 A. (Chong) I don't have those numbers in front of me right
23 now. I would have to look into that. I can't recall.

24 Q. In any case, if this was approved, you would get

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1 approximately 10 million plus more in the -- in your
2 rate case -- in your rate case, your base, I guess,
3 than you had gotten in the Settlement Agreement?

4 A. (Chong) I'm sorry, I don't follow those numbers.

5 Q. Okay. I'm not saying it very clearly. But I'm trying
6 to get at the difference between what you agreed to in
7 the Settlement Agreement and what you are asking for
8 now over ten years. So, if you're asking for an
9 additional 1.4 million per year, I'm just multiplying
10 that by ten years, and it's, you know, ten plus -- it's
11 more than \$10 million, is that correct?

12 A. (Chong) That math would work with that -- under that
13 logic.

14 MS. CHAMBERLIN: Great. Thank you. I
15 have no other questions.

16 CHAIRMAN IGNATIUS: All right
17 Ms. Amidon.

18 MS. AMIDON: Thank you. Good morning.

19 BY MS. AMIDON:

20 Q. I wanted to start off, I have a few questions on
21 Exhibit 1. In connection with -- and I think Exhibit 3
22 ties into this. In connection with the correction that
23 was made regarding the REP net plant in service, which
24 is the data response to -- in Exhibit 3, I think at,

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1 these pages aren't numbered, Staff 1-2 -- oh, I'm
2 sorry, "Page 1 of 1", it says. But they're all "Page 1
3 of 1". It's Staff 1-2. It says "provide a corrected
4 version of Schedule 1, Page 3 of the filing." And, Mr.
5 Sprague, do you have that? It's the corrected Page 88
6 of the original filing.

7 CMSR. HARRINGTON: Does this now say
8 "Revised Page 3 of 4 of Schedule 1, Attachment 1"?

9 MS. AMIDON: That's correct. Thank you,
10 Mr. Harrington.

11 **BY THE WITNESS:**

12 A. (Sprague) Yes, I have that.

13 BY MS. AMIDON:

14 Q. Okay. And, the amount that was added there was at Item
15 "303.02", "Intangible Software-10 Year". Could you
16 explain what that is please? That's the
17 "\$2.189 million" item.

18 A. (Sprague) Correct. First of all, the error that was in
19 the first -- the first filing was essentially a copy
20 error. We missed a formula in that "Adjusted Net Book
21 Value" number. The number itself comprises of
22 basically two different pieces of software that were
23 purchased and implemented. The first of which is an
24 Outage Management System that was purchased, then

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1 installed. And, the second is what's called "Power
2 Plant" software, which is an accounting software.

3 Q. And, how do these programs relate to Non-REP plant?

4 A. (Sprague) These are capitalized software purchases
5 that, because they are not specifically related to the
6 reliability spending as defined in the program, they
7 end up falling to the Non-REP portion.

8 Q. Okay. Thank you. On Page 2 of the filing, there's the
9 "VMP & REP Reconciliation". And, if you go to the last
10 sentence in that section, it's right before the Storm
11 Resiliency Program, it says "the three components
12 result in a negative reconciliation amount of
13 \$163,962." Could you please address how -- to what you
14 attribute that negative reconciliation amount?

15 A. (Chong) Would you like me to identify the three
16 components that calculate to the 163,962?

17 Q. Yes, please.

18 A. (Chong) Okay. It is, in the first paragraph, there's,
19 in the last sentence, the last number of that sentence
20 "143,724", is the first number of that calculation.
21 The second number of that calculation is in the second
22 paragraph, last sentence, last number, "10,462". And,
23 the third number in that calculation is the first
24 sentence of the third paragraph, the last number in

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1 that first sentence of "9,776".

2 Q. But was it due to a prior year overcollection or money
3 not spent? That's the kind of thing I'm really more
4 interested in.

5 A. (Chong) No. The reconciliation captures all aspects,
6 that would include FairPoint collections, spending,
7 prior year undercollection. The prior year
8 undercollection was only 9,776, which is reversed in
9 this. So, that's not a major component of it.

10 Q. So, it's probably more attributable to the FairPoint
11 revenue?

12 A. (Chong) It is.

13 Q. That's sufficient. Thank you.

14 A. (Chong) Okay.

15 Q. And, in this -- on this page, it's the first mention of
16 the Storm Resiliency Program. And, I believe that the
17 description of this program in this filing doesn't take
18 up very many pages. I think it's maybe a page and a
19 half. And, I can't find that right now. Oh, I see.
20 It begins on Page 26. No, that's not it.

21 A. (Sankowich) Page 12.

22 Q. I'm sorry?

23 A. (Sankowich) Page 12.

24 Q. Page 4. I apologize. There's a reference to it there,

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 but this was a subject of the technical session that
2 was held last week with the Staff and with the OCA.
3 Would you agree? I don't know who's going to answer
4 that question.

5 A. (Sankowich) Yes.

6 Q. And, it's fair to say that there was some information
7 that you presented this morning that was not presented
8 to Staff and the OCA at the technical session?

9 A. (Sankowich) At the technical session, no. This is new
10 information.

11 Q. And, in addition, are you aware that staff and the OCA
12 received the report that is included in Exhibit B -- I
13 mean, Exhibit 3, at about 3:30 on Friday afternoon?

14 A. (Sankowich) That sounds reasonable.

15 Q. Yes. Okay. And, you may not know this, but, in the
16 order last year, Order Number 25,355, where the
17 Commission approved the Pilot Program for one year,
18 they stated, at Page 5 of that order, "We understand
19 this project is for one year only and direct UES to
20 provide a full report of the pilot program, including
21 costs to implement, activities performed and
22 cost/benefit analyses, to allow a full evaluation of
23 the program."

24 (Telephone ringing over the speaker)

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 system.)

2 BY MS. AMIDON:

3 Q. Would you agree with --

4 CHAIRMAN IGNATIUS: Let's hold off for a
5 second. Steve, we're off the record.

6 (Off the record.)

7 CHAIRMAN IGNATIUS: All right. Go
8 ahead.

9 BY MS. AMIDON:

10 Q. So, would you agree with me if I said that Staff did
11 not have a chance to provide a full evaluation of the
12 report that was submitted on Friday afternoon?

13 A. (Sankowich) Yes. We could understand that. We would
14 be willing to go over any of the details now, if you'd
15 like. We did provide a write-up on the costs and the
16 benefits and an overview. And, we understand from the
17 technical session that it was -- you're looking for
18 additional detail. So, we submitted that as quickly as
19 we could. And, we would be willing to walk through any
20 questions you have.

21 Q. Well, in the filing, it looks like the discussion
22 begins on Page 12, and concludes on Page 16. And, it
23 was fair -- it's fair to say that Staff did not find
24 that this information was complete enough to allow for

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1 us to evaluate whether the program should continue for
2 ten years or not?

3 A. (Sankowich) Yes, we understood that.

4 Q. Okay. And, just to clarify, Mr. Epler said that he --
5 that the Company was looking to make this a "permanent
6 program", and the filing said that you're interested in
7 making it a "ten-year program". Can anyone tell me
8 which is the correct answer?

9 A. (Sankowich) We expect that it would be permanent,
10 because the work that's being done is over and above
11 our normal specifications. And, the clearing would
12 then be able to be continued through our regular
13 maintenance program after that ten-year period.

14 Q. So, the filing is incorrect when it asks for the
15 program for ten years?

16 A. (Sankowich) The "ten years" refers to the level of
17 increased clearing that would be over and above our
18 regular specifications. From that point on, it would
19 be completed, and the maintenance of that program would
20 be rolled into the regular program, of which we'd have
21 to review what types of maintenance costs would be
22 necessary to implement. But, at that point, we would
23 not have to do the major clearing again, that would be
24 completely finished at the ten year portion. Only the

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1 maintenance of that clearing would be required
2 continually.

3 Q. Is that mentioned in the filing anywhere?

4 A. (Sankowich) I don't believe so.

5 Q. Okay. Thank you. I wanted to look at Page 35 of the
6 filing, and review, I don't know if it's with you, Mr.
7 Sprague, the graph that is there, and it is entitled
8 "Chart 8 Unutil Energy Systems SAIDI & SAIFI". And,
9 it's for a period of 2003 to 2012. First of all, you
10 previously described to us what "SAIDI" was. Could you
11 also give us a definition for "SAIFI"?

12 A. (Sprague) Yes. "SAIFI" is the "System Average
13 Interruption Frequency Index".

14 Q. Thank you.

15 A. (Sprague) And, in simple words, it's on average what
16 the typical customer can expect for number of outages
17 in a year.

18 Q. Okay. And, 2009 is -- shows as kind of an outlier for
19 recent years. I believe that we heard from the Company
20 that that was a low year -- a year of less frequent
21 occurrence of major storms, is that right?

22 A. (Sprague) That is correct.

23 Q. And, in Exhibit 3, which is the data requests, the
24 Company provided, and I'm just trying to show this so

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 the Commission can see it, a copy which, of this
2 SAIDI/SAIFI, which consists of two graphs; one for the
3 Capital Region and one for the Seacoast Region. Is
4 that right?

5 A. (Sprague) That is correct.

6 Q. So, again, that even more sharply illustrates,
7 especially for the Capital Region, that 2009 was a low
8 -- relatively lower incidence of storms. Would you
9 agree?

10 A. (Sprague) I agree.

11 MS. AMIDON: Okay. Thanks. One moment
12 please.

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

15 MS. AMIDON: Mr. Frantz has some
16 questions regarding the Major Storm Reserve Fund balance
17 analysis, the response provided in Exhibit 3.

18 CHAIRMAN IGNATIUS: That's fine.

19 MR. FRANTZ: Thank you. Good morning.

20 BY MR. FRANTZ:

21 Q. If you could look at that attachment of Staff Data
22 Request 1-1. And, when you look at Line 11, which is
23 the "Influence of storm resiliency program", which I
24 believe is the program that Ms. Sankowich discussed in

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 some depth just a little while ago.

2 A. (Francazio) Correct.

3 Q. And, that included spending in 2012 for the 15 miles on
4 the three circuits in the Seacoast area, correct?

5 A. (No verbal response).

6 Q. And, your proposal includes ramping that program up in
7 2013, '14, and '15. Can you explain why there's
8 nothing in those lines on 2013, '14, and '15, in those
9 columns?

10 A. (Francazio) Again, at this point, it's still a new
11 program. We're still estimating what we think the
12 impact is going to be. We did put together some
13 proposed numbers at this point. Again, we thought, in
14 the outer years, we'd feel a little bit more
15 comfortable, once we had more experience and history.
16 Could we move the model forward? I guess we could move
17 it forward. But we thought that, to get the full
18 benefit that we're looking at here, which is somewhere
19 around \$100,000, that, you know, we would see it, once
20 the program is a little bit more mature. And, so, we
21 can move it forward.

22 A. (Sankowich) To expand on that, we're doing -- we have
23 done only 14 miles of, you know, an additional 331.
24 So, if you look at the percentage of miles that are

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1 mitigated, it's very small. It's 4 percent. So, the
2 chance of storms coming and hitting that particular
3 area we thought were lower. So, we didn't want to
4 overestimate the amount of impact at this point, until
5 the storm -- until the program has been rolled out
6 across other geographical areas across our system, more
7 mileage.

8 Q. Uh-huh.

9 A. (Francazio) So, I think the economics was based on
10 having 30 miles completed. So, the \$100,000 that we're
11 looking at within Sara's numbers was once we had
12 30 miles completed, which we're not there yet.

13 Q. And, if you looked at the out years of that, wouldn't
14 there be a cumulative effect, so that 2015 would have
15 the benefits of 2012, '13, and '14, and 2016 would have
16 the benefits of the additional year in 2015, and 2017
17 would have the cumulative effect of all those years,
18 and yet you have a flat line for those benefits in the
19 program?

