Thomas R. Teehan
Senior Counsel

March 11, 2014

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

RE: Docket 4473 - National Grid's Proposed FY 2015 Electric Infrastructure, Safety, and Reliability Plan
Reply Comments

Dear Ms. Massaro:

On behalf of National Grid,[1] I have enclosed ten (10) copies of the Company's reply comments to recommendations made in the Pre-filed Direct Testimony of Gregory L. Booth, P.E (Power Services, Inc.) on behalf of the Rhode Island Division of Public Utilities and Carriers on February 21, 2014 concerning the above-referenced proceeding.[2]

Thank you for your attention to this transmittal. If you have any questions, please contact me at (401) 784-7667.

Very truly yours,

Thomas R. Teehan

Enclosures
cc: Steve Scialabba, Division
Greg Booth, Division
Leo Wold, Esq.
James Lanni, Division

[1] The Narragansett Electric Company d/b/a National Grid (hereinafter referred to as "National Grid" or the "Company").
[2] The Electric ISR Plan is submitted in compliance with the provisions of R.I.G.L. §39-1-27.7.1.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

PUBLIC UTILITIES COMMISSION

FY 2015 Electric Infrastructure, Safety, And Reliability Plan	)))))	**Docket No. 4473**

NATIONAL GRID'S REPLY COMMENTS TO
GREGORY L. BOOTH'S PRE-FILED DIRECT TESTIMONY

I. INTRODUCTION

In these comments, the Company[1] responds to the recommendations made in the February 21, 2014 Pre-filed Direct Testimony of Gregory L. Booth, P.E (Power Services, Inc.) on behalf of the Rhode Island Division of Public Utilities and Carriers (the "Division") filed with the Rhode Island Public Utilities Commission (the "PUC") in this proceeding. In his testimony, Mr. Booth makes seven specific recommendations regarding action items the Company should take. Six recommendations relate to the Company's future FY2016 Electric Infrastructure, Safety, and Reliability ("ISR") Plan, and one recommendation relates to the Vegetation Management Program budget in the Company's FY2015 Electric ISR Plan ("FY15 ISR Plan"). Specifically, Mr. Booth recommends that the Company reduce the vegetation management budget for the FY15 ISR Plan by $2,003,736 and seek recovery of these funds from Verizon Communications ("Verizon") for tree-trimming expenses. (Pre-filed Direct Testimony of Gregory L. Booth (referred to herein as "Booth") at 9-10; 34-35). Finally, Mr. Booth comments

[1] The Narragansett Electric Company d/b/a National Grid ("National Grid" or the "Company").

on the Company's work associated with the Block Island Transmission System ("BITS") (Booth at 7;10). Below, the Company has responded to Mr. Booth's testimony concerning these topics.

II. RECOMMENDATIONS CONCERNING THE FY2016 ISR PLAN

Mr. Booth proposes six recommended actions the Company should take concerning its FY2016 ISR Plan. *See* Booth at 9-10; 34-35. The Company agrees with these recommendations, which reflect the outcome of earlier discussions and negotiations between the Company and the Division. Moreover, implementing these recommendations will further enhance the Company's ISR Plans and provide the Company, Division, and PUC with more transparency for future ISR Plan filings. Accordingly, the Company is willing to incorporate Mr. Booth's six recommendations into its future ISR Plans.

III. RECOMMENDATION CONCERNING COMPANY'S VEGETATION MANAGEMENT PROGRAM BUDGET

Mr. Booth recommends that the Company reduce the FY15 ISR Plan Vegetation Management Program budget by two million dollars ($2 million), noting that this is the portion Verizon should reimburse the Company based on the Company's prior fiscal year expenditures. To support this recommendation, Mr. Booth relies on a decision of the Massachusetts Department of Public Utilities ("MDPU"), which involved a downward adjustment of Massachusetts Electric Company's ("MECO") and Nantucket Electric Company's ("NEC") (d/b/a National Grid) incremental storm costs on the basis that Verizon was responsible for some of those costs.[2] Mr. Booth also relies on the Joint Ownership Agreement ("JOA") and Intercompany Operating Procedures ("IOP") between the Company and Verizon - agreements that Mr. Booth opines are within the purview of the PUC. For the reasons set forth below, the Company respectfully disagrees with this recommendation for a downward adjustment of the Company's FY15 Vegetation Management Program budget, and requests that the PUC approve the Company's total proposed Vegetation Management Program budget of $7,726,000.

