

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

June 25, 2010 - 10:15 a.m.
Concord, New Hampshire

NHPUC JUL16'10 PM 1:07

RE: DE 10-140
GRANITE STATE ELECTRIC COMPANY
d/b/a NATIONAL GRID:
Reliability Enhancement Plan and
Vegetation Management Plan.

PRESENT: Chairman Thomas B. Getz, Presiding
Commissioner Clifton C. Below
Commissioner Amy L. Ignatius

Sandy Deno, Clerk

APPEARANCES: Reptg. Granite State Electric Company
d/b/a National Grid:
Sarah B. Knowlton, Esq. (McLane, Graf...)

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Steven E. Mullen, Asst. Dir./Electric Div.

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

ORIGINAL

I N D E X

PAGE NO.

WITNESS PANEL: DAVID E. TUFTS
 SARA M. SANKOWICH
 ROBERT D. SHERIDAN
 CATHERINE T. McDONOUGH

Direct examination by Ms. Knowlton	5
Cross-examination by Mr. Mullen	11, 22
Interrogatories by Chrmn. Getz	20
Interrogatories by Cmsr. Below	41

* * *

E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	National Grid/GSEC document entitled "Fiscal Year 2010 Reliability Enhancement Plan and Vegetation Management Plan Report and Reconciliation Filing" (05-17-10)	4
2	National Grid responses to the first set of PUC Staff Data Requests (06-11-10)	41

* * *

CLOSING STATEMENTS BY:	PAGE NO.
Ms. Amidon	45
Ms. Knowlton	47

P R O C E E D I N G

CHAIRMAN GETZ: Okay. Good morning, everyone. We'll open the hearing in docket DE 10-140. On May 17, 2010, National Grid filed the results of its Reliability Enhancement Plan and Vegetation Management Plan for fiscal year 2010. The report filed contains actual spending on operation and on maintenance for fiscal year 2010 and a request for recovery of the incremental O&M expense of \$1,047,770 above the threshold amount of \$1,360,000 effective for service rendered on and after July 1, 2010. And, an order was issued on June 16 suspending the tariff and scheduling the hearing for this morning.

Can we take appearances please.

MS. KNOWLTON: Good morning, Commissioners. My name is Sarah Knowlton. I'm with the McLane law firm. I'm here today on behalf of Granite State Electric Company, d/b/a National Grid. With me today from the Company are the Company witnesses, David Tufts, Sara Sankowich, Robert Sheridan, and Catherine McDonough at counsel's table here with me. And, sitting behind me from the Company is John Gavin and Chris Brovillard. And, Tom Sanchez is a summer associate with the McLane law firm this summer, and he's here observing.

{DE 10-140} {06-25-10}

1 Thank you.

2 CHAIRMAN GETZ: Okay. Thank you. Good
3 morning.

4 MS. AMIDON: Good morning. Suzanne
5 Amidon, for Commission Staff. And, with me today is Steve
6 Mullen, the Assistant Director for the Electric Division.

7 CHAIRMAN GETZ: Good morning. And, I'll
8 note for the record that the affidavit of publication has
9 been filed. Ms. Knowlton, are you ready to proceed?

10 MS. KNOWLTON: I am. Thank you. The
11 Company would propose to mark for identification as
12 "Exhibit 1" its May 17th, 2010 filing.

13 CHAIRMAN GETZ: It will be so marked.
14 (The document, as described, was
15 herewith marked as **Exhibit 1** for
16 identification.)

17 MS. KNOWLTON: The Company calls David
18 Tufts, Sara Sankowich, Robert Sheridan, and Catherine
19 McDonough.

20 (Whereupon *David E. Tufts, Sara M.*
21 *Sankowich, Robert D. Sheridan,* and
22 *Catherine T. McDonough* were duly sworn
23 and cautioned by the Court Reporter.)

24 DAVID E. TUFTS, SWORN

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 SARA M. SANKOWICH, SWORN

2 ROBERT D. SHERIDAN, SWORN

3 CATHERINE T. McDONOUGH, SWORN

4 DIRECT EXAMINATION

5 BY MS. KNOWLTON:

6 Q. Good morning, Mr. Sheridan.

7 A. (Sheridan) Good morning.

8 Q. Would you please state your full name for the record.

9 A. (Sheridan) My name is Robert David Sheridan.

10 Q. By whom are you employed?

11 A. (Sheridan) I am employed by National Grid.

12 Q. What position do you hold with the Company?

13 A. (Sheridan) I am the Director of Distribution Planning.

14 Q. Are you familiar with the document that has been marked
15 as "Exhibit 1" for identification purposes this
16 morning?

17 A. (Sheridan) I am.

18 Q. And, does that document contain your prefiled
19 testimony?

20 A. (Sheridan) It does.

21 Q. Was that testimony prepared by you or under your
22 direction?

23 A. (Sheridan) Yes, it was.

24 Q. Do you have any corrections to it?

{DE 10-140} {06-25-10}

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 A. (Sheridan) No, I do not.

2 Q. If I were to ask you the questions that are contained
3 in your testimony today, would your answers be the
4 same?

5 A. (Sheridan) They would.

6 Q. And, are they true and correct?

7 A. (Sheridan) They are.

8 Q. Thank you. Ms. McDonough, would you please state your
9 full name for the record please.

10 A. (McDonough) Catherine Theresa McDonough.

11 Q. By whom are you employed?

12 A. (McDonough) National Grid.

13 Q. What is your position with the Company?

14 A. (McDonough) I am the Director of Regulatory Strategy
15 for the Electric Operations.

16 Q. Are you familiar with the document that's been marked
17 for identification as "Exhibit 1"?

18 A. (McDonough) Yes, I am.

19 Q. And, does that contain your prefiled testimony?

20 A. (McDonough) It does.

21 Q. Was that prepared by you or under your direction?

22 A. (McDonough) Yes.

23 Q. And, if I were to ask you the same -- the questions
24 that are contained in your testimony today, would your

{DE 10-140} {06-25-10}

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 answers be the same?

2 A. (McDonough) Yes.

3 Q. And, are they true and correct?

4 A. (McDonough) Yes.

5 Q. Do you have any corrections to make to your testimony?

6 A. (McDonough) I do not.

7 Q. Thank you. Ms. Sankowich, please state your full name
8 for the record.

9 A. (Sankowich) Sara Mullen Sankowich.

10 Q. By whom are you employed?

11 A. (Sankowich) By National Grid.

12 Q. And, what is your position with the Company?

13 A. (Sankowich) I am the Manager of Vegetation Management
14 Strategies in Electric Operations.

15 Q. Are you familiar with the testimony that has been --
16 excuse me, the document that's been marked as
17 "Exhibit 1" today?

