

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

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

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

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

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

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.

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

ORIGINAL

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WITNESS: THERESA M. BURNS

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P R O C E E D I N G

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

So, can we take appearances please.

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

CHAIRMAN GETZ: Good morning.

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

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

(No verbal response)

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

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

9 CHAIRMAN GETZ: Yes.

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

12 CHAIRMAN GETZ: So marked.

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

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

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

[WITNESS: Burns]

1 THERESA M. BURNS, SWORN

2 DIRECT EXAMINATION

3 BY MR. CAMERINO:

4 Q. Ms. Burns, would you give your name for the record
5 please.

6 A. Theresa M. Burns.

7 Q. And, by whom are you employed and in what capacity?

8 A. I'm employed by National Grid USA Service Company,
9 working in the Regulation and Pricing Department,
10 providing regulatory services to National Grid
11 operating companies, and including Granite State
12 Electric Company.

13 Q. And, what is your position with National Grid Service
14 Company and what are your responsibilities in that
15 regard?

16 A. Effective December 1st, I became Director of Process
17 Excellence, which is a project of a process management
18 group within Regulation and Pricing. Prior to that
19 date, I was Director of Revenue Requirements, providing
20 revenue requirements and other rate-related services to
21 the New England operating companies, including Granite
22 State Electric Company.

23 Q. And, were you involved with and are you familiar with
24 the Company's filing in this case regarding the Storm

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[WITNESS: Burns]

1 Fund Recovery mechanism?

2 A. Yes, I am.

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

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

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

13 A. Yes, it is.

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

16 CHAIRMAN GETZ: So marked.

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

20 BY MR. CAMERINO:

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

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

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

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

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

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

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

9 A. Correct.

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

14 A. Correct.

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

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

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

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

6 A. No, it does not.

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

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

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

17 A. Yes.

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

20 A. Yes.

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

23 A. Yes.

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

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

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

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

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

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

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

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

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

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

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

17 A. Yes.

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

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

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

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

7 A. No, they are not.

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

12 A. Yes.

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

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

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

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

15 A. That is correct.

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

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

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1 the Staff's letter from Mr. Mullen.

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

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

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

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

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

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

19 A. That's correct.

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

23 A. No, it does not.

24 Q. The "no" is --

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

2 Q. Okay.

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

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

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

9 BY CHAIRMAN GETZ:

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

14 A. Yes.

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

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

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

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

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

15 **CONTINUED BY THE WITNESS:**

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

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

24 WITNESS BURNS: Right. Exactly.

[WITNESS: Burns]

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

3 BY MR. CAMERINO:

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

7 A. That's correct.

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

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

24 Another benefit would be a more smooth

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

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

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

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

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

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

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

[WITNESS: Burns]

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

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

15 A. Yes.

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

18 CHAIRMAN GETZ: Thank you. Ms. Amidon.

19 MS. AMIDON: Thank you. Good morning.

20 WITNESS BURNS: Good morning.

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

24 CHAIRMAN GETZ: Yes.

[WITNESS: Burns]

MS. AMIDON: Thank you.

CROSS-EXAMINATION

BY MS. AMIDON:

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

A. Correct.

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

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

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

A. Correct.

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

7 A. Correct. I agree with that.

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

14 A. That's correct.

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

19 A. That's correct.

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

21 A. Yes, it does.

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

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

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

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

10 A. Yes, I do.

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

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

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

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

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

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

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

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

17 CHAIRMAN GETZ: Thank you. Commissioner
18 Ignatius.

19 BY CMSR. IGNATIUS:

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

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

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

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

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

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

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

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1 bill impacts to customers.

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

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

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

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

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

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

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

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

23 MR. CAMERINO: No thank you.

24 CHAIRMAN GETZ: Anything further for

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1 this witness?

2 (No verbal response)

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

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

7 (No verbal response)

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

10 (Chairman Getz and Commissioner Ignatius
11 conferring.)

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

14 (No verbal response)

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

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

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

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

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

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

24 The Company believes that its proposal

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

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

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

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

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

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

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

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

21 MR. CAMERINO: That's correct.

22 CMSR. IGNATIUS: Thank you.

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

1 (No verbal response)

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

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

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