Joint Ownership Agreement and Intercompany Operating Procedures

The JOA and IOP are contractual arrangements between the Company and Verizon, and the PUC has neither reviewed nor approved these agreements. The JOA governs pole ownership, maintenance, control, and the cost-sharing responsibilities of Verizon and the Company relating to pole maintenance. Similarly, the IOP governs vegetation management work and the cost-sharing responsibilities of Verizon and the Company for such work. The IOP includes specific provisions governing each company's cost-sharing responsibilities for vegetation management work.

Mr. Booth refers to the 11-56 Order in which, he suggests, the MDPU took jurisdiction over a similar contractual dispute and made an adjustment to MECO's vegetation management expenses. (Booth at 29). In that case, the MDPU adopted an interim adjustment to expenses until MECO makes a showing that it has sought recovery from Verizon, after which it may re-submit those amounts for recovery. Moreover, the MDPU concluded that it was <u>not</u> the

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[2] In an order issued November 14, 2013 in Docket D.P.U. 11-56 regarding *Petition of Massachusetts Electric Company and Nantucket Electric Company d/b/a National Grid for Recovery of December 2008 Storm Costs* ("11-56 Order"), the MDPU applied a downward adjustment on the grounds that MECO and NEC did not demonstrate that they prudently sought agreement with Verizon on the appropriate cost responsibility of vegetation management activities during storm restoration, bill Verizon for such work and, if necessary, pursue Verizon in court for storm-related vegetation management costs. *See* MDPU Order No. 11-56 at 31.

appropriate forum to determine the correct application of the joint-ownership provisions. 11-56 Order at 2-3, n. 21. In its decision, the MDPU acknowledged the difficulty of interpreting a contract, where the plain language is ambiguous and the intent of the parties may be in issue. Moreover, the 11-56 Order relates to Heavy Storm Work and not to preventative maintenance tree trimming.

In Rhode Island, Verizon has taken the position that it is not responsible for the Company's vegetation management work because such work did not benefit Verizon. As Mr. Booth notes in his comments, the Company has previously reported to the Division that it is in negotiations with Verizon, but despite these efforts, the Company has not resolved the cost-sharing issues with Verizon relating to vegetation management work. In addition, the Company was unable to reach an agreement with the Division concerning vegetation management for the proposed FY15 ISR Plan. Nevertheless, Mr. Booth acknowledges that the Company has made ongoing attempts to resolve these issues with Verizon. (Booth at 25-26). Negotiations between the Company and Verizon relative to the JOA and IOP provisions on preventative maintenance tree trimming have recently ceased. However, discussions regarding the broader relationship and responsibilities of the companies are now taking place. As the Company recently explained to the Division, the Company will submit the FY15 ISR Plan Vegetation Management Program to Verizon in the upcoming weeks, request appropriate reimbursement from Verizon, and explore its legal options should Verizon refuse to contribute to the Company's tree-trimming work in accordance with the IOP. The Company's attempts have been a reasonable approach to resolving the issues between the parties before resorting and subjecting customers to protracted and expensive litigation.

The Company questions whether the PUC has jurisdiction over the JOA and IOP, as Mr. Booth asserts. Notably, like the MDPU, the PUC neither reviewed nor approved the JOA and IOP. Moreover, the MDPU specifically refused to interpret the cost-sharing responsibilities of National Grid and Verizon under the JOA and IOP at issue in the 11-56 Order. In declining to exercise jurisdiction over the JOA and IOP, the MDPU stated: "[T]he Department is not the appropriate forum in which to determine application of the JOA as it pertains to an electric distribution utility and non-party, non-jurisdictional telecommunication utility . . . Rather, the Department concludes that the proper forum for interpreting issues with respect to the JOA and IOP is the courts." Accordingly, the Company disagrees with Mr. Booth's recommendation that the PUC apply a downward adjustment of $2 million to the Company's Vegetation Management Program budget and open a separate proceeding to address Verizon and the Company's cost-sharing responsibilities under the JOA and IOP. Rather, the Company respectfully requests that the PUC approve its entire proposed Vegetation Management Program budget and allow the Company to continue to pursue its legal options for recovery of contribution from Verizon for the Company's tree-trimming work.

The Vegetation Management Program Budget

The Vegetation Management Program budget of $7,726,000 reflects the level of funding and associated work the Company must undertake in FY15 to complete cycle pruning, Enhanced Hazard Tree Mitigation, and Subtransmission trimming work, as described in the FY15 ISR Plan. Mr. Booth agrees that these vegetation management programs and level of funding are reasonable and appropriate. In fact, Mr. Booth opined that "the Company has implemented a robust vegetation management program resulting in reliability indices that continue to meet or exceed the Commission's benchmarks." (Booth at 21). Mr. Booth further states that "the

$7,726,000 FY 2015 level and a 4 year clearing cycle based on the Company's enhanced Vegetation Management Program [is] appropriate, considering the anticipated level of benefits." (Booth at 30).