18 A. (Sankowich) I am.

19 Q. And, does that contain your prefiled testimony?

20 A. (Sankowich) Yes, it does.

21 Q. Was that prepared by you or under your direction?

22 A. (Sankowich) Yes.

23 Q. And, if I were to ask you the questions in your
24 testimony today, would your answers be the same?

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 A. (Sankowich) Yes, they would.

2 Q. So, you have no corrections to your testimony?

3 A. (Sankowich) No.

4 Q. And, are your answers in your testimony true and
5 correct?

6 A. (Sankowich) Yes.

7 Q. Good morning, Mr. Tufts. I'm going to ask you all the
8 same questions. Would you please state your full name
9 for the record.

10 A. (Tufts) David Everitt Tufts.

11 Q. By whom are you employed?

12 A. (Tufts) National Grid.

13 Q. What is your position with the Company?

14 A. (Tufts) Director of Electric Revenue Requirements.

15 Q. And, are you familiar with the testimony that has been
16 -- that's contained within the document that's marked
17 as "Exhibit 1"?

18 A. (Tufts) I am.

19 Q. Was that prepared by you or under your direction?

20 A. (Tufts) It was.

21 Q. Do you have any changes or corrections to your
22 testimony?

23 A. (Tufts) I have two corrections.

24 Q. Okay. And, if you would start by identifying the first

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 page of the corrected testimony.

2 A. (Tufts) On Bates stamp Page 8, bottom paragraph,
3 Section 3, in this section, on the second sentence, we
4 say "Overall, [the] actual expenses for base VMP O&M
5 activities [were] 2,407,770." That really should be
6 "VMP and the REP O&M expenses". That was the total,
7 all O&M.

8 Q. And, this document is the "Reliability Enhancement Plan
9 and Vegetation Management Plan Report" that the Company
10 filed along with the testimony, correct?

11 A. (Tufts) That's correct.

12 Q. Do you have any other clarifications or corrections to
13 your testimony that you'd like to make?

14 A. (Tufts) I do have one other. On Bates stamp Page 38,
15 on Line 15, on the second sentence we say "Although the
16 Company has not yet reached agreement with [the] Staff
17 regarding the final budget to be implemented for [the]
18 fiscal year 2011", the Company has met with the Staff,
19 and we did not understand at the time that we had --
20 that there was actually an understanding with the Staff
21 that they agreed to the 2011 budget. So, I apologize
22 for that, that error.

23 Q. So, is it your understanding that there is agreement
24 between the Company and Staff on that?

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 A. (Tufts) That is my understanding.

2 Q. Thank you. And, I'm not sure if I asked you this. If
3 I were to ask you all the other questions in your
4 testimony today, would your answers be the same?

5 A. (Tufts) Yes, they would.

6 Q. Are they true and correct?

7 A. (Tufts) Yes, they are.

8 MS. KNOWLTON: Thank you. I had not
9 planned to conduct any further examination of the
10 witnesses, unless the Commission would like me to. I'm
11 otherwise ready to make them available for
12 cross-examination.

13 CHAIRMAN GETZ: Okay. Then, let's
14 proceed to Ms. Amidon.

15 MS. AMIDON: Thank you. Mr. Mullen has
16 worked on some questions that he would like to ask the
17 panel.

18 MR. MULLEN: Good morning.

19 WITNESS TUFTS: Good morning.

20 WITNESS SANKOWICH: Good morning.

21 WITNESS McDONOUGH: Good morning.

22 WITNESS SHERIDAN: Good morning.

23 CROSS-EXAMINATION

24 BY MR. MULLEN:

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 Q. I believe, as we go through Exhibit 1, a lot of the
2 discussion in there is about how the capital and O&M
3 expenses in there were higher than what was previously
4 budgeted. Could somebody give an overview of what some
5 of the differences were and why they occurred?

6 A. (McDonough) Yes. I'm happy to. The actual
7 expenditures for the Reliability Enhancement Plan, the
8 capital portion of the plan, were higher than what was
9 in the budget that we discussed with Staff, because the
10 Company did additional work on feeder hardening and
11 cutout replacement than what was in the original
12 budget.

13 With regard to the Vegetation
14 Management, those numbers came in above the budget as
15 well. And, part of that was due to an estimation error
16 that we had when we were putting together the budget.
17 And, Sara Sankowich can talk more about that, if need
18 be.

19 Q. I think part of the O&M expense went up due in part to
20 a circuit reconfiguration. Could you explain what a
21 "circuit reconfiguration" is?

22 A. (Sankowich) Sure. I believe this pertains to the
23 Vegetation Management piece of it. So, when we are out
24 pruning for maintenance work, we focus on a

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 reliability-based strategy, where we start at the
2 substation and go all the way out to the end of the
3 circuit. Between the time that the work is planned and
4 put out to bid and the time that we're out working in
5 the field, there are often changes to the configuration
6 of the circuit, meaning that, because of load or other
7 operation reasons, they have open switches and changed
8 the way the feeder actually looks in the field. So, in
9 order to make sure that we're not missing pieces of
10 line when we go through and trim and leave a section
11 that's unpruned, we want to make sure that we're
12 getting everything that is complete on the line. So,
13 we usually try to find out if the reconfiguration is
14 permanent, and make sure that we're not leaving any
15 gaps from the adjacent circuit, and making sure that,
16 you know, we complete the feeder electrically, so there
17 are no problems along the feeder.

18 So, there was a couple of changes that
19 were noticed in this past year, where there was some
20 circuit reconfiguration and it changed the scope of the
21 work. Instead of being more of a rural area, it went
22 down a road that was -- or, more of an urban area, it
23 went down a road that was a little bit more rural. So,
24 it changed the way that the feeder was comprised. So,

{DE 10-140} {06-25-10}

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 we had to take a look at it and resubmit a bid price
2 for that work, because we could not hold the actual bid
3 price to the contractor for it, because the scope of
4 work was different.

5 Q. So, were there particular reasons for doing the
6 reconfiguration? Is it to improve reliability or is it
7 for some other reasons why you would do something?

8 A. (Sankowich) Yes. There are operational reasons for
9 doing that. It would be -- one of them would be to
10 improve reliability, because of load balancing, and
11 others necessary to make changes for equipment and
12 other things like that. I'm not an expert on feeder
13 reconfiguration. I do know that, for Vegetation
14 Management, we work very closely when it happens to
15 make sure that we understand the ramifications. But,
16 as far as the actual reasons behind it, I'm not an
17 expert on that, unfortunately.

18 A. (Sheridan) And, I'm not -- unfortunately, I'm not aware
19 of the particular reconfiguration that Sara was
20 referencing. But a typical example would be, if we
21 were to add an additional circuit into the area, so,
22 for example, recently we've worked on a Spicket River
23 adding a circuit, we would then reconfigure the
24 existing circuits to better balance the load in a

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 particular area. And, also, if a new customer were to
2 come on, we may extend or reconfigure a circuit to
3 serve that new load.