20 A. (Francazio) And, at the end of the day, this would,
21 obviously, take the storm emergency response down to
22 zero, right? If you really take it out to its full --
23 its full modeled benefits. At this point, we don't
24 think that's reasonable either. All right? We

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1 definitely think there's going to be a significant
2 impact to the program. But, to say that you're going
3 to take it all the way out and that there's not going
4 to be a need to have any type of additional storm
5 response is not practical.

6 So, it's our best estimate. I said that
7 from the beginning, it's an estimate. I think we'd
8 have to see how the program actually develops over
9 time. What kind of benefits we're actually seeing. We
10 feel very comfortable that, for the smaller events,
11 that we're going to have a significant reduction in
12 resource requirements going forward. And, that should
13 result in some actual cost savings.

14 To say that, you know, you got to
15 remember that we have -- on a good day, we can field
16 about 12 crews, from a UES perspective. When you start
17 talking about, you know, 12 inches of wet snow coming,
18 you know, you are going to see some sort of damage,
19 even from the canopies, even at the higher levels. So,
20 to say you don't need any additional resources to
21 support internal resources, it's probably not practical
22 at this point in time. And, until we actually saw the
23 program and the effects of those programs, it would be
24 hard for us to say that this is going to go to zero for

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1 total emergency response.

2 Q. I don't believe I ever said that. I just said there
3 would be some cumulative carryover for the year before.

4 A. (Francazio) Yeah. But, I mean, if you continue to do
5 that, it would eventually go to zero, right? So, we
6 just don't think that's practical. But is it going to
7 be 655,000, which is the average today? No. We think
8 we can take a couple hundred thousand dollars out of
9 that process. But I don't think, you know, we're going
10 to take it to zero going forward.

11 Q. Can we talk a little bit about actual hazard tree
12 removal? Those hazard trees are trees that are outside
13 your normal trim zone, correct?

14 A. (Sankowich) That is correct.

15 Q. And, how are they identified? Do you identify them or
16 does Asplundh, who is your tree-trimming contractor, do
17 they identify them? How exactly is the process -- does
18 the process work?

19 A. (Sankowich) They're identified by a trained specific
20 person for the specific project. So, we have developed
21 a protocol for our typical maintenance program. And,
22 then, we expand beyond our typical program to assume
23 less risk. So, if you're looking at risk levels, our
24 typical program has a lesser -- assumes more risk. We

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1 allow things to stand with some minor defects, because
2 we don't think that they are going to fail within the
3 next five years. This program is outside of our
4 regular maintenance pruning, and, therefore, we assume
5 much less risk. So, when you're identifying the tree,
6 you still look at the same defects, the same problems,
7 to an extent outside our regular trim program, and we
8 assume much less risk on those trees. So, if you have
9 a defect on our normal program, we might evaluate the
10 defect and say "let's see how this looks in five
11 years." Under the Storm Resiliency Program, we would
12 see a defect and say "this is not acceptable at this
13 level for this type of a program." So, our hazard tree
14 person in the field that pre-marks everything is
15 specifically trained in identification of defects and
16 hazards in trees for this particular program.

17 Q. Do you inspect all the hazard tree removals to make
18 sure they're actually done?

19 A. (Sankowich) Yes, 100 percent.

20 Q. One hundred percent. By the way, could you just
21 describe briefly your actual trim zone for normal
22 trimming and your cycles?

23 A. (Sankowich) Sure. Our normal cycle is five years.

24 And, that's made up of a balance of how much we're

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1 actually clearing, and time to come back and trim, and
2 how much growth occurs in that time frame. So that,
3 essentially, we would be pruning again right before the
4 branches are coming back in contact with the wires.
5 And, that clearance is 15 feet above, and 10 feet on
6 the side. And, we remove any non-compatible small
7 growing species underneath the wires out those ten feet
8 as well on the side.

9 Q. After major outages, and I know it's very difficult,
10 but do you go back and look at what percentage of trees
11 from outside the trim zone actually affected the
12 circuits?

13 A. (Sankowich) Yes, we do. After major outages, we review
14 some of the circuits that had the most damage. And, it
15 is difficult in a storm, because, by the time you get
16 there, a lot of the scenes are cleaned up. We do find
17 that we review outages and get even more data when they
18 happen, sort of minor storms or even blue sky days,
19 trying to see what's causing failures, and then project
20 that out past our right-of-way. So, if we know that a
21 certain tree species is causing us problems, we look
22 for that, whether directly related to, adjacent to our
23 lines, or even farther out, it has the potential to
24 impact our lines. So, we learn from both, normal

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1 occurrences, where we might have an immediate
2 availability to inspect right away, and learn -- and,
3 then, in a storm, we try to gather as much information
4 as we can as well.

5 Q. Speaking of tree species, made some news lately about
6 the emerald ash borer in New Hampshire. And, can you
7 describe what effective that may have on your circuits
8 and what actions, if any, you're taking at this point?

9 A. (Sankowich) Certainly. We have been aware of the
10 emerald ash borer, which is a very invasive pest,
11 that's been found in Massachusetts. And, we've been
12 preparing our program for that, because we had expected
13 that it would be found in New Hampshire at some point.
14 Unfortunately, it was sooner, rather than later. So,
15 we're working with all the necessary departments.
16 There's been a quarantine implemented on wood products
17 and chips. And, as of right now, our chippers are
18 being compliant, so that we will be able to move wood
19 and other things. We have, for our regular program and
20 for the Storm Pilot, we are targeting ash that's in
21 decline, which is what the beetle looks for. So,
22 rather than leaving it standing and having the
23 potential for the borer to get there and cause an
24 additional hazard problem in the near future, that is a

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1 modifying factor to our program, so that the presence
2 of ash leads us to have it be a higher risk level,
3 because it has a potential to be infected by the borer,
4 and be dead or severely declining within a number of
5 years after being infected.

6 Q. Are your tree trimmers doing any inspections on ash as
7 they -- before they cut them down?

8 A. (Sankowich) Yes, they are. They are trained for a
9 number of invasive insects. Not only the emerald ash
10 borer, but we have identification cards. And, if they
11 see any signs of the insect, they are to report it
12 immediately. We do annual training, which includes
13 invasive species and insects.

14 Q. Thank you. I have a few questions for Mr. Francazio.
15 So, Mr. Francazio, if you could, you mentioned that
16 your customer expectations have -- your customer
17 expectations have probably changed recently, especially
18 in urban areas.

19 A. (Francazio) Correct.

20 Q. Has the Company conducted any surveys or anything to
21 actually try to quantify that? Or, is that just your
22 years in the industry and types of comments and
23 twitters that you've had during the storms?

24 A. (Francazio) Basically, at this point, I'll say Until

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1 has not conducted any particular surveys associated
2 with that. With my former employer, there were some
3 studies done. And, there is very clear indication that
4 customer outages are extremely high on customer's list
5 of things that they're concerned about, and how they
6 rate a company going forward. And, so, there is
7 industry information out there, that specifically, over
8 the last five years, customers are much more focused on
9 the duration of outages and how they can withstand
10 those outages.

11 Q. You also mentioned the challenge of resource
12 availability. And, specifically, that you used to have
13 right-of-first-refusal, but no longer. Is that a
14 contract issue? Is that actually put into contracts,
15 when you go out to get crews? Or, is that just no
16 longer available at all?

17 A. (Francazio) No. That's, from an industry perspective,
18 there's a number of different contractual arrangements
19 that companies have with the contractors. Unitil does
20 not have alliance-type contracts. And, alliance
21 contracts are effective when you have consistent work
22 on the system, all right? So, again, the work that
23 Unitil does is mostly on a bid basis. All right? So,
24 previously, with those contractors that typically have

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1 worked on the system, we used to have the ability to
2 have right-of-first-refusal. And, if you have an
3 alliance contract, like some other companies do, they
4 are basically prohibited from leaving the property
5 until they have checked with the person who has them
6 providing the work on a day-to-day basis.

7 So, the way that it initially works is
8 any contractors that are basically on your property,
9 working for you at that point in time, basically are
10 yours. No one is going to try and acquire them.
11 However, previously, for other contractors that you've
12 had some sort of relationship with, you could ask for a
13 right-of-first-refusal, and that used to be pretty
14 common. Today, because of the competition for those
15 resources, and because of some of the premiums that
16 other companies are actually offering, and they're
17 significant, that pretty much has gone by the wayside
18 for any major event that might be coming into the
19 Northeast. So, it is the first one who's going to put
20 the money up, and, quite often, people are offering
21 these folks premium pay for five days -- five days in
22 advance, plus offering them an additional week of work
23 beyond that point in time. Which, you know, I don't
24 think is all that cost-effective.

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1 So, again, we are trying to mitigate
2 that by having some decent relationships with a number
3 of contractors. Again, as we continue to, well, like I
4 said, harmonize all these programs, we should start
5 seeing the effects of that over time. And, as we do,
6 we'll require fewer contractors to do the work when we
7 actually have a restoration. Hopefully, at that point,
8 you know, working with those contractors that we do
9 have relationships with, and that might be on the
10 property doing some bid work. But, again, as I said,
11 it is a very competitive environment out there, and
12 we're doing the best we can to try and mitigate that.

13 Q. Just one more question for me. Staff hasn't had the
14 time to look at the pilot program benefit/cost
15 analysis, which was just filed late Friday. But,
16 Ms. Sankowich, you did mention that there were
17 alternatives that you looked at, besides enhanced
18 trimming. And, I believe Mr. Epler mentioned
19 "underground" and some other alternatives. Are they
20 included in that as a reference point in the study? I
21 don't remember -- I took a quick look at it, but I
22 didn't see them.

23 A. (Sankowich) We referenced the fact that we looked at
24 them and looked at some of the costs, but we did not

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1 detail out the costs of those other programs.

2 MR. FRANTZ: Okay?

3 MS. AMIDON: Thank you. Just a few more
4 questions.

5 BY MS. AMIDON:

6 Q. Consistent with the Settlement Agreement in the
7 distribution rate case in Docket 10-055, the Company
8 makes certain reports in connection with this filing.
9 And, for example, on Page 3, you have reported that
10 there are no exogenous events during calendar year 2012
11 which have to be considered in this filing. And, I
12 just want to get someone up there to agree with me on
13 that?

14 A. (Chong) Yes.

15 Q. Thank you.

16 A. (Chong) Yes.

17 Q. And, are there any changes in the rate design that you
18 propose as a result of this filing? I don't know if
19 that's --

20 WITNESS ASBURY: The changes are
21 consistent with the provisions spelled out in the
22 Settlement Agreement --

23 (Court reporter interruption.)

24 WITNESS ASBURY: With the provisions in

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1 the Settlement Agreement for rate design.

2 BY MS. AMIDON:

3 Q. And, on Page 3, there are bill impacts and --

4 CMSR. HARRINGTON: Excuse me, Page 3 of
5 what?

6 BY MS. AMIDON:

7 Q. Page 3 of Exhibit 1, of the initial filing, there is a
8 section devoted to bill impacts. And, there's
9 indication that the bill impact for a 600-kilowatt
10 residential customer would be approximately a
11 2.4 percent increase in monthly bills. Now, my
12 question is, does that include the \$550,000 that the
13 Company assumed in the filing for the Storm Resiliency
14 Program -- or, the 500 -- I'm sorry, it was \$535,000,
15 sorry, Steve, for the Storm. Is that included in that
16 increase or is that assumed to be part of the current
17 rate?

18 WITNESS ASBURY: For that calculation,
19 that was assumed to be part of the current rate.

20 BY MS. AMIDON:

21 Q. So, there would be some incremental increase, if that
22 \$535,000 were added to this calculation? In other
23 words, the increase would be somewhat larger?

