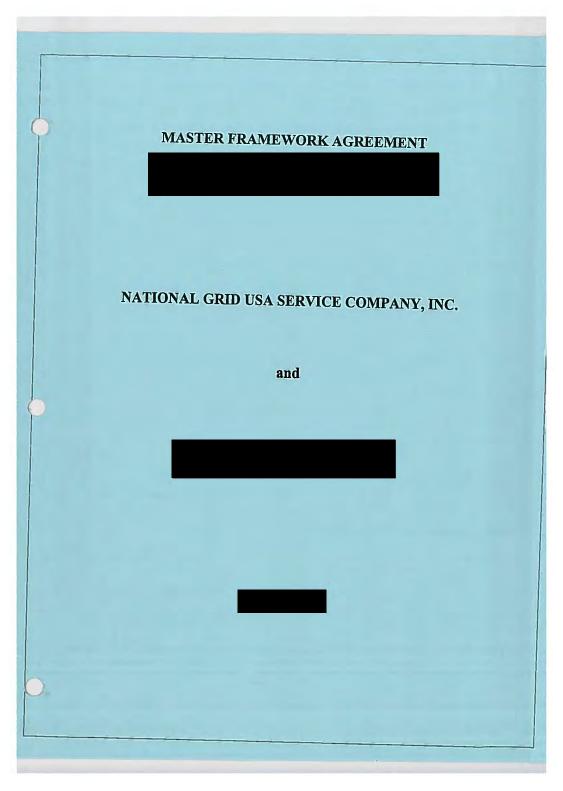
The Narragansett Electric Company d/b/a National Grid RIPUC Docket No. 4770 Attachment DIV 7-49-259 Page 1 of 100

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MASTER FRAMEWORK AGREEMENT TABLE OF CONTENTS 1. Master Framework Agreement - Front End 2. 3. Schedule B - Terms & Conditions for Consulting Services - Series 0400 MSA ("Terms & Conditions") Schedule C - Non-Disclosure Agreement including Information Security Addendum 4. 5. Schedule D - Scope of Services 6. 7. 8. Schedule G - Project Statement Template, including Resource & Rate Inventory 9. Schedule H - Invoicing Directions and Templates Schedule I - Project Change Form Template; and 10. 11. Schedule J - Background Check Requirements - National Grid Level 2



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MASTER FRAMEWORK AGREEMENT

This MASTER FRAMEWORK AGREEMENT, including the Contract Documents listed in Article 4 below ("Agreement"), is effective as of the contract of the contract Documents listed in Article 4 below ("Agreement"), is effective as of the contract of the contract Documents listed in Article 4 below ("Agreement"), is effective as of the contract Documents listed in Article 4 below ("Agreement"), is effective as of the contract Documents listed in Article 4 below ("Agreement"), is effective as of the contract Documents listed in Article 4 below ("Agreement"), is effective as of the contract Documents listed in Article 4 below ("Agreement"), is effective as of the contract Documents listed in Article 4 below ("Agreement"), is effective as of the contract Documents listed in Article 4 below ("Agreement"), is effective as of the contract Documents listed in Article 4 below ("Agreement"), is effective as of the contract Documents listed in Article 4 below ("Agreement"), is effective as of the contract Documents listed in Article 4 below ("Agreement"), is effective as of the contract Documents listed in Article 4 below ("Agreement"), is effective as of the contract Documents listed in Article 4 below ("Agreement"), is effective as of the contract Documents listed in Article 4 below ("Agreement"), is effective as of the contract Documents listed in Article 4 below ("Agreement"), is effective as of the contract Documents listed in Article 4 below ("Agreement"), is effective as of the contract Documents listed in Article 4 below ("Agreement"), is effective as of the contract Documents listed in Article 4 below ("Agreement"), is effective as of the contract Documents listed in Article 4 below ("Agreement"), is effective as of the contract Documents listed in Article 4 below ("Agreement"), is effective as of the contract listed in Article 4 below ("Agreement"), is effective as of the contract listed in Article 4 below ("Agreement"), is effective as of the contract listed in Article 4 below ("Agreement"), is effective as of the contr

("Consultant") (each a "Party" or, collectively,

"the Parties") for

("Services") by Consultant for and on behalf of National Grid pursuant to individual Project Statements (as defined below) agreed between the Parties from time to time in accordance with the terms of this Agreement.

ARTICLE 1 - SCOPE OF SERVCES

This Agreement sets out the general terms and conditions pursuant to which Consultant shall provide Services to National Grid. Consultant shall only be permitted to perform work under this Agreement in the following categories, as further described in Schedule D (Scope of Agreement):



The Parties acknowledge and agree that this Agreement does not commit National Grid to appoint Consultant to provide any services nor does it commit Consultant to provide any services to National Grid, unless National Grid has agreed to appoint Consultant to provide Services

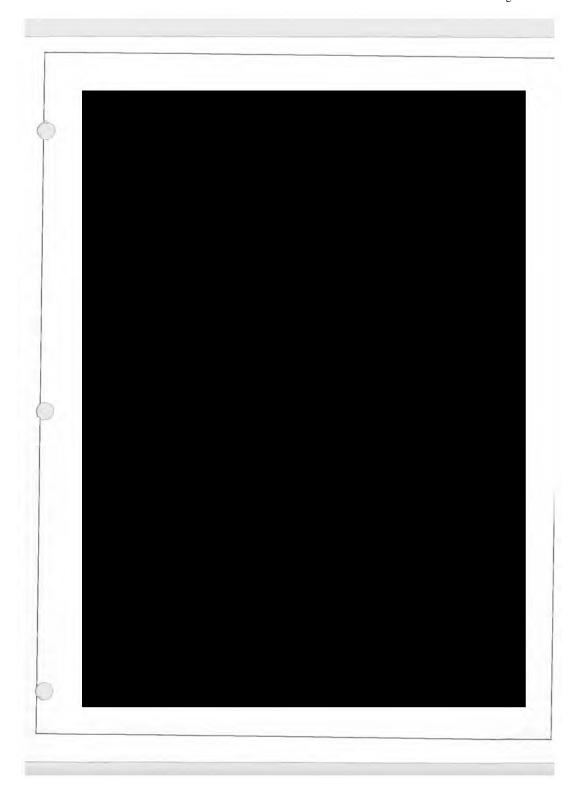
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fo	Howing the processes sufficient in Add I 2 (A I CD . I .
the	llowing the processes outlined in Article 3 (Award of Projects) and the Parties have agreed to e performance of those Services in writing in the form of a Project Statement in accordance th Article 4 (Project Statements).
<u>AI</u>	RTICLE 2 — TERM OF AGREEMENT
Th	te Agreement shall be effective on the Effective Date and shall continue in full force and effect til unless earlier terminated pursuant to the Terms and Conditions
eac be	e Parties may elect to extend the Agreement beyond in duration, for further periods chof in duration, by separate agreement in writing. Any such renewal will subject to the same terms and conditions as set out in this Agreement, unless otherwise agreed writing by the Parties.
AD	
AR	TICLE 3 – AWARD OF PROJECTS

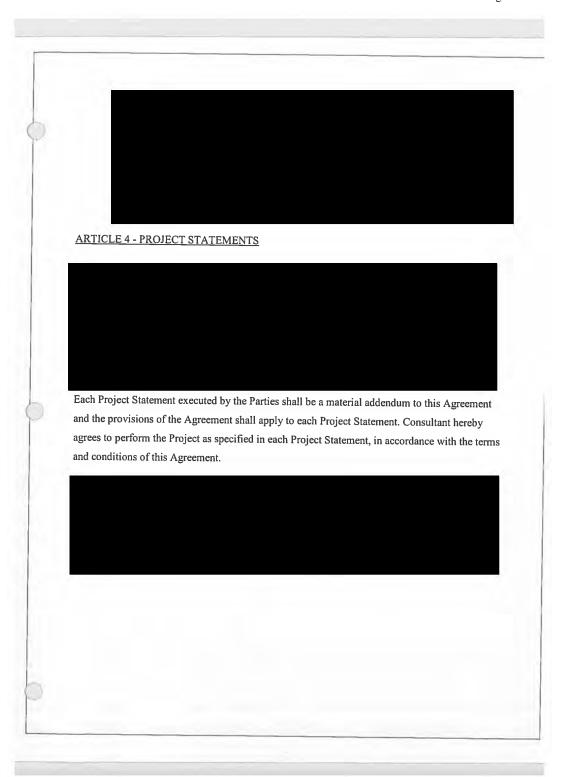
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ARTICLE 5 - CONTRACT DOCUMENTS

The following documents, including all exhibits or attachments thereto, are incorporated into this Agreement by reference as if fully set forth herein. All documents below, referred to collectively and individually as the "Contract Documents" or "Agreement", are intended to be complementary and contain the entire agreement between the parties with respect to its subject matter and supersede all prior and contemporaneous representations, proposals, discussions, and communications, whether oral or in writing, with respect thereto.

In the event of conflict between the documents comprising this Agreement, they are listed below in descending order of precedence:

- 1. this Master Framework Agreement;
- 2.
- Schedule B: Terms & Conditions for Consulting Services Series 0400 MSA ("Terms & Conditions");
- 4. Schedule C: Non-Disclosure Agreement including IS Addendum;
- 5. Schedule D: Scope of Services
- 6.
- 7.
- 8. Schedule G: Project Statement Template, including Resource & Rate Inventory;
- 9. Schedule H: Invoicing Directions & Templates;
- 10. Schedule I: Project Change Form Template; and
- 11. Schedule J: Background Check Requirements (Level 2);

In the event of any inconsistency between the terms in a Project Statement and the terms of this Agreement, the terms of this Agreement shall apply, to the extent of the inconsistency.



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ARTICLE 6 - TIMING OF PROJECTS

The Services to be performed by Consultant under each Project Statement shall commence and conclude on the dates specified in that Project Statement, unless the Project Statement is earlier terminated in accordance with the terms and conditions of this Agreement.

For the avoidance of doubt, if a Project Statement is terminated by either Party in accordance with the termination provisions of this Agreement:

- any other Project Statements currently in effect under this Agreement shall continue in full force and effect until they expire or are terminated under this Agreement; and
- (b) this Agreement (excluding the terminated Project Statement) shall continue in full force and effect until its expiration or earlier termination.

ARTICLE 7 - PRICE

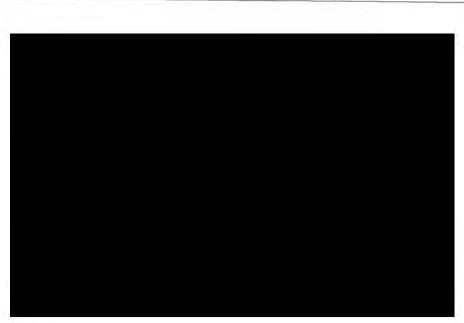
Consultant shall be compensated for the performance of the Services and the Deliverables for each Project as specified in the relevant Project Statement.





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National Grid shall reimburse Consultant for the reasonable business expenses a guideline is set out below, where such expenses are necessary in order to provide the Services and provided Consultant has provided an estimate of such expenses in the relevant Project Statement:

- air, train or bus travel at coach class fares;
- rental vehicle charges;
- lodging on business travel at preferred hotels (having agreements with National Grid);
- vehicular travel at the U.S. government Federal mileage rate;
- tolls and parking;
- · taxi fares; and
- business meals on business travel (subject to a including applicable taxes and tips).

Consultant shall not seek reimbursement for any expenses incurred by offshore resources permitted to provide Services or Deliverables under any Project Statement, unless such resources are required to travel from their offshore location to National Grid location(s) in the United States, and such travel and expenses are prior approved in writing by National Grid.



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ARTICLE 8 - PAYMENTS

Invoicing Directions and Format

Consultant shall submit invoices on a Project Statement-specific basis each month to cover the fees, costs and expenses incurred for that portion of the Services performed under the Project Statement during the preceding month, unless an alternate invoicing arrangement for a specific Project is agreed in the relevant Project Statement.

All invoices must be fully itemized and must contain the information specified in Schedule H (Exhibit 1: Invoice Directions). This invoice information must be attached to Consultant's invoice as separate MS Excel worksheets in the formats specified in Schedule H, Exhibit 2A (Invoice Overview Sheet) and Schedule H, Exhibit 2B (Invoice Resource Sheet).

Consultant shall not be entitled to receive payment in respect of any invoice unless it contains all of the required information, to National Grid's reasonable satisfaction. If, in National Grid's reasonable opinion, there is any deficiency in the information provided in any invoice, it may request that Consultant re-issue the invoice and accompanying information to correct the deficiency and enable processing of payment.

Accounts Payable

All invoices shall be submitted and payments made in accordance with and subject to the Terms and Conditions. Consultant shall send invoices for each Project either by mail to: National Grid, 300 Erie Boulevard West, Syracuse, NY 13202-4250, Attn: Accounts Payable or by e-mail to: acctspayableadmini@nationalgrid.com, and shall send a copy via email to the National Grid Project Manager for the Project, as specified in the relevant Project Statement.



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Each invoice must include the relevant National Grid Purchase Order Number and the National Grid Project ID and must contain the information, and be presented in the format, set out in Schedule H (Invoicing Template). Any invoice discrepancies, deficiencies and/or disputes will be raised by National Grid with Consultant as soon as reasonably practicable following receipt of invoice.

ARTICLE 9 - CHANGES TO PROJECT STATEMENTS

The Parties shall manage any proposed changes to the scope, cost, timing or other elements of a Project Statement using the change form set out in Schedule I (Project Change Form).

If either Party wishes to propose such a change, it shall notify the project manager for the other Party (as named in the relevant Project Statement) and the Parties shall complete the information required by the Project Change Form in order to enable consideration of the change.

If the Parties then agree to implement the change, they shall authorize the same by signing the Project Change Form. The Project Statement shall then be deemed to be amended in the manner specified in the executed Project Change Form from the effective date stated therein.

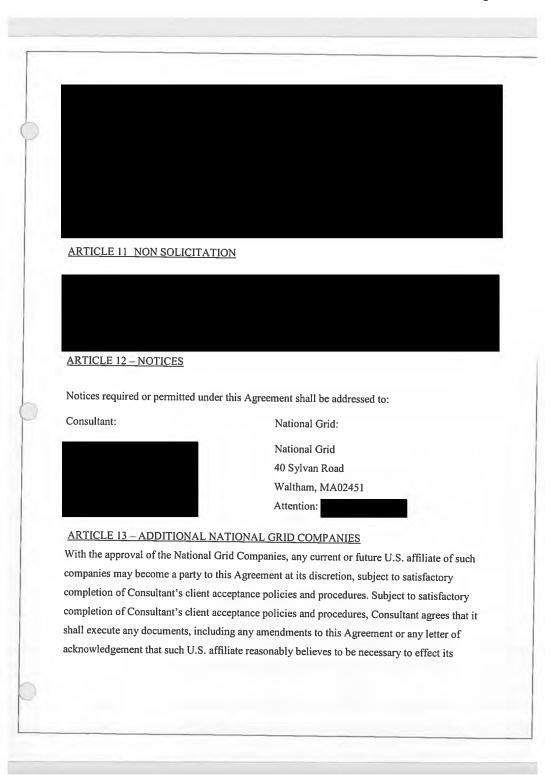
Unless and until a Project Change Form is signed by both Parties, Consultant shall continue to perform the Services under the relevant Project Statement in accordance with the existing terms of that Project Statement. Consultant acknowledges and agrees that fees and expenses incurred with respect to any work that is outside the scope of a Project Statement, in the absence of an accepted and signed Project Change Form, shall be at Consultant's sole risk and expense.

ARTICLE 10 - PERFORMANCE MANAGEMENT



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inclusion as a party under this Agreement. Once included as a party, such affiliate may exercise all rights afforded to the National Grid Companies under this Agreement.

ARTICLE 14 - SEVERAL LIABILITY



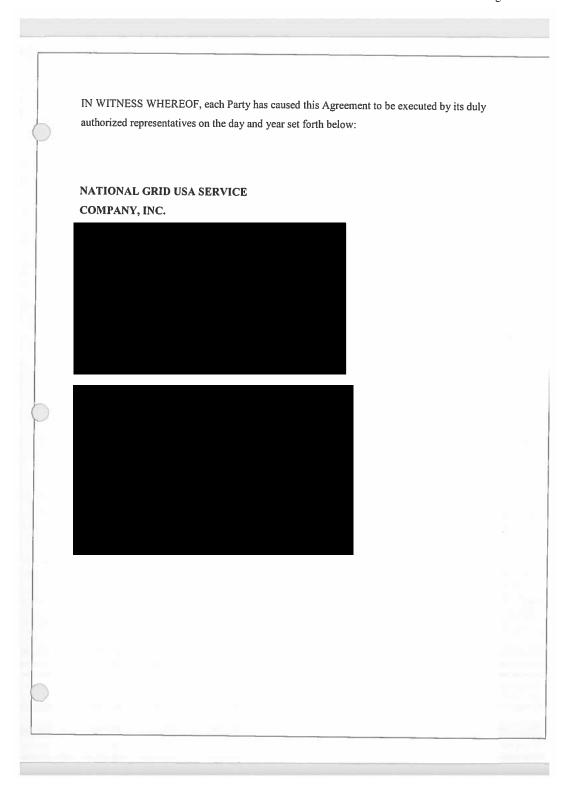
ARTICLE 15 - ENTIRE AGREEMENT

This Agreement, including all Contract Documents, executed Project Statements and Project Change Request Forms, constitutes the entire agreement between National Grid and Consultant, with respect to the Projects and all previous representations relative thereto, either written or oral are hereby annulled and superseded. No modification of any of the provisions of this Agreement shall be binding unless in writing and signed by a duly authorized representative of each Party.