4 Q. Before we get too much further, we have a packet of
5 discovery responses dated June 11th of 2010. Do the
6 witnesses all have those?

7 MR. MULLEN: I think, if we could get
8 those marked as "Exhibit 2".

9 (Atty. Amidon distributing documents.)

10 BY MR. MULLEN:

11 Q. If we turn in Exhibit 1 to Bates Page 27, which is part
12 of the joint testimony. And, looking at Lines 8
13 through 11, this gets again to what we were just
14 talking about related to this reconfiguration. On Line
15 9 it says "including an unanticipated increase in
16 mileage from the original bid as a result of circuit
17 reconfiguration." Did the circuit reconfiguration
18 actually increase the mileage or was there a -- is
19 there a different explanation there?

20 A. (Sankowich) It increased the mileage on specific
21 feeders. It changed between two feeders. So, the
22 overall number of miles that we did throughout the year
23 was relatively the same, but different feeders' mileage
24 went up and down. So, the individual feeder's mileage

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 did change.

2 Q. And, depending on the particular characteristics of a
3 certain feeder, the cost per mile may vary from one
4 feeder to the next?

5 A. (Sankowich) That's correct.

6 Q. And, I think, if we look in Exhibit Number 2, there's a
7 response to Staff 1-4. And, this provides more of your
8 explanation about what was involved in the
9 reconfiguration and why the costs went up?

10 A. (Sankowich) Correct.

11 Q. Now, one other thing that changed in comparison to the
12 budget that had been discussed with Staff was the
13 amount of miles of feeder hardening. Would one of you
14 address that?

15 A. (Sheridan) Yes. Feeder hardening is one of our
16 programs to improve reliability. The intention of
17 feeder hardening is to address reliability by
18 preventing an outage from actually occurring. And, it
19 targets outages that are the result of deteriorated
20 equipment on our distribution feeders, outages due to
21 animals on our lines, and lightning. As we progressed
22 through the year, we found that we had an opportunity
23 to continue to perform feeder hardening on additional
24 circuits that had been inspected. We had identified

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 opportunities to replace deteriorated equipment and
2 improve our animal protection. The Feeder Hardening
3 Program is a multiyear program. It is also one that,
4 as we budget it, we budget it before we know what the
5 results of the inspections that are going to define the
6 work are. We have -- we have seen positive results
7 from our Feeder Hardening Program. We are looking to
8 improve reliability, with a goal in 2013 to have our
9 performance back to the levels that were pre-2005.
10 Although, last year was an exceptionally good year for
11 reliability. We were aided, we believe, by very
12 favorable weather. And, we truly believe we still have
13 a ways to go to improve reliability, and feeder
14 hardening is a good opportunity for us to do that. So,
15 we took the opportunity to increase the mileage.

16 Q. Relating to improvements in reliability metrics, could
17 you turn to Bates Page 11 in Exhibit Number 1. And,
18 there's a chart on that page. Could one of you explain
19 what's shown on that chart?

20 A. (McDonough) Yes. The chart shows three metrics. One
21 metric is the SAIFI metric, which is the number of
22 customer interruptions divided by the number of
23 customers served. The chart also shows the SAIDI
24 metric, which is the number of customer minutes

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 interrupted divided by the number of customers served.
2 And, then, it also shows the CAIDI metric, which is the
3 number of customer -- the minutes of customer
4 interruptions divided by the number of customer -- the
5 number of customer interruptions.

6 So, these three metrics are the metrics
7 that we use to evaluate our reliability performance.
8 As you can see from the chart, we've seen a trend
9 improvement in the reliability performance that we've
10 had in recent years. And, we think a lot of that has
11 to do with the effectiveness of the program that we're
12 putting in place, with the REP and the VMP. However,
13 in 2009, as Rob indicated, we had a really stellar
14 year, in terms of weather performance, and that really
15 helped our results a lot. So, that needs to be
16 considered when you see the vast improvement that we
17 got in 2009.

18 A. (Sheridan) Yes. I think another thing I would like to
19 add to that, as you can see from looking at this graph,
20 there is quite a bit of variability year on year. So,
21 as we consider reliability improvements, we like to
22 look at a trend. And, we certainly are pleased by the
23 trend we've seen since 2006. But, looking at where we
24 were in 2009, we don't -- we believe that we did enjoy

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 some benefit of weather to get that low on the curve.
2 And, therefore, we want to continue to be diligent in
3 pursuing Reliability Enhancement Programs aggressively,
4 so that we can have a sustainable trend. And, we
5 didn't want to be lulled into saying "well, we've
6 achieved our goal." Our goal is to get to the pre-2005
7 levels on a sustainable basis, and not just on one
8 year.

9 Q. And, how have your reliability metrics been so far in
10 2010?

11 A. (Sheridan) 2010, not nearly as good as 2009.

12 A. (McDonough) Yes. Actually, our projection now is, for
13 2010, is considerably above where we ended up in 2009,
14 for both the SAIFI and the SAIDI metrics. So -- and,
15 this is further support for us that we really need to
16 remain vigilant with regard to our programs, because
17 we're not getting the bonus of good weather this year
18 so far, as we did last year.

19 Q. Do you know what the main reasons for the 2010
20 performance are? Are they tree-related? Are they
21 equipment-related?

22 A. (Sheridan) I can tell you that we started the year off
23 difficult. I believe it was actually on New Year's
24 Day. We had a significant outage in Enfield that was

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 the result of an insulator failure. And, we've also
2 had some significant storms through the winter and
3 early spring. So, I think the causes of our outages
4 are in line with the causes that we've seen in the
5 past, where our largest cause code is due to trees and
6 vegetation, and followed up -- followed by deteriorated
7 equipment.

8 A. (McDonough) And, just to add a little bit to that, is
9 actually trees account for about 40 percent of the
10 customer interruptions that we get in New Hampshire
11 every year. And, equipment, failed equipment, and
12 interruptions due to lightning and animal interruptions
13 account for another 20 or 30 percent. So, this really
14 -- these two drivers are really, you know, account for
15 a significant amount of the reliability issues we have,
16 which is why we focus so heavily on that with the REP
17 and the Veg. Program.

18 Q. Related to the causes of outages, if you turn to Bates
19 Page 6, in Exhibit Number 1.

20 CHAIRMAN GETZ: Actually, Mr. Mullen,
21 can we, before we go to there, can we -- I want to follow
22 up a little bit on that Figure 2 on Page 11, just to make
23 sure I understand it while we're there.

24 BY CHAIRMAN GETZ:

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 Q. So, the "Historical Performance Using Regulatory
2 Criteria", so the SAIFI numbers are the frequency
3 numbers, the system frequency?

