

September 17, 2012

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 4218 - Electric Infrastructure, Safety, and Reliability Plan FY 2012 Responses to Division's Questions issued in Booth Memorandum

Dear Ms. Massaro:

On behalf of National Grid¹, I have enclosed ten (10) copies of the Company's responses to questions issued on behalf of the Division by Greg Booth in his memorandum dated September 5, 2012 concerning the above-captioned proceeding.

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

Very truly yours,



Thomas R. Teehan

Enclosure

cc: Docket 4218 Service List
Leo Wold, Esq.
Steve Scialabba, Division
Greg Booth, Division

¹ The Narragansett Electric Company d/b/a National Grid (hereinafter referred to as "National Grid" or the "Company").

Damage/Failure Spending
Division 1-1

Request:

What amount of the \$9.6 million in damage/failure spending involves the replacement of jointly-owned poles?

Response:

The Company is not able to provide the amount of the \$9.6 million in damage/failure spending which involves the replacement of jointly-owned poles. Unit costs are not available until work has been unitized, in FERC account 101 ("Unitized Plant in Service").

The spending dollars provided represent dollars from FERC Account 107 (Construction Work in Progress or "CWIP"). Once equipment is energized and placed into service to support electric load, FERC accounting procedures dictate that capital costs must be transferred from FERC Account 107 (Construction Work in Progress or "CWIP") to FERC Account 106 ("Plant In Service") at the time that the underlying capital work becomes used and useful in the service of customers. When all costs for a work order have been received, the work order is unitized, and placed into FERC account 101 ("Unitized Plant in Service"), where specific detail including unit cost for each asset is available.

It should be noted that all joint poles replaced, including those in the damage failure spending, are replaced by the owner with maintenance responsibilities. The Joint Pole Ownership Agreement requires that the "maintaining" owner replace jointly-owned poles for which it is the assigned custodian under IOP C, "Custody and Maintenance." This means that the "maintaining owner" for a jointly-owned pole is responsible to set and maintain poles in their assigned maintenance area, for all reasons, including new construction, damage/failure and storm response. The assigned maintenance areas are designed such that National Grid and Verizon realize an equal sharing of pole construction and maintenance costs for all pole replacements. The geographical location (i.e. assigned maintenance area) of the work determines which company actually performs pole replacements. As a result, each company's actual cost of work related to jointly owned poles may be more or less than 50 percent.

Within the damage/failure work for FY12, there are poles that are replaced as a result of third party damage, such as a motor vehicle accident. In these cases, the maintaining pole owner bills the third party damager/insurance company for the full cost of the joint pole replacement. For example, if the Company replaces a jointly owned pole resulting from a motor vehicle accident, we bill the third-party damager/insurance company 100 percent of the pole replacement cost and Verizon is provided their joint ownership in the new pole at "\$0". In FY 2012, there were 200

Damage/Failure Spending
Division 1-1, page 2

poles replaced by the Company as a result of third-party damage. Payments received from third-party damagers/insurance companies are credited to this category, reducing the Company's costs.

Also in the damage/failure work for FY 12 are 122 poles set by National Grid, of which the majority are jointly owned poles, and an estimated 56 jointly owned poles set by Verizon. As discussed in Damage Failure Spending Division 1-3, National Grid has submitted to Verizon preliminary 1045 forms for these FY 2012 pole sets. As of this date, Verizon has not submitted their pole set data nor reviewed and accepted National Grid's submittal. As such, reconciliation and invoicing of FY2012 pole sets although commenced, is not complete.

Damage/Failure Spending
Division 1-2

Request:

What amount of the \$3.4 million in damage/failure major storms spending involves the replacement of jointly-owned poles?

Response:

As discussed in Division 1-1, the Company is not able to provide the amount of the \$3.4 million in damage/failure major storms spending that involves the replacement of jointly-owned poles. Poles replaced during major storms follow the same process as all pole replacements, where the "maintaining" owner replaces jointly-owned poles for which it is the assigned custodian under Intercompany Operating Procedure ("IOP") C, "Custody and Maintenance."