[Signatures appear on next page]

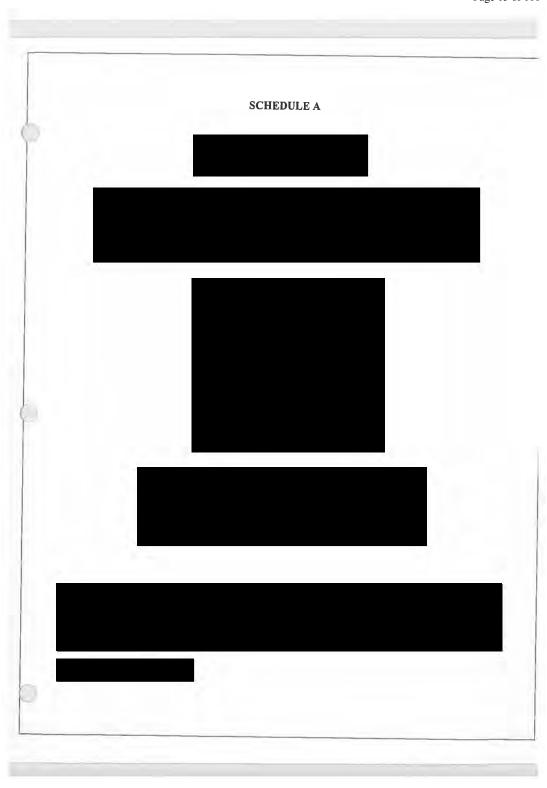
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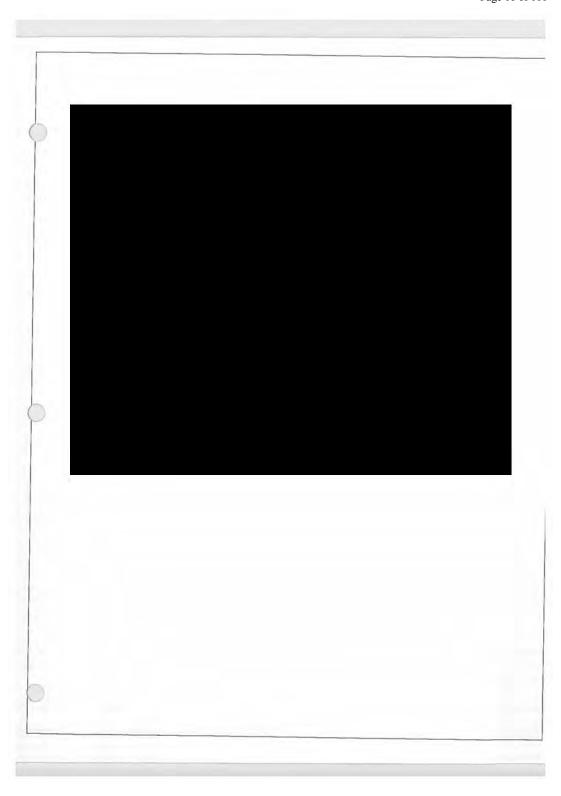
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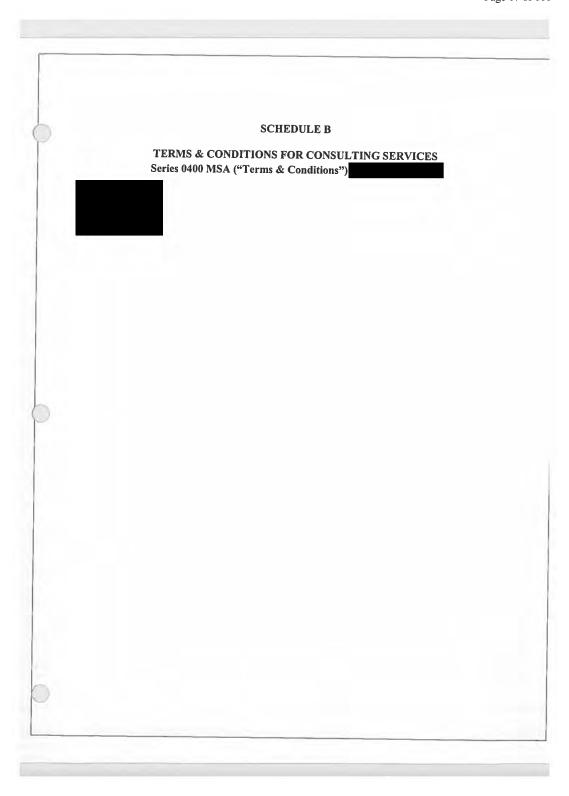
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nationalgrid TERMS AND CONDITIONS **FOR CONSULTING SERVICES** (Master Services Agreement) Form 00400 (Rev. for MSA only)

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1.0 DEFINITIONS

For purposes of the Agreement (as defined below), the following capitalized terms shall have the following meanings, unless the context dictates otherwise:

- 1.1 "National Grid" means the entity or entities identified as such in the Agreement, usually National Grid USA Service Company, Inc. and/or one or more of its affiliates, successors and assigns.
- 1.2 "Agreement" means the written and executed master services agreement between National Grid and Consultant including all documents referred to therein as "Contract Documents" namely these Terms and Conditions, the Supplemental Conditions (if any), the Non-Disclosure Agreement, all executed Project Statements and all other Schedules and documents attached to and therein designated as being a part of the Agreement (including any amendments thereto).
- 1.3 "Consultant" means the business entity (firm or individual) identified as such in the Agreement.
- 1.4 "Deliverables" means any and all tangible items specified as work product or deliverables for a Project in the applicable Project Statement, created by Consultant (or its authorized Subcontractors) for and on behalf of National Grid under the Agreement.
- 1.5 "Non-Disclosure Agreement" means the written and executed non-disclosure agreement and information security addendum entered into between the parties in relation to the subject matter of the Agreement and attached as a Schedule to the Agreement.
- "Price" means the amount to be paid by National Grid to Consultant for the performance of each of the Projects, as set out in each of the Project Statements.
- 1.7 "Project" means the Services and Deliverables to be provided by Consultant under each individual Project Statement. For the avoidance of doubt, National Grid and Consultant may agree to engage in multiple Projects under the Agreement.
- 1.8 "Project Statement" means the contract documents, in the format prescribed by National Grid under this Agreement, agreed upon and signed by the parties from time to time during the term of the Agreement, which describe in detail the Services and Deliverables to be provided by Consultant for and on behalf of National Grid. Once fully executed by the parties, each Project Statement is deemed to be incorporated into, and subject to the terms of, the Agreement.
- 1.9 "Purchase Order" means the individual purchasing document(s) issued by National Grid to accommodate payment of the Price. For the avoidance of doubt, multiple Purchase Orders may be issued under the Agreement.
- 1.10 "Services" means the scope of work to be performed by Consultant (or its authorized Subcontractors) for and on behalf of National Grid in respect of each Project, as specified in the applicable Project Statement.



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1.11 "Subcontractor" means any business entity (firm or individual) regardless of tier, which the Consultant may retain during the term of the Agreement to provide services in support of one or more of the Projects.

1.12

"Terms and Conditions" means all of the terms and conditions set out herein which shall apply to the performance of the Agreement by National Grid and Consultant.

2.0 CONSULTANT'S RESPONSIBILITIES

Consultant shall, subject to the terms and conditions of the Agreement:

- 2.1 Furnish all necessary management, technical and other personnel necessary for the timely prosecution of each of the Projects to National Grid's satisfaction.
- 2.2 Appoint one or more individuals who shall be authorized to receive directions for and act on behalf of Consultant and with whom National Grid may consult at all reasonable times, and whose instructions, requests and decisions will be binding upon Consultant as to all matters pertaining to the Agreement and the performance of the parties hereunder.
- 2.3 Provide National Grid with all reports, analyses and/or other documents as directed by National Grid at intervals and periods agreed upon in sufficient detail to allow National Grid to evaluate the progress of the work or make assessments of any other element of the services being performed.
- 2.4 Provide National Grid with cost and budget data in a form acceptable National Grid, including projections of cost, estimates applicable to proposed changes in the workscope, and other cost items associated with the Projects. Provide National Grid with prompt notification of anticipated schedule or cost impacts on the Projects.

3.0 PERSONNEL BACKGROUND CHECKS

- 3.1 Consultant shall comply with National Grid's background check requirements as defined in National Grid's policies and procedures as set forth in this Agreement as such policies and procedures may be amended by National Grid and notified to Consultant from time to time.
- 3.2 Consultant shall be wholly and solely responsible for all acts of its personnel, including the personnel of any Subcontractor, while engaged on the Projects. Any illegal acts, including but not limited to terrorism affecting the property and personnel of National Grid, by Consultant or Subcontractor shall be considered grounds for finding Consultant in default and terminating the Agreement in accordance with Article 17, in addition to other rights or remedies available to National Grid under applicable law.

Terms and Conditions for Consulting (MSA)



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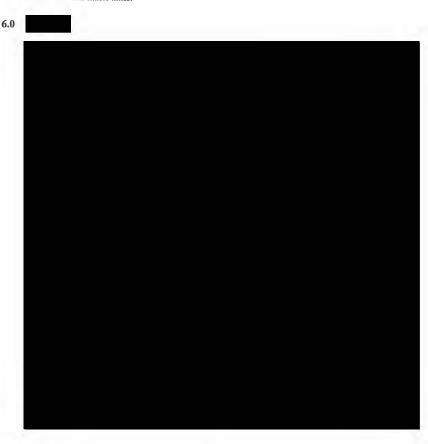
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4.0 INDEPENDENT CONTRACTOR

4.1 Consultant shall be an independent contractor with respect to the Projects. Neither Consultant nor its Subcontractors, nor the employees of either, shall be deemed to be the servants, employees, or agents of National Grid.

5.0 NATIONAL GRID'S RESPONSIBILITIES

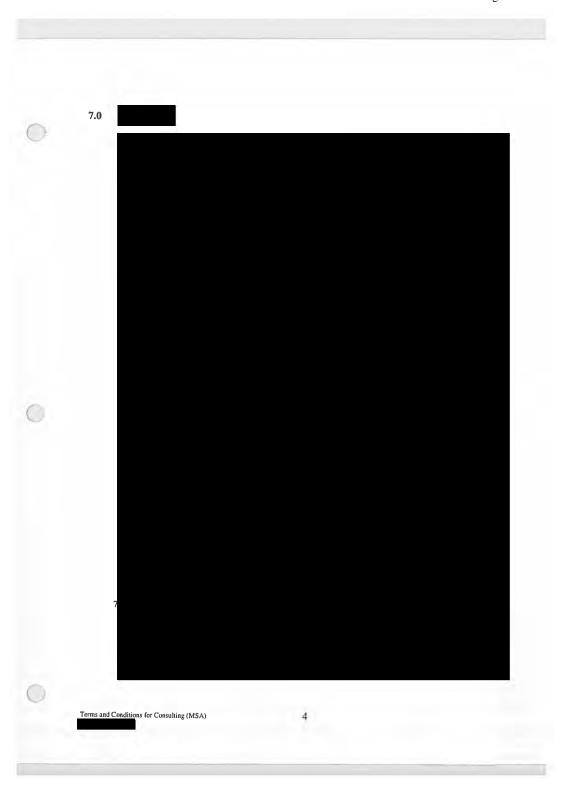
5.1 National Grid will, at such times as may be necessary for the successful and expeditious completion of the Projects, appoint an individual in respect of each Project who will be authorized to act on behalf of National Grid and with whom Consultant may consult at reasonable times.



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8.0 RESPONSIBILITY FOR PROFESSIONAL SERVICES

- 8.1 Consultant shall ensure that all Services and Deliverables meet or exceed the level of quality specified in the relevant Project Statement and the Agreement or if not specified of the best quality appropriate for the intended purpose. As requested, Consultant shall demonstrate to National Grid that the work performed is in compliance with the requirements specified in the relevant Project Statement and the Agreement. Consultant shall make records available for National Grid's verification of this compliance.
- 8.2 Consultant shall use its best efforts and ensure that all Services are performed, and Deliverables provided, with the highest degree of skill and care required by customarily accepted good and sound professional practices and procedures in the pertinent consulting services industry. Consultant, in supplying such Services and Deliverables under the Agreement, guarantees that each Project will be, accurate, correct and fit to serve its intended function as stated in the relevant Project Statement and the Agreement, or as may be reasonably implied. Consultant further guarantees its performance of Services and Deliverables will comply with all applicable codes, standards and governmental regulations having jurisdiction over each Project. In the event Consultant fails to meet the foregoing requirements, Consultant shall be liable to National Grid to:
 - 8.2.1 correctly re-perform, at its sole cost and expense, those Services, and/or re-provide those Deliverables, which failed to meet such degree of skill and care; or
 - 8.2.2 assume the cost of repairing, replacing or correcting defective or damaged equipment, materials or structures purchased or built in reliance upon designs, plans, drawings or specifications which fail to meet such degree of skill and care or perform its/their intended function

failing which Consultant shall not be entitled to payment from National Grid in respect of any non-compliant Services and/or Deliverables.

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9.0 AUDIT AND MAINTENANCE OF RECORDS

9.1 National Grid has the right, at any time, and at National Grid's expense, to audit Consultant's books and records at the locations where such books and records are maintained insofar as they pertain to charges invoiced to National Grid, as a basis for any claim, or any other costs pertinent to Services provided under the Agreement. Such audits may be performed by National Grid's employees or by professional auditing firms or both. Audits of charges invoiced may include, but shall not be limited to, verification of hours and the position job titles and pay levels of Consultant's employee charges, subcontractor and materials invoices and evidence of business expenses reimbursed. Any discrepancy which National Grid alleges to exist will be brought to Consultant's attention in order to enable Consultant to investigate the facts. If the parties agree that a discrepancy exists, an adjustment will be made on the next applicable invoice issued, or if no further invoice is likely, Consultant will issue a refund to National Grid within thirty (30) days thereafter.



Terms and Conditions for Consulting (MSA) Rev. June 22, 2016



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11.0 INSURANCE

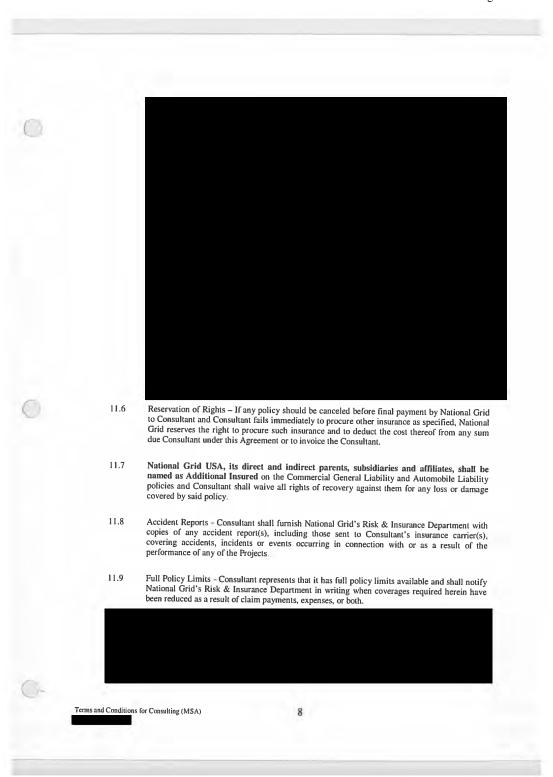
- 11.1 Consultant shall provide and maintain in force at its own expense, from commencement of this Agreement through final acceptance of the final Project under this Agreement, or longer where specified below, insurance policies intended to be primary, issued by an insurance company with an AM Best's rating of which meet or exceed the requirements listed herein.
- If any of the Services or Deliverables are subcontracted, Consultant shall require each Subcontractor to carry the same coverages as required herein.
- Prior to providing the Services, Consultant shall promptly provide National Grid with Certificate(s) of Insurance for all coverage required under this Agreement at the address: National Grid USA, Attention: Risk & Insurance Department, 300 Erie Blvd West, A-4, Syracuse, NY 13202.
- 11.4 Such certificates, and any renewals or extensions thereof, shall provide that at least thirty (30) days prior written notice shall be given to National Grid in the event of any cancellation on diminution of coverage and shall outline the amount of deductibles or self-insured retentions which shall be for the account of Consultant. Such deductibles or self-insured retentions shall not exceed unless agreed to in writing by National Grid's Risk & Insurance Department.
- 11.5 Unless otherwise specified in the Agreement or a specific Project Statement, minimum insurance requirements are as follows:



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11.11 Compliance – These requirements are in addition to any other insurance requirements which may be required elsewhere in the Agreement. Consultant shall comply with any governmental and/or site specific insurance requirements even if not stated herein.

12.0 TIMING OF SERVICES

- 12.1 Consultant shall commence each Project at the time stated in the relevant Project Statement and shall prosecute each Project continuously and with due diligence so that Project will meet all stated milestones (if any) set out in the relevant Project Statement and be completed by the date specified in the relevant Project Statement.
- 12.2 When Consultant deems it has completed a Project, it shall so notify National Grid in writing. Within a reasonable time thereafter, National Grid shall advise Consultant in writing of any deficiencies for which Consultant is responsible under this Agreement. Consultant shall correct such deficiencies to National Grid's satisfaction within a reasonable time, as determined by National Grid, after such notification.

13.0 FORCE MAJEURE

13.1 Any delay of either party in the performance of its required obligations hereunder shall be excused if and to the extent caused by unprecedented weather conditions, fire, explosion, riot, war, strike by National Grid or its affiliates' employees, court injunction or order, federal and/or state law or regulation, or order by any federal or state regulatory agency, but only to the extent that: 1) such events are beyond the reasonable control of the party affected, 2) such events were unforeseeable by the affected party and the effects were beyond its reasonable efforts to prevent, avoid or mitigate, 3) said affected party uses every reasonable effort to prevent, avoid or mitigate the effects, 4) prompt written notice of such delay be given by such affected party to the other; and 5) the party affected uses its best efforts to remedy the resulting effects in the shortest practicable time. Upon receipt of said notice, if necessary, the time for performing the affected activities shall be extended for a period of time reasonably necessary to overcome the effect of such delays, such extension shall be the sole remedy and compensation for each force majeure event. Notwithstanding the foregoing, National Grid shall have the right to terminate the Agreement under Section 17.2.

14.0 CHANGES

- 14.1 CHANGES TO AGREEMENT: No amendment or repeal of, and no substitution for any terms, conditions, provisions or requirements of the Agreement shall be effective unless authorized in a writing executed by both parties. The Agreement shall not be changed, altered, modified or discharged orally. Any changes to these Terms and Conditions shall be agreed in writing in the form of Supplemental Conditions which shall be annexed to this Agreement as a Schedule.
- 14.2 CHANGES TO PROJECT STATEMENTS: Any proposed change to a Project Statement shall be managed by the parties on an individual Project Statement basis in accordance with the change control procedure set out below.



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- 14.3 The parties shall manage any proposed changes to the scope, cost, timing or other elements of a Project using the change form set out in this Agreement ("Project Change Form"). If either party wishes to propose such a change, it shall notify the project manager for the other party (as named in the relevant Project Statement) and the parties shall complete the information required by the Project Change Form in order to enable consideration of the change. If the parties then agree to implement the change, they shall authorize the same by signing the Project Change Form. The Project Statement shall then be deemed to be amended in the manner specified in the executed Project Change Form from the effective date stated therein.
- 14.4 Unless and until a Project Change Form is signed by both parties, Consultant shall continue to perform the Services and provide the Deliverables under the relevant Project Statement in accordance with the existing terms of that Project Statement.
- 14.5 Consultant acknowledges and agrees that fees and expenses incurred with respect to any work that is outside the scope of a Project Statement, in the absence of an accepted and signed Project Change Form, shall be at Consultant's sole risk and expense.