4 A. (Witness Sheridan nodding affirmatively.)

5 Q. So, on that, the axis on the left-hand side, the 0.00
6 to 3.00, that represents how many per what period of
7 time? What's the measurement on the left-hand side?

8 A. (McDonough) Customer interruptions, divided by the
9 number of customers served.

10 Q. But --

11 A. (Sheridan) Over a period of one year.

12 A. (McDonough) Of one year.

13 Q. So, over one year. All right. So, look at the -- it's
14 like, in 1999, it was -- 1.25 was the SAIFI number.
15 1.25 --

16 A. (Sheridan) That would mean, if you were to define what
17 an average customer is, they experienced an outage 1.25
18 times per year.

19 Q. Per year.

20 A. (Sheridan) So, some received more, some received less.
21 But the average would be 1.25.

22 Q. Okay. And, then, on the right-hand side, the duration
23 numbers for a system and customer, so, in 2009, the
24 SAIDI number is a little over 100. So, that's --

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 A. (Sheridan) About 113, and it's in minutes.

2 Q. 113 minutes per year?

3 A. (Sheridan) Correct.

4 Q. Okay. And, then, looking at this chart, then the 2009
5 numbers are basically in line with where things were in
6 1999?

7 A. (McDonough) Actually, when you look at the -- because
8 of the weather impact on a year-to-year basis --

9 Q. Well, that's another question I had.

10 A. (McDonough) Okay.

11 Q. So, there is -- as I understand these formulas, major
12 storms are taken out of the calculations. Are the
13 major storms out of these particular calculations?

14 A. (McDonough) Yes. But, also, but the minor storms are
15 included into the calculations. So, when you get fewer
16 minor storms, as we did in 2009, that really helps to
17 benefit the number.

18 A. (Sheridan) And, again, I would contend that, you know,
19 what we look at is really trends. And, going back to
20 what I said earlier, the numbers would be different if
21 the Enfield outage we had on January 1st happened on
22 December 31st. So, it's not that you can really block
23 off reliability at discrete times and say -- and
24 declare success. So, we tend to look over trends over

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 multiple years. And, we want to make sure that we are
2 trending in the right direction. And, we believe we
3 are, since enacting these programs.

4 A. (McDonough) That's correct. The actual average
5 performance of SAIFI over the three years, 2007, '08,
6 and '09, was 1.77. This is almost at our long-term
7 goal that we have, that we've set to achieve for 2013.
8 But what really draws down the average in that case is
9 the performance in 2009. So, -- and, that's with
10 regard to the SAIFI metric. With regard to the SAIDI
11 metric, which is the, you know, number of minutes for
12 customers served, if you look at the average for the
13 three years, we're still running about 40 percent above
14 where our long-term goal is. So, that's why it's
15 important for us to stay the course.

16 CHAIRMAN GETZ: Okay. Thank you.

17 Pardon the interruption, Mr. Mullen.

18 MR. MULLEN: My pleasure.

19 BY MR. MULLEN:

20 Q. Now, if we turn to Page -- Bates Page 6 of Exhibit 1,
21 there's a chart on that page, and I believe a little
22 while ago we were talking about the causes of outages.
23 Am I correct to say that this graph is showing the
24 various causes of outages and what their percentage

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 contributions to SAIDI, SAIFI, and CAIDI are?

2 A. (McDonough) It's actually almost completely correct.

3 The inner circle is the number of outages. CAIDI isn't
4 really shown on this chart. Oh, I'm sorry, it is. I
5 should be using my glasses. Okay. I'm sorry. We
6 generate different versions of this chart. So, you're
7 right. Yes.

8 Q. And, I think, when you look at the difference between
9 the SAIDI and SAIFI rings of this chart, compared to
10 the SAIFI ring, certain types of outages can have a
11 different impact on frequency indices, rather than
12 duration indices? If I look at, say, the "Human
13 Element/Company", which is kind of like a lightish
14 orange color, that shows 12 percent for SAIFI, while
15 it's roughly 6 percent for SAIDI and CAIDI. Could you
16 explain why something would have a different impact on
17 a SAIFI basis, compared to using the duration indices?

18 A. (McDonough) Yes. Actually, the block that you refer to
19 is really for intentional outages, as opposed to the
20 human/company. Right. It's a different ring.
21 Basically, if there's a difference, one is estimating
22 the proportion of outages, and the other one is -- the
23 SAIDI ring would be estimating the proportion of
24 minutes. So, if you get, like some outages just take a

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 lot longer to repair, like if there's a downed pole, a
2 downed pole can take a lot longer to repair than, you
3 know, other outages that we may have, and therefore you
4 can get a different proportion on those indices. Do
5 you want to add to that, Rob?

6 A. (Sheridan) Yes. If you want to continue with the one
7 that was at 12 percent, recognizing that this is the
8 intentional band, that really makes sense. Because, in
9 this arena, we have an opportunity to manage the outage
10 and have the resources at the location of the outage
11 when it occurs, compared to having to have a -- react
12 to an outage and have response time included. So, this
13 would make sense in this, where we would have a larger
14 proportion for SAIFI, because SAIFI measures the event
15 actually happening and impacting a customer. And,
16 then, the SAIDI and the CAIDI or the CAIDI part is our
17 response to that. So, this one would certainly make a
18 lot more sense, because we were prepositioned and we
19 were able to handle that.

20 Outages that occur, say, in a minor
21 storm could tend to have longer CAIDIs, because we
22 would have multiple outages occurring at the same time.
23 And, therefore, we would have response times where we
24 may have to finish with a previous outage event before

{DE 10-140} {06-25-10}

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 we could send resources over to address an outage that
2 was also occurring at the same time. So, a lot of the
3 CAIDI does have to do with the number of concurrent
4 outages that are happening at the same time, as well as
5 where that outage happens relative to where the
6 resource was at the time they were to occur.

7 Q. Okay. And, yes, thank you for pointing out that was
8 the intentional. There's too many colors for me to
9 look at and I misidentified it. If we'd just back up a
10 page to Page 5. In the middle of the page, there's a
11 "Table 2a", its titled "VMP O&M Activities". And, if
12 I'm looking at "Planned Cycle Trimming", "Cycle
13 Trimming Police Detail Expenses", and "Hazard Tree
14 Removal", could somebody explain the reason for the
15 increases in those line items?

16 A. (Sankowich) Sure. The "Planned Cycle Trimming"
17 increase was due to changes in the scope of work, where
18 we had to actually put some of the work back out to bid
19 and get a bid price in for that. So, that was the
20 change for the "Planned Cycle Trimming". For the
21 "Cycle Trimming Police Detail Expense", that is purely
22 a pass-through for us. We are required to have police
23 details on certain roads that we are pruning. And, we
24 are at the mercy of the towns for what they charge for

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 the police officer and cruiser. We do the best that we
2 can to make sure that we work safely without a detail
3 on the roads where we can do that. But, unfortunately,
4 where we require a detail due to public safety, we have
5 to order one. And, I think the last one was "Hazard
6 Tree Removal" line?

