STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. DE 14-_____

Liberty Utilities (Granite State Electric) Corp. d/b/Liberty Utilities
Calendar Year Stub 2013 Reliability Enhancement Plan and
Vegetation Management Plan
Report and Reconciliation Filing

DIRECT TESTIMONY

OF

CHRISTIAN BROUILLARD

AND

JEFFREY CARNEY

March 31, 2014

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I. INTRODUCTION AND QUALIFICATIONS

Christian Brouillard

Q. Mr. Brouillard, please state your full name and business address.

A. My name is Christian P. Brouillard and my business address is 9 Lowell Rd., Salem, NH 03079.

Q. By whom are you employed and in what position?

A. I am employed as the Director of Engineering by Liberty Energy Utilities (New Hampshire) Corp. ("Liberty Energy NH"). In my capacity as Director of Engineering, I am responsible for delivery system planning and capital investments, engineering and design, and maps and records integrity for Liberty Energy NH's electric and gas businesses in New Hampshire, including Liberty Utilities (Granite State Electric) Corp. ("Granite State" or the "Company.")

Q. Please describe your educational background and certifications.

A. I graduated from the University of New Hampshire in 1982, earning a bachelor's degree in electrical engineering. I also completed the Public Utility Executive Course, sponsored by the University of Idaho. I am a registered professional engineer in the states of New Hampshire and Massachusetts and a certified Project Management Professional.

Q. Please describe your professional experience.

A. In 1982, I began my engineering career as an associate engineer with Massachusetts Electric Company, a subsidiary of National Grid USA ("National Grid") and a former affiliate of Granite State, in North Andover, Massachusetts. From 1982 to 1992, I held positions of progressive responsibility in the distribution engineering, planning, protection, and executive support functions. In 1993, I was promoted to Manager of District Engineering and held various engineering and management positions since that time, including Manager of Asset Strategy. In 2005, I became Manager of Work Planning and was responsible for developing Granite State's capital construction plans. In 2008, I was promoted to Director, Investment Planning for the Company's electric distribution system in both New England and New York for National Grid. In 2011, I assumed my current role as Director of Engineering for Liberty Energy NH.

Q. Have you previously testified before the New Hampshire Public Utilities Commission (the "Commission")?

A. Yes, I have previously testified before the Commission on the Company's Reliability Enhancement Program and its' Integrated Resource Plan.

<u>Jeffrey Carney</u>

Q. Mr. Carney, would you please state your full name and business address?

A. My name is Jeffrey Carney, and my business address is 407 Miracle Mile, Lebanon, New

Hampshire 03766.

Q. By whom are you employed and in what position?

A. I am employed by Liberty Energy NH as the Vegetation Supervisor. In my capacity as Vegetation Supervisor, I support Electric Operations and plan, budget and manage Granite State's vegetation management programs, vendor performance, and provide storm and regulatory support for the Company's distribution and sub transmission assets.

Q. Please describe your educational background.

A. I graduated from Paul Smith's College of Arts and Sciences in Paul Smiths, New York in 1976. I received an associate's degree in Applied Science in Forestry and Land Surveying.

Q. Please describe your professional experience.

A. I joined Liberty Energy NH on April 1, 2012 when I assumed the transitional responsibility for the National Grid FY13 Vegetation Management Program. Prior to that, I served as the System Arborist for National Grid Service Company from 2007 to 2012. I was the Transmission and Distribution Forester for Granite State and New England Power Company's territory in New Hampshire and Vermont from 1989 to 2005. From 2005 to 2007, I was the New England North Lead Arborist and oversaw New England North Arborists responsible for developing forestry strategy and delivery the

work plan. During that time, I simultaneously served as the Company's District Arborist in New Hampshire. From 1979 to 1989, I was a self-employed Consulting Forester.

Q. Have you previously testified before the Commission?

A. Yes. I have previously testified before this Commission on vegetation management issues.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of this testimony?