24 CHAIRMAN IGNATIUS: I'm sorry, I

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 misunderstood. I thought you said the opposite a moment
2 ago. So, let's go through that again. Does the
3 2.4 percent increase assume the Resiliency Program at the
4 higher proposed level or the lower level?

5 WITNESS ASBURY: It assumes the
6 Resiliency Program at the higher level. Therefore, the
7 bill impact is the increment -- shows the increment of
8 \$888,000.

9 MS. AMIDON: And, so, it does not
10 include the 535, is that correct?

11 WITNESS ASBURY: Correct.

12 CMSR. HARRINGTON: So, just so we're
13 clear on this. The 2.4 percent, on a customer making 600
14 -- using 600 kilowatt-hours, that's the total amount of
15 increase including everything?

16 WITNESS ASBURY: Yes.

17 CMSR. HARRINGTON: Okay.

18 CHAIRMAN IGNATIUS: And, just to be sure
19 I'm understanding the distinction you're drawing, if you
20 were to ask "what's the total amount in rates associated
21 with all of the different VMP and REP costs?" It would be
22 greater than the amount discussed in the bill impacts,
23 that's only looking at an incremental change from the
24 embedded amount so far?

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1 WITNESS ASBURY: Yes. The bill impact
2 reflects the total amount the Company is proposing to
3 increase its rates, which is \$2.8 million, which is the
4 total step adjustment increase, which was discussed
5 earlier today, which includes the increment of \$888,000
6 for the Storm Resiliency Program.

7 MS. AMIDON: And, I only wanted to
8 demonstrate to the Commission that the Company assumed the
9 \$535,000 was a current rate, and it took the increment to
10 the Storm Resiliency, and not the entire cost of the
11 program in calculating the increase. Thank you. And,
12 that concludes my questions.

13 CHAIRMAN IGNATIUS: All right. We're
14 going to take a break for about --

15 (Brief off-the-record ensued.)

16 CHAIRMAN IGNATIUS: We're going to take
17 a ten-minute break and resume at 11:20, with questioning
18 from the Commissioners. Thank you.

19 (Whereupon a recess was taken at 11:09
20 a.m. and the hearing resumed at 11:23
21 a.m.)

22 CHAIRMAN IGNATIUS: Questions from the
23 Commissioners? Commissioner Harrington.

24 CMSR. HARRINGTON: Good morning. I'm

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 just going to ask, and whoever is the most appropriate can
2 answer on these, okay?

3 BY CMSR. HARRINGTON:

4 Q. Starting with Exhibit 1, on -- I'll just say it's the
5 first page, because it doesn't appear to be numbered.
6 I just want to make sure we get this clear. We've
7 discussed this a few minutes ago. The lower -- the
8 first -- the last paragraph, I should say, says
9 "Included in this filing are two requests", and it's
10 "additional funding associated with the Company's
11 preparation and response to major storms." And, the
12 first question would be, is the money requested here
13 just for major storms or is it for all storms?

14 A. (Francazio) The money -- my understanding is that the
15 money requested here is for the reserve, which is not
16 for all storms. If we still have a major event, like
17 Sandy, --

18 Q. Uh-huh.

19 A. (Francazio) -- which we consider an exogenous item, in
20 which case that goes into -- hits the Storm Adjustment
21 Factor directly.

22 Q. So, this money is for, not for Sandy-type storms, it's
23 for just the more routine?

24 A. (Witness Francazio nodding in the affirmative.)

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 Q. Is that a "yes"?

2 A. (Francazio) That's correct.

3 Q. Okay. Fine. And, again, so I'm clear here, it says
4 "UES is requesting funding to undertake a Storm
5 Resiliency Program for a one-time increase of 888,000."
6 But, then, we were told that this is being proposed for
7 "ten years". So, is it one time or is it one time, and
8 then it will be another time? Can you just kind of fix
9 those?

10 A. (Chong) Since this step adjustment adjusts base rates,
11 it would be a one-time adjustment to base rates, which
12 would be in rates annually until a base rate case or
13 another change to base rates.

14 Q. And, the total then for the Storm Resiliency Program
15 will be approximately 1.4 million, that's what you're
16 requesting, going forward and for each year subsequent
17 for that?

18 A. (Chong) Correct.

19 Q. Thank you. There was, again, getting back to that "ten
20 year" time frame, and there was a lot of discussion of
21 "removal of hazards", and there's like a thousand
22 hazardous trees removed. Is the idea that, after ten
23 years, that you will go through the whole system, and
24 all of the hazards will then be removed? Or, do you

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1 then start the program over after ten years, because,
2 in that ten-year time period, more hazards would have
3 been created?

4 A. (Sankowich) We would expect that hazard trees would be
5 created continuously. That, as the forest progresses
6 through with the stages of its life, hazards are
7 created every day. However, the extensive nature of
8 this program would be reduced. We would be able to
9 keep up with the natural mortality through our regular
10 program. We would have to expand our program to look
11 outside of our area directly adjacent to the
12 right-of-way and put some provisions in to extend the
13 life of this Storm Resiliency Program. But that we
14 would then be able to hopefully incorporate the natural
15 mortality rate into our regular program, barring, of
16 course, any other major invasive insects or other major
17 events that would impact the forest health.

18 Q. But, dealing with what we know now, then you would
19 expect to see this \$1.4 million spent for ten years,
20 and then there would be still something, but it would
21 be, like let's assume constant dollars, it would be
22 something less than the 1.4 million after the ten
23 years?

24 A. (Sankowich) Yes. It would be much less.

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1 Q. Okay. Thank you. Okay. We covered that. All right.
2 Oh, just, again, so we're clear on this, on Page 3, and
3 it's also on the second page of the filing, which is
4 labeled "Page 2 of 2", and it's addressed on a later
5 page that's labeled "Page 3" down the bottom, it talks
6 about bill impact. And, on Page 2 of 2, it says "As
7 shown on Schedule 4, Page 1, a residential customer on
8 Default Service using 600 kilowatts will see a bill
9 increase of \$2.07 per month or 2.4 percent as a result
10 of these changes." That's the total bill increase,
11 because then it goes on to talk about the monthly
12 impact of the Storm Resiliency Program. So, I'm
13 assuming the impact of the Storm Resiliency Program is
14 included in the 2.4 percent?

15 WITNESS ASBURY: That is correct.

16 CMSR. HARRINGTON: That is correct.

17 Okay. Just for the future, you might have made that
18 clearer in this filing, because it's really not clear the
19 way it's written.

20 BY CMSR. HARRINGTON:

21 Q. Okay. And, I'm sorry if I'm jumping around here, but
22 this is how the questions got written down. In the
23 discussion of moving from infrared to radio frequency,
24 there was some talk on the infrared that, you know,

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 infrared is ambient temperature dependent. So, I'm
2 assuming the radio frequency inspections are not?

3 A. (Letourneau) That's correct.

4 Q. So, they could be done any time. You don't have to
5 compensate for the ambient temperature?

6 A. (Letourneau) Yes. Not dependent on load or ambient
7 temperature, correct.

8 Q. And, just in a general assessment, there was a lot of
9 discussion on how you determine the way to look at
10 basically a risk analysis of where you wanted to
11 concentrate your efforts for vegetation removal, and
12 how many customers would be affected and so forth. Do
13 you, and it also mentions this someplace in the filing,
14 I don't exactly know where, that a lot of people in New
15 Hampshire, when they lose electricity, they lose water
16 as well. Now, obviously, if it's a big enough outage,
17 you know, the electric outage could take out a
18 municipal water supply as well. But, generally, it's
19 -- a lot more people are affected that have wells. Is
20 that taken into account in your hazard assessment? Do
21 you look at an area and say "this is an area that has
22 no public water supply, therefore, we're going to give
23 it a higher priority, because everyone is going to lose
24 their water if they have no electricity"?

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 A. (Sankowich) We have not taken that into account at this
2 point, but that's a very good point. We do look at the
3 number of wells and surface water related in our
4 program, because we apply herbicide. And, so, we do
5 have that information available. So, it is knowledge
6 that we are aware of, but we haven't applied it
7 directly. But that would be a very good idea.

8 Q. Yes, you may want to. Because, I mean, in most cases,
9 it's going to be the most acute impact that people
10 have, assuming a lot of people, I mean, it could be
11 heat, I guess, if it was really cold. But, you know,
12 you can do without a lot of things for a long time, but
13 you can't do without water for more than a few hours,
14 literally. So, it's just something to think about.

15 On Page 30 of Exhibit 1, there's a
16 chart. And, I'm just wondering if you could just
17 explain this a little bit more. It seems to show saved
18 customer minutes and saved customer interruptions. So,
19 is a customer interruption, for example, I just got
20 back from vacation, when I came home, all my clocks
21 were flashing. But they were -- it looked like they
22 were off by about a minute. Would that be considered a
23 customer interruption or is there a minimum amount of
24 time that it has to be done?

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1 A. (Sprague) The Puc 300 rules define an outage, I believe
2 it's "five minutes". So, anything greater than five
3 minutes is considered a "sustained outage"; anything
4 less than that would be considered a "momentary
5 outage".

6 Q. And, then, looking at this Chart 7 here, there's, you
7 know, "Rejected Projects" and "Accepted Projects", and
8 there's like a -- I'm assuming this, you know, for lack
9 of a better term, a double "L", or it's sort of like --
10 it's a line, it's a vertical line that also has a very
11 short horizontal factor on it, going up and down, at
12 approximately I guess it's a million dollars. Can you
13 explain what the -- where that came from? What's it
14 based on?

15 A. (Sprague) So, what this graph is trying to do is it
16 ranks -- we're trying to rank the projects, so that the
17 projects with the most benefit, meaning the lowest cost
18 per saved customer minute or per saved interruption,
19 end up being down to the lower left-hand side of that
20 graph. So, theoretically, you know, the first square
21 is the project with the most benefit, highest benefit,
22 and then so on. And, as that graph goes out,
23 theoretically, there would be the "knee" of the curve,
24 where the cost outweighs the benefit, meaning for very

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 little benefit you have a lot of cost.

2 Q. Okay.

3 A. (Sprague) So, --

4 Q. And, that was just picked as a -- based on your
5 funding, that's how you come up with the --

6 A. (Sprague) Correct.

7 (Court reporter interruption.)

8 BY CMSR. HARRINGTON:

9 Q. I'm sorry. Based on the funding, that's how you came
10 up with that amount? You knew you had a total amount
11 of money to spend. And, so, you went backwards and
12 determined how many projects you need to get done with
13 that?

14 A. (Sprague) Correct.

15 Q. Okay. And, still on Exhibit 1, and there's, on Page 3
16 of 14, and 4 of 24, one is the -- the first one is, I
17 guess, Concord outages, Capital Area Outage Analysis,
18 and the other one is the Seacoast Reliability Study.
19 Bates Number 45 and 61. I was just wondering if you
20 could briefly go over both charts. And, with the
21 exception of the "vehicle accident", which I don't
22 think there's any real practical way of dealing with,
23 if you could just state, if the enhancements that are
24 being done from these various programs, could have

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1 which is the reliability, as well as the enhanced
2 vegetation management, if these would have been
3 prevented by any of these programs if they had been in
4 effect? And, I guess we can start with Page 45, which
5 is the Capital one.

6 A. (Sprague) Okay. So, starting with Circuit 7W3, this
7 was during a microburst. So, the projects, including
8 tree trimming that we would be proposing, 7W3 would be
9 improved with tree trimming; 13W3, 13W2, 17X1, all
10 three of those would have been identified or will be
11 identified if we were using the Radio Frequency
12 Inspection Program. The next three, those would all
13 be, based upon the trimming program, --

14 Q. Okay.

15 A. (Sprague) -- those would be improved. The next one,
16 4W4, would get picked up in the Radio Frequency Survey.
17 The next one I don't believe is covered with any of the
18 projects that we had proposed. And, 22W3 would be
19 covered in our tree trimming program.