7 Q. Yes.

8 A. (Sankowich) The change in the "Hazard Tree Removal"
9 line was basically due to an estimating error that was
10 done in the Vegetation Management Department. So, when
11 we had resubmitted in December, those dollar amounts
12 were through our Period 7, October. And, at that time,
13 I had asked "how much work we had done and what we had
14 spent so far?" And, then, we went out to the field and
15 took a look at the remaining work, and which was about
16 \$200,000, and we added that together to get our total
17 estimate of \$950,000 for the Hazard Tree Removal and
18 the Optional Enhanced Hazard Tree Removal together.

19 Unfortunately, we had moved to a new
20 contractor invoicing system this year. And, when we
21 pulled the invoices paid in October, it did not include
22 invoices that were in the system that were unpaid. So,
23 when there's a lag from our contractors, and we have
24 charges of work that was actually done in the field,

{DE 10-140} {06-25-10}

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 but we haven't paid it yet, that was unaccounted for.
2 So, as a result, the Company has included that,
3 anything that has been invoiced of all the work done in
4 the field, so that our monthly reporting is more
5 accurately describing the work that was done. So,
6 there was about two months' worth of work, about
7 \$250,000 that were unaccounted for in the system that
8 had been paid. And, if you -- if you look at
9 Attachment 1, on Bates Page 12, it has the spend coming
10 in by month. We had actually finished our hazard
11 tree-trimming work in the January month, but charges
12 continued to come in through -- through January,
13 February, and March, as they came in there. So, where
14 we had taken the estimate through October, there was
15 still a lot of work unpaid in the system, even though
16 the work in the field appears to be pretty much
17 finished for us.

18 Q. While we're on Attachment 1, if I look at the "Planned
19 Cycle Trimming" line, and there's a number of months
20 where there are no costs shown. Does that mean that
21 there's no work being done during those months or does
22 that mean that the invoices hadn't come in for those
23 months?

24 A. (Sankowich) That's the invoices that haven't come in.

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 Q. So, if I compare the line below that, where just about
2 every month there's police details for the cycle
3 trimming, that gives me an idea that there's something
4 -- there's some trimming going on every month?

5 A. (Sankowich) Yes.

6 Q. Okay.

7 A. (Sankowich) Yes. There's work being done in the field,
8 we do not bill until it's been checked by an arborist,
9 100 percent field-reviewed, to make sure we're getting
10 quality work. So, sometimes that creates a lag, and
11 then, when we invoice it as well, if the contractor has
12 any lag in invoicing, it might not show up in the month
13 that the work was done.

14 Q. Now, even during fiscal year 2010, or even in some
15 prior years, I believe there's been times when the
16 Company has requested additional funds for perhaps some
17 additional hazard tree removals or some other
18 activities during the year. Is that correct?

19 A. (McDonough) In the last three cycles of our REP/VMP
20 Program, we've included an extra 100,000 for hazard
21 tree removal in the proposed plan. And, we've -- and,
22 that's the budget that we've had. This year, we
23 actually expanded the budget beyond what was in our --
24 the original budget that we filed in February, because

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 this year we implemented a vegetation -- advanced
2 training for the arborists that enabled them to
3 identify more trees per mile. And, this -- the
4 training was very effective, and the folks were
5 identifying more trees and we were taking down more
6 trees. So, this year we actually needed to expand the
7 budget in order to accommodate the additional work that
8 was being done because of the increased effectiveness
9 of the program. And, that was the first year that
10 we've really modified the vegetation budget, you know,
11 for something like that.

12 Q. And, initially, the expanded budget, that was discussed
13 and reviewed with Staff earlier on in the process?

14 A. (McDonough) Yes, that's right. It became clear that
15 those -- that more trees were being removed. And that,
16 in order to complete our goal for fiscal year '10, we
17 were going to need more funds in order to complete the
18 mileage goal. So, we raised the issue with Staff,
19 reviewed the numbers, reviewed the variances that we
20 were seeing. And, we agreed together that this was
21 important to continue this work, and we augmented the
22 budget as of last December.

23 A. (Sankowich) I'd like to expand a little bit more on the
24 reasoning behind that. This past year we had

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 implemented an industry-leading Risk Assessment
2 Program, where we basically had trained and certified
3 all of our arborists in the Company on assessing risks
4 of trees along our circuits. So, we prioritize
5 circuits based on reliability, history related to tree
6 interruptions specifically. And, then, from that
7 point, we actually prioritize the feeder sections, so
8 that we're working on sections that affect the most
9 customers, and we leave the least amount of risk in
10 those sections. And, so, we actually came up with a
11 specification manual and a field training guide, where
12 we look at individual tree defects and assess the risk
13 of those defects. Which is industry-leading, in the
14 fact that a lot of people understand that there are
15 defects in trees, but no one actually quantifies the
16 amount of risk that's present from the tree.

17 So, this actually expanded our
18 arborists' knowledge. Not only were they looking for
19 biological defects, where you have dead branches and,
20 obviously, dead trees, we expanded to find out that
21 there's a whole mechanical health of the tree and
22 stability of the tree that also affects risk very
23 greatly. And, there's also site characteristics of a
24 certain area that affects risk. So, it really changed

{DE 10-140} {06-25-10}

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 the quantity of trees that we are taking down, because
2 we were assuming less risk, now that we were better
3 trained on what we were looking for. And, so, that
4 made our estimate that was made back in February kind
5 of inaccurate. So, we went back in and discussed what
6 these changes had meant to our program and why, when we
7 decided on our scope of work, were we finding more
8 trees in the field.

9 Q. I was going to ask you about your Risk Tolerance
10 Program. But that actually can vary by species,
11 correct?

12 A. (Sankowich) Correct. Yes. And, we actually have a
13 species guide, where we list high-risk species and, you
14 know, what types of defects we should look for in
15 specific species. So, that can change from area to
16 area across the state as well.