It is incorrect to conclude that an adjustment in the range of \$1,500,000 should be made to this category based on the joint ownership agreement, as stated by Mr. Booth on page 2 of 6 of his September 5, 2012 memorandum. The joint ownership agreement, specifically IOPs L, M, and N, allows the maintaining owner to bill the other joint owner at \$500 per pole. Within the damage/failure major storms work for FY12, there were 188 poles set by National Grid, of which the majority are jointly-owned poles, and an estimated 50 jointly owned poles set by Verizon. As discussed in Damage Failure Spending Division 1-3, National Grid has submitted to Verizon preliminary 1045 forms for FY2012 pole sets. As of this date Verizon has not submitted their pole set data nor reviewed and accepted National Grid's submittal. As such, reconciliation and invoicing of FY2012 pole sets although commenced, is not complete.

Verizon Contribution
Division 1-3

Request:

Has the Company sought from Verizon any cost recovery for FY2012 pole replacements?

Response:

Yes, National Grid has commenced the recovery of joint owned pole set costs for FY2012. Cost recovery occurs in accordance with the joint pole ownership agreement, specifically InterCompany Operating Procedures ("IOP") L, M, and N. National Grid has submitted to Verizon preliminary 1045 forms for FY2012 pole sets (see IOP M). As of this date, Verizon has not submitted their pole set data, nor reviewed and accepted National Grid's submittal. As such, the reconciliation and invoicing of FY2012 pole sets, although it has commenced, it is not complete.

Damage/Failure Spending
Division 1-4

Request:

How were any reimbursements received by the Company accounted for in the FY 2012 expenses?

Response:

All reimbursements received by the Company or payments made by the Company as a result of reconciling pole replacements for any reason (new business, asset condition, damage failure, etc.) are credited or debited in the mandatory statutory budget category. As discussed in Damage Failure Spending Division 1-3, National Grid has submitted to Verizon preliminary 1045 forms for these FY2012 pole sets. As of this date Verizon has not submitted their pole set data nor reviewed and accepted National Grid's submittal. As such, reconciliation and invoicing of FY2012 pole sets although commenced, is not complete. When received, these credits or debits will be charged to the mandatory statutory budget category at that time.

Vegetation Management Program Spending
Division 1-1

Request:

What amount of the \$7.8 million in vegetation management program spending involves preventative maintenance or hazard tree removal costs associated with clearing of vegetation in areas of joint ownership?

Response:

The Company's vegetation management program is implemented exactly the same across all overhead miles regardless of pole ownership. The Company's pruning and hazard tree specification, the work planning models and vegetation management work practices make no consideration for pole ownership, as a jointly owned pole, no matter which company's maintenance area, is pruned to the same specification as a solely owned pole. Verizon asserts that Verizon crews perform any required tree trimming for Verizon service work at the time such work is performed. The \$7.8 million all pertains to vegetation management spending necessary for the safety and service reliability of the Company's electric system.

Vegetation Management Program Spending
Division 1-2

Request:

What amount of \$7.8 million in vegetation management spending was associated with areas where Verizon is the maintaining owner of the facilities?

Response:

Please see the Company's response to Division 1-1.

Vegetation Management Program Spending
Division 1-3

Request:

Does any of the \$7.8 million in vegetation management spending include work associated with major storms?

Response:

Major storm costs are not included in the \$7.8 million spend for vegetation management.

Vegetation Management Program Spending
Division 1-4

Request:

Has the Company sought from Verizon any cost recovery for FY 2012 vegetation management spending?

Response:

Verizon does not agree to contribute to the Company's tree trimming (vegetation management) cost on the basis that Verizon crews perform any required tree trimming for Verizon service work at the time such work is performed. This is not inconsistent with the Company's vegetation management practice given that the Company's tree trimming specification is designed and performed exclusively to address the safety and reliability needs of the electric system, without any consideration whatsoever of communication company needs. Accordingly, National Grid has not invoiced Verizon for vegetation management work in FY 2012, nor have any payments been received from Verizon for the same.