15.0 RIGHTS, CLAIMS AND DISPUTES

- 15.1 Any claim which Consultant may have against National Grid arising out of the Agreement shall be presented in writing to National Grid not later than fifteen (15) days after the first occurrence of the circumstance which gave rise to the claim. The claim shall contain a concise statement of the question or dispute and the relevant fact and data (including the applicable Agreement provision) which support the claim. Consultant shall furnish any additional information which National Grid may require to enable it to evaluate and decide the claim.
- 15.2 FAILURE TO SUBMIT ANY CLAIM IN THE SAID 15-DAY PERIOD SHALL CONSTITUTE A WAIVER ON CONSULTANT'S PART FOR ENTITLEMENT TO EITHER ADDITIONAL REIMBURSEMENT OR AN EXTENSION OF TIME.
- 15.3 Any dispute between National Grid and Consultant with respect to the Agreement or the Services and/or Deliverables to be provided thereunder, or both, which cannot be resolved in the normal course by the respective representatives of the parties, shall be referred to the responsible officers of National Grid and Consultant for resolution. Notwithstanding the existence of a dispute or dissatisfaction with the manner in which it was resolved or the lack of any such resolution, National Grid shall be obligated to maintain payments not in dispute to Consultant and Consultant shall be obligated to proceed with its performance of the Projects under this Agreement (including any such disputed work), unless otherwise directed by National Grid.

16.0 WAIVER AND ELECTION OF REMEDIES

16.1 Waiver by National Grid or Consultant of any term, condition or provision of the Agreement shall not be considered a waiver of that term, condition or provision in the future. The failure of either party to enforce any of the terms, conditions or provisions of the Agreement or to require compliance with any of its terms, conditions or provisions at any time during the pendency of the Agreement, shall in no way affect the validity of the Agreement, or any part thereof, and shall not be deemed a waiver of the right of such party thereafter to enforce any term, condition or provision of the Agreement.



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- 16.2 No waiver, consent or modification of any of the provisions of the Agreement shall be binding unless in writing and signed by National Grid and Consultant.
- 16.3 National Grid's rights and remedies hereunder shall be cumulative and not exclusive of each other and may be pursued separately or concurrently as National Grid determines.

17.0 TERMINATION

National Grid may, in its sole discretion, terminate, in whole or in part, the Agreement or any Project Statement, or both, at any time in accordance with the provisions set forth herein. National Grid may exercise its right of partial termination hereunder any number of times.

17.1 FOR CAUSE

- 17.1.1 National Grid may, upon written notice to Consultant, terminate, in whole or in part, the Agreement or any Project Statement, or both, if:
 - 17.1.1.1. Consultant commits a material or persistent breach of the Agreement;
 - 17.1.1.2. a Project or Projects are abandoned by Consultant; or
 - 17.1.1.3. Consultant assigns or subcontracts all or any part of the Agreement or any Project Statement without National Grid's previously obtained written consent; or
 - 17.1.1.4. Consultant loses control of a Project or Projects from any cause, except for force majeure events per Section 13.0; or
 - 17.1.1.5. Consultant refuses or neglects to provide sufficient and properly skilled or other labor, or fails in any respect to prosecute the work with diligence; or
 - 17.1.1.6. Consultant is not executing the Project or Projects in good faith, or is not executing or performing the work on schedule; or
 - 17.1.1.7. Consultant becomes insolvent,

and such termination will be effective upon the date set forth in the written notice and, upon receipt of said notice, Consultant immediately shall turn over and deliver to National Grid all technical data and other information and material relating to the terminated Project or Projects which are within Consultant's possession or control and provide National Grid with such co-operation, information and assistance as may be reasonably requested by National Grid to ensure an orderly transition of the terminated Project or Projects to National Grid or its nominee. Consultant understands and agrees that, in the event Consultant fails or refuses to comply with the turnover and delivery obligations set forth herein, Consultant shall not be entitled to any amounts due and owing as of the date of termination for services rendered under the Agreement until such turnover has been fully complied with, as determined solely by National Grid.

17.1.2 Upon termination of the Agreement or any Project Statement, or both, for default, National Grid (or its nominee) may take over the terminated work and prosecute the same to completion. In such event, Consultant and its insurers shall be liable to National Grid for all direct transitional administrative costs and expenses incurred by National Grid to engage another consultant and for all costs to complete the terminated Project or Projects.



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17.1.3 Consultant's compensation in the event of termination for default shall be limited to the amounts due and owing for Services rendered and Deliverables provided in accordance with the terms of this Agreement up to the date of termination. No amount shall be paid or payable by National Grid for Consultant's termination costs, including but not limited to demobilization costs, costs associated with the transfer or termination of personnel, or loss of anticipated profit.

17.2 FOR CONVENIENCE

- 17.2.1 National Grid may, at any time, and for any reason, by written notice to Consultant, terminate, in whole or in part, the Agreement or any Project Statement, or both.
- 17.2.2 Such termination by National Grid shall be effective upon the date set forth in the written notice and, upon receipt of said notice, Consultant immediately shall turn over and deliver to National Grid, all technical data and other information and materials related to the terminated Project which are within Consultant's possession or control and provide National Grid with such co-operation, information and assistance as may be reasonably requested by National Grid to ensure an orderly transition of the terminated Project or Projects to National Grid or its nominee. Consultant understands and agrees that, in the event it fails or refuses to comply with the turnover and delivery obligations set forth herein, Consultant shall not be entitled to any amounts due and owing as of the date of termination for services rendered under the Agreement until such turnover has been fully complied with by Consultant.
- 17.2.3 Upon termination of the Agreement or any Project Statement or Project Statements, or both, National Grid shall pay to Consultant all amounts due and owing to Consultant under the Agreement or the terminated Project Statement or Project Statements (as applicable) up to the effective date of termination. No amount shall be paid or payable by National Grid for Consultant's termination costs, including but not limited to demobilization costs, costs associated with the transfer or termination of personnel, or loss of anticipated profit.
- 17.3 For the avoidance of doubt, in the event that National Grid elects to:
 - 17.3.1 terminate any Project Statement in accordance with Sections 17.1 or 17.2 above, the Agreement shall continue in full force and effect until expiration or earlier termination thereof and all remaining Project Statements shall continue in full force and effect until the completion or earlier termination of those remaining Project Statements; or
 - 17.3.2 terminate this Agreement in its entirety in accordance with Sections 17.1 or 17.2 above, all Project Statements then in effect shall also terminate with effect from the date set out in the termination notice and Consultant shall be entitled to payment of all amounts due and owing for Services and Deliverables provided in accordance with the terms of this Agreement up to the date of termination.



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18.0 TITLE TO PLANS AND SPECIFICATIONS

18.1 Any information, analyses, conclusions, reports, drawings, and specifications prepared by Consultant pursuant to the Agreement shall be the sole property of National Grid, National Grid may use information contained therein for any purpose whatsoever, including construction, maintenance, operation, modification, replacement, and repair. Consultant may retain a copy of such documents for its internal use only, but may not release any information contained therein without prior written consent of National Grid.

19.0 PATENT INFRINGEMENT AND INDEMNIFICATION

- 19.1 All royalties and fees for patents covering materials, articles, apparatus, devices, equipment or processes used in the Projects shall be included in the Price. Consultant shall satisfy all demands that may be made at any time for such royalties or fees.
- 19.2 Consultant guarantees that all work provided by Consultant under the Agreement shall be free from claims of patent, copyright, and/or trademark infringement.
- 19.3 Consultant shall indemnify, hold harmless, and, at National Grid's option, defend National Grid and its affiliates and their officers, directors, employees, agents, servants, and assigns from and against all claims, losses, costs, damages, suits, actions, and proceedings for actual or alleged infringement of any patent, copyright, or trademark resulting from any sale, use, or manufacture of any item delivered hereunder, and pay and discharge all judgments, decrees, and awards rendered therein and bear all expenses and legal fees associated therewith.
- 19.4 In the event of any adjudication that the Agreement, or any part thereof, infringes any patent, copyright, or trademark or in the event that the use of any part of the Projects is enjoined as a result of any claim that the Projects infringe any patent, copyright, or trademark Consultant shall, at its sole expense, either: a) procure for National Grid the right to continued use, or b) without impairing performance capability, replace the infringed work with substantially equivalent non-infringing work, or modify such work so it can become non-infringing.
- 19.5 Consultant shall obtain from its Subcontractors, for National Grid's benefit, agreements similar to those contained in this Section 19.0.
- 19.6 Notwithstanding any other provision of the Agreement, this Section 19.0 shall survive the termination or expiration of the Agreement.



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20.0 INVENTIONS, PATENTS AND COPYRIGHTS

- Any and all works, expressions, inventions, ideas, discoveries, improvements or developments (whether or not patentable), as well as all copyrights, patents or trademarks thereof, that may be conceived or made by Consultant or Consultant's partner(s), employee(s), agent(s), vendor(s), contractor(s), supplier(s) or any other party employed by Consultant, or Subcontractor to Consultant of any tier, to satisfy its obligation under the Agreement shall be work made for hire and shall be deemed the property of National Grid. All such works, expressions, inventions, ideas, discoveries, improvements or developments, as well as all copyrightable expressions thereof, shall be deemed to fit into one or more of the specifically enumerated categories of works contained in 17 U.S.C. Section 101 et sea, and any subsequent revisions thereof, supplier(s), or any other party employed by Consultant, or Subcontractor to Consultant of any tier, to satisfy its obligation under the Agreement shall promptly furnish National Grid with complete information, including, without limitation, a written description thereof giving the date of the work, invention or expression and naming the inventors or authors and others involved in the development or writing of the work, invention or expression. National Grid shall have the sole power to determine whether or not and in which countries and jurisdictions patent application shall be filed or copyrights registered and to determine the disposition of title to and rights in any works, expressions, inventions, ideas, discoveries, improvements or developments and in any United States and foreign patent applications, patents or copyrights that may result. Memoranda, notes and experimental works, descriptions, diagrams and other data generated in performance of the Work pertaining to any and all works, expressions, inventions, ideas, discoveries, improvements and developments covered by the Agreement shall be available at reasonable times to National Grid.
- 20.2 Consultant shall assist National Grid in the implementation of this Section 0 by obtaining and providing detailed written descriptions of each invention, idea, discovery or expression sufficient for filing patent or copyright applications, by providing an evaluation of the patentability or copyrightability of each disclosure, by assisting National Grid in the prosecution of patent and copyright applications, and by executing or having executed by appropriate persons any and all documents which may be necessary or desirable to cause title in such inventions, ideas, discoveries, or expressions to vest with National Grid. The cost of such assistance shall be considered separate and distinct and shall be mutually agreed upon between National Grid and Consultant.
- 20.3 In order to further effectuate the provisions of this Section 0, Consultant agrees to deliver to National Grid either 1) agreements in the same form as the Non-Disclosure Agreement signed by Consultant and National Grid and attached to this Agreement, executed by Consultant and each partner, agent, employee, vendor, contractor, Subcontractor and any other party employed by Consultant to satisfy its obligations under the Agreement, and any employee of any of the foregoing parties, or 2) a written statement from Consultant representing and warranting that it has in place written, binding agreements in the same form as the Non-Disclosure Agreement signed by Consultant and National Grid and attached to this Agreement for any and all entities and persons it will utilize to satisfy its obligations under the Agreement.



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21.0 NON-DISCLOSURE

- 21.1 Consultant agrees that it will not divulge to third parties, without the prior written consent of National Grid, any information obtained from or through National Grid in connection with the performance of the Agreement unless 1) the information was independently known to Consultant prior to obtaining same from National Grid, 2) the information is, at the time of disclosure by Consultant, then in the public domain, or 3) the information is obtained by Consultant from a third party who did not receive same, directly or indirectly, from National Grid. Consultant further agrees that it will not, without the prior written consent of National Grid, disclose to any third party any information developed or obtained by Consultant in the performance of the Agreement, except to the extent that such information developed or obtained by Consultant in the performance of the Agreement falls within one of the categories described in 1), 2), or 3).
- 21.2 Consultant may disclose proprietary information to its partner(s), employee(s), agent(s), vendor(s), contractor(s), subcontractor(s), or any other party employed by Consultant if and only if 1) such disclosure is necessary in order to perform the Work; and 2) the party to whom proprietary information will be disclosed has executed and delivered to National Grid a Non-Disclosure Agreement in the same form as set out the Non-Disclosure Agreement signed by Consultant and National Grid and attached to this Agreement or Consultant has provided a written binding representation and warranty as stated in Section 20.3. If Consultant has any question about whether information is proprietary, it shall contact National Grid prior to disclosing such information for a determination as to its proprietary status.
- 21.3 The obligations of Consultant with respect to Sections 0 and 0 shall survive the completion or termination of the Agreement.

22.0 EQUAL EMPLOYMENT OPPORTUNITY

- 22.1 Consultant shall comply with all applicable federal, state and local anti-discrimination laws, the standards and regulations issued thereunder and the amendments thereto, including Executive Order 11141 relating to age discrimination, Executive Order 11246 relating to equal employment opportunity, Executive Order 11625 relating to minority business enterprise, Executive Order 11701 relating to employment of veterans and Executive Order 11758 relating to handicapped employment. The aforementioned are incorporated herein as if set forth herein verbatim in addition to The Human Rights Law of the State of New York (Article 15 of the Executive law), if applicable.
- 22.2 Consultant agrees to fully comply with such provisions, and any amendments. In addition, all subcontracts and agreements that Consultant enters into to accomplish the Projects under the terms of the Agreement shall obligate such Subcontractors to comply with such provisions.

23.0 UTILIZATION OF SMALL BUSINESS CONCERNS

23.1 It is the policy of the United States that small business concerns, veteran-owned small business concerns, service disabled veteran-owned small business concerns, HUBZone small business concerns, small disadvantaged business concerns, and women-owned small business concerns shall have the maximum practicable opportunity to participate in performing contracts let by any Federal agency, including contracts and subcontracts for subsystems, assemblies, components, and related services for major systems. It is further the policy of the United States that its prime contractors establish procedures to ensure the timely payment of amounts due pursuant to the terms of their subcontracts with small business concerns, veteran-owned small business



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concerns, service-disabled veteran-owned small business concerns, HUBZone small business concerns, small disadvantaged business concerns, and women-owned small business concerns.

- 23.2 Consultant hereby agrees to carry out this policy in the awarding of subcontracts to the fullest extent consistent with efficient contract performance. Consultant further agrees to cooperate in any studies or surveys as may be conducted by the United States Small Business Administration or the awarding agency of the United States as may be necessary to determine the extent of Consultant's compliance with this clause.
- 23.3 Definitions. As used in this contract-
 - 23.3.1 "HUBZone small business concern" means a small business concern that appears on the List of Qualified HUBZone Small Business Concerns maintained by the Small Business Administration.
 - 23.3.2 "Service-disabled veteran-owned small business concern means a small business concern, where (a) not less than 51 percent of which is owned by one or more service-disabled veterans or, in the case of any publicly owned business, not less than 51 percent of the stock of which is owned by one or more service-disabled veterans; and (b) the management and daily business operations of which are controlled by one or more service-disabled veteran with permanent and severe disability, the spouse or permanent caregiver of such veteran.
 - 23.3.3 "Service-disabled veteran" means a veteran, as defined in 38 U.S.C. 101(2), with a disability that is service connected, as defined in 38 U.S.C. 101(16).
 - 23.3.4 "Small business concern" means a small business as defined pursuant to Section 3 of the Small Business Act and relevant regulations promulgated pursuant thereto.
 - 23.3.5 "Small disadvantaged business concern" means a small business concern that represents, as part of its offer that: (a) It has received certification as a small disadvantaged business concern consistent with 13 CFR part 124, Subpart B; (b) No material change in disadvantaged ownership and control has occurred since its certification; (c) Where the concern is owned by one or more individuals, the net worth of each individual upon whom the certification is based does not exceed \$750,000 after taking into account the applicable exclusions set forth at 13 CFR 124.104(c)(2); and (d) It is identified, on the date of its representation, as a certified small disadvantaged business in the database maintained by the Small Business Administration (PRO-Net).
 - 23.3.6 "Veteran-owned small business concern" means a small business concern where (a) Not less than 51 percent of which is owned by one or more veterans (as defined at 38 U.S.C. 101(2)) or, in the case of any publicly owned business, not less than 51 percent of the stock of which is owned by one or more veterans; and (b) The management and daily business operations of which are controlled by one or more veterans.
 - 23.3.7 "Women-owned small business concern" means a small business concern (a) that is at least 51 percent owned by one or more women, or, in the case of any publicly owned business, at least 51 percent of the stock of which is owned by one or more women; and (b) the management of which and daily business operations are controlled by one or more women.



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23.4 Consultant acting in good faith may rely on written representations by their subcontractors regarding their status as a small business concern, a veteran-owned small business concern, a service-disabled veteran-owned small business concern, a HUBZone small business concern, a small disadvantaged business concern, or a women-owned small business concern.

24.0 ASSIGNMENT AND SUBCONTRACTING

- 24.1 ASSIGNMENT: Consultant shall not assign the Agreement, nor assign any moneys payable under the Agreement, without first obtaining the written consent of National Grid. Any assignment by Consultant without written consent of National Grid shall be considered null and void from inception. Any National Grid authorized assignments shall not relieve Consultant of the responsibility for full compliance with the requirements of the Agreement.
- 24.2 SUBCONTRACTING: Consultant shall not sub-contract any portion of the Projects under this Agreement without first obtaining the written consent of National Grid. Any sub-contracting by Consultant without such written consent, shall be considered null and void from inception.
- 24.3 Where National Grid consents to the appointment of a Subcontractor by Consultant:
 - 24.3.1 such consent shall not relieve Consultant from any liability or obligation to National Grid under the Agreement, nor Consultant's responsibility to fully comply with the terms and conditions of the Agreement as principal contractor
 - 24.3.2 Consultant shall ensure that all duties and obligations that Consultant has to National Grid under the Agreement (including non-disclosure obligations and the requirement to comply with National Grid's background check policies) are included in the subcontract or other agreement that Consultant enters into with its Sub-contractor and shall procure that the Subcontractor complies with such duties and obligations at all relevant times; and
 - 24.3.3 Consultant is, and shall remain, fully liable for all acts, omissions, defaults or negligence of its Subcontractor, as fully as if they were the acts, omissions, defaults or negligence of Consultant.

25.0 ALCOHOL AND DRUG ABUSE POLICY

- 25.1 Consultant's employees and employees working under Consultant's direction or Subcontractors of any tier shall not bring, use, distribute, sell or possess illegal drugs or alcoholic beverages at National Grid's facilities.
- 25.2 Consultant's employees shall be fit for duty at all times during their assignment and shall not be under the influence of alcohol or other drugs. Additionally, Consultant shall not assign any individual in violation of this policy to work assignments for National Grid and if Consultant discovers any of its employees are in violation of these requirements, it shall remove any such employee immediately.
- 25.3 Violation of these requirements by Consultant's employees shall result in denial of access to National Grid's facilities and equipment; and in the case of possession, use or sale of illegal drugs, shall be reported to National Grid's Security Department immediately.