17 Q. If we turn to Page 8 of Exhibit Number 1, the middle of
18 the page is "Table 3". And, could somebody just
19 explain what cutouts are and why -- and I can see that
20 you actually replaced more than you had budgeted, and
21 why you're doing that and --

22 A. (Sheridan) Yes. I'd be happy to. A cutout, excuse me,
23 is a device that holds a fuse. It is -- the cutouts
24 that we are looking to replace are a specific type of

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 cutout. They are called "potted porcelain cutouts".
2 So, a cutout has an insulating medium on both sides of
3 the fuse. The fuse is energized at the voltage of the
4 circuit, but the cutout allow the fuse to be attached
5 to the pole without allowing the electricity to flow
6 into the pole. So, it's an insulating device to hold a
7 fuse. We have been experiencing problems with failures
8 of the potted porcelain type of cutout. This -- due to
9 the manufacturing process of these cutouts, they tend
10 to get small cracks that, through freeze/saw -- I'm
11 sorry, this is a tough one to say -- through
12 freeze/thaw cycles, can tend to cause the cutout to
13 fail. We have noticed that we can get a rash of cutout
14 failures after rains, where water gets into the cracks
15 of the cutout and the cutout fails, and it can fail
16 what we would say "catastrophically", meaning that the
17 porcelain can blow apart. It doesn't just -- it
18 doesn't just fail electricity.

19 So, the cutout replacement -- the cutout
20 failures have had a significant impact on our
21 reliability performance, but we also consider it a
22 safety concern for our workers. And, as such, in all
23 of our jurisdictions, we have a goal to remove all
24 potted porcelain cutouts. And, so, our replacement --

{DE 10-140} {06-25-10}

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 our goal is to replace them all. And, we replace them
2 through a number of means. Certainly, we replace them
3 as part of the Feeder Hardening Program, if, through
4 our inspection of a feeder that we're going to harden,
5 we identify that we have potted porcelain cutouts, we
6 will replace them. We replace them also what we would
7 refer to as "opportunistically". If we have workers
8 going to do a job on a pole and they identify that
9 there are potted porcelain cutouts and they're set up
10 to do significant work at that pole, they will replace
11 them as well.

12 And, being that our goal is to replace
13 them all, we recognize that we won't get to them all
14 through the Feeder Hardening Program or
15 opportunistically in a short period of time. So, we've
16 gone out and looked for these, and with a goal of
17 replacing them all by 2013, I believe. So, replacing
18 more of the cutouts for us is a good thing. It's
19 faster off the system. Our workforce is very
20 appreciative of that. They do not like these devices.
21 And, we are seeing a reliability improvement from them.

22 Q. You mentioned that you replace some of these while
23 you're performing feeder hardening. And, I believe
24 that there's some responses in Exhibit Number 2 that

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 get into the differences that, in terms of cost per
2 mile for various circuits, and whether they're single
3 phase or three-phase. Could you just explain why you
4 run into such variations, in terms of cost per mile of
5 feeder hardening?

6 A. (Sheridan) Absolutely. On our three-phase -- on our
7 three-phase areas, we certainly have more assets that
8 are subject to deterioration, because we have three
9 times as much wire, three times as many insulators, and
10 likely more cutouts than we would on a single phase,
11 just because there's three -- three independently
12 insulated wires on a pole in a three-phase area and
13 only one in a single phase area. We have, over the --
14 since the 2006 time, when we first began our Feeder
15 Hardening Program, we have modified feeder hardening,
16 to try to get the best bang out of the buck for it.
17 So, in our three-phase areas, we actually do more work
18 than we do on our single phase areas, because an outage
19 on a three-phase area will have a larger impact. So,
20 we call it a "hybrid approach". So, the inspectors
21 identify, and similar to what Sara had indicated, the
22 inspectors identify and try to remove more risk in the
23 three-phase areas than they do on the single phase
24 areas. That being said, specific to cutouts, we would

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 replace all of the cutouts in both the single phase and
2 the three-phase area.

3 So, how does all this lead to it being
4 more expensive in the three-phase areas than the single
5 phase areas? Again, there are more -- there are more
6 items to address on a three-phase pole than a single
7 phase pole. And, we're looking for more items to
8 address in the three-phase area than we do in the
9 single phase area.

10 Q. Turning to Page 9 in Exhibit 1. The paragraph at the
11 bottom of the page mentions some "reduced town and
12 private tree care budgets." And, there's some
13 responses, I believe in Exhibit 2, response to Staff
14 1-5 and Staff 1-6. Could you just give an overview of
15 what the Company's been experiencing in this area and
16 why it's increased costs to the Company?

17 A. (Sankowich) Sure. The Company has been experiencing
18 the fact that, when they're out looking at the hazards
19 in the field, that there have been more hazards than
20 there have been in the past. And, our field arborists
21 attribute that to a number of factors. One is the
22 overall age and condition of the forest and the forest
23 health, which is impacted by weather conditions and
24 different storms. And, they also feel that it could be

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 impacted due to the economic climate as well. They
2 have found that some customers, who might normally
3 assume very little risk and say "okay, I'm just going
4 to take this tree down, because I think it looks bad."
5 Now they're saying "Well, it looks bad, but it doesn't
6 look that bad. I'm going to save my money and see if
7 maybe it turns around." But, when we get there on the
8 circuit and look at the tree, if it's right outside of
9 our substation or on an area of concern, we're not
10 going to assume that risk. So, we're going to be
11 taking it down. Our arborists feel that, in some
12 cases, we have found more hazards per mile of line than
13 we have in previous years.

14 Q. In the response to Staff 1-6, in Exhibit 2, the second
15 sentence of the response specifically deals with
16 three-phase lines. Is there something particular about
17 the three-phase lines, in terms of the number of hazard
18 trees?

19 A. (Sankowich) The three-phase lines is where our Enhanced
20 Hazard Tree Mitigation Program is focused. So, that's
21 what our estimates were generated for. When we go out
22 and do our enhanced hazard tree, we're focusing mainly
23 on the three-phases. That's what we consider our Level
24 1, our highest priority line, where we're assuming the

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 least risk. So, that's why we correlate the
2 three-phase with the estimate.

3 Q. Now, in terms of this overall process of where the
4 Company submits its budget prior to the beginning of a
5 fiscal year, meets with Staff and we have discussions,
6 and it sometimes takes more than one meeting, and we go
7 through all this. Would you agree with me that the
8 reason that we do that is, by the time we get to a
9 proceeding such as the one we're in today, which is
10 typically that the filing is made 45 days before a rate
11 change, that we're basically -- Staff is familiar with
12 the issues and the plans that the Company is planning
13 to do and what the budgeted costs are. So, by the time
14 we get to this filing, we don't have to do a lot of
15 discovery. It's basically making the numbers work and
16 fitting them into rates. Would you agree with that?

17 A. (McDonough) Yes. And, I know that this year there was
18 a little bit -- well, there's definitely more variance
19 in the actual numbers relative to budget. And, a lot
20 of this had to do with the decision to do more work.
21 Work that we think is necessary, that benefits
22 customers, that is very much in line with our goals to
23 -- our very aggressive goals to improve our reliability
24 performance. Those were good decisions. They're

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 reasonable decisions. But, one of the issues was that
2 we did not communicate that to Staff, and we regret
3 that lack of communication. And, I think that that
4 made this year a little bit more difficult, in terms of
5 getting to the end of the process and having larger
6 unexpected variances between the two, the budget and
7 the actuals.