A. This testimony provides the Commission with background information regarding the Reliability Enhancement Program ("REP") and Vegetation Management Program ("VMP") that Granite State implemented during a portion of Calendar Year Stub 2013 (April 1, 2013 - December 31, 2013) and as described in the Company's accompanying Calendar Year Stub 2013 Reliability Enhancement Plan and Vegetation Management Plan Report dated March 31, 2013 (the "CYS 2013 REP/VMP Report") submitted with this filing. Additionally, this testimony provides support for the Company's request to refund to customers $275,840, which represents the amount of expense below the Base Plan operating and maintenance ("O&M") pro-rated amount of $1,020,000 that was authorized by the Secretarial Letter issued on April 3, 2013 in Docket No. DE 13-039. Specifically, this amount is comprised of $35,861of O&M spending for the REP and VMP in excess of the Base Plan O&M amount of $1,020,000 less $311,701 in credits for

vegetation management reimbursements received from FairPoint Communications ("FairPoint"). Subject to approval by the Commission, this amount is proposed to be refunded through the REP/VMP Adjustment Provision contained in Secretarial Letter issued on April 3, 2013 approved by the Commission in Docket No. DE 13-039 and as further described in the prefiled direct testimony of David Simek.

The Company is also requesting an incremental revenue requirement of $38,716 associated REP Capital Investment of $416,755. Information regarding the calculation of the REP/VMP Adjustment Provision and the REP Capital Investment Allowance, and the associated rate impacts, is set forth in the testimony of David Simek, which is a part of this filing. The new O&M amount requested would be effective for usage on and after June 1, 2014.

III. OVERVIEW OF REP AND VMP

Q. Please explain the purpose of the REP and VMP.

A. As part of the Secretarial Letter issued on April 3, 2013 in Docket No. DE 13-039, the Company agreed to continue with its Vegetation Management and Reliability Enhancement Programs at agreed upon levels, subject to annual Commission approval. In general, the REP and VMP include categories of both capital and O&M spending targeted to improve reliability performance. The REP and VMP are premised on the understanding that a certain amount of annual spending on both capital and O&M

activities is necessary to maintain the safety and reliability of the Company's electric distribution system. The Secretarial Letter assumed that a base amount of $1,360,000 would be spent on O&M activities associated with the REP and VMP during a fiscal year. In addition, the Company proposes a budget for REP capital investments for each fiscal year. To the extent the Company spends less than the agreed upon base O&M budget on REP and VMP O&M activities in a given fiscal year, the difference is credited, at the Commission's discretion, either to customers through a refund or a credit to the following year's REP and VMP O&M budget.

Q. Please describe what types of activities are included in the REP and VMP.

A. The Company budgeted capital funds to install two single phase reclosers and two trip savers in radial scheme applications. A significant portion of this budget was also targeted towards the re-conductoring of 1.8 miles of bare mainline primary conductor with spacer cable and for mitigation of underperforming areas that have a history of outages. These projects are identified on page 7 of the REP/VMP Report which accompanies this testimony. The VM activities consisted of Planned Cycle Trimming, and Interim, Spot, and Trouble Tree Trimming, identified on page 5 of the Report.

Q. Please explain how the Company decides to allocate funds towards vegetation management and reliability activities within a given year's budget and the process

the Company uses to determine which REP/VMP projects to undertake in any given year.

A. Each year, the Company develops an Annual Work Plan that is designed to achieve the overriding performance objectives of the business (safety, reliability, efficiency, customer satisfaction and environmental responsibility). At the outset, the Company compiles a draft work plan that consists of proposed spending for asset replacement and system capacity and performance initiatives, individual capital projects and work activities required to comply with franchise or tariff requirements such as pole relocations, response to damage/failure, and new business construction. Each potential project specified within the plan includes a business category/justification for the project and estimated costs. The Company then prioritizes the projects based on the relative risk or opportunity associated with each project proposal to facilitate the selection of appropriate projects to be included in the Annual Work Plan. All of the proposed projects then undergo review and are prioritized to achieve an optimized portfolio of projects considering the reliability performance data compared to the reliability improvements targeted by the various programs and the deliverability of the various programs within the fiscal year. The process is designed to ensure the Company arrives at a budget that is the optimal balance in terms of selecting the investments necessary to maintain and improve the performance of the system, while also ensuring a cost-effective use of the Company's available resources.