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26.0 REGULATORY REQUIREMENTS

26.1 The Agreement and Project Statements, where relevant, will provide any instructions pursuant to any regulatory requirements incumbent on Consultant during the course of the Projects.

27.0 NERC/CIP

27.1 In the event of non-compliance or breach on the part of Consultant, its employees, agents or subcontractors with or of any or all of the NERC Cyber Security Standards, Consultant shall be solely liable for any and all resulting costs, losses, penalties, damages and liabilities, including any costs, losses, penalties, damages or liabilities incurred by National Grid, and National Grid may terminate this Agreement for cause, pursuant to the termination provisions contained herein.

28.0 THIRD PARTY ITEMS

- 28.1 In the event that Consultant employs Subcontractor(s) (with National Grid's prior written approval) for any services associated with the Agreement or directly purchases equipment or materials to be used in the Projects, Consultant shall: 1) ensure that the appropriate provisions of the Agreement are applied in such subcontract(s) in the best interests and protection of National Grid and, 2) ensure that National Grid, via Consultant's billings, receives full benefit of commercial discounts, favorable rates and all guarantees made available by its vendors and/or Subcontractors of any tier.
- 28.2 It is understood that National Grid shall have full rights of ownership of all equipment and materials purchased by Consultant for the prosecution of the Projects. At the request of National Grid, Consultant shall provide, or cause to be provided, appropriate bills of sale, assignments or other documents to ensure the vesting of rights of title and ownership in National Grid.
- 28.3 Following completion of each of the Projects, National Grid may direct Consultant to deliver all equipment, appliances and materials not previously incorporated in that Project or otherwise disposed of (with National Grid's approval) to National Grid's facility.

29.0 COMPLIANCE WITH LAWS

- 29.1 Consultant shall comply with all applicable federal, state and local laws, ordinances, rules, regulations, permits, licenses, or requirements thereunder in connection with the performance of the Projects.
- 29.2 In connection with any performance under or in connection with the Agreement, Consultant, its Subcontractors, agents, and representatives shall, at all times: 1) strictly comply with National Grid's safety and environmental standards, rules, regulations, directives, and procedures, including, without limitation, National Grid USA's Contractor Safety Requirements and Contractor Environmental Requirements, (if incorporated as Schedules to this Agreement) and with any and all applicable federal, state, municipal, and local laws, rules, regulations, codes, and ordinances related to employee and public health, safety, and/or the environment (as in force upon the date of the Agreement and as in the future passed, enacted, directed, or amended), collectively, "Standards", and 2) conduct all operations in a manner to ensure the safety of all personnel, the general public, and the protection of the environment and so as to avoid the risk of injury, death, loss, theft, or damage by accident, vandalism, sabotage, or any other means. In

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cases where one or more conflicting Standards may be applicable, Consultant shall comply with the most stringent applicable Standard. Consultant acknowledges receipt of the Requirements.

- 29.3 In the event of any emergency endangering life, health, property, or the environment, Consultant shall take such prompt action as may be reasonable and necessary to prevent, avoid, or mitigate injury, damage, or loss and shall, as soon as possible, report any such incidents, including Consultant's response thereto, to National Grid. In the event that Consultant becomes aware of any non-compliance with such Standards, Consultant shall, in each case, immediately notify National Grid and shall take prompt corrective action; provided, however, that such notice and action shall in no event relieve Consultant of any liability for, or in connection with, such non-compliance.
- 29.4 Consultant shall continually inspect all Project sites, facilities, materials, and equipment to discover and determine any conditions that might involve safety or environmental risks, shall continuously inspect all work and supervise its personnel to determine and enforce compliance with all Standards, and shall be solely responsible for discovery, determination, and correction of any non-compliance. Consultant shall be solely responsible and assume all liability for the safety and supervision of its personnel engaged in any performance in connection with the Agreement. Consultant shall designate a representative to insure compliance with all Standards and direct its personnel to take all precautions necessary to protect against and prevent injury or damage to persons, property, and/or the environment. Consultant shall instruct all such personnel on safety and environmental practices and the requirements of the Standards and shall inform such personnel of all modifications or additions thereto. Consultant shall furnish all appropriate safety equipment and enforce the use of such equipment.
- 29.5 In addition to any other warranties contained in the Agreement, Consultant warrants that its performance in connection with the Agreement shall comply with all applicable Standards.
- 29.6 Consultant shall save National Grid harmless from and against all liability resulting from violations by Consultant of said laws, ordinances, rules regulations, permits and licenses. Any and all costs related to National Grid's enforcement of this hold-harmless provision shall be borne by Consultant.
- 29.7 If Consultant observes that any requirement specified in the Agreement is at variance with any governing laws, ordinances, rules, regulations, permits and licenses, Contractor shall promptly notify National Grid in writing before incurring any further liability, expense, or obligation for Consultant or National Grid.

30.0 JURISDICTION AND GOVERNING LAWS

- 30.1 Unless other governing laws and/or other jurisdictions are specifically established in the Agreement, the Agreement shall be deemed to be executed in the State of New York and the Agreement shall be interpreted and enforced according to the Laws of the State of New York.
- 30.2 Unless otherwise specifically established in the Agreement, only the courts of New York shall have jurisdiction over the Agreement and any controversies arising out of the Agreement. Any controversies arising out of the Agreement shall be submitted only to the courts of New York. Consultant hereby submits to the courts of New York for the purposes of interpretation and enforcement of the Agreement.

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30.3 Consultant hereby waives personal service by manual delivery and agrees that service of process on Consultant in any action arising out of the Agreement may be made by registered or certified mail, return receipt requested, directed to Consultant at its address set forth in the Agreement.

31.0 SEVERABILITY

31.1 In the event any portion or part of the Agreement is deemed invalid, against public policy, void or otherwise unenforceable by a court of law, the parties shall negotiate in good faith an equitable adjustment in the affected provision of the Agreement; however, the validity and enforceability of the remaining parts thereof shall be otherwise fully enforceable.

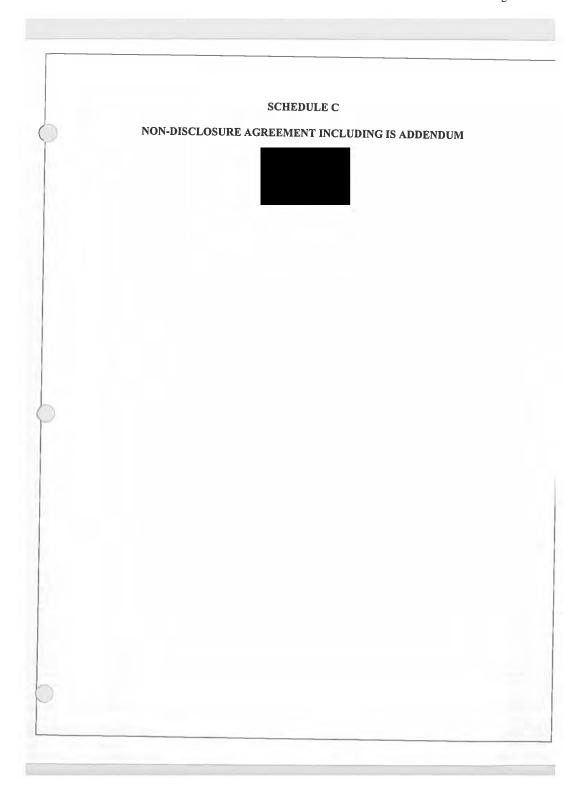
32.0 ENTIRE AGREEMENT

32.1 The Agreement constitutes the entire agreement between National Grid and Consultant with respect to the Projects and all previous representations relative thereto, either written or oral, are hereby annulled and superseded. No modification to any of the provisions of the Agreement shall be binding unless in writing and signed by the parties.

Terms and Conditions for Consulting (MSA)

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NON-DISCLOSURE AGREEMENT

This Non-Disclosure Agreement ("Non-Disclosure Agreement") dated as of (the "Effective Date"), between (the "Contractor").

National Grid USA Service Company, Inc. d/b/a National Grid ("National Grid" or "Company"), a Massachusetts corporation, having offices at 40 Sylvan Rd, Waltham, MA 02451 (each, individually, a "Party" and, collectively, the "Parties").

RECITALS

WHEREAS, the Parties and their respective Affiliates (as such term is defined below) possess certain confidential and proprietary Information (as such term is defined below); and

WHEREAS, each Party may elect, in its sole discretion, to disclose Information to the other Party, its Representatives (as such term is defined below) or its Affiliates in connection with General Management Consultancy (the "<u>Purpose</u>"), subject to the terms and conditions of this Non-Disclosure Agreement.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the Parties agree as follows:

§1. Certain Definitions.

- (a) The term "Information" means
- (i) all financial, technical and other non-public or proprietary information which is furnished or disclosed orally, in writing, electronically or in other form or media by the Disclosing Party, its Representatives or its Affiliates to the Recipient, its Representatives or its Affiliates in connection with the Purpose and that is described or identified (at the time of disclosure) as being non-public, confidential or proprietary, or the non-public or proprietary nature of which is apparent from the context of the disclosure or the contents or nature of the information disclosed; and
- (ii) all memoranda, notes, reports, files, copies, extracts, inventions, discoveries, improvements or any other thing prepared or derived from the information described in $\S1(a)(i)$, above; and
 - (iii) all Personal Information (as s defined in Exhibit A attached); and
 - (iv) all Customer Information (as such term in is defined below).
- (b) The term "Recipient" means a Party to whom the other Party, its Representatives or its Affiliates discloses Information in its possession.

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- (c) The term "<u>Disclosing Party</u>" means the Party disclosing Information in its possession, or on whose behalf Information is disclosed, to a Recipient.
- (d) The term "<u>Representative(s)</u>" means the officers, directors, managers, partners, members, shareholders, employees, agents, attorneys, accountants, contractors and advisors of a Party or its Affiliates.
- (e) The term "Affiliate" means any person controlling, controlled by, or under common control with, any other person; "control" shall mean the ownership of, with right to vote, 50% or more of the outstanding voting securities, equity, membership interests, or equivalent, of such person.
- (f) The term "<u>Customer Information</u>" means Information that may include, but is not limited to, customer's name, address, email address, account number, billing information, load information, and usage information.

§2. Permitted Disclosure and Personal Information

- (a) Recipient shall receive all Information in strict confidence, shall exercise reasonable care to maintain the confidentiality and secrecy of the Information, and, except to the extent expressly permitted by this Non-Disclosure Agreement, shall not divulge Information to any third party without the prior written consent of the Disclosing Party. The foregoing notwithstanding, the Recipient may disclose Information to its Representatives and/or Affiliates to the extent each such Representative or Affiliate has a need to know such Information for the Purpose contemplated by this Non-Disclosure Agreement and agrees to observe and comply with the obligations of the Recipient under this Non-Disclosure Agreement with regard to such Information. The Recipient shall immediately notify the Disclosing Party regarding, and shall be responsible hereunder for, any breach of the terms of this Non-Disclosure Agreement to the extent caused by any of its Representatives.
- (b) The Parties acknowledge that Information and/or data disclosed under this Non-Disclosure Agreement may include Personal Information (as such term is defined in Exhibit A attached hereto). To the extent Personal Information is disclosed under this Non-Disclosure Agreement, the Parties obligations shall be governed by the Information Security Addendum (attached hereto as Exhibit A) which is hereby incorporated by reference and made a part of this Non-Disclosure Agreement.

§3. <u>Exclusions from Application</u>.

This Non-Disclosure Agreement shall not apply to Information that,

(i) at the time of disclosure by or on behalf of the Disclosing Party hereunder, is in the public domain, or thereafter enters the public domain without any breach of this Non-Disclosure Agreement by the Recipient or any of its Representatives or Affiliates,

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- (ii) is rightfully in the possession or knowledge of Recipient, its Representatives or its Affiliates prior to its disclosure by or on behalf of the Disclosing Party,
- (iii) is rightfully acquired by Recipient, its Representatives or its Affiliates from a third party who is not under any obligation of confidence with respect to such Information, or
- (iv) is developed by Recipient, its Representatives or its Affiliates independently of the Information disclosed hereunder by or on behalf of the Disclosing Party (as evidenced by written documentation).
- Production of Information. The Recipient agrees that if it, or any of its Representatives or Affiliates, is required by law, by a court or by other governmental or regulatory authorities (including, without limitation, by oral question, interrogatory, request for information or documents, subpoena, civil or criminal investigative demand or other process) to disclose any of the Disclosing Party's Information, the Recipient shall provide the Disclosing Party with prompt notice of any such request or requirement, to the extent permitted to do so by applicable law, so that the Disclosing Party may seek an appropriate protective order or waive compliance with the provisions of this Non-Disclosure Agreement. If, failing the entry of a protective order or the receipt of a waiver hereunder, the Recipient (or any Representative or Affiliate of the Recipient) is, in the opinion of its counsel, legally compelled to disclose such Information, the Recipient may disclose, and may permit such Representative to disclose, that portion of the Information which its counsel advises must be disclosed and such disclosure shall not be deemed a breach of any term of this Non-Disclosure Agreement. In any event, the Recipient shall use (and, to the extent applicable, shall cause its Representatives and Affiliates to) use_reasonable efforts to seek confidential treatment for Information so disclosed if requested to do so by Disclosing Party, and shall not oppose any action by, and shall reasonably cooperate with, the Disclosing Party to obtain an appropriate protective order or other reliable assurance that confidential treatment will be accorded the Information.
- §5. <u>Scope of Use</u>. Recipient shall, and shall cause its Representatives and Affiliates to, use Information disclosed by or on behalf of the Disclosing Party solely in connection with the Purpose and shall not, and shall cause its Representatives and Affiliates not to, use, directly or indirectly, any Information for any other purpose without the Disclosing Party's prior written consent.
- §6. <u>No Representations: No Rights Conferred.</u> Disclosing Party makes no representations or warranties, express or implied, with respect to any Information disclosed hereunder, including, without limitation, any representations or warranties as to the quality, accuracy, completeness or reliability of any such Information; all such representations and warranties are hereby expressly disclaimed. Neither the Disclosing Party nor its Representatives or Affiliates shall have any liability whatsoever with respect to the use of, or reliance upon, the Information by the Recipient, its Representatives or its Affiliates. Neither Recipient, its Representatives nor its Affiliates shall acquire any rights in Information by virtue of its disclosure hereunder. No license to Recipient, its Representatives or its Affiliates under any

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trademark, patent, or other intellectual property right, is either granted or implied by the disclosure of Information under this Non-Disclosure Agreement.

- §7. Return or Destruction of Information. Recipient shall return and deliver, or cause to be returned and delivered, to the Disclosing Party, or destroy or cause to be destroyed (with certification of destruction delivered to Disclosing Party), all tangible Information, including copies and abstracts thereof, within thirty (30) days of a written request by the Disclosing Party (a "Request"). The foregoing notwithstanding, Recipient may retain one copy of such Information for archival purposes only and subject to compliance with the terms of this Non-Disclosure Agreement. Notwithstanding the foregoing, each Party agrees that the Recipient shall not be required to return to the Disclosing Party, or destroy, copies of Disclosing Party's Information that (A) reside on the Recipient's or its Affiliates' backup, disaster recovery or business continuity systems, or (B) that the Recipient or its Affiliates are obligated by applicable law and/or governmental regulations to retain. The Recipient agrees that, following its receipt of the Request, it shall neither retrieve nor use the Disclosing Party's Information for any purpose other than that specified in clause (B) above.
- §8. <u>No Partnership, Etc.</u> Nothing contained herein shall bind, require, or otherwise commit a Party (or any Affiliate thereof) to proceed with any project, sale, acquisition, or other transaction of or with the other Party or any other entity. No agency, partnership, joint venture, or other joint relationship is created by this Non-Disclosure Agreement. Neither this Non-Disclosure Agreement nor any discussions or disclosures hereunder shall prevent any Party from conducting similar discussions with other parties or performing work, so long as such discussions or work do not result in the disclosure or use of Information in violation of the terms of this Non-Disclosure Agreement. The terms of this Non-Disclosure Agreement shall not be construed to limit any Party's right to independently engage in any transaction, or independently develop any information, without use of any other Party's Information.
- §9. <u>Term and Termination</u>. Except with respect to any Information that is Customer Information or Personal Information, Recipient's obligations and duties under this Non-Disclosure Agreement shall have a term of seven (7) years from the Effective Date (the "<u>Term</u>"). In the case of any Information that is Customer Information or Personal Information, Recipient's obligations and duties under this Non-Disclosure Agreement shall survive indefinitely (the "<u>Special Information Term</u>"). Either Party may terminate this Non-Disclosure Agreement by written notice to the other Party. Notwithstanding any such termination, all rights and obligations hereunder shall survive (i) for the Special Information Term for all Customer Information or Personal Information disclosed prior to such termination, and (ii) for the Term for all other Information disclosed prior to such termination.
- §10. <u>Injunctive Relief.</u> The Parties acknowledge that a breach of this Non-Disclosure Agreement by Recipient may cause irreparable harm to the Disclosing Party for which money damages would be inadequate and would entitle the Disclosing Party to injunctive relief and to such other remedies as may be provided by law.
- §11. Governing Law; Consent to Jurisdiction. This Non-Disclosure Agreement shall be governed and construed in accordance with the laws of the Commonwealth of Massachusetts

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without regard to the principles of the conflict of laws contained therein. Each Party hereby submits to the personal and subject matter jurisdiction of the courts of the Commonwealth of Massachusetts for the purpose of interpretation and enforcement of this Non-Disclosure Agreement.

- §12. <u>Amendments</u>. This Non-Disclosure Agreement may be amended or modified only by an instrument in writing signed by authorized representatives of all Parties.
- §13. <u>Assignment</u>. This Non-Disclosure Agreement may not be assigned without the express written consent of all Parties hereto; provided, however, that National Grid may assign this Non-Disclosure Agreement to an Affiliate without the consent.
- §14. <u>Severability</u>. Whenever possible, each provision of this Non-Disclosure Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision hereof shall be prohibited by, or determined to be invalid under, applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Non-Disclosure Agreement. All obligations and rights of the Parties expressed herein shall be in addition to, and not in limitation of, those provided by applicable law.
- §15. <u>Entire Agreement</u>. This Non-Disclosure Agreement constitutes the entire agreement among the Parties with respect to the subject matter hereof, and any and all previous representations or agreements with respect to such subject matter, either oral or written, are hereby annulled and superseded.
- §16. <u>Consents and Waivers</u>. Any consent or waiver of compliance with any provision of this Non-Disclosure Agreement shall be effective only if in writing and signed by an authorized representative of the Party purported to be bound thereby, and then such consent or waiver shall be effective only in the specific instance and for the specific purpose for which it is given. No failure or delay by any Party in exercising any right, power or privilege under this Non-Disclosure Agreement shall operate as a waiver thereof, nor shall any single or partial waiver thereof preclude any other exercise of any other right, power or privilege hereunder.
- §17. <u>No Publicity</u>. No Party shall (and each Party shall ensure that its Representatives and Affiliates do not) issue any press release or make any other public announcement regarding the existence of this Non-Disclosure Agreement or any discussions among the Parties regarding the Purpose without the prior written consent of all Parties.
- §18 <u>Notices</u>. Where written notice is required by this Non-Disclosure Agreement, such notice shall be deemed to be given when delivered personally, mailed by certified mail, postage prepaid and return receipt requested, or by facsimile or electronic mail, as follows:

To National Grid:



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§19 Counterparts. This Non-Disclosure Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Non-Disclosure Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement. The exchange of copies of this Non-Disclosure Agreement and of signature pages by facsimile or other electronic transmission (including, without limitation, exchange of PDFs by electronic mail) shall constitute effective execution and delivery of this Non-Disclosure Agreement as to the Parties and may be used in lieu of the original Non-Disclosure Agreement for all purposes. Signatures of the Parties transmitted by facsimile or other electronic means shall be deemed to be their original signatures for all purposes. In proving this Non-Disclosure Agreement it shall not be necessary to produce or account for more than one such counterpart signed by the Party against whom enforcement is sought.