20 Q. So, to save time, if we shoot over to Page 61, you've
21 got one, two, three, ones that would probably be
22 covered. And, then, if you could just address the
23 insulator one, probably covered by the radio frequency,
24 there's three of those. And, there's one other left on

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 there, "Guy/Anchor"? That is 7W1?

2 A. (Sprague) Yes. I'm not -- I'm not sure that that would
3 be caught with any of the projects that we have
4 proposed.

5 Q. All right.

6 CHAIRMAN IGNATIUS: Can I clarify that?
7 Are you saying that the actual outages that are shown on
8 Page 45 would not have happened if the programs you're
9 talking about today were in place a year ago? Or, just
10 that they're the kinds of things that the programs are
11 designed to catch? But, depending on where the cycle is
12 and whether you adequately anticipated a tree in distress,
13 it's not that you necessarily would have stopped all of
14 these, right?

15 WITNESS SPRAGUE: Correct. It would
16 improve the situation for outages like these.

17 CHAIRMAN IGNATIUS: All right. Thank
18 you.

19 BY CMSR. HARRINGTON:

20 Q. And, just on Page 44, which is the -- this is the pie
21 graph there, "Customer Minutes of Interruption". What
22 does "Patrolled, Nothing Found" mean?

23 A. (Letourneau) Oftentimes, when we respond to an outage a
24 devise has operated, and that could be a recloser that

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 opens, could be a fuse that operates and opens and
2 interrupts power, when we patrol the line, we cannot
3 identify the -- what caused the outage. It could have
4 been a limb that came down, it hit the line, and then
5 cleared itself.

6 Q. Oh. Okay.

7 A. (Letourneau) It could be a piece of equipment.
8 Insulators, oftentimes, and especially after we have
9 long periods of no rain, when we have some rain, we
10 lose insulators, we can't identify it. Then, it
11 reseals itself, it actually does begin insulating
12 again. Its insulation values become useable, and then
13 we can't find it.

14 Q. Okay. And, I guess it appears there's a lot more
15 squirrels in Concord than there are in the Seacoast?

16 A. (Letourneau) There absolutely are. No question about
17 that.

18 Q. And, the other question I had was on this, on the
19 Page 60, this is the Seacoast one, it says "Scheduled,
20 Planned Work 3 percent". Yet, on Page 44, there's no
21 equivalent thing. Is this just something unusual about
22 the Seacoast that you actually plan outages?

23 A. (Letourneau) Yes. There's -- the Seacoast have had
24 more projects that have been identified where outages

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 are required. And, most of the time, we require
2 outages -- a large majority of the time that we require
3 outages to perform our construction work is when we're
4 doing voltage upgrades, "conversions", we call it,
5 going from a lower voltage to a higher voltage. So,
6 we're taking load off a distribution substation, and
7 putting it perhaps on our subtransmission line through
8 a set of step transformers. That requires an outage.

9 In the Capital Area, we're not doing as
10 much of that kind of work. The distribution circuits
11 aren't as heavily loaded as they are in the Seacoast.
12 So, we see more planned worked on the Seacoast.

13 Q. Thank you. Moving to Exhibit 3, on Attachment 1, which
14 is the "MSCR Reserve Fund Balance Analysis". And, on
15 the -- we'll just go with the lower half. On Line 11,
16 it says "Influence of storm resiliency program". Now,
17 is this influence, this is for all storms or just major
18 storms or --

19 A. (Francazio) No, this would be for all storms.

20 Q. All storms, okay. And, I know we had some discussion
21 on this earlier, but the Storm Resiliency Program, it
22 seems to be made up of two assets, system hardening and
23 the enhanced vegetation management, is that correct?

24 A. (Sankowich) No. In this context, the Storm Resiliency

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 Program is just the Vegetation Management Program.

2 Q. Okay. So, it's just the vegetation management here.

3 Okay. And, the question was -- had to do with whether

4 this was "cumulative or not". And, maybe I wasn't

5 following the logic, but I thought that this part you

6 were talking about here had to do with there was a

7 thousand hazards or a little over a thousand that were

8 removed, in 14 miles, and then you were going to space

9 that out over ten years to get to the whole system.

10 So, if a tree is -- let's just take a case of a hazard,

11 if it falls down and takes out -- it causes an outage,

12 then, you don't put the tree back up again. So, it's

13 gone. And, that's an outage. And, then, it's not

14 going to have an outage going in the future. If you're

15 proactive and you cut the tree down in advance of it,

16 the tree is gone. So, there really isn't a cumulative

17 effect from cutting that tree down, as far as savings,

18 because it can only take the power out one time. Is

19 that correct?

20 A. (Sankowich) That's correct.

21 Q. Okay. So, in this case, going from, you know, you do

22 your first 14 miles, and whatever gets fixed there, it

23 has a one-time impact, if it were to fall down, it's

24 only going to fall down once?

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 A. (Witness Letourneau nodding in the affirmative).

2 Q. Okay. And, the \$100,000 that you come up with here,
3 how was that number -- it just seems too round almost?

4 A. (Francazio) Yes. That number actually came from an
5 analysis that Sara did in her report. If you look, it
6 says "112,000" to be exact. Again, this is an
7 estimate. It is our, you know, our best estimate as to
8 how we're going to reduce storm preparation.

9 Q. Okay.

10 A. (Francazio) All right? So, it's not meant to really
11 model exactly all the possible -- it's not a very
12 definitive, how do I want to say this, very definitive
13 estimate, only because we are talking about storm
14 response, okay? I don't know what the weather's going
15 to do. I don't know exactly what that storm is going
16 to do. We're thinking on average that these are the
17 cost reductions we're going to see going forward. So,
18 this is our best estimate in relation to that.

19 Q. Yes. So, -- okay. I think that explanation helps
20 quite a bit. So, what you're saying here is, if you
21 take the year 2016, you're saying that, to your best
22 you can come up with, you'll spend \$100,000 less on
23 storm --

24 A. (Francazio) Prep.

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 Q. -- preparation, hiring crews, whatever, --

2 A. (Francazio) Correct.

3 Q. -- than you would if you hadn't had the program into
4 effect?

5 A. (Francazio) Correct.

6 Q. Okay. All right. And, then, continuing along in
7 Exhibit 3, on the page that's labeled "12 of 16", this
8 is in the -- this is in the "report" section that was
9 provided in response to Staff Request 1-3. And, on
10 that page, there's a chart -- or, Table 5, "Comparison
11 of Costs to Avoided Costs". I'm just trying to follow
12 that up a little bit as to -- can you just -- someone
13 give an explanation, a little bit more detail of what
14 that exactly represents?

15 A. (Letourneau) We were asked by Staff during the
16 technical session to come up with some figures
17 regarding Company avoided costs to implement the Storm
18 Resiliency Program. This table is a representation,
19 provides information about the cost of our proposal,
20 which is \$1.4 million annually. The avoided costs,
21 that was, as Mr. Francazio just discussed, it was our
22 estimate of, if we were to implement this program
23 during a major weather event on the circuits that had
24 performed the Storm Resiliency trimming as specified,

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 we came up with a \$76,972 savings based upon one major
2 storm event. So, if -- for example, we did almost 15
3 miles this year, if we had a hurricane-type of event
4 hit just those 15 miles, we would anticipate seeing
5 this kind of savings from, again, avoided costs. We
6 wouldn't need additional resources to clear those
7 troubles, *etcetera*.

8 The second line, called "Normal
9 Operations Events", because we're trimming very
10 aggressively in those, again, let's use the 15 miles
11 that we're discussing, normal day-in and day-out
12 events, you would expect to see some type of
13 improvement for just normal troubles that we see today,
14 on a blue ski day. You might have a hazard tree that
15 decides to fail and fall over. And, again, these are
16 all three-phase areas. So, you would have a tree come
17 over, fall into our facilities, cause an outage today.
18 And, again, this is a very broad estimate, but we took
19 50 percent of the major storm event, because the crews
20 aren't working at double time, they're working a normal
21 -- or, they're working time and a half after hours,
22 it's just one crew, *etcetera*. So, that's what the
23 35,000 number is.

24 Q. Okay. So, that's basically the -- the "112,709" here

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1 is just a little sharper version of the "100,000" that
2 was on the previous chart?

3 A. (Letourneau) Of Mr. Francazio, correct. And, then, the
4 last column, the "\$67,000,000", these are
5 customer-facing costs. When we filed our rate case
6 several years ago, we had put together some data based
7 upon some industry publications, most notably the
8 Berkeley Laboratories had performed -- attempted to
9 quantify the cost to customers, by customer class, if
10 they lose power. And, essentially, what they did is
11 they did a lot of research, they performed a lot of
12 interviews, and asked a residential customer, a small,
13 a medium size commercial/industrial, and then large
14 industrial, "when you see an outage, what kind of costs
15 are you incurring?" And, if you think of a large
16 commercial -- a large industrial customer, you can
17 think of all kinds of things when machines are down and
18 lost productivity, *etcetera, etcetera*. That study
19 published data by customer class. So, what we did, to
20 come up with the 67 million, is we took our all-in
21 reliability data, we've been talking about it all day.
22 We spoke about our SAIFI, System Average Interruption
23 Frequency, our all-in SAIFI. So, not excluding any
24 storms, because customers don't differentiate between,

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1 you know, storm events, major storm events, exclusions,
2 and normal day-in and day-out troubles, was 2.3. So,
3 on average, all outages in again, our customers are
4 seeing 2.3 outages a year.

5 Then, you look at, when the lights go
6 off, how long does it take the Company to get the
7 lights back on? And, that's called "CAIDI", "Customer
8 Average Interruption Duration Index". And, just since
9 I'm talking about it, multiply those two and that's how
10 you get your SAIDI, your system SAIDI. Our CAIDI,
11 again, in that same year, was about 204 minutes. So,
12 almost four hours. So, for us, if you take -- break
13 down that customer class by residential, which is the
14 large percentage of our customers, and then our small
15 industrial and small commercial, medium commercial and
16 then our large industrial, and you come up with -- you
17 multiply -- and what the Berkeley study did, it
18 determined per outage what customers can expect. For a
19 residential customer, I think it was \$7.50. You take
20 that number, you multiply it by the number of
21 commercial customers we have, you multiply that by our
22 system frequency and CAIDI, and you come up with the
23 number.

24 Q. Okay.

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 A. (Letourneau) So, that's how the \$67 million came up, of
2 "customer-facing" costs. That's every single outage
3 that a customer will have in an entire year. That's
4 what we're seeing on just our system.

5 Q. And, given the fact that we've had some extended
6 outages over the past now four or five years with, you
7 know, I don't know how many storms of the century we've
8 had in that period of time, there's been quite a few.
9 There's a large amount of people, and not only just
10 homeowners, but also I would imagine small businesses,
11 that now have backup generation. Was that included in
12 that? So, if you say, you know, for every ten
13 customers that lose power, three of them have a
14 generator, so, it literally has little or no effect on
15 them, or was that not included in that study?

16 A. (Letourneau) That was not, that was not included in
17 that study.

18 Q. And, one last question. You talked about the
19 difficulty in getting crews, because the larger
20 utilities were locking them up. There was more
21 pressure from the -- I think it was referred to as the
22 "southern states", south of us. Is there any way you
23 could go into some type of a reciprocity agreement with
24 other utilities, say, you know, someone from Ohio,

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1 which would be not as far away as you can get, but far
2 enough away so probably the same storm isn't affecting
3 both of us? Where, you know, you would agree to send
4 them people, if they needed it, and the other way
5 around, and do that in advance?