Q. Please explain how capital improvements in the REP/VMP Plan relate to the other capital investments made by the Company to its system.

A. The capital improvements in the REP/VMP Plan are developed within Company's overall capital investment plans. The REP/VMP Plan is a subset of that plan and seeks to develop and implement initiatives to improve the Company's delivery system performance while still meeting investment obligations in the areas of franchise/tariff requirements, capacity, and asset replacement.

Q. Please summarize the Company's actual results for the Fiscal Year 2013 REP/VMP Report and the level of recovery the Company is requesting.

A. For CYS 2013 (April 1, 2013 through December 31, 2013), the Company is required to make a reconciliation filing with the Commission for both its REP and VMP detailing the actual amounts associated with REP and VMP activities during the period as compared with budgeted amounts. For the Company's CYS 2013 plan, the Company presented plans to the Commission Staff and agreed on an O&M budget of $1,238,200. This budget reflected an increase of $218,200 over the pro-rated annual amount of $1,020,000 in O&M expense to account for the costs associated with hazard tree removals and general increases to vegetation management costs since the inception of the REP/VM program and establishment of the base O&M spending level. The Company's actual total spending level for CYS 2013 was $1,055,861 for O&M activities related to the REP and VMP, or $182,339 less than the filed budgeted amount of $1,238,200. The reasons for the

less than budgeted spending are explained later in our testimony.

Further offsetting the CYS 2013 spending is $311,701 in reimbursements from FairPoint related to its share of vegetation management expenses initially incurred by the Company and then billed to FairPoint which are being passed back to customers. In summary, the Company completed all of the vegetation management work contained in its CYS 2013 plan at a cost that was lower than initially anticipated.

IV. FISCAL YEAR 2012 REP AND VMP IMPLEMENTATION

Q. Please explain why the Company's actual O&M spending for CYS 2013 varied from the Company's original budget.

A. As described in the CYS 2013 REP/VMP Report, the lower than forecasted actual O&M spending can be attributed to lower than forecasted bid prices for cycle pruning. In addition, the Company also experienced lower needs for spot tree trimming, sub-transmission right of way clearing and trouble and restoration calls Offsetting these factors, the tree planting budget was exceeded due to an increase in the number of "right tree right place" tree planting in exchange for tree removals. In summary, the Company was able to complete all of the work it planned on completing at a lower cost than originally anticipated Finally, as previously noted, partially offsetting the total VM O&M spending of $995,115 were reimbursements from FairPoint of $311,701 for its share of vegetation management costs, resulting in an effective VM O&M cost for CYS

2013 of $683,414.

Q. Please explain why the Company's actual Capital spending for CYS 2013 varied from the Company's original budget.

A. As shown in Table 4 of the report, the actual capital expenditures were lower in total versus the budget values for FERC Accounts 101/106/108 electric plant additions placed in service. These CYS 2013 plant additions form the basis for the REP capital-related revenue requirement calculation provided in Mr. Simek's testimony included in this filing. Key factors contributing to the difference between the CYS 2013 budgeted amount and the CYS 2013 actual capital investment are (1) timing differences due to budgeted amounts from the current calendar year (CYS 2013) being placed into service in CY 2014, or due to CYS 2013 spending for plant not placed into service in CYS 2013, which can typically occur as capital work is performed, completed, invoiced to vendors, and processed through the accounting system, (2) the changes in actual versus estimated costs as site specific requirements are determined by inspection or detailed design and (3) changes in project scopes. For Single Phase and "Trip Saver" Reclosing Applications, the variance in this program was mainly due to change of scope in the projects that were proposed. Three single phase reclosers were added to the scope of the program in place of three single phase "Trip Saver" cutout devices. This change in scope targeted a reliability improvement on the Spicket River 13L3 feeder. The location chosen on the Spicket River 13L3 for application of single phase tripping was more suitable for single