[Signatures are on following page.]

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- 7 -IN WITNESS WHEREOF, this Non-Disclosure Agreement has been executed by authorized representatives of the Parties as of the date first above written.



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Exhibit A

Information Security Addendum

The following terms and conditions shall apply with regard to Personal Information as defined in this Information Security Addendum ("Addendum"). In the case of any inconsistency, conflict, or any other difference with respect to Personal Information between the Non-Disclosure Agreement and any of the terms in this Addendum, the terms of this Addendum shall in all cases be controlling. To the extent any capitalized terms are not defined in this Addendum, such shall have the same definition as have been provided in the preceding Non-Disclosure Agreement. The obligations of Contractor under this Addendum shall be deemed to apply to and bind Contractor's Representative and Affiliates to the extent such Representative or Affiliate receives or has access to any Personal Information; provided, however, that Contractor shall remain solely liable for any noncompliance with the terms of this Addendum caused by its Representatives or Affiliates.

1.0 DEFINITION

1.1 "Personal Information" – Information that identifies a specific person, including but not limited to first name and last name or first initial and last name in combination with anyone or more of the following data elements home and work addresses; telephone numbers, e-mail addresses; social security numbers; medical insurance numbers, state issued identification card number birthdates, gender; marital status; driver's license numbers or other driver identification data; personnel records; customer account information; financial account information; credit related information including but not limited to credit or debit card numbers and personal identification numbers such as access codes, security codes or passwords that would permit access to an individual's financial account; and medical or protected health information. Without limiting the foregoing, Personal Information includes all private data of National Grid and its affiliates' employees, officers, directors, subcontractors, agents, and customers, as may be defined by state and/or federal statutes and regulations and/or National Grid policies or practices. Personal Information shall not include publicly available information, lawfully made available to the general public in federal, state, or local government records.

2.0 SECURITY

- 2.1 Contractor hereby agrees to comply with state laws applicable to Personal Health Information (PHI) and personal information of individuals' information it receives from National Grid, including the Massachusetts Data Security Regulations, 201 CMR 17.00, as applicable, during the term of the Non-Disclosure Agreement.
- 2.2 Contractor agrees to: (a) implement and maintain appropriate physical, technical and administrative security measures for the protection of personal information as required by any state law, including 201 CMR 17.00 as applicable; including, but not limited to: (i) encrypting all transmitted records and files containing personal information that will travel across public



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- networks, and encryption of all data containing personal information to be transmitted wirelessly; (ii) prohibiting the transfer of personal information to any portable device unless such transfer has been approved in advance; and (iii) encrypting any personal information to be transferred to a portable device; and (b) implement and maintain a Written Information Security Program as required by any state law, including, 201 CMR 17.00, as applicable.
- 2.3 Contractor shall not, directly or indirectly, divulge, disclose or communicate to any person, firm, or corporation any Personal Information, except with the written permission of National Grid.
- 2.4 All records pertaining to the Personal Information, whether developed by the National Grid or others, are and shall remain the property of National Grid;
- 2.5 Contractor shall adopt, implement and maintain security procedures sufficient to protect from improper disclosure or use all Personal Information. Such security procedures shall be reasonably acceptable to National Grid and in compliance with all applicable statutory and regulatory requirements. As of March 1, 2010, Contractor shall have adopted a written information security program ("WISP") consistent with the Standards for the Protection of Personal Information of Residents of the Commonwealth of Massachusetts, 201 CMR 17.00 (the "MA Security Regs") to govern the protection of all Personal Information. Contractor maintains on behalf of National Grid, and Contractor agrees to apply the standards and requirements of the MA Security Regs to all such Personal Information, regardless of the jurisdiction in which the subject of the Personal Information resides. During the term of the Non-Disclosure Agreement and for a period of seven (7) years thereafter, Contractor shall maintain, and provide for National Grid's review, at National Grid's request, (a) Contractor's WISP and (b) other applicable security program documents, including its incident response policies, encryption standards and/or other computer security protection policies or procedures, that constitute compliance with applicable Privacy Laws, including the MA Security Regs. Contractor shall provide National Grid with any amendments to such policies or programs, and any new policies or programs related to information privacy and security as may be adopted by Contractor from time to time, within thirty (30) days after the adoption of any such amendment, policy or program.
- 2.6 Contractor shall notify National Grid immediately and in writing of any actual or attempted unauthorized possession, use, or knowledge of the Personal Information. Contractor shall promptly and in writing provide National Grid with full details of the actual or attempted unauthorized possession, use, or knowledge, and shall use reasonable efforts to prevent a recurrence thereof. National Grid, or its designated agent, shall have the right, upon reasonable notice to Contractor, to complete a review of Contractor's security measures and ensure that unauthorized access to Personal Information has been eliminated. Contractor's failure to comply with this Article 2.4 shall be considered a material breach of the Non-Disclosure Agreement, for which no cure period shall apply.
- 2.7 Contractor shall notify National Grid immediately and in writing if it becomes aware of a vulnerability that could create a risk of unauthorized access to the Personal Information, and shall work with National Grid to mitigate such risk.

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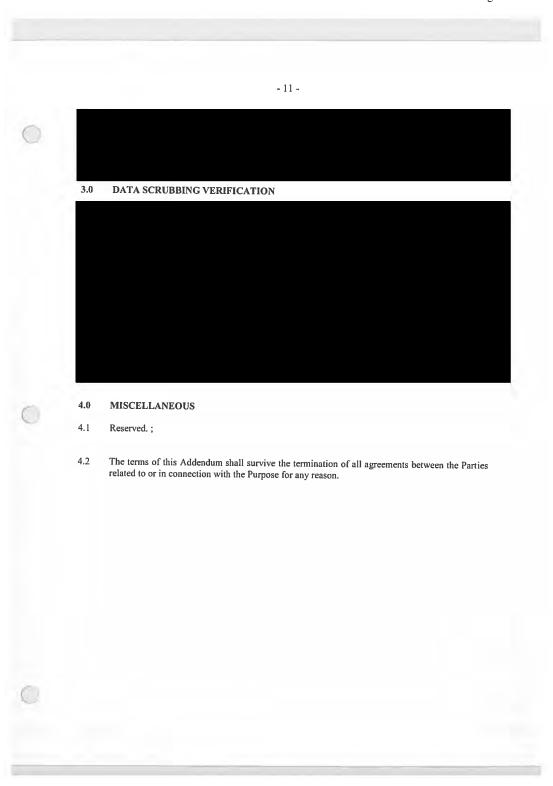


- 2.9 Contractor shall have a process for managing both minor and major security incidents. Contractor shall report security incidents to the National Grid. Contractor shall cooperate with and follow the instructions of National Grid in responding to any such incident related to Personal Information that was provided to Contractor by National Grid, or by National Grid employees, agents or customers, hereunder. Contractor incidents include, but are not limited to, a virus or worm outbreak, cyber security intrusions into systems directly responsible for supporting National Grid data and services, physical security breaches into facilities directly responsible for supporting National Grid data and services, and other directed attacks on systems directly responsible for supporting National Grid data and services.
- 2.10 Contractor understands the extremely sensitive nature of the Personal Information shared, and acknowledges that National Grid would suffer irreparable harm, for which damages would not be an adequate remedy, if National Grid's Personal Information were improperly disclosed. Contractor therefore agrees that National Grid shall be entitled to seek and obtain equitable relief in addition to all other remedies at law to protect its Personal Information.



