

NATIONAL GRID - ELECTRIC
FY2015 ELECTRIC INFRASTRUCTURE, SAFETY AND RELIABILITY PLAN

RIPUC DOCKET NO. 4473

BEFORE THE
RHODE ISLAND PUBLIC UTILITIES COMMISSION

TESTIMONY OF DAVID J. EFFRON
ON BEHALF OF THE
DIVISION OF PUBLIC UTILITIES AND CARRIERS

FEBRUARY 25, 2014

RIPUC DOCKET NO. 4473
DIRECT TESTIMONY
OF DAVID J. EFFRON

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1 **I. STATEMENT OF QUALIFICATIONS**

2 Q. Please state your name and business address.

3 A. My name is David J. Effron. My business address is 12 Pond Path, North Hampton, New
4 Hampshire, 03862.

5

6 Q. What is your present occupation?

7 A. I am a consultant specializing in utility regulation.

8

9 Q. Please summarize your professional experience.

10 A. My professional career includes over thirty years as a regulatory consultant, two years as
11 a supervisor of capital investment analysis and controls at Gulf & Western Industries and
12 two years at Touche Ross & Co. as a consultant and staff auditor. I am a Certified Public
13 Accountant and I have served as an instructor in the business program at Western
14 Connecticut State College.

15

16 Q. What experience do you have in the area of utility rate setting proceedings?

17 A. I have analyzed numerous electric, gas, telephone, and water filings in different
18 jurisdictions. Pursuant to those analyses I have prepared testimony, assisted attorneys in
19 case preparation, and provided assistance during settlement negotiations with various
20 utility companies.

21 I have testified in over three hundred cases before regulatory commissions in
22 Alabama, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky,
23 Maryland, Massachusetts, Missouri, Nevada, New Jersey, New York, North Dakota,

1 Ohio, Pennsylvania, Rhode Island, South Carolina, Texas, Vermont, Virginia, and
2 Washington.

3

4 Q. Please describe your other work experience.

5 A. As a supervisor of capital investment analysis at Gulf & Western Industries, I was
6 responsible for reports and analyses concerning capital spending programs, including
7 project analysis, formulation of capital budgets, establishment of accounting procedures,
8 monitoring capital spending and administration of the leasing program. At Touche Ross
9 & Co., I was an associate consultant in management services for one year and a staff
10 auditor for one year.

11

12 Q. Have you earned any distinctions as a Certified Public Accountant?

13 A. Yes. I received the Gold Charles Waldo Haskins Memorial Award for the highest scores
14 in the May 1974 certified public accounting examination in New York State.

15

16 Q. Please describe your educational background.

17 A. I have a Bachelor's degree in Economics (with distinction) from Dartmouth College and
18 a Masters of Business Administration Degree from Columbia University

19

20 **II. PURPOSE OF TESTIMONY AND CONCLUSIONS**

21 Q. On whose behalf are you testifying?

22 A. I am testifying on behalf of the Rhode Island Division of Public Utilities and Carriers
23 ("the Division").

1

2 Q. What is the purpose of your testimony?

3 A. The Narragansett Electric Company d/b/a National Grid (“National Grid” or “the
4 Company”) has submitted its Electric Infrastructure, Safety, and Reliability (“ISR”) Plan for the fiscal year (“FY”) ending March 31, 2015. I have reviewed the calculation
5 of the revenue requirement in Section 5 of FY 2015 ISR proposal, and my testimony
6 presents the results of that review.
7

8

9 Q. Please describe your review of the revenue requirement associated with the FY 2015 ISR
10 Plan.

11 A. On October 4, 2013, the Company submitted its initial FY 2015 ISR Plan. I examined
12 each element of the revenue requirement, and I verified that the ISR revenue requirement
13 was properly synchronized with the plant investment included in rate base in Docket No.
14 4323 so that there was no double counting. As the operation and maintenance component
15 (“O&M”) of the ISR revenue requirement is a straight pass-through of the approved
16 O&M allowance, my review concentrated on the capital investment component of the
17 ISR. Pursuant to this review, the Division submitted certain informal information
18 requests to the Company regarding the calculation of the revenue requirement.
19

20 Q. Were any necessary modifications to the calculation of the revenue requirement filed by
21 the Company on October 4, 2013 identified?

22 A. Yes. On Attachment 1, Page 2 of Section 5, the property tax expense on Line 28 was
23 calculated as Prior Year (Line 6 + Line 10 - Line 8 -Line 16) * Property Tax Rate. The

1 Division and the Company discussed this formulation and determined that it did not
2 properly incorporate the effect of plant retirements and the carry-forward of
3 depreciation on Line 8 from year to year. The parties concluded that the property tax
4 expense on Line 28 of Page 2 is appropriately calculated as Prior Year (Line 11 - Line
5 16) * Property Tax Rate, and the Company agreed to modify the calculation of the
6 property tax expense on Page 2 (and the analogous property tax calculations on pages 4,
7 6, and 8) accordingly.

8

9 Q. Did the Company revise its calculation of the property tax expense included in the ISR
10 revenue requirement to incorporate these modifications?

11 A. Yes. The Company corrected the calculation of property taxes in its ISR filing of
12 December 20, 2013.

13

14 Q. Is the Division proposing any other adjustments affecting the ISR revenue requirement?

15 A. Yes. As addressed in the testimony of Mr. Booth, the Division is proposing to reduce
16 the vegetation management expense recovered through the ISR factors by
17 approximately \$2 million.

18

19 Q. Does this conclude your direct testimony?

20 A. Yes.