8 I think that we -- we want to fix this
9 going forward, because we don't, you know, want to
10 create any unnecessary agita for anybody. And, one way
11 we might do that is to -- is, when we meet with Staff
12 to talk about the next year's budget, which we met with
13 Staff this year to talk about the fiscal year '11
14 budget, one thing that we'd like to add to that agenda
15 is a discussion or a status report on where we stand
16 with the previous year's budget. I think, at this
17 year's meeting, we were very focused on the next year's
18 budget, and we didn't really ever get around to where
19 we stood. And, I think we can fix -- well, we're going
20 to fix that, because I think that that's a good
21 process, and that's the process that we'd like to have
22 with Staff, in terms of agreeing on these budgets and
23 managing expectations.

24 Q. Thank you. Mr. Tufts, I wouldn't want you to feel left

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 out.

2 A. (Tufts) I was starting to.

3 Q. If you could turn to Bates Page 42 of Exhibit 1.

4 A. (Tufts) Yes.

5 Q. And, I believe, in Lines 2 to 10, you mention what the
6 overall rate impact of these proposed adjustments are?

7 A. (Tufts) That's correct.

8 Q. Could you summarize those please.

9 A. (Tufts) Sure. The bill impacts for the proposal, on an
10 average residential customer, 500 kilowatt-hours, would
11 be 70 cents per month, or a 1.1 percent increase, from
12 66.39 a month to 67.09. I also have, on a more typical
13 residential bill of a 640 kilowatt-hour usage, that
14 would be a 91 cent increase, but still the 1.1 percent,
15 85.57 to 86.48.

16 Q. Okay. Now, am I correct that there's really two
17 adjustments that happen related to the REP and the VMP
18 Plans?

19 A. (Tufts) That's correct.

20 Q. Could you describe each of those please, and point the
21 Commission to where they're calculated in your
22 testimony.

23 A. (Tufts) Sure. Flip to Bates Stamp 49. This is where
24 the calculation of the capital spending, which is, in

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 this, we take the incremental revenue requirement
2 associated with the additional capital spending for the
3 fiscal year, and we come up with a percentage increase
4 to the distribution rates. For that incremental
5 revenue requirement, that percent is then added to each
6 customer class, is incremented by that percent to
7 derive that revenue requirement through our billings.

8 Q. Now, if I could just interrupt you for a second?

9 A. (Tufts) Sure.

10 Q. Am I correct that that's a permanent adjustment to
11 rates?

12 A. (Tufts) Yes, that is.

13 Q. It's not just in place for a year?

14 A. (Tufts) That's correct. That's a permanent incremental
15 on the revenue requirement. Yes, it is.

16 Q. And, that's because the capital is actually in rate
17 base?

18 A. (Tufts) That's correct.

19 Q. Okay. Please continue.

20 A. (Tufts) Okay. On the O&M side of the budget, which
21 would be on Page 51, on Bates stamp 51, we're basically
22 taking here the incremental spending from the previous
23 year, the rate of the O&M piece from the previous year,
24 and just dividing that by the estimated kilowatt-hours

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 to come up with a factor per kilowatt-hour that will be
2 in effect for the next year. That gets reset every
3 year, depending on what our level of O&M spending is.
4 If it goes up, there will be another increase; if it
5 goes down, there could be a decrease.

6 Q. And, am I correct in saying, in your Schedule DET-4,
7 which begins on Page 57, you've calculated the rate
8 impacts for various usages by customer class?

9 A. (Tufts) Yes, that's correct.

10 MR. MULLEN: Thank you. I have nothing
11 further.

12 CHAIRMAN GETZ: Thank you. Well, let me
13 just note for the record that the June 11, 2010 letter,
14 from Ms. Knowlton, with the response to the first set of
15 data requests, is marked for identification as "Exhibit
16 Number 2".

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

20 CHAIRMAN GETZ: So, Commissioner Below,
21 do you have questions for the panel?

22 CMSR. BELOW: A couple, yes.

23 BY CMSR. BELOW:

24 Q. Mr. Sheridan, what are the porcelain cutouts replaced

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 with? What's the typical product?

2 A. (Sheridan) They're replaced with a polymer. So, rather
3 than a porcelain, it's a polymer cutout.

4 Q. And, with the same fuse in it, typically?

5 A. (Sheridan) Yes.

6 Q. Okay. And, the reclosers, would it be fair to say
7 they're roughly analogous to a circuit breaker in a
8 building circuit?

9 A. (Sheridan) They are.

10 Q. And, there are far fewer of them per circuit than there
11 are the fuses, is that correct?

12 A. (Sheridan) Yes, that's correct. The reclosers are an
13 electronic device that operates three phases. The
14 fuses are a mechanical device that actually melts and
15 operates only a single phase.

16 Q. So, the fuses, if they blow, have to be manually
17 replaced? Somebody has to go out in the field and find
18 it and physically replace the fuse, is that correct?

19 A. (Sheridan) That's correct. In a recloser, the reason
20 it's called a "recloser", is that we can set it so that
21 it will operate, attempt to re-energize the line, in
22 the hopes that the fault that occurred was temporary.
23 And, if the fault is still there, it will trip the line
24 again. And, we can -- we will run that through what we

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 call three tries, and then it will lock itself out.

2 Q. Do you typically have communication to the recloser?

3 Do you know, through a two-way communication, that it

4 is -- something is happening with the recloser?

5 A. (Sheridan) We have communication to the reclosers that

6 we are installing today. We have been installing

7 reclosers for over 20 years. The ones that we have

8 been installing for the last three or four years, we

9 utilize a cellphone-based technology for it to

10 communicate back to our control center. And, being

11 that it is cellphone technology, we do our best to make

12 sure we get a signal. But there are some locations

13 where the cellphone signal isn't the greatest. And,

14 therefore, our communication is tied to whatever

15 cellphone signal we can get to it.

16 Q. Is that typically one-way or two-way? I mean, can you

17 sort of tell the recloser to try to reset remotely?

18 A. (Sheridan) No. It is two-way.

19 Q. Okay. But the fuses, basically, it's sort of not worth

20 it to try to automate those at this point or is that

21 something that you've looked at?

22 A. (Sheridan) You can't -- you cannot automate a fuse.

23 There are technologies that are the equivalent of a

24 fuse that are electronic. We are investigating the use

[WITNESS PANEL: Tufts~Sankowich~Sheridan~McDonough]

1 of these devices. They're significantly more expensive
2 than a fuse. We put -- we put fuses not only on all of
3 our single phase side taps, and I shouldn't even limit
4 it to single phase, but the side taps off the main
5 trunk line, our reclosers are typically on our trunk
6 lines. The fuses are sectionalizing devices to prevent
7 a fault from taking down the whole trunk line, and on
8 every transformer that we install. So, the volume is
9 significantly, significantly greater. And, I would
10 agree that, yes, we don't think it would be economic to
11 try to control all of those fuses.