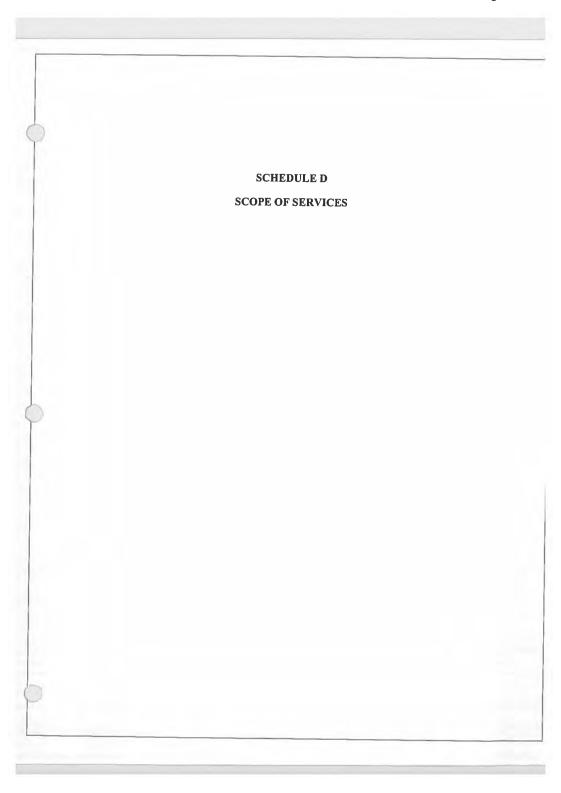
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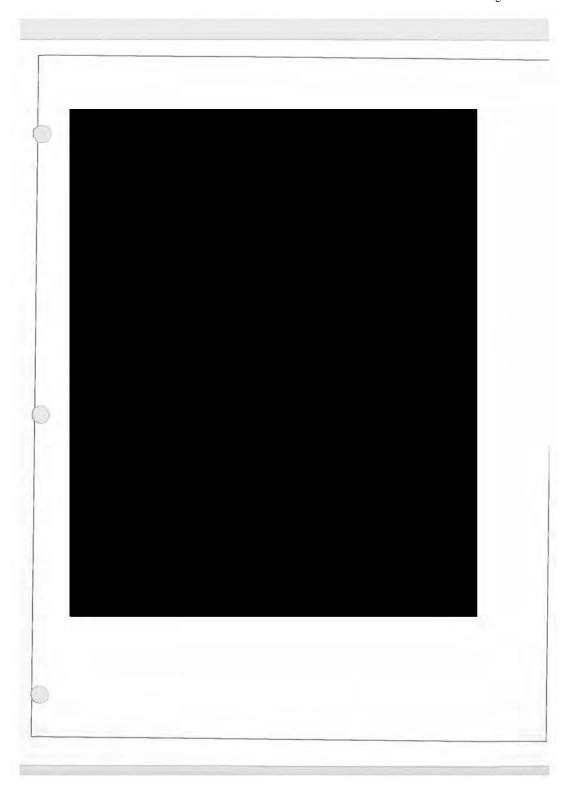
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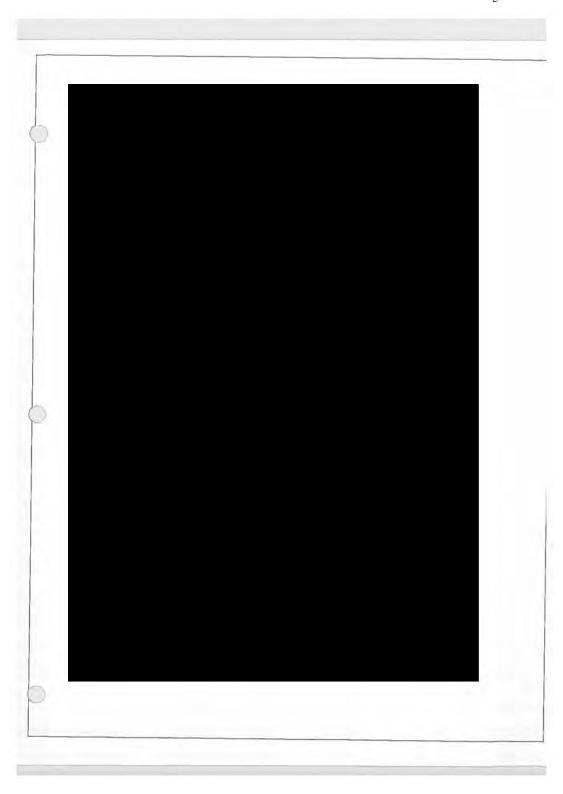
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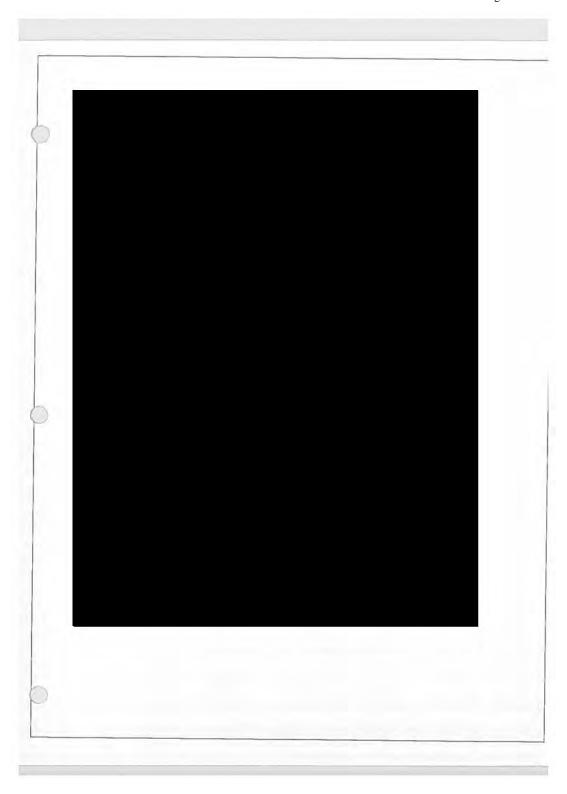
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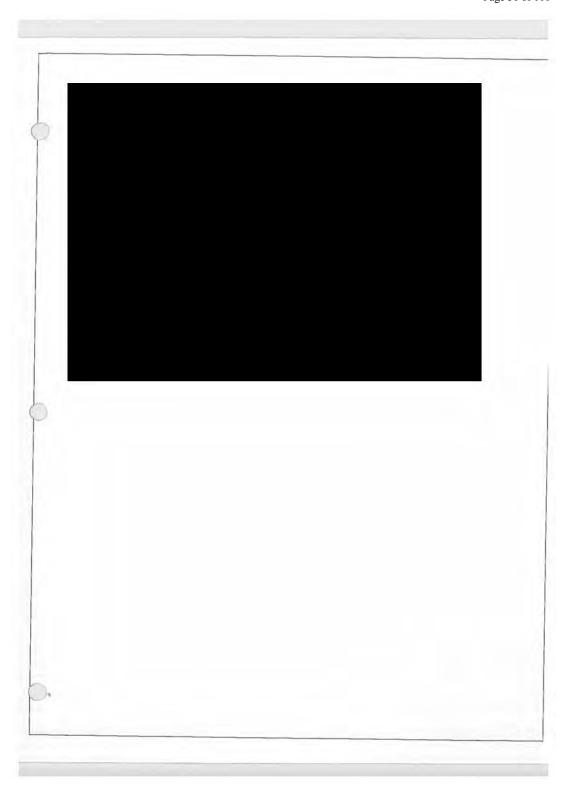
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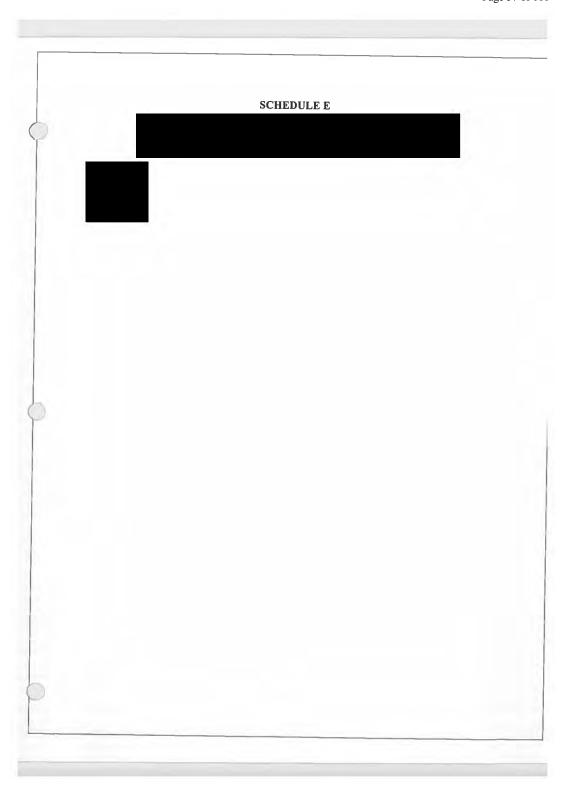
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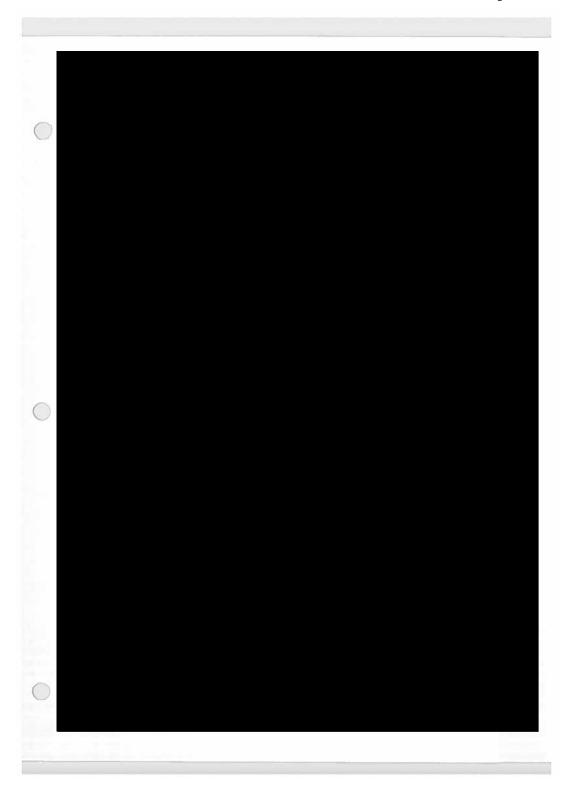
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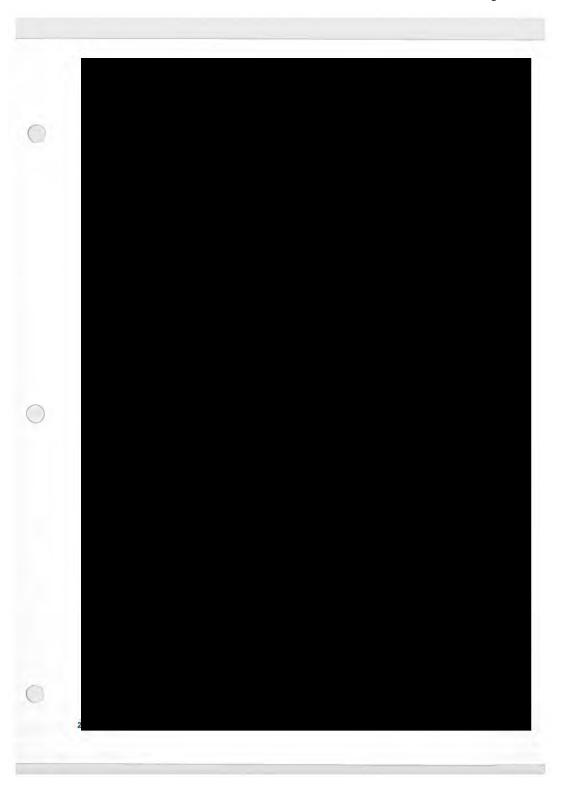
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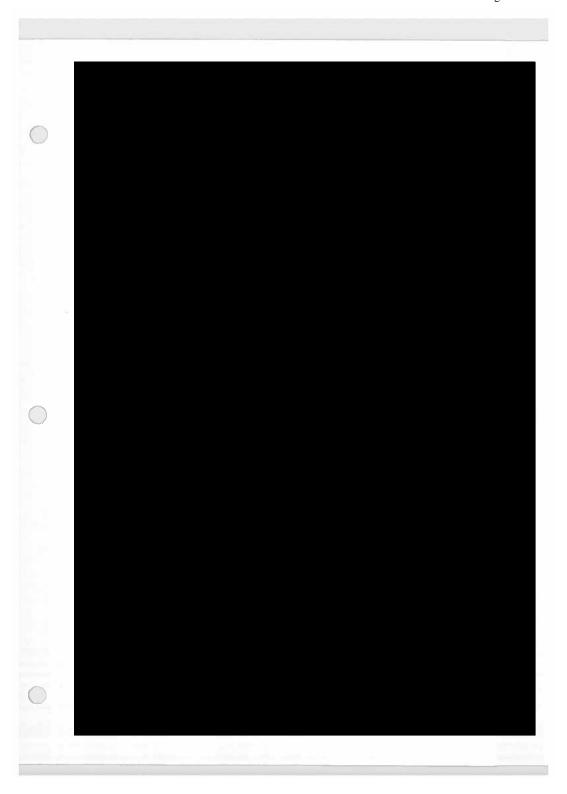
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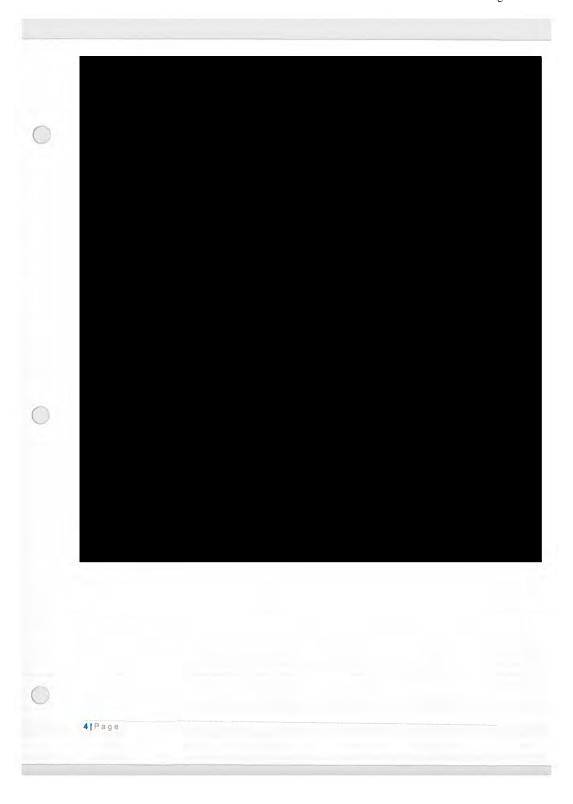
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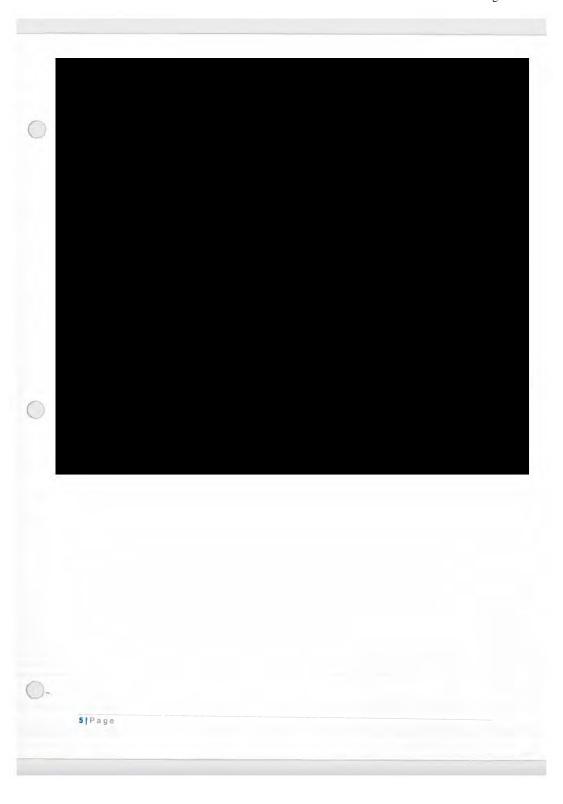
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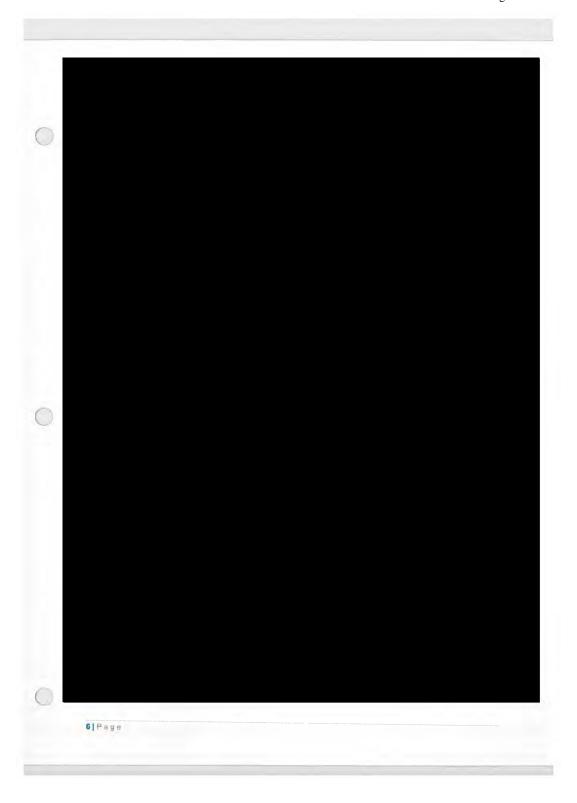
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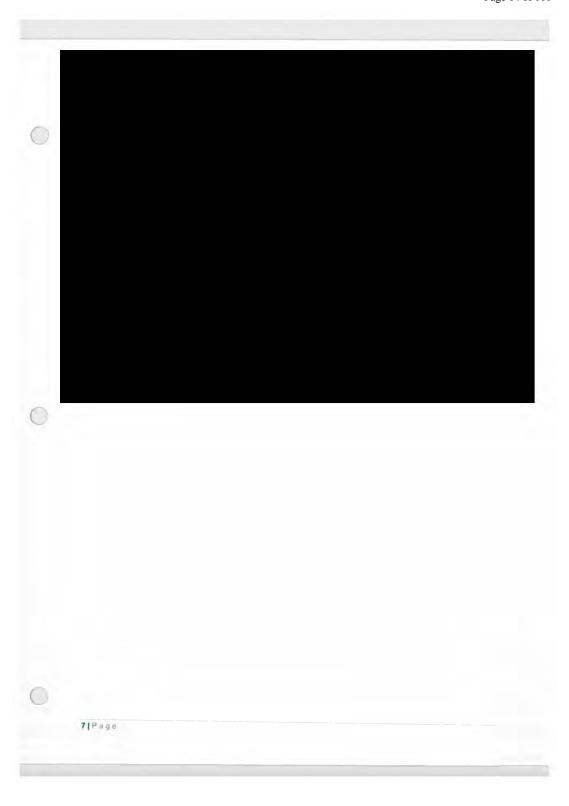
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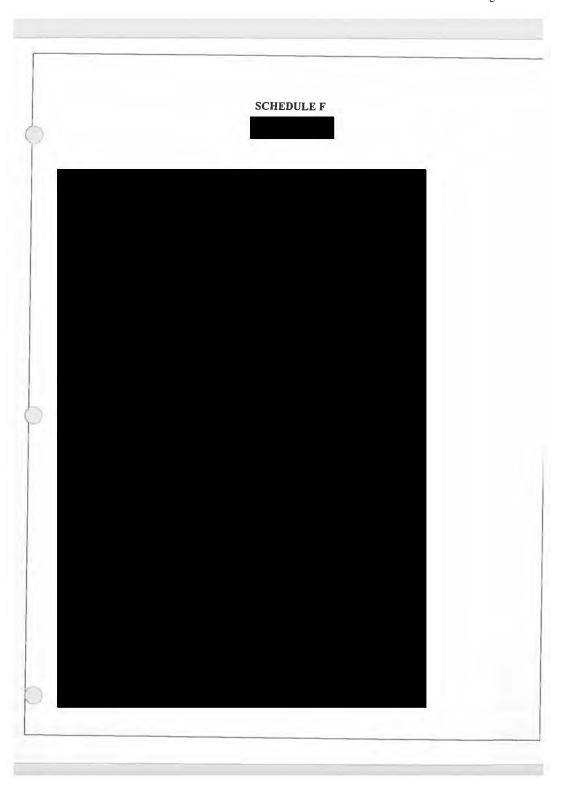
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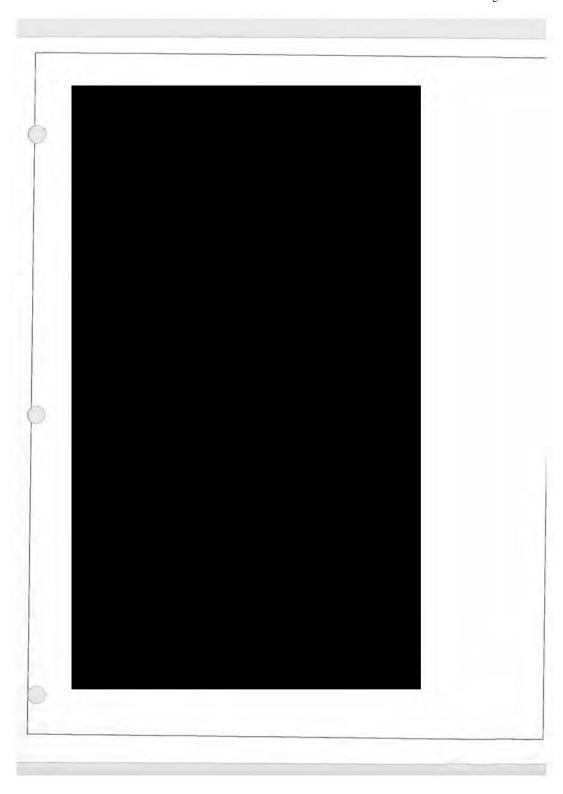
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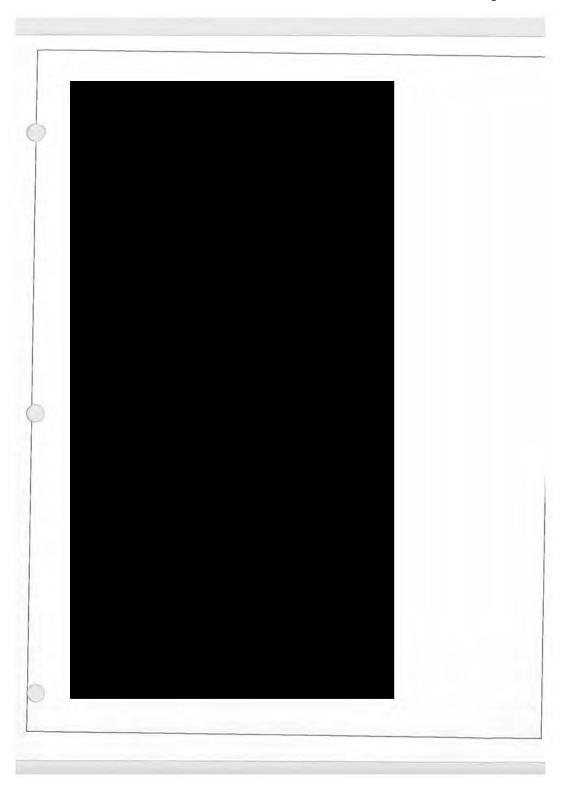
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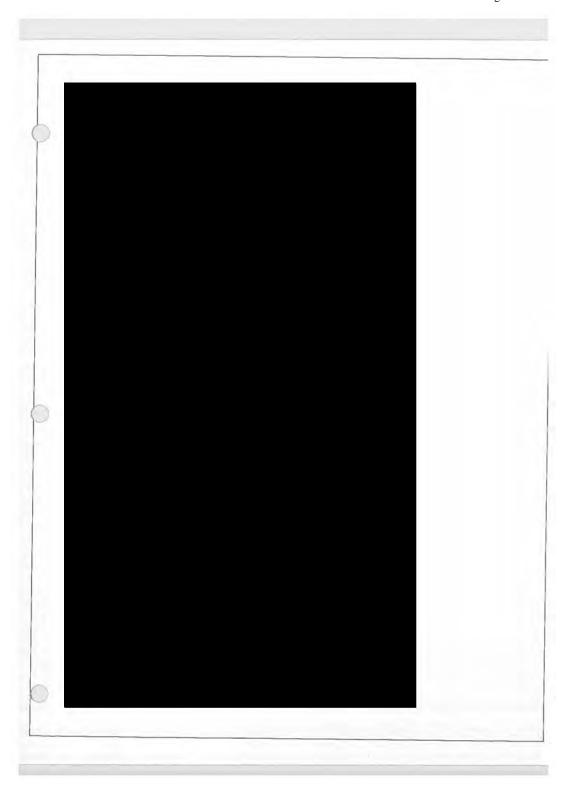
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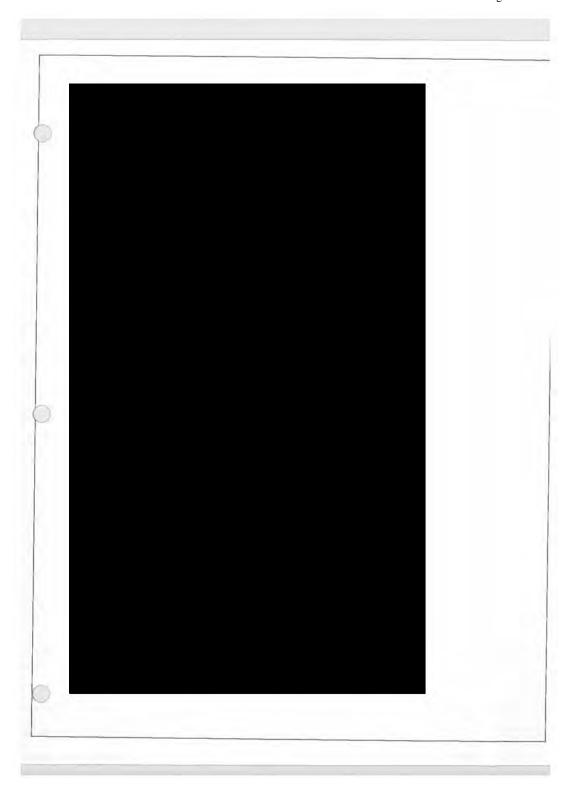
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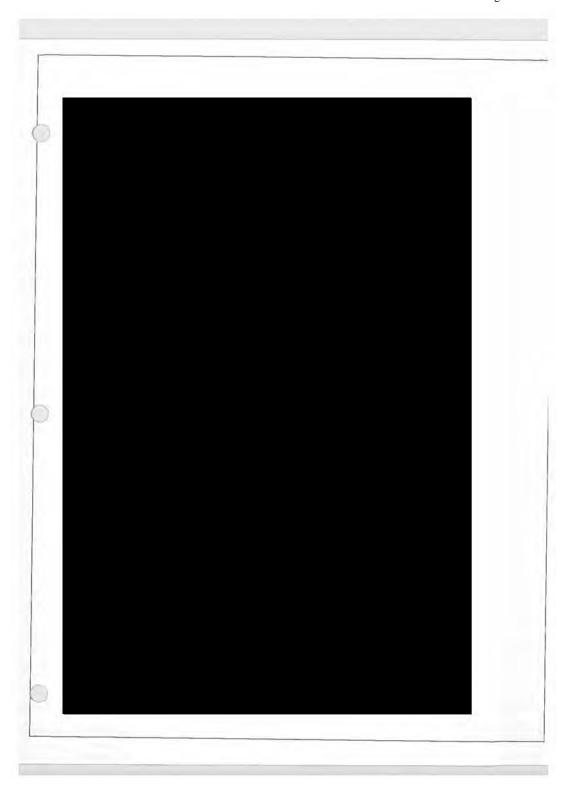
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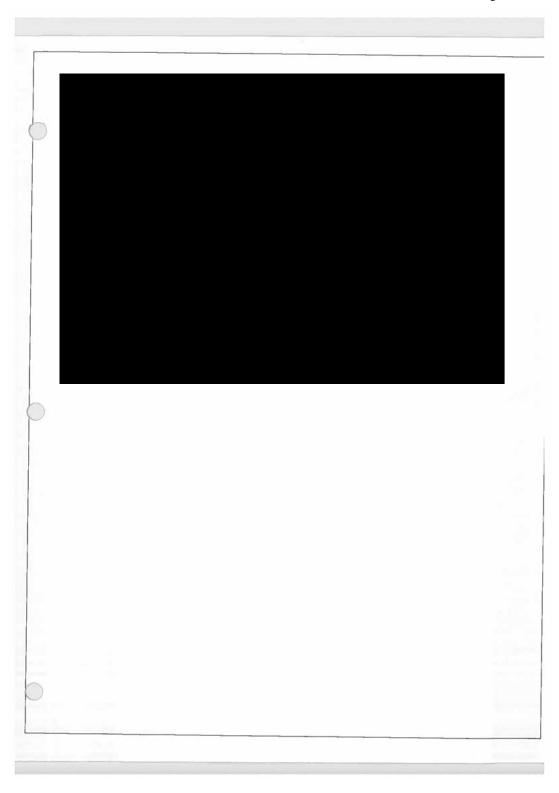
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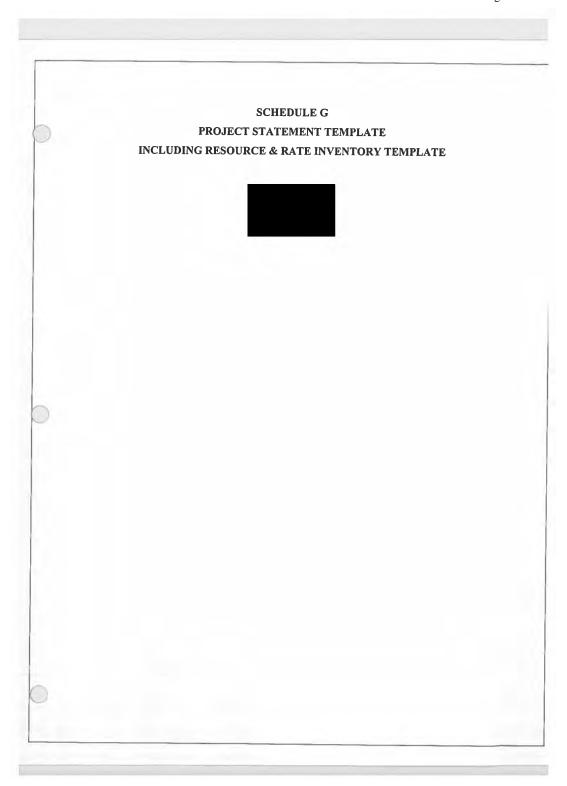
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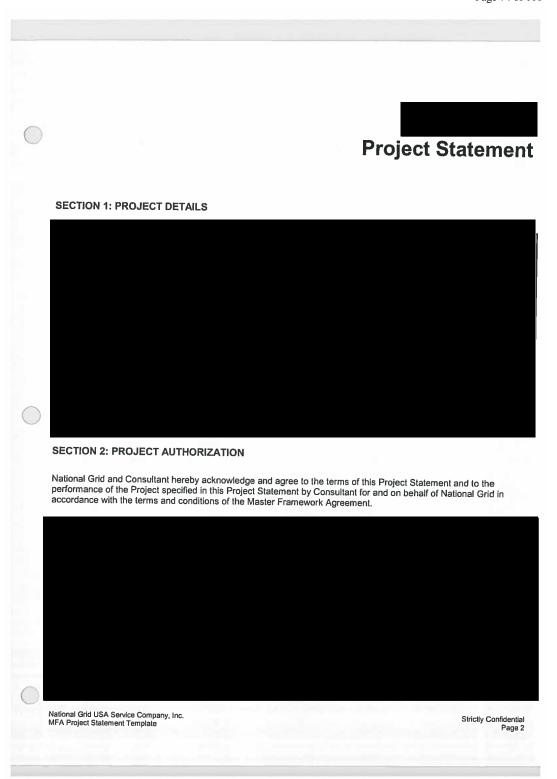
SCHEDULE G