phase reclosers rather than single phase "trip savers." This resulted in only one Single Phase 'Trip Saver" application completed during calendar year stub 2013, rather than two applications as was originally intended for the reasons mentioned above. The variance associated with Underperforming Area Mitigation was driven by invoices paid in CY 2014 for work on the Vilas Bridge 12L2 and Spicket River 13L2 feeders that was completed in 2013 but not yet booked to plant in service until CY 2014. The mitigation consisted of installing three single phase reclosers in the underperforming areas of each feeder. The variance was driven by carry over work that was completed after calendar year stub 2013. The accounting for this work was processed in 2014 with the results reflected in calendar year 2014. For Bare Conductor Replacement, the variance was due primarily to changes in the scope of work. During conceptual engineering, one mile of bare mainline conductors were identified for replacement. However during final engineering, an opportunity was identified to replace additional conductors up to the first protective reclosing device. This resulted in an additional 0.8 miles of bare mainline replacement. There was also carryover work, related to individual service cutovers, that was completed in early 2014, after calendar year stub 2013 which resulted in charges booked during calendar year 2014. Construction of full 1.8 miles of spacer cable was completed and was placed in service by December 31, 2013. The processing of material and contractor invoices delayed capture of these investments to 2014. The variance was also driven by additional rock drilling costs, additional pole replacements and additional installation of anchors than was originally identified. The revenue requirement and rate

impact calculations are based upon CYS 2013 Actual Capital Investment only. The Company anticipates including REP CY 2013 to 2014 carryover costs in its recovery filing to be made in March of 2015 for the CY 2014 REP program.

Q. Please summarize the reliability results shown in the Calendar Year 2013 report.

A. Metrics for Calendar Year 2013 are presented in Tables 6 and 7, and Figure 1 of the 2013 REP/VMP Report. The metrics are based on both the regulatory standard for excluding major weather events and the IEEE Standard 1366 method for excluding major weather events. The metrics include Customers Interrupted, Customer Minutes Interrupted, system average interruption frequency index ("SAIFI"), and system average interruption duration index ("SAIDI").

As shown in the Figure 1 of the REM/VM Report, the SAIFI performance of 1.65 for CY 2013 continues to track on an improving, downward trend, with the 2013 performance slightly better than that of 2012. In a similar way, the 162.28 minutes for SAIDI also reflects an improving trend. Some level of variability is to be expected in the year to year metrics, typically rooted in weather pattern changes, year to year. The five year rolling average since 2005 is reflected in Table 7.

In summary, the downward trend in both the SAIFI and SAIDI statistics continued in CY 2013. The Company will strive to sustain the overall positive performance trend and meet or exceed these goals going forward.

Q. Are the REP/VMP expenditures for which the Company is now seeking recovery reasonable?

A. Yes. As described in this filing, the expenditures were reasonable because these expenditures were made for programs that are specifically referenced in the Secretarial Letter as necessary to achieve continued improvement in the Company's system reliability. The work undertaken for vegetation management, single phase recloser and trip-saver installations, bare conductor replacement, and underperforming area mitigation was incurred for the explicit purpose of improving system reliability and is consistent with the intent of the Secretarial Letter. These expenditures generated real customer benefits in the form of improved reliability performance. As such, the Commission should approve recovery of these expenditures and permit the requested rate adjustments to become effective for usage on and after July 1, 2014.

V. CONCLUSION

Q. Does that conclude your testimony?

A. Yes, it does.

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