6 A. (Francazio) Right. And, there is a process already in
7 place, okay. And, it's part of the Regional Mutual
8 Assistance Groups, all right? And, there are nine
9 Regional Mutual Assistance Groups across the country.
10 And, quite often, you do get together. And, when it's
11 an event that just impacts a very certain region of the
12 country, it works well. All right? You can get the
13 resources. However, as you just indicated, they're
14 traveling. Right? So, you got to pay for that. You
15 got to pay for all of the mobilization, demobilization,
16 that's why the costs are escalating. But it works, and
17 it works fine. The problem that we run into is when an
18 event comes up the East Coast. Now what happens is,
19 those areas that are impacted first, call for that
20 particular -- make a call, the regional mutual
21 assistance call, and they start getting resources ahead
22 of the others in the area. And, the Northeast
23 typically ends up being a redeployment strategy, than a
24 deployment strategy. Where those other, once those

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1 folks are done, they will redeploy the resources.

2 Now, this has been raised to the
3 national level as a result of Sandy. And, there are --
4 I guess there are measures being taken right now
5 directed through the EEI organization, which is the
6 Edison Electric Institute organization, to try and work
7 with the CEOs of a bunch of companies, specifically to
8 come up with a process at the end of the day to try and
9 better allocate resources when we see something of that
10 nature. And, I don't know the outcome of that as of
11 yet.

12 Q. But, so, in this case then, it's not that the larger
13 utilities or utilities from other states are getting
14 more priority, it's a function more or less, it sounds
15 like, of the jet stream, of having the weather go from
16 -- you know, generally, these storms run from the --
17 goes northeast. So, they hit New Jersey first, so they
18 get the crews first, simply because they need them
19 earlier.

20 A. (Francazio) Well, and, again, it depends on the type of
21 event. But, in general, what you're saying is correct,
22 okay?

23 CMSR. HARRINGTON: All right. That's
24 all the questions I have. Thank you.

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1 CHAIRMAN IGNATIUS: Thank you.

2 Commissioner Scott.

3 CMSR. SCOTT: Good morning still. Same
4 caveat as Commissioner Harrington had, whoever is best to
5 answer the question, please go ahead. It's not a test,
6 just want to get the right answers. And, thank you for
7 what you've done so far.

8 BY CMSR. SCOTT:

9 Q. Building upon your SAIDI, SAIFI, and what's the other
10 one? Customer --

11 A. (Letourneau) CAIDI.

12 Q. CAIDI, thank you. I understand, obviously, why you
13 look at outages as an index. That makes a lot of
14 sense. And, there was good discussion to listen
15 regarding your -- trying to quantify your avoided cost.
16 Is there such a thing do you have that -- what the
17 estimated cost per outage is? Is that --

18 A. (Letourneau) I don't believe we've -- I don't believe
19 we've done a calculation based upon just average cost,
20 no.

21 Q. I understand there's a lot of moving parts to that,
22 so --

23 A. (Letourneau) Yes, there's a lot of -- again, the
24 estimate that we provided, I think that we could debate

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1 quite a bit about the assumptions that went into those
2 calculations. The data is, you know, is sketchy, in
3 terms of who collects it, and how many data points you
4 have. And, depending on the time of day, obviously, if
5 a business is closed at night, and the outage is at
6 night, it won't affect them, versus if it's 7:00 to
7 3:00 during the day, *etcetera*. So, there's a lot of
8 things that could send that number one way or the other
9 rather quickly.

10 Q. Okay. Thank you. I'm looking at Exhibit 3, your SAIDI
11 and SAIFI charts, your full-page charts for the Capital
12 and Seacoast Regions. I was just curious, are these
13 normalized in any way or is this just raw data?

14 A. (Sprague) The only "normalization" that's done, I'll
15 call it, is that the major storms are removed,
16 scheduled outages are removed, and off-system power
17 supply would be removed. So, for instance, an
18 off-system power supply would be, if one of the lines
19 serving the Public Service substation that provides us
20 power, something happens on their system and they can't
21 provide us power, then we don't add that into our --
22 those minutes get excluded.

23 Q. So, again, so, you just, if I understood, you already
24 said major storms, you try to take to those out?

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 A. (Sprague) Major, which is by PUC definition.

2 Q. Okay. So, just help me interpret this, if you wouldn't
3 mind. What's the -- in the Capital Region, for
4 instance, the 2010-2011 peak, what drives that?

5 A. (Sprague) Right. So, what we've seen recently, and has
6 kind of been a trend, if you were to take, say, you
7 know, our chart, Public Service's chart, the Co-op, you
8 know, generally, the utilities in this area that are
9 experiencing the similar weather events and overlay
10 them, they all kind of take the same general shape.
11 They're all different numbers, but they take that
12 general shape. But what we're finding, especially over
13 the past five to eight years, is those mid-level type
14 of storms are more frequent. Those, you know, pop-up
15 thunderstorms in the afternoon, those odd wind storms
16 that pop up, that don't necessarily meet the
17 exclusionary criteria, but come through and cause
18 outages. And, that's, you know, from 2010 to 2011,
19 there were definitely more events, as opposed to 2012,
20 was a relatively, you know, calm weather year, besides
21 the major, you know, exclusions type of storms.

22 Q. So, do you feel there would be a way to -- I know
23 there's a way to do anything -- a relatively easy way
24 to correlate this with storm patterns, as you

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1 mentioned, the medium storms? My question is this,
2 especially if you go to the Seacoast, the next chart,
3 without being able to factor in the changes in storm
4 patterns, it's hard to assess -- to use this as a tool
5 to assess your programs, if you follow me?

6 A. (Sprague) Right. What these graphs are generally good
7 for is developing trends. In any given year, you know,
8 comparing one year to the next, there's so much
9 variability with weather, and with the types of outages
10 that are occurring, that, you know, comparing one year
11 to the next isn't all that good. It's almost an
12 apples-to-oranges comparison. So, you know, the way we
13 use this information is to develop, you know, trends.
14 And, I think if you -- one of the reasons why we
15 started this REP program was that we noticed that there
16 was a declining trend in reliability. Meaning that
17 reliability was tending to get worse. And, that's --
18 and, that's why we recommended starting this REP
19 Program.

20 Q. So, is there a metric that you feel the Commission
21 should use to gauge the success of your programs?

22 A. (Sprague) I think that's a question that a lot of
23 different commissions are struggling with, and the
24 industry as a whole is struggling with. And, there are

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1 a lot of different -- different approaches. One
2 approach that is beginning to take hold is the IEEE
3 method. And, what the IEEE method does, it essentially
4 compares you to yourself. And, the exclusions -- there
5 really are no exclusions in the IEEE method. It's just
6 two different buckets. They have a "major event", what
7 they call "major event days", and then everything else
8 are the two buckets. And, those major event days end
9 up being some multiple standard deviation away from the
10 average. That's one kind of way that the industry is
11 moving, to try to come up with different metrics, other
12 than just SAIDI and SAIFI.

13 Q. Thank you. As we discussed, the Storm Resiliency
14 Program Pilot, you've heard from Staff, obviously, they
15 have some concerns of being able to have the time to
16 analyze your submittal and look at the program. The
17 question I have for you all is, what would be the
18 impact if the pilot were to be extended for another
19 cycle, if you would, to allow more proper review of the
20 program?

21 A. (Sankowich) We could certainly do the proposed 2013
22 work, you know, as proposed, and evaluate further, if
23 necessary.

24 Q. Do you feel it would be a negative impact to the

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1 program?

2 A. (Sankowich) From a planning standpoint, by contracting
3 method, going out to bid, it certainly would be an
4 advantage to be able to know that the program was
5 preparing into the future, giving vendors time to
6 figure out how they would staff up and have locations
7 for wood to be processed and things like that. So,
8 there would be a slight advantage to know that the
9 program was extending past just one year. But, on the
10 benefit side that the customers receive, that would be
11 similar to continuing with the program.

12 Q. Thank you. And, we talked about the "pre-staging" and,
13 you know, some of these storm issues. I was curious,
14 when you are able to get extra crews, do you hedge your
15 opportunities? Obviously, this is all based on, when
16 you pre-stage, you're assuming the weather forecast is
17 correct and you'll get a storm that maybe you don't
18 get. Do you use those crews for other work? For
19 instance, do you put -- set some
20 non-sensitive/time-sensitive work to the side to be
21 perhaps accomplished during those timeframes? Or how
22 do you handle those lulls, if you will, assuming one
23 happens?

24 A. (Francazio) Yes. Typically, they're not on the

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1 property for an extended period of time that would
2 even, you know, have them doing extra kinds of work.
3 Unless we're pre-staging for a major event, in which
4 case you do some prep work prior to a storm coming
5 through, you could, if you need to do, I don't know,
6 certain maintenance-type activities for a certain
7 location. We quite often will have crews handle
8 anything that's in a state of construction, and try and
9 get it back to normal, if you can. So that, you know,
10 at least when, if the event does hit, you're not going
11 to lose a particular line that might be out for
12 maintenance or something to that effect.

13 But we -- we just don't have them on the
14 property long enough to say "Look, we're going to give
15 you all this work." And, usually, the weather, by the
16 time they get here, because, quite often these days,
17 they're traveling, they get here, either the night
18 before, so, you're bedding them down and getting them
19 ready for the morning, or they're arriving in the
20 morning. So, there isn't a lot of time in between.

21 Q. Another way to ask the question or a slightly different
22 question, is there a -- and I guess I know the answer
23 to this is probably "no", but are there peak times of
24 the year where there are likelihood of storms where you

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1 could effect book work to be done, that way they're on
2 hand, if you need them?

3 A. (Francazio) And, Ray can probably answer this as well,
4 but we do wait with some of our routine construction
5 and maintenance. I mean, we don't have crews on the
6 property consistently 100 percent of the time. But we
7 do recognize when storm season is coming. And, there
8 is -- we try to keep that work, some of that work
9 anyways, available for that timeframe.

10 Q. Thank you. Talking a little bit about Vegetation
11 Management Programs, I was just curious, you had a
12 discussion with Commissioner Harrington regarding
13 squirrels. I was just curious, is there any data to
14 show that or is it true that, if you do more trimming,
15 that there's less wildlife-caused outages?

16 A. (Letourneau) We don't have any data that would support
17 that. There are other methods we utilize to prevent
18 squirrels from getting into our distribution equipment.
19 Most of the time, they stand on top of the transformer
20 that has a bushing about yay long (indicating), and
21 they reach up across that, and, therefore, they -- and,
22 there's -- it's very difficult. We've tried two or
23 three different types of devices now that actually
24 create a magnet -- an electric field around the

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1 bushing. So that, when the, you know, presumably, the
2 squirrel feels it, be less prone to crawl across it.
3 But, you know, they get up there. And, I don't know if
4 it's the warmth or if it's the humming of the
5 transformer, but there's something that attracts them
6 to it. And, there's more of them in Capital than there
7 are in Seacoast, and I can't explain that one.

8 Q. There's more nuts, so more squirrels then.

9 CMSR. HARRINGTON: Well, we know the
10 answer to that one.

11 (Laughter.)

12 BY CMSR. SCOTT:

13 Q. Back to vegetation management. I was curious, you
14 seemed to indicate there was a fairly positive reaction
15 to what you have done. For your more aggressive
16 pruning, your -- I guess you call it your
17 "ground-to-sky" pruning, maybe that's not pruning,
18 that's cutting, I suppose, --

19 A. (Witness Sankowich nodding in the affirmative).

20 Q. -- had the same acceptance with the public?

21 A. (Sankowich) Yes. I think, maybe even more so, because
22 it's so much more apparent. That we're doing the work,
23 and the cutting is a little more visible, when you
24 remove 1,600 trees over 14 miles. So, yes, we've had

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1 very good response, both to our normal program and to
2 the Storm Resiliency Pilot, where we're doing the
3 ground-to-sky and the extensive tree removals.

4 Q. And, I was also curious, as you get your -- your
5 trimming activities come into public view, do you
6 actually get customers asked to come -- the utility up
7 and asking for trimming to happen on their property?