12 CMSR. BELOW: Okay. That's all.

13 CHAIRMAN GETZ: Then, Ms. Knowlton, any
14 redirect for the panel?

15 MS. KNOWLTON: I have none.

16 CHAIRMAN GETZ: Then, the witnesses are
17 excused. Thank you, everyone.

18 WITNESS SHERIDAN: Thank you very much.

19 CHAIRMAN GETZ: Is there any objection
20 to striking the identifications and admitting the exhibits
21 into evidence?

22 (No verbal response)

23 CHAIRMAN GETZ: Hearing no objection,
24 they will be admitted into evidence. Anything that we

1 need to address before providing an opportunity for
2 closings?

3 (No verbal response)

4 CHAIRMAN GETZ: Then, once the pathway
5 is cleared, we'll provide an opportunity for closings.
6 Ms. Amidon.

7 MS. AMIDON: Thank you. As has been
8 discussed through the Company's testimony and Staff's
9 cross-examination, during fiscal year 2010 the Company
10 spent more money on vegetation management and the
11 reliability enhancement activities than was previously
12 discussed and reviewed with Staff. Staff recognizes that
13 the funds were spent for the purposes of improving the
14 Company's reliability performance, and we acknowledge that
15 the Settlement Agreement in Docket DG 06-107 provides
16 language for deviations from the approved budgets. We
17 also note that the budget -- the actual costs exceeded the
18 budget in this instance in the neighborhood of 25 percent.

19 However, the REP review process was
20 created to allow Staff to work with the Company to help
21 them achieve their reliability goals and to receive timely
22 reimbursement of the associated expenditures through
23 rates. We agree that the reconciliation filing could be
24 made 45 days before the Company could begin recovery

1 through rates because the process involved the development
2 of the plan and costs that Staff would have already
3 reviewed and been aware of prior to the rate recovery
4 filing. We also recognize that there might be some
5 variances between planned costs and actual costs.

6 Having said that, we believe the Company
7 could have done a better job in communicating to the Staff
8 that the plans and/or the dollar amounts were changing
9 based on need or opportunities that presented themselves,
10 or other reasons that the Company expressed today for --
11 to describe or the reasons for the differences between
12 what we agreed to with the Company in December and what
13 they submitted in this filing.

14 The Company undertook additional
15 activities during the year that Staff would have
16 appreciated having more time to review. We did conduct
17 discovery regarding these issues. And, based on that
18 discovery and the answers that were received from our
19 cross-examination today, we will not oppose the Company's
20 request to recover the cost. However, if we had known
21 that this would occur, we may not have agreed to a 45-day
22 turnaround on these particular filings.

23 Staff did make a similar request in its
24 March 2010 meeting with the Company regarding the fiscal

1 year 2011 plan. If circumstances change, if costs
2 increase, if new work is identified and performed, let us
3 know. And, we ask that the Commission remind them of
4 their responsibility to keep Staff informed of any changes
5 to their plan as such changes occur. Thank you.

6 CHAIRMAN GETZ: Thank you.
7 Ms. Knowlton.

8 MS. KNOWLTON: Thank you. As the
9 Company witnesses testified, the purpose of the REP/VMP
10 plan and the related reconciliation filing that we're here
11 for today was implemented as part of the Merger Settlement
12 Agreement, so that the Company could get back to the
13 pre-2005 reliability levels. And, the Company witnesses
14 have testified today that the Company is very committed to
15 reaching those goals in 2013, and, despite good weather
16 last year, it needs to continue to make a push to meet
17 those targets. The Company has not lost sight of the need
18 to do that and it's going to continue that program till
19 the end.

20 The Company has worked hard this past
21 year on its Feeder Harding program, as well as its
22 vegetation management, to try to meet those goals. And,
23 as the filings demonstrates, and the testimony did today,
24 the additional spending that the Company incurred over the

1 December 23rd budget that had been submitted was just more
2 of the same types of activities that were contemplated in
3 the plan that was filed. I think the Company is very
4 regretful that it did not communicate with Staff about
5 exceeding that budget, and pledges to ensure that it will
6 not, you know, have that happen again without, you know,
7 obviously, being in touch with Staff and communicating
8 with Staff. I think the Company very much values its
9 relationship with the Staff, appreciates all of the
10 Staff's hard work, and understands the point that the
11 Staff has made today, which is, it's a short time frame
12 from when the filing is made to when we're here asking the
13 Commission for recovery in rates. And, the Staff needs to
14 be given the opportunity to undertake the due diligence
15 that its obligated to do to ensure that the rates that go
16 into effect are just and reasonable. So, we do commit to
17 working more closely and better with Staff on a
18 going-forward basis.

19 That said, I do believe that the
20 testimony supports that all of the expenditures that were
21 made in fiscal year 2010 were for purposes of improving
22 system reliability and are consistent with the types of
23 spending that was set forth in the plan that had been
24 previously submitted. The rate impact of those

1 expenditures, as Mr. Tufts testified, I believe is
2 reasonable. I believe all of the expenditures are
3 reasonable and they were prudent. They're part of a well
4 thought out plan to improve the reliability of the
5 Company's electrical system. So, for those reasons, we
6 would ask that the Commission approve the filing as
7 presented in Exhibit 1.

8 CHAIRMAN GETZ: Okay. Then, --

9 (Chairman and Commissioners conferring.)

10 CMSR. IGNATIUS: I'd just ask Staff to
11 confirm, I may have missed it. Are you taking a position
12 on whether recovery of the monies and the amounts set
13 forth in the request are appropriate going forward,
14 separate from all of the process issues that --

15 MS. AMIDON: We do not oppose the
16 Company's request for recovery, because it is related to
17 reliability enhancement and also to vegetation management.
18 It's just that the scope of the work required some
19 additional discovery here today, because we didn't have an
20 opportunity to understand what those activities were, and
21 basically just were notified of it when we saw the filing
22 request an additional money over what we had previously
23 understood to be the budget.

24 CMSR. IGNATIUS: But, although it has

1 been -- had to be done more quickly than you would like,
2 is Staff comfortable with the actual report of
3 expenditures and the budgeted amounts going forward?

4 MS. AMIDON: Yes.

5 CMSR. IGNATIUS: Thank you.

6 CHAIRMAN GETZ: Anything further?

7 (No verbal response)

8 CHAIRMAN GETZ: Okay. Then, we will
9 close the hearing and take the matter under advisement.

10 (Whereupon the hearing ended at 11:24
11 a.m.)