PROJECT STATEMENT TEMPLATE INCLUDING RESOURCE & RATE INVENTORY TEMPLATE



The Narragansett Electric Company d/b/a National Grid RIPUC Docket No. 4770 Attachment DIV 7-49-259 Page 74 of 100

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<<<Note: if attachments are required in order to provide further information in any section of this Project Statement, list the attachments in the relevant section below, assign a sequential number to each and attach copies of the documents at the end of this Project Statement. MS Excel worksheets should be used, where appropriate>>>

SECTION 3: PROJECT OVERVIEW

<<< Consultant to provide a general description of the Services to be provided for and on behalf of National Grid in relation to the Project, together with the general objectives of the Project>>>

SECTION 4: SCOPE OF SERVICES

Scope of Services

<<<Consultant to provide a detailed description of all of the Services to be provided in respect of the Project>>>

Out of Scope Services

<<<Consultant to provide details of any work which it wishes to identify as outside the scope of the Services to be provided in relation to the Project. If such work is being carried out by Consultant pursuant to a separate Project Statement or other arrangements with National Grid, provide details here including any National Grid Project IDs. If related work is being carried out by National Grid itself or by a third party, state this here (if known)>>>

SECTION 5: DELIVERABLES

<><Consultant to provide a detailed description of all work product/deliverables to be produced by Consultant in the performance of the Project, including the following information in respect of each Deliverable (table format):

- description of Deliverable / work product
- commencement and completion dates
- tasks and activities to be performed
- number of Consultant resources required (reflected in the Resource & Rate Inventory)
- milestones linked to the deliverable (if applicable)
- National Grid responsibilities (if applicable)>>>

SECTION 6: LABOR FEES AND EXPENSES

Basis of Remuneration

<<< Consultant to indicate the basis of remuneration for the Project e.g.: "Time & Materials" or "Fixed Fees" or, where relevant, detailing other agreed fee arrangements. Please do not include any pricing assumptions here (use "Assumptions" section below).>>>

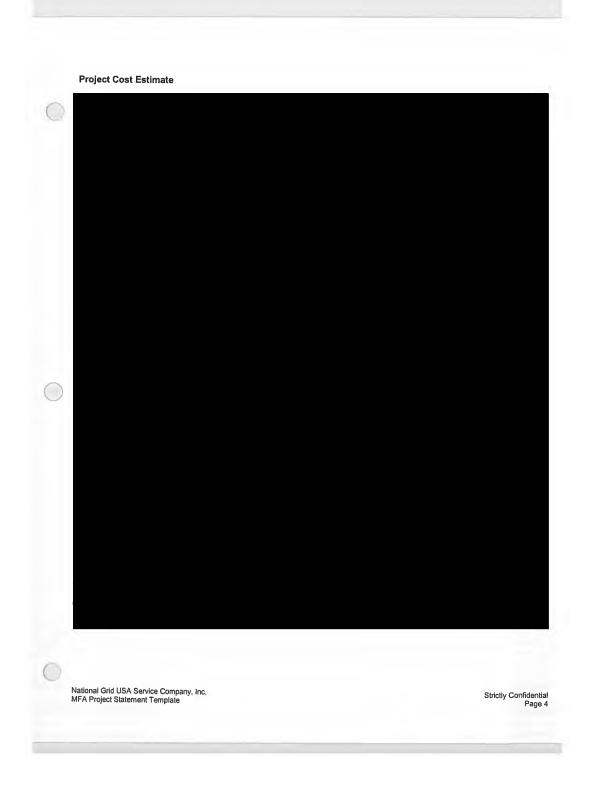
National Grid USA Service Company, Inc. MFA Project Statement Template

Strictly Confidential Page 3



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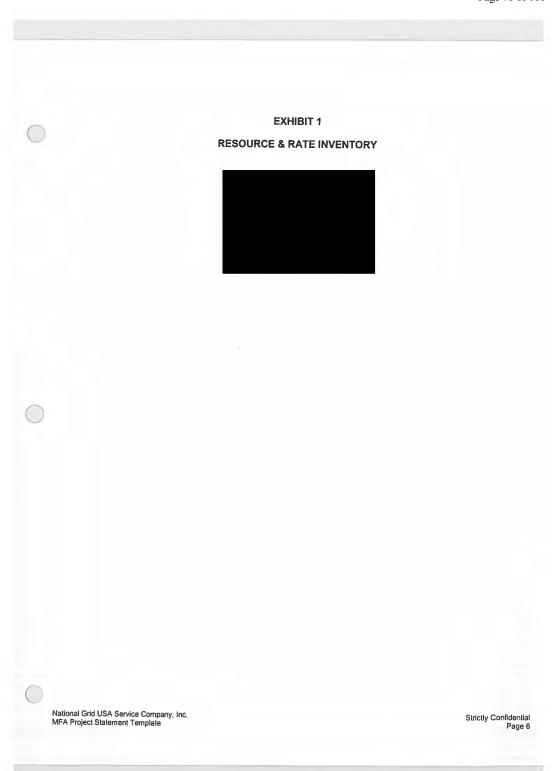
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Assumptions				
<> <consultant "not="" any="" applicable"="" assumptions="" cost="" dependencies="" estimate="" if="" in="" list="" not="" or="" please="" project="" provided="" relation="" relevant,="" state,="" statement.="" the="" this="" to="">>></consultant>				
SECTION 7: GENERAL				
<< <include any="" details,="" further="" inform<br="">"Intentionally left blank".>>> SECTION 8: PROJECT CONTACT National Grid Contacts</include>	nation or documents relevant to this Project. If not relevant, please state,			
National Grid Project Sponsor	Name: Title:			
	Email:			
	Tel:			
National Grid Project Owner	Name:			
or Alternative Contact	Title:			
	Email:			
	Tel:			
Consultant Contacts				
Consultant Project Lead	Name:			
	Title:			
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	Tel:			
Consultant Alternative Contact	Name:			
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	Tel:			



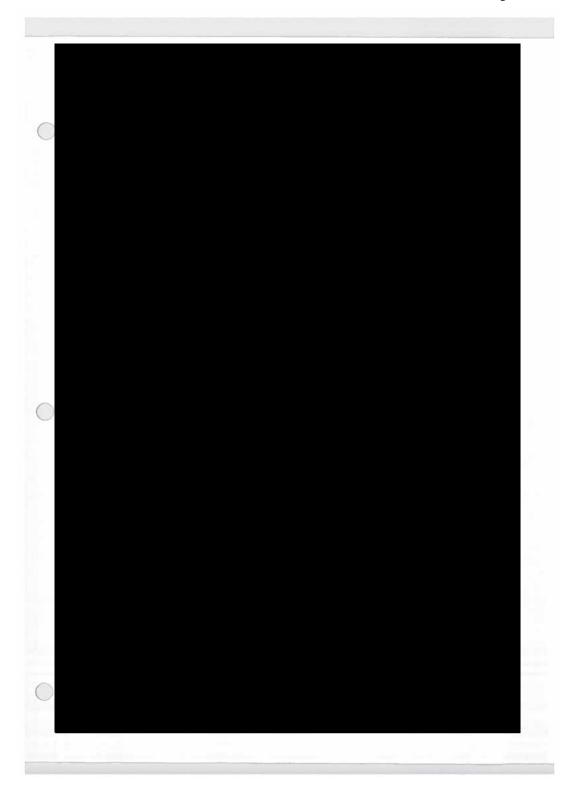
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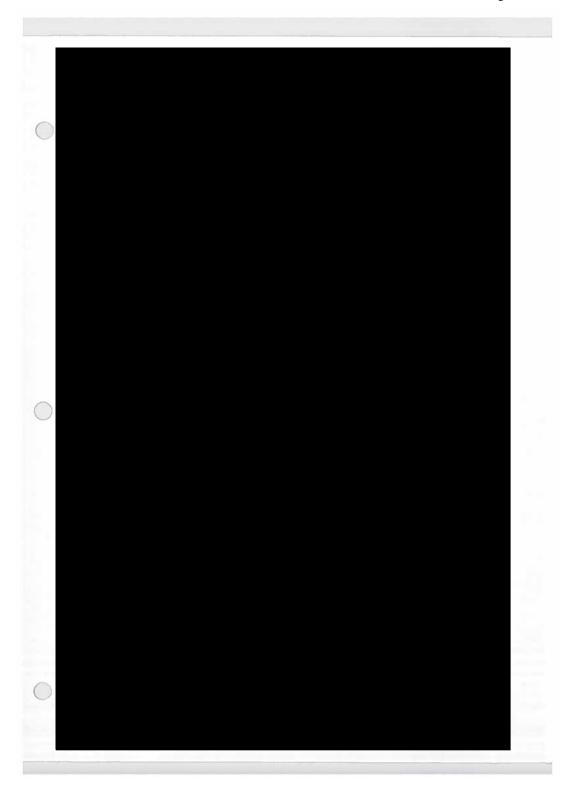
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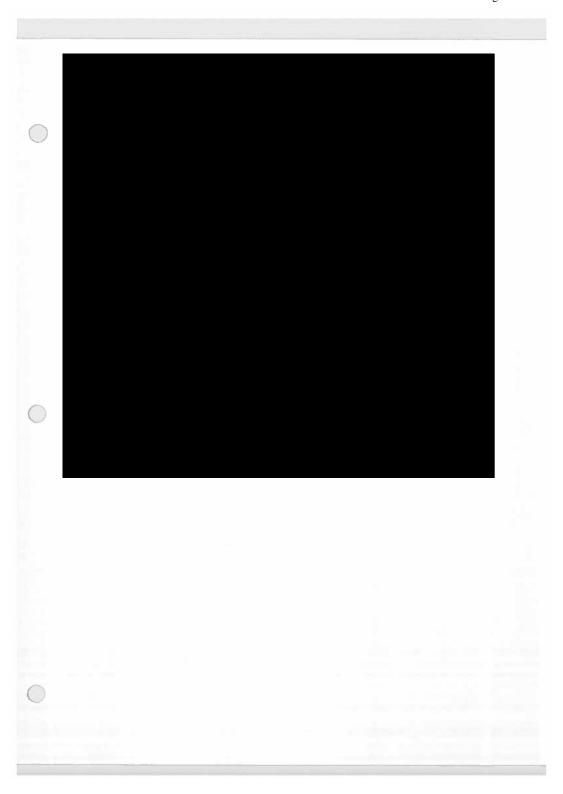
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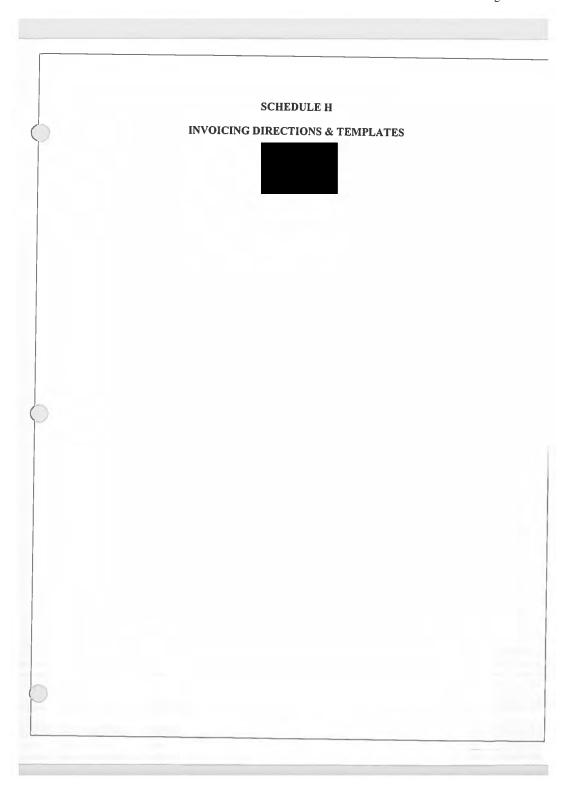
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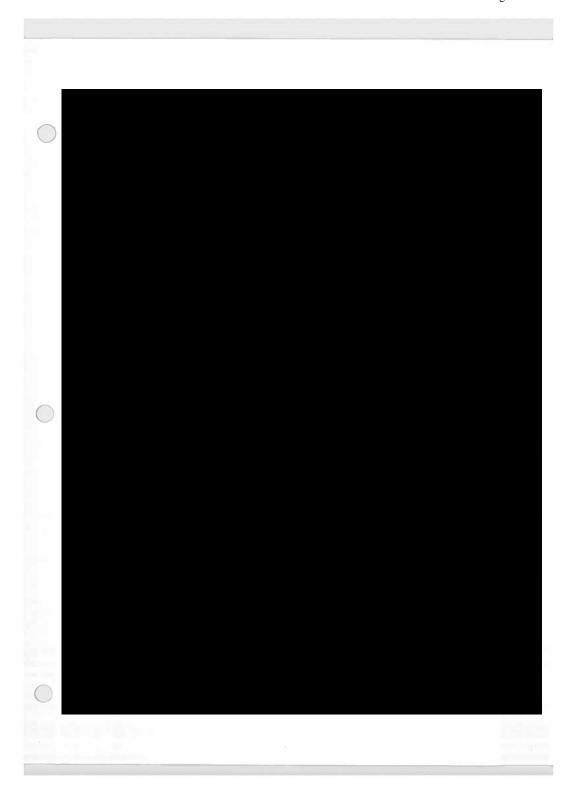
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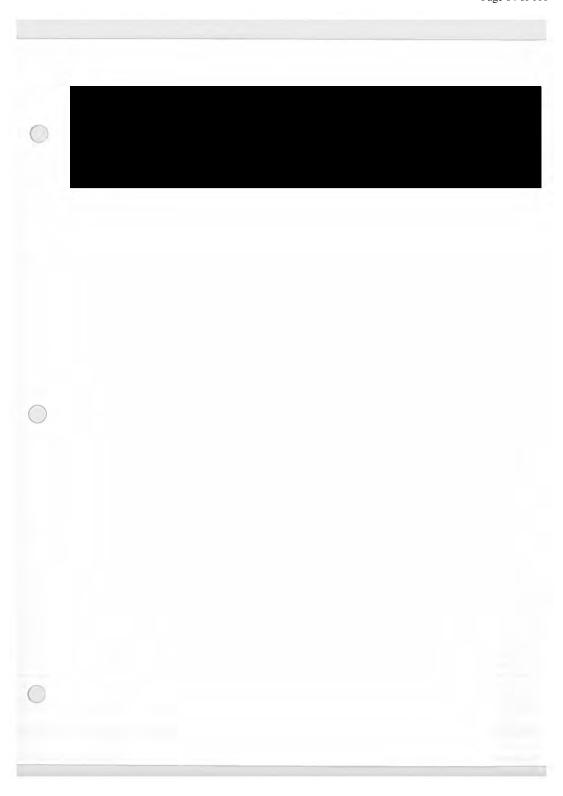
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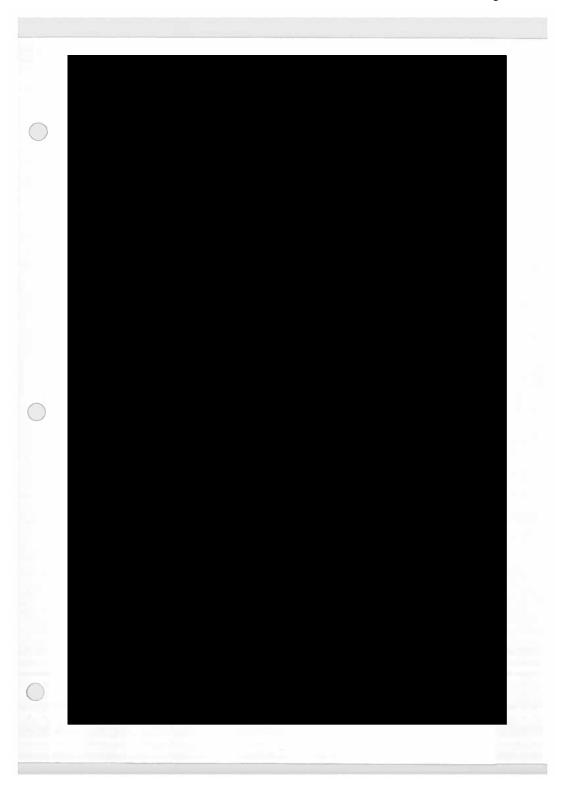
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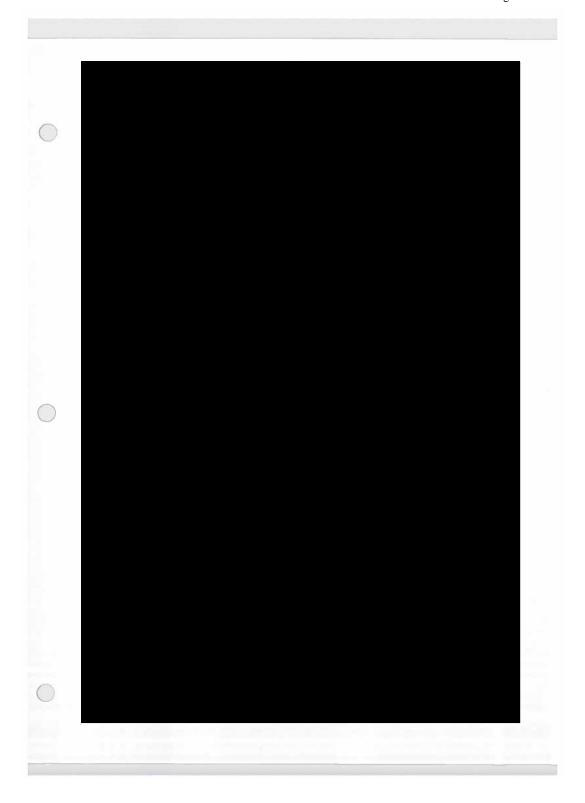
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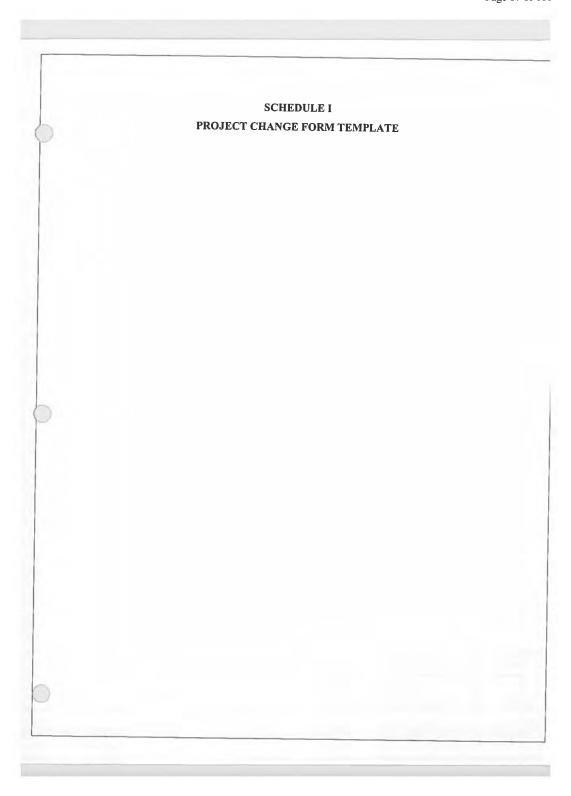
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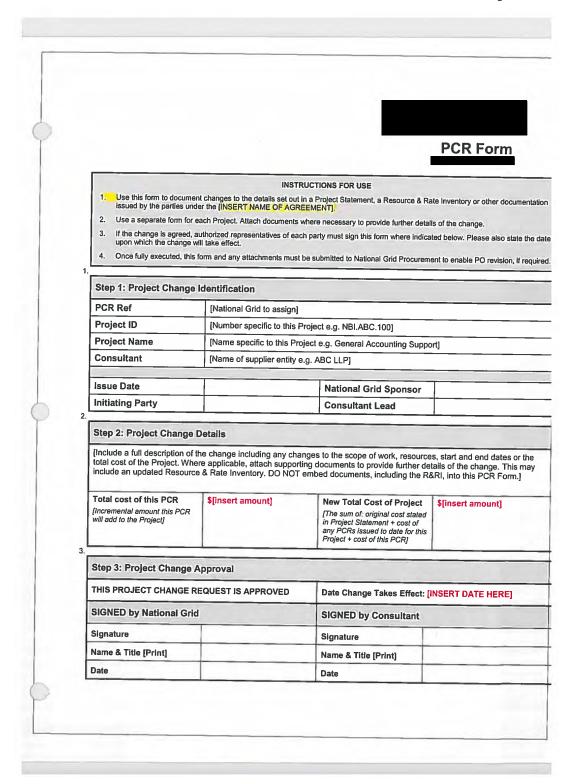
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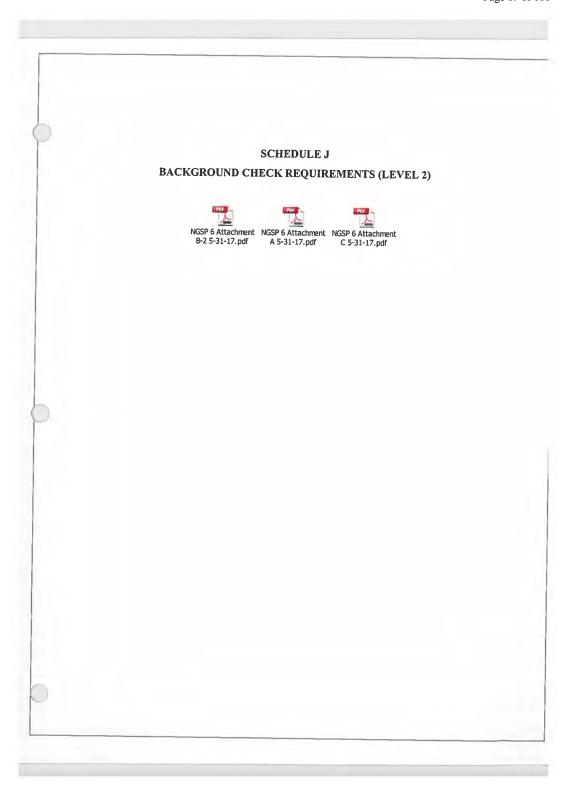
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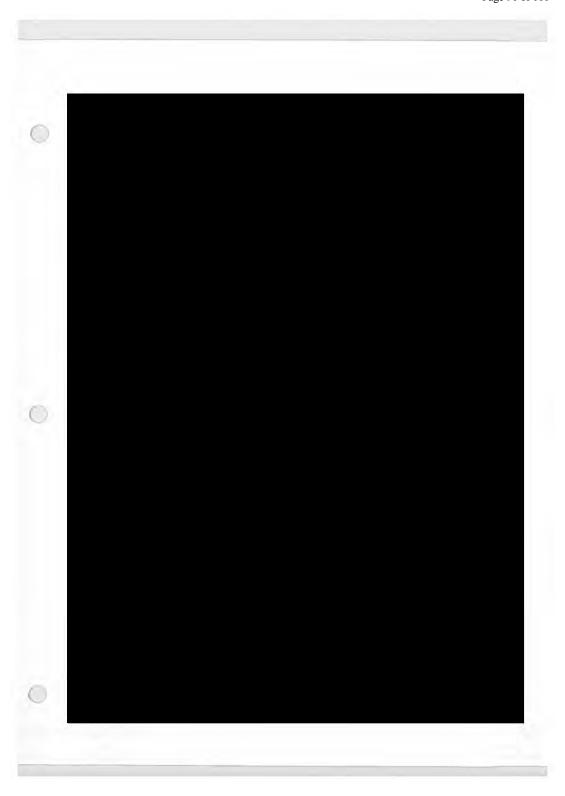
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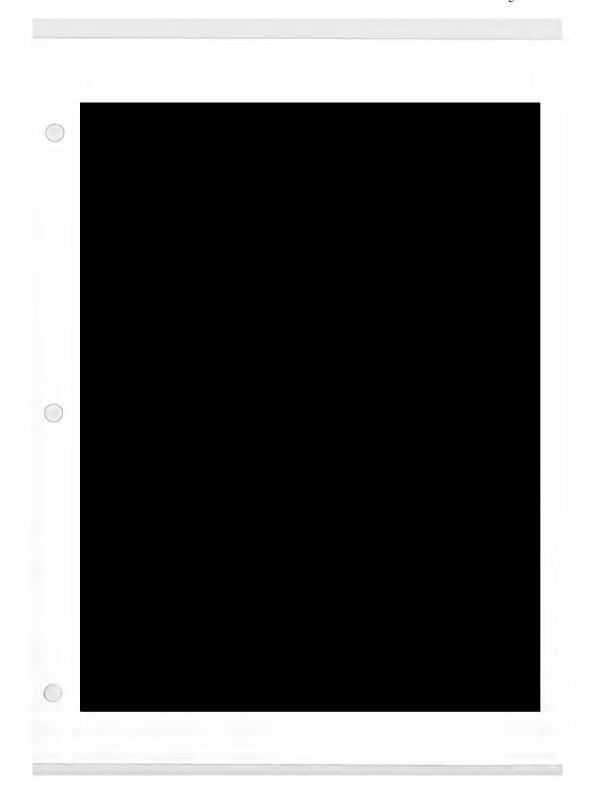
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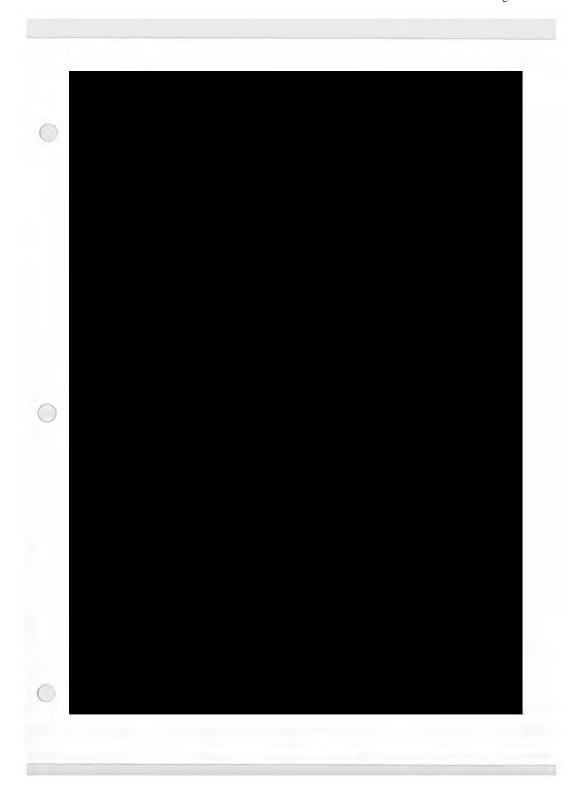
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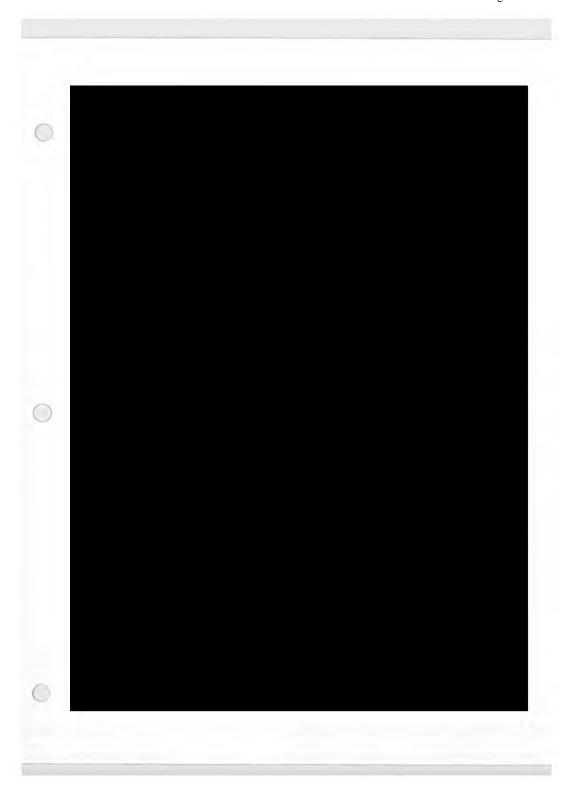
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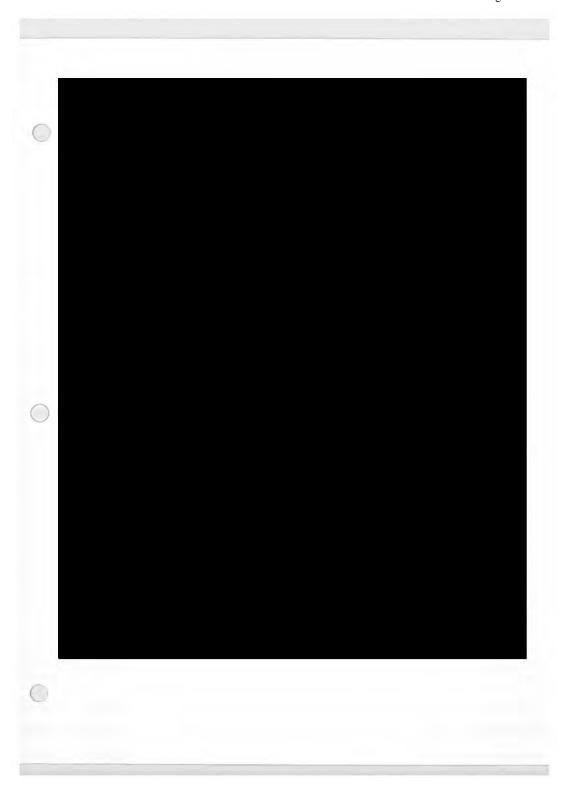
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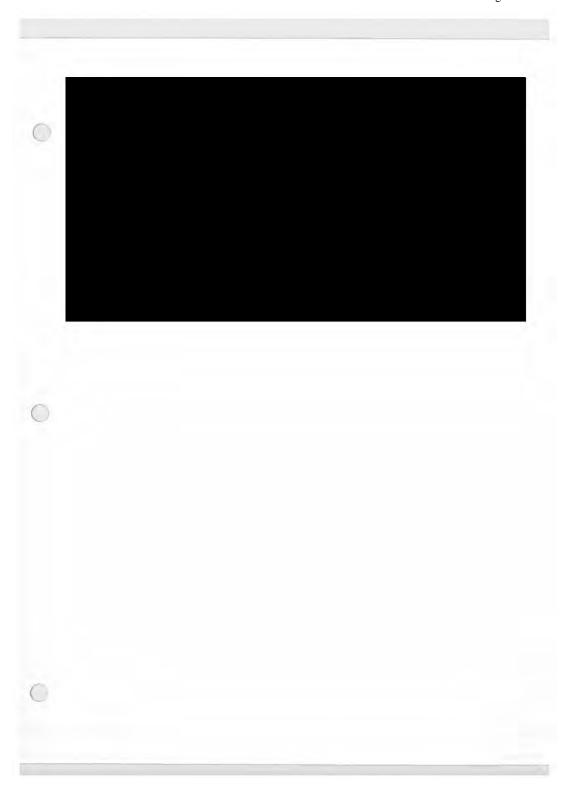
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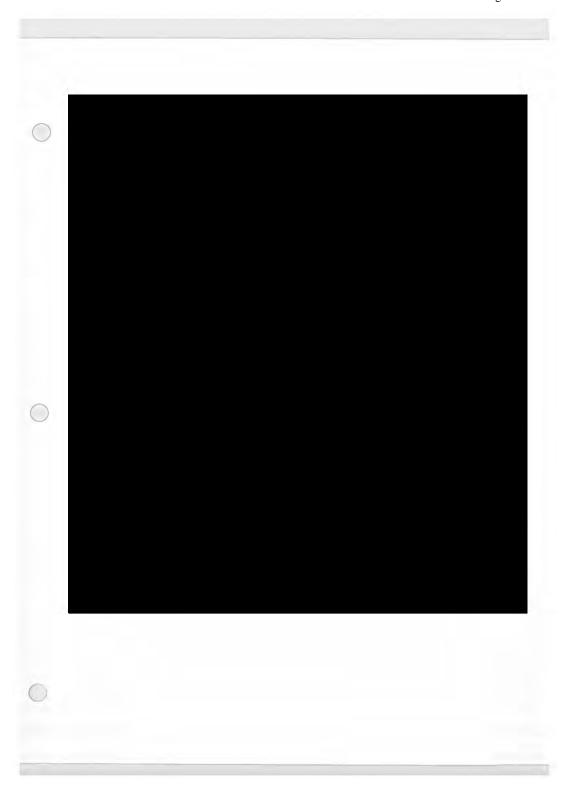
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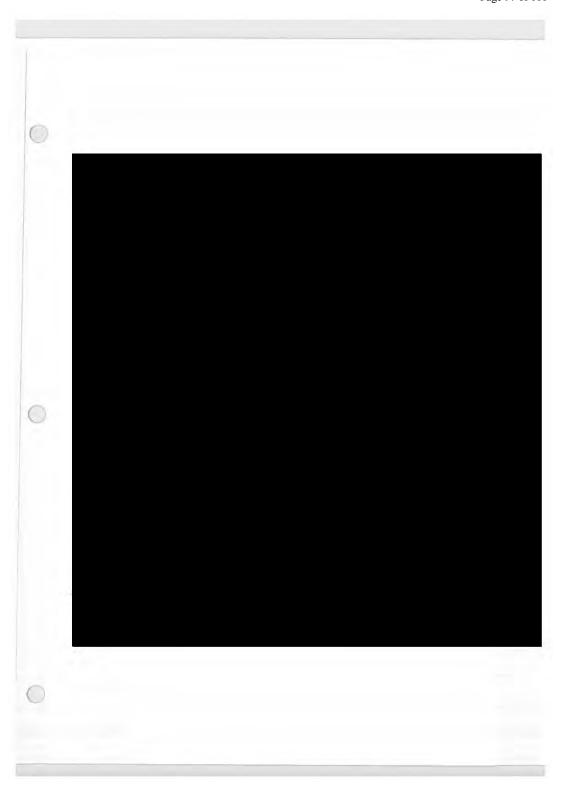
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