8 A. (Sankowich) Yes. One of the customer responses in here
9 says, you know, "we see the work that you've done" --
10 see if I can find the exact one. It's on Exhibit 3,
11 Page 5 of 16. It's a person that is from Atkinson.
12 And, they say "Thank you for the work in Atkinson.
13 Hopefully, you can take care of the trees near East
14 Road and Crystal Hill Road as well." They're a little
15 bit farther, on a different circuit. They saw the work
16 that was happening down the road, and they certainly
17 want the same thing on their roads. We get many
18 customers calling in saying "I saw crews down the
19 street. I was wondering if you were coming to my
20 house?" Because we trim by circuit, so, oftentimes, if
21 the circuits are adjacent to each other, one customer
22 might be on one circuit, one's on another. So, they
23 see their neighbor's lights are on, and maybe their
24 lights are not on or not. They see work happening

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1 there, they want to know if they're coming to their
2 house. So, we certainly do get numerous calls asking
3 if we can come do the same type of work at their
4 residence.

5 Q. That's interesting. Thank you. And, I think my last
6 question is probably back to Mr. Sprague, I assume, is
7 on your RFI initiative that you're about to start, have
8 you already started doing that or is that into the
9 future?

10 A. (Sprague) We have not started it yet. We have a plan
11 put together with the vendor. And, we're working
12 through the scheduling and so forth of that.

13 Q. Will you still be using the -- when the weather
14 conditions make sense, will you still be using the IR
15 systems also?

16 A. (Sprague) We do have -- the infrared program that we
17 did last year, we actually hired a third party to come
18 in and do it for us. And, they use their equipment.
19 So, it's not like we bought a bunch of equipment, and
20 that's going to sit in a corner now. We do have a
21 couple of our own infrared cameras that we use on our
22 substations. So, yes, we will continue to use that
23 technology as well.

24 Q. And, I was just curious, I'm not as familiar with the

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1 RF technology, is -- I assume, when you fix a
2 disturbance that's causing a radio frequency
3 interference, obviously, there is less of that. Is
4 there an associated benefit to any copper comm lines
5 that are running along the lines also? Or, is it too
6 far away to have an impact?

7 A. (Sprague) I think it's generally too far away to have
8 an impact. What it does tend to wreak some havoc with
9 are the ham radio operators and some AM radio stations.
10 If you're ever listening to AM radio, and you're
11 driving down the road, and it comes in and out, some of
12 that is associated with the radio signal itself, but
13 also is affected by the electric -- the surrounding
14 electric system as well.

15 CMSR. SCOTT: Thank you. That's all I
16 have.

17 CHAIRMAN IGNATIUS: Thank you. Most of
18 my questions have been answered, but I have a few extras
19 just to catch up on and make sure I understand.

20 BY CHAIRMAN IGNATIUS:

21 Q. In Exhibit 3, the data response packet, the second
22 sheet, that's called "Attachment 1" on the Reserve Fund
23 Balance, what is the "target" on the bottom line?
24 "Reserve Fund Balance Target", what is that?

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1 A. (Francazio) Yes. That just shows at some point that
2 the storm reserve, again, should be declining over a
3 period of time. Okay? So, we're hoping that, as time
4 goes on, we will need less money to actually bring into
5 account the amount of money required for storm
6 restoration or what we're going to have in the reserve
7 account. Which is, again, taking into account some of
8 the additional dollars associated with the programs
9 that we're discussing here as well --

10 (Court reporter interruption.)

11 **BY THE WITNESS:**

12 A. (Francazio) To the Resiliency Program as well, so there
13 are reductions.

14 BY CHAIRMAN IGNATIUS:

15 Q. And, what you referred to in Lines 10 and 11, and
16 similar above, the influence of those things really
17 means the benefits, the savings you -- for costs you
18 hope you will not have to incur --

19 A. (Francazio) Right. The avoided costs over time.

20 Q. We talked about this before, but tell me again why
21 spending 1.4 million a year to get you 100,000 or even
22 112,000 in benefits is good deal?

23 A. (Francazio) Well, let me just say one thing. I don't
24 think that's the full benefit of the program, all

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1 right? This is, again, looking at it specifically for
2 storm response and preparation. It is not looking at
3 the full set of benefits associated with the program.
4 So, I'll let these folks answer those.

5 A. (Letourneau) The Storm Resiliency Pilot was developed
6 as a result of the meetings that we've had with
7 municipal officials after we've had events. We meet
8 with the municipal officials annually, specifically to
9 discuss emergency response, storm planning, *etcetera*.
10 The major issue that municipals have during these types
11 of events is safety, is keeping major roads open,
12 managing wires down. And, if you look at both of
13 those, they're all associated with safety, emergency
14 response.

15 We developed the Storm Pilot in response
16 to that. And, if you think about all the municipals
17 that we have at least in our service territory, a lot
18 of our municipals, many of our municipals have circuits
19 in their downtown urban areas. That start in the
20 downtown area, and then they go out and they feed the
21 customers. The real benefit to me of having the Storm
22 Resiliency Program, it has reliability benefits, and
23 we've been talking about all the reliability benefits
24 of it. But, realistically, to me it's a societal

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1 benefit to the municipal and to the customers that live
2 in those municipals. When you have a major event and
3 you're going to have -- if you have, you know, a
4 hurricane with 90-100 mile an hour winds, you're going
5 to have outages. But, if you can keep one portion of
6 our circuits that serve our customers energized,
7 because you've cleared all the potential trees, you've
8 removed all the threats in this, you know, 30 miles a
9 year that we're looking to do, you can keep restaurants
10 open, you can keep the critical infrastructure of the
11 town. You talked about water systems. Emergency
12 shelters are usually in that area. In the circuits we
13 did this year, we had -- there's a map that's attached
14 that shows fire stations, police stations, that are all
15 in these critical areas. If you can keep those up and
16 running, they're not worried about their generators
17 failing, municipals are not. The main thoroughfares
18 remain open. So, they can travel and get their
19 emergency equipment where they have to go. When you
20 get beyond that, you're going to have trees down and
21 wires down. But at least you've got someplace that you
22 can bring people and get a warm meal, you might be able
23 to get a hotel room. You'll have your emergency
24 shelters that will be open. So, to me, that's the big

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[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 benefit of the Storm Resiliency Program.

2 So, when we were trying to develop
3 costs, you know, the biggest cost to this program is to
4 the customer, is to the municipals. That
5 customer-facing cost, the 67 million that's in that
6 table, that was an attempt by Berkeley Lab to put a
7 dollar figure, how do you -- how do you figure out what
8 people are saving? And, that's really, to me, the
9 major benefit of the program, is, as we get through the
10 33 miles that we plan to do every year, over a period
11 of time, we're going to have major events that come
12 through our service territory, and we're still going to
13 have some circuits that are on.

14 But the biggest issue we have in any
15 event is when the whole town is 100 percent in the
16 black. People begin to panic. They get up, and they
17 want to go get a hot cup of coffee. They want to go to
18 the grocery store and buy a bottle of water. Well,
19 guess what? The grocery store is out of power. Can't
20 get a cup of coffee. They might have to drive 40 miles
21 to go get gasoline, but their tanks, you know, can't
22 make it that far. They need fuel for their generators.
23 Those are the things that we've seen in these events.
24 And, the design of this program is really, basically,

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[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 try to keep basic services, those, again, societally
2 critical circuitry, and the majority of those, that
3 three-phase backbone energized and alive, so that we
4 can have this ready for any event.

5 Q. That's helpful. And, I find that personally much more
6 persuasive than the \$67 million figure that seems like
7 it's not that analytically sound. But I do look
8 forward, I hope there are improvements in the metrics
9 of being able to evaluate how these programs work.
10 Because, as I look at your charts, you know, you'd like
11 to think, looking at the big drop in the numbers, that
12 it means "gee, these programs are working." But
13 there's -- you can't get there from what those charts
14 say. It may mean the storms were different. It may
15 mean that things worked so poorly, that there were so
16 many outages, that all of those outages are now bounced
17 into another category, if you've taken them out of the
18 charts. So, in some ways, your charts may be
19 counterintuitive, and a big drop could mean a sign that
20 the program is failing, as opposed to succeeding. I
21 don't suggest that that's the case here. But it
22 doesn't -- I can't find any way to be able to say "how
23 do you know all this money we're spending is
24 effective?" And, as much as you've tried to explain

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 the VMP and REP, and you start breaking that down by
2 customers, I believe that, if you asked our customers,
3 "are you willing to pay X amount more a month", and
4 we're not talking \$10, we're talking a dollar and
5 change, "for the Storm Resiliency Pilot?" They'd say
6 "yes". I would definitely say "yes", if it is going to
7 mean I'm going to have a place to go. Or, if my power
8 goes out, the duration of the event is not going to be
9 six or eight days, it might be three days, because the
10 damages that we sustain is going to be significantly
11 less, we'll be able to pick it up quicker, and they
12 will have their lights back. They might be without
13 lights for three days, but, you know, not ten. That,
14 to me, is how you measure it.

15 Yes, we have the SAIDI graphs, and we're
16 doing a lot of pole replacement, and we're doing other
17 upgrades for the equipment that we have on our system.
18 But that's all backwards-looking, it's not
19 forward-looking. We identify these circuits, because
20 they have had poor reliability. And, we know what
21 we're doing, to Commissioner Harrington, as he said,
22 "that tree falls, it's only falling once." We look at
23 these circuits, and the engineering folks will design a
24 new protection point. And, we know, if that outage

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 were to happen again, it's only going to affect X
2 amount of customers, or we put in a circuit tie. So,
3 we have addressed that.

4 But what we haven't addressed is a new
5 outage that comes along. And, those graphs do have a
6 lot of variability. You looked at the two charts for
7 Capital and Seacoast that we went through with
8 Commissioner Harrington. I think there were like four
9 vehicle accidents on those. That can drive, if you
10 have one vehicle accident that's in a bad spot, and the
11 fire department's there, the ambulance, there's a life
12 that's in danger, we can't -- they won't let us go in
13 there for three or four hours. You might have 2,000
14 customers, 3,000 customers waiting and waiting for
15 that. And, then, at the end of year, you look, that
16 makes it into your top ten outages you had that year.
17 And, if you don't have those accidents next year, that
18 accident, specific accident, then the graph comes down.
19 So, there is a lot of variability, and it is very
20 difficult to put a measurement stick in place.

21 CHAIRMAN IGNATIUS: Well, thank you.

22 CMSR. SCOTT: I have one.

23 CHAIRMAN IGNATIUS: We have more
24 questions. Commissioner Scott.

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 CMSR. SCOTT: And, thank you for your
2 time, too.

3 BY CMSR. SCOTT:

4 Q. I was curious, and, again, obviously, you've thought a
5 lot about this. Obviously, whether it's the REP or to
6 some extent the Vegetation Management Plan, some of the
7 costs incurred were going to happen anyway. If
8 something breaks, you're going to replace it anyway.
9 So, there's a timeliness factor in there, I assume. Is
10 there -- have you tried to separate, okay, here's the
11 costs we would have incurred over whatever timeframe
12 anyways, and here's the extra we did to prevent, you
13 know, to increase reliability? I was just curious.

14 A. (Sprague) We keep it in mind. I'm not sure I could
15 point to a piece of paper that we've done the analysis
16 for it.

17 Q. No, and that's fair. I was just curious. It would
18 intuitively seem to me, again, for the REP Program, an
19 X percentage of that generally would be materials and
20 work that would be done when it broke, if not before it
21 broke, so --

22 A. (Sprague) Right. And, usually, doing it ahead of time,
23 let's take a pole, for instance. If we can replace
24 that pole before it breaks, not too early, because then

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 you're -- then you're wasting useful life of a pole,
2 but replacing it on something that's planned, ends up
3 being less expensive for us than, you know, that pole
4 that breaks at, you know, Sunday afternoon, you know,
5 that you have people in on overtime, and closing down
6 the road, because the pole is in the road. And, you
7 know, it can -- you know, that proactive approach to it
8 is definitely beneficial.