Although he agrees that the Company's proposed level of funding and benefits to customers for the Vegetation Management Program for FY15 are appropriate, Mr. Booth proposes a $2,003,736 downward adjustment to this level of funding based upon his view that Verizon will benefit from the Vegetation Management Program tree-trimming activities and that the Company should seek reimbursement from Verizon for these costs. The Company respectfully disagrees with Mr. Booth's proposed downward adjustment of the FY15 ISR Plan Vegetation Management Program budget. As noted above, Mr. Booth agrees with the Company that the full level of $7,726,000 proposed for the Vegetation Management Program is appropriate and necessary for National Grid to serve its customers in FY15. Moreover, reducing the Company's Vegetation Management Program budget by $2,003,736 will negatively affect electric customers and prevent the Company from effectively completing the vegetation management work necessary to maintain the safety and reliability of the Company's electric distribution system. Indeed, this is necessary work and reducing the vegetation management budget by $2 million would undoubtedly have a negative effect on electric customers in Rhode Island.

While the Company cannot guarantee that Verizon will agree to contribute to any tree-trimming costs, the Company will submit its FY15 ISR Plan Vegetation Management Program to Verizon in the upcoming weeks, request appropriate reimbursement from Verizon for all vegetation management work, and explore its legal options should Verizon refuse to contribute to the Company's tree-trimming work. Pursuant to the IOP, Verizon will have 60 days to respond to the Company's FY15 Vegetation Management Plan. The Company will provide an update to the Division and the PUC concerning the outcome of its negotiations with Verizon after it receives Verizon's response. Therefore, the Company requests that the PUC approve its entire vegetation management budget of $7,726,000 for the FY15 ISR Plan, and the Company will, through the reconciliation process noted below, credit customers any amounts it receives from Verizon.

Finally, it is important to note that any dollars expended or reimbursed under the Vegetation Management Program in the FY15 ISR Plan are subject to reconciliation. As such, any reimbursement the Company receives from Verizon for vegetation management costs will be credited to customers the year in which they are received as part of the reconciliation process. This is similar to existing ISR budget classifications such as Public Requirements, where projects are fully funded in a particular ISR Plan year, with any reimbursements received from the state or third parties credited to customers in the ISR in the year in which such reimbursements are received.

For the foregoing reasons, the Company respectfully requests the PUC reject the Division's proposed downward adjustment of $2,003,736 for the FY15 ISR Plan Vegetation Management Program and approve the total funding of $7,726,000 for this program.

IV. BLOCK ISLAND TRANSMISSION SYSTEM

In his comments, Mr. Booth also raises concerns with the Company's statutory infrastructure work associated with the BITS project in the FY15 ISR Plan. He notes that this work includes reconfiguration of the 34.5 kV Wakefield substation to interconnect Deepwater Wind's proposed wind farm, to be located off the coast of Block Island. He also notes that the estimated cost of this reconfiguration work is $1,000,000, with a $100,000 spend initially budgeted in FY15. Finally, Mr. Booth opines that the cost to interconnect a generator to an electric system is the responsibility of the requesting generator. *See* Booth at 10-11. As Mr. Booth notes in his comments, the Company agreed to remove the $100,000 expenditure for the FY15 ISR Plan. However, the Company wishes to address Mr. Booth's other concerns noted in his comments. As an initial matter, the purpose of the distribution upgrades to the Wakefield substation is to accommodate the interconnection of Block Island to the mainland, and not the proposed wind farm, as Mr. Booth suggests. In addition, while Mr. Booth's opinion that a generator is responsible for the costs of interconnecting said generator to the electric system is generally correct for a typical interconnection, in this instance, the Rhode Island legislature has determined that the costs related to the transmission cable and related facilities shall be socialized throughout Rhode Island. Rhode Island General Laws § 39-26.1-7(f) authorizes the electric distribution company to recover these costs "annually through a fully reconciling rate adjustment from customers of the electric distribution company and/or from Block Island Power Company."[3] Because the upgrades to the Wakefield substation are to existing distribution assets, this portion of the work will be characterized as "distribution" and recovered through the ISR as

[3] See R.I.G.L. § 39-26.1-7(f).

a component of retail delivery service rates. The wind farm generator will be directly responsible for the interconnection of those facilities that will be solely used by the wind farm to connect the wind farm to the Block Island electric system.

THE NARRAGANSETT ELECTRIC COMPANY d/b/a NATIONAL GRID

By its attorney,

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