9 CMSR. SCOTT: Thank you.

10 CHAIRMAN IGNATIUS: Commissioner
11 Harrington.

12 CMSR. HARRINGTON: This is just a
13 clarification. I want to make sure I've got this
14 straight.

15 BY CMSR. HARRINGTON:

16 Q. We use the term here "Major Storm Cost Reserve". So, a
17 "major storm" is a big storm, but it's not an unusual,
18 extraordinary storm, is that correct?

19 A. (Francazio) That's how it's set up today, correct.

20 Q. Okay. So, just I got it straight. So, Sandy was an
21 unusual, extraordinary storm, but it wasn't a major
22 storm?

23 A. (Francazio) Right.

24 Q. Everything smaller at that level, a six-inch snowstorm

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 or, you know, 30 mile an hour winds are major storms?

2 A. (Francazio) There are actually weather criteria that we
3 have defined already, and it's a Level 3, and it's --

4 Q. Yes, I just wanted to make sure I had the --

5 A. (Francazio) But there is a difference.

6 Q. -- the terminology correct.

7 CMSR. HARRINGTON: Thank you. That's
8 all.

9 CHAIRMAN IGNATIUS: Mr. Epler.

10 MR. EPLER: Yes. Commissioner
11 Harrington, if I could address that directly. In your
12 order last year in Docket 11-277, and it is Docket 277, I
13 wanted to clarify that number, the Commission
14 characterized the storms that are these very large storms
15 as "infrequent storms of extraordinary magnitude". And,
16 those are the ones that are addressed in the hearing set
17 to follow this.

18 CMSR. HARRINGTON: The next one. I just
19 wanted to make sure I had the terminology correct. Thank
20 you. That's all.

21 CHAIRMAN IGNATIUS: All right. Any
22 redirect, Mr. Epler?

23 MR. EPLER: I do have redirect.

24 Although, I want to be sensitive, Chairman Ignatius, to

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 your needs. So, I'll be as quick as I can.

2 CHAIRMAN IGNATIUS: That's all right.

3 Go ahead.

4 MR. EPLER: And, if you need to

5 interrupt me, please do.

6 **REDIRECT EXAMINATION**

7 BY MR. EPLER:

8 Q. First, Mr. Francazio, talking about the request to
9 increase the amount in the Storm Reserve, is the cost
10 that the Company is proposing here comparative to the
11 amounts that other companies in New Hampshire have in
12 their storm reserve on a per customer basis?

13 A. (Francazio) Yes.

14 Q. Okay. And, again, looking -- discussing the request
15 for the Storm Reserve, perhaps there is another way of
16 looking at this that I may have been remiss in pointing
17 to, as opposed to just what we refer to as "Attachment
18 1, which is the analysis. Could you turn to what's
19 been marked as "UES Exhibit 2", which is the Major
20 Storm Cost Reserve Fund Report. Do you have a copy of
21 that?

22 A. (Francazio) What exhibit was that? I'm sorry.

23 Q. That's Number 2.

24 (Atty. Epler showing document to Witness

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 Francazio.)

2 MR. EPLER: Would it be all right if I
3 asked the questions from here?

4 CHAIRMAN IGNATIUS: Sure.

5 MR. PATNAUDE: I want to be able to hear
6 you.

7 MR. EPLER: I'll face you from here.

8 BY MR. EPLER:

9 Q. Okay. If you could turn to Page 4 of that Exhibit 2.
10 And, there's a schedule that shows the Major Storm Cost
11 Reserve Fund as of December 31, 2012, is that correct?

12 A. (Francazio) That's correct.

13 Q. And, that shows that, as of 12/31/2012, it had a
14 negative balance of a little over \$2.9 million, is that
15 correct?

16 A. (Francazio) That is correct.

17 Q. And, if you were to remove the amounts for Hurricane
18 Sandy, as we're proposing to do, as to be discussed in
19 the next docket, remove that amount of approximately
20 \$2.2 million, that would leave you with a negative
21 balance of approximately \$700,000?

22 A. (Francazio) Approximately.

23 Q. Okay. So, what we see then happening in the Major
24 Storm Cost Reserve Fund is we had an opening balance of

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 negative 435,000 at the beginning of 2012, we end at
2 2012 with a negative balance of 700,000?

3 A. (Witness Francazio nodding in the affirmative).

4 Q. And, do you have an estimate of where that fund is
5 currently? At the end of March 2013?

6 A. (Francazio) Well, it should be here. Well, at the end
7 of -- well, I had it for the end of April, the balance
8 would have been 302,000.

9 Q. Negative?

10 A. (Francazio) Negative, for just what was in the original
11 balance. Then, you add that to the 700,000, it's
12 basically still, you know, a million.

13 Q. So, a negative balance?

14 A. (Francazio) A negative. Yes, a negative million.

15 Q. Okay. So, again, the justification for increasing the
16 amount is that we've seen the balance increasing over
17 time, and we're trying to get to at least a zero amount
18 or a positive balance in that fund?

19 A. (Francazio) Correct. The idea is to have a reserve, so
20 you're not constantly coming back asking for more
21 money. Correct.

22 Q. Okay. Now, there's been a lot of discussion about the
23 cost/benefit of the proposed Resiliency Program. The
24 Company -- would you agree that the Company did address

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 benefits of the Program in its initial Vegetation
2 Management Program Annual Report?

3 A. (Letourneau) Yes.

4 Q. Okay. And, those you see on Page 14 of that report, is
5 that correct?

6 A. (Letourneau) That's correct.

7 Q. And, the difficulty the Company faced, and the reason
8 the Company did not put dollar amounts, was that, as we
9 discussed, it's very difficult to assign dollar amounts
10 to some of those benefits?

11 A. (Letourneau) It's very difficult, and variable,
12 depending on assumptions that you make.

13 Q. Okay. And, the reason why we attempted to put dollar
14 amounts to a cost/benefit analysis in the response to
15 the Technical Data Request 1-3 is because there was a
16 specific request from the Staff to attempt to do that,
17 even though we had expressed some concerns about the
18 ability to do that?

19 A. (Letourneau) During the technical session, a question
20 was asked for us to at least come up with, you know,
21 some cost, avoided cost, cost savings, potentially, for
22 the Storm Resiliency Program.

23 Q. But is there any question in your mind, as a
24 professional, that there are -- that you see the

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 potential for great benefits from the Storm Resiliency
2 Program?

3 A. (Letourneau) No question in my mind. As I stated
4 earlier, I see this program, that the reliability
5 aspect of this is secondary to the safety and just the
6 societal impact that this program can have. There's
7 been a lot of debate, since we've had the ice storm and
8 hurricanes and wind storms, over improving reliability
9 during these events. And, I've done lots of reading,
10 newspaper articles and media and various different
11 entities, even during the 2008 Commission investigation
12 into the 2008 Ice Storm. The consultant that was hired
13 did an estimate to underground, I think, the entire
14 State of New Hampshire. And, those costs are just --
15 they're cost-prohibitive. That is the only thing that
16 I can think of that prevents outages from major weather
17 events. That the system components can handle, you
18 know, 100 mile-an-hour winds. The system components
19 aren't going to fail. It's the trees that are failing.
20 It's the trees that are falling down into our
21 facilities. And, you can do all kinds of things with
22 Smart Grid and automatic switching and all these other
23 things. But, at the end of the day, if it's laying
24 down in the road under a bunch of trees, that stuff's

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1 not going to work. So, the only thing you can do is to
2 try to prevent these outages from happening in the
3 first place. And, you know, I think the most
4 cost-effective way to do that is the program that Sara
5 and her team has developed for these particular -- for
6 this particular filing.

7 Q. Okay. And, I also wanted to clarify, in terms of the
8 anticipated effect. First of all, the Company is not
9 saying that, even if we fully implement these programs,
10 that we're not going to see any outages?

11 A. (Letourneau) Right. This program is targeting the --
12 all our circuits, from the substation out to the first
13 protective device.

14 Q. But, if I could interrupt you, I'm not speaking about
15 just the Resiliency Program.

16 A. (Letourneau) Okay.

17 Q. I'm talking about the REP Program, our VMP Program, and
18 this Resiliency Program. Even if we have these
19 programs fully funded as we requested, even if we get
20 deeper into the cycles, would you agree that we can
21 still anticipate that outages are going to happen?

22 A. (Letourneau) Yes. Outages, we cannot prevent -- we
23 cannot have 100 percent reliability.

24 Q. Okay. But what the Company is -- if you look at

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 programs like the VMP, those are "best practices" type
2 programs, would you agree?

3 A. (Letourneau) Yes. They are.

4 Q. Okay. And, so, what the Company is trying to do with
5 its REP spending, and the programs such as the
6 Resiliency Program, is to change its posture, from one
7 being reactive to being proactive, would you agree?

8 A. (Letourneau) That is correct.

9 Q. And, would you also agree that this type of program is
10 also at the cutting edge of programs? If you look
11 across at what other utilities are doing, there are
12 really very, very few that are engaged in programs such
13 as this?

14 A. (Letourneau) That is correct.

15 Q. And, so, because of that, would you also agree that
16 it's difficult to actually find data that supports, at
17 least at this stage, where we are now, it's difficult
18 to find data that supports these types of programs?

19 A. (Letourneau) That is correct.

20 Q. There was some discussion of the Settlement Agreement,
21 and what was included or not included in the Settlement
22 Agreement. Was the -- your understanding of the VMP
23 Program that was provided for in the Settlement
24 Agreement, was that based upon the report of Unitil's

[WITNESSES: Sprague~Letourneau~Sankowich~Chong~Francazio]

1 consultant, Environmental Consultants, Incorporated?

2 A. (Letourneau) That is correct.

3 Q. And, that program included a -- moving to a five-year
4 trim cycle, and also had a seven-year Hazard Tree
5 Mitigation Program as part of that?

6 A. (Letourneau) It did, yes.

7 Q. Okay. And, as part of the Settlement Agreement, we
8 agreed to combine the seven-year Hazard Tree Mitigation
9 Program into the five-year cycle, is that correct?

10 A. (Letourneau) That is correct.

11 Q. And, so, the hazard trees that were discussed, when you
12 talked -- when Ms. Sankowich discussed the thousand
13 trees that were removed along the 250 miles, that's
14 that Hazard Tree Mitigation Program?

15 A. (Letourneau) That is a hazard tree program that is
16 performed along with our normal, what we would call
17 "cycle pruning", annual maintenance cycle pruning, the
18 five-year cycle that we discussed earlier.

19 Q. Okay. So, the Storm Resiliency Program is a program
20 that is over and above what was recommended by the ECI
21 report?

22 A. (Letourneau) Yes, a completely different program.

23 MR. EPLER: Thank you, Commissioners. I
24 think that's all I have.

1 CHAIRMAN IGNATIUS: All right. Thank
2 you. The witnesses are excused, but I'll ask you to stay
3 put, just for the sake of finishing up.

4 Do we have any objection to striking the
5 identification and making the three exhibits full exhibits
6 to the file, to the record?

7 MS. CHAMBERLIN: No objection.

8 CHAIRMAN IGNATIUS: Seeing none, we will
9 do that. Is there anything other than closings then to
10 turn to?

11 (No verbal response)

12 CHAIRMAN IGNATIUS: Seeing nothing, then
13 let's begin with OCA. Ms. Chamberlin.

14 MS. CHAMBERLIN: Thank you.
15 Commissioners, this filing is not a step adjustment
16 filing. The filing that has been presented is a full rate
17 case proceeding that has been shoehorned into a step
18 adjustment filing. The Settlement Agreement, the order
19 was issued only two years ago, in 2011. At that time, all
20 the parties agreed on the number -- the amount of the
21 increase, and the number of years that they were not going
22 to come back for a rate base increase. And, that was
23 until 2016. So, they have three more years before they
24 are supposed to come forward and present any extra,

1 extraordinary costs that need to go into rate base.

2 Now, the world has not changed
3 significantly since 2011. I understand there are
4 pressures on all of the utilities, with the storms and the
5 pre-staging. But we've gotten adders to address that.
6 Just last year, there was another order giving them a
7 little bit more money, because there was a little bit of
8 rate increase that was unanticipated.

9 But this goes way beyond that. And,
10 without even getting into the merits, we shouldn't even be
11 hearing the merits of the program. The Company should
12 have to come in and demonstrate that it needs to gut the
13 Settlement Agreement, which is basically what it's doing.
14 It needs to abrogate the Settlement Agreement for some
15 extraordinary reason and demonstrate why that should be
16 the case. And, I don't see that that should be the case.
17 And, I want to be clear that I'm not asking for more time,
18 and we clearly didn't have any time to review this, but
19 I'm not asking for more time, because I don't think they
20 should be able to come in at this point and ask for
21 \$10 million. I mean, the entire rate increase from the
22 Settlement Agreement was 9.8 million. This is doubling
23 that. And, that just goes way beyond the scale of
24 anything anticipated by the Settlement Agreement. And,

1 this Settlement, to have any meaning at all to the
2 Settlement Agreement, is that it has to last a little
3 while. It has to abide by its terms, and its terms go
4 until 2016.

5 And, it's not as if we didn't anticipate
6 or we didn't include some vegetation management and all of
7 this; that was all part of the Settlement. So, I would
8 submit that the Company should do the best it can, make
9 whatever changes it can do with the money it has for the
10 next three years. And, then, if that's not enough, they
11 come forward and they support why they need to do
12 something above and beyond.

13 And, I emphasize that I'm not taking a
14 position on the merits of their program. You know, it
15 sounds like a good program. But it's a very expensive,
16 and it was completely unanticipated. And, it just simply,
17 there's not enough basis for it in the record to have such
18 an extreme increase in costs.

19 If we want to start another rate case,
20 if we want to go out to customers and say "are you willing
21 to pay two bucks more for this amount of increase?" You
22 know, maybe that can be done. But that shouldn't be done
23 over a weekend, based on the filing that we have before
24 us.

1 So, I object strongly to anything beyond
2 the terms of the Settlement Agreement, as modified by the
3 Commission's order of a year ago. The step adjustment is
4 fine. We anticipated, that was part of the Settlement.
5 But, to add this extra, this extraordinary extra, not just
6 a little bit extra, but a lot extra, is simply -- it's
7 unjust and it's unreasonable, and we shouldn't be here.
8 We shouldn't be looking at this filing under these
9 conditions.

10 CHAIRMAN IGNATIUS: Well, so, your
11 position would be, obviously, not to allow the greater
12 money for the Storm Resiliency Program, but, as to the
13 other changes, are you taking a position?

14 MS. CHAMBERLIN: The changes that are
15 within the contemplation of the Settlement Agreement,
16 which was these various step adjustments for 2012/2013,
17 those are fine. And, I would have to, because I found the
18 whole presentation a little bit confusing, my
19 understanding is that it's an additional 1.4 per year that
20 is not included in the regular step adjustment. But I
21 would be subject to check on those exact numbers.

22 CHAIRMAN IGNATIUS: Thank you.
23 Ms. Amidon.

24 MS. AMIDON: Thank you. Staff has

1 reviewed the filing, and the calculation of the step
2 adjustment has been conducted by the Company consistent
3 with the terms of the Settlement Agreement, and consistent
4 in the manner with which they instituted the first step
5 adjustment. And, so, on that basis, we would have no
6 objection to that step adjustment being implemented, as
7 the Settlement Agreement provides, for effect May 1.

8 With respect to the Major Storm Cost
9 Reserve, you know, we think that the Company presented a
10 reasonable basis to begin to recover money, and especially
11 since the proposal is based on costs incurred, and they
12 have demonstrated that in that Exhibit 3. So, we have no
13 objection to that increase either. We understand that
14 there is, you know, not only is there a benefit to the
15 Company getting out of the deficit, but there is also a
16 benefit to customers, in the sense that they would be
17 paying a carrying charge on the deficit as time goes by.
18 And, so, we believe that's a reasonable solution to the
19 current deficit in the Major Storm Cost Reserve.

20 We haven't had a chance to review the
21 2012 Service Reliability Studies for the Capital Region
22 and the Seacoast Region. And, we plan to do that and make
23 further recommendations. And, that may be in the context
24 of conducting a system reliability review that was part of

1 the Settlement Agreement in Unitil's last rate -- base
2 rate case.

3 And, finally, we have a lot of concerns
4 about the way the Company prepared the continuation of the
5 Storm Resiliency Program. We didn't understand, until we
6 received the filing, that they actually planned to
7 continue the program. And, we were not satisfied with the
8 explanation in the original filing as to the cost/benefit.

9 Having said that, we, you know, we have
10 to recognize that Unitil has taken some thoughtful
11 measures, proactively, to, you know, improve the
12 situation, and the response to their customers following
13 storms, especially after the experience with the 2008 Ice
14 Storm.

15 Having said that, we do think it's
16 reasonable for the Company to continue the program for
17 another year, at the level that they propose in this
18 filing, in other words, with the additional \$888,000. But
19 we do that with a condition that the program is more
20 carefully evaluated, if they plan to continue it beyond
21 the one year that Staff recommends. And, that they
22 provide the Staff with, you know, the results and their
23 analysis, their cost/benefit analysis, and other
24 information, in advance of requesting a further extension

1 of the program, in time for the Staff to look at it, to
2 dialogue with it with the Company, with the OCA, and to
3 form a sound recommendation, because we are not
4 comfortable with the cost/benefit analysis that the
5 Company provided to us at the last minute. Thank you.

6 CHAIRMAN IGNATIUS: Thank you.

7 Mr. Epler.

8 MR. EPLER: Yes. Thank you. First of
9 all, I'll just address the two programs that we're asking
10 additional funds for. First of all, the Company will
11 concede that perhaps its presentation on the Storm
12 Resiliency Program could have been a little bit more
13 robust or detailed, and we apologize for that. And, we
14 certainly remain available to answer any additional
15 inquiries as the -- hopefully, as the program goes
16 forward.

17 But there's something that I wanted to
18 respond to directly, which the Consumer Advocate said,
19 that, when she referenced that "things have not changed
20 that much since the time of the Settlement Agreement."
21 And, I would disagree with that. In a very short period
22 of time, since that Settlement Agreement was signed, we've
23 experienced an additional number of very large storms,
24 these infrequent and extraordinary events, as well as the

1 major storms that we seek recover of through the Storm
2 Fund. And, there's also been quite a severe reaction to
3 those storms, both in actual customer experience, and also
4 the regulatory reaction that is occurring in not only this
5 jurisdiction, but in other jurisdictions. People are
6 being very concerned, very upset about the storm response.
7 And, the costs and the competition for crews is
8 extraordinary. And, we are -- we have been, I would say,
9 we have been lucky in the last couple of storms because
10 they have not impacted our service area as extensively as
11 they have some of the other service areas in neighboring
12 states.

13 And, so, while I believe we have
14 developed an extraordinary storm response capability in
15 the Company, and I think you can see that in how the
16 Company has handled the storms that it has been faced
17 with. And, there's still the potential out there for a
18 severe storm impacting us. And, so, the Company has tried
19 to look at what it can do, beyond just becoming a great
20 storm response company. And, that's why we've come up
21 with this proactive -- what we call our "proactive
22 approach", the Storm Resiliency Program.

23 It is very difficult to try to justify
24 that when it is a unique program. When we don't have a

1 lot of experience with it, when it's only in its infancy,
2 when we've only had it on a pilot basis for our first
3 year. But we are so convinced, based on the results that
4 we obtained, and by actually having the experience of
5 having Hurricane Sandy occur, as described by the witness,
6 right after we completed the tree removal on one of the
7 circuits, and right before we were about to do it on
8 another circuit, so that we actually saw, in very stark
9 measure, what those results were. And, it's because of
10 that that, it's true, this wasn't contemplated in the
11 Settlement Agreement, it wasn't even contemplated that we
12 would go right to a full program last year when we
13 proposed that.

14 But the results that we saw, combined
15 with the results we're seeing, in terms of competition for
16 crews, the cost of these storms and so on, is what's
17 behind us coming before you today and asking to make the
18 program permanent.

19 In terms of the permanence of the
20 program, we have another step increase next year. The
21 Storm Fund Reports that we're providing, we're going to
22 provide on a regular basis, once a year, when -- after the
23 year is complete. You will have us before you to explain
24 those, the Storm Fund Report, which includes a report of

1 all the major storms. You will have us before you next
2 year, on a second -- a second report, if you approve the
3 Storm Resiliency Program, you'll have us before you again,
4 another year's history and experience with that program,
5 and perhaps better results and perhaps a more refined way
6 of going forward.

7 We would urge you to allow us to
8 continue this program, with the concept that its
9 permanence is still subject to further review. We would
10 not want to hesitate or have a delay in its
11 implementation. So, at least we would seek your approval
12 to go forward with full implementation next year, to see
13 what happens if we expand it to, as we say, to somewhere
14 the 25- to 35-mile basis. See what further reaction we
15 get from customers, see what further reaction we get from
16 municipalities and the other first responders, and see if
17 there are results that we can bring to you to justify the
18 continued use of the program.

19 With respect to what happens in a
20 settlement agreement and the stay-out, when a company
21 agrees to a stay-out, what they're agreeing to, aside from
22 -- yes, I apologize for going on.

23 CHAIRMAN IGNATIUS: Keep going. That's
24 all right.

1 MR. EPLER: What happens when there's a
2 settlement agreement to have a stay-out for a rate -- a
3 period of time, and, in particular, with this particular
4 Settlement Agreement, that has agreements to allow for
5 recovery of a ramp-up of the Vegetation Program and
6 recovery for certain capital additions in the REP Program.
7 The Company is estimating that there are going to be
8 certain operational savings, that it has certain targets
9 that it's going to try to meet, so that it can keep its
10 costs in line. Even though it's experiencing inflation
11 over time, it has also other unexpected costs and so on.
12 So, it's betting that, based on the reasonableness of the
13 overall rate increase that was granted, the step
14 increases, what it anticipates inflation to be over time,
15 that it can make that work, that it will live within those
16 bounds. And, barring any unforeseen extraordinary
17 circumstances that are discussed in the exogenous
18 provisions in the Settlement Agreement, that it's going to
19 make it work and it's going to stick to those numbers.

20 This Resiliency Program is an
21 extraordinary program. It is not the kind of program that
22 the Company can take on within the confines of the revenue
23 requirement that it settled on in the Settlement
24 Agreement. So, it is, even though it's not something that

1 falls within the exogenous elements of the Settlement
2 Agreement, it's something that we are so convinced of its
3 worth that we are here asking for its approval, even
4 though it is not admittedly covered in the Settlement
5 Agreement.

6 We think that we need to do something on
7 a proactive basis to address these storms, the cost of the
8 storms, the dislocation, and all the other cascading
9 events that happens when you have a storm. And, that's
10 why we're seeking approval. Thank you.

11 CMSR. HARRINGTON: Okay. I guess that
12 would about wrap it up then. Is there any other business
13 we need to attend to?

14 CMSR. SCOTT: Mark exhibits.

15 CMSR. HARRINGTON: No, I think the
16 Chairman already took care of marking the exhibits,
17 correct?

18 MS. HOWARD-PIKE: That's correct.

19 CMSR. HARRINGTON: All right. Well, we
20 understand you're requesting this for a May 1st
21 implementation. We'll take this under advisement and
22 we're adjourned. And, we can go off the record then.

23 **(Whereupon the hearing ended at 12:52**
24 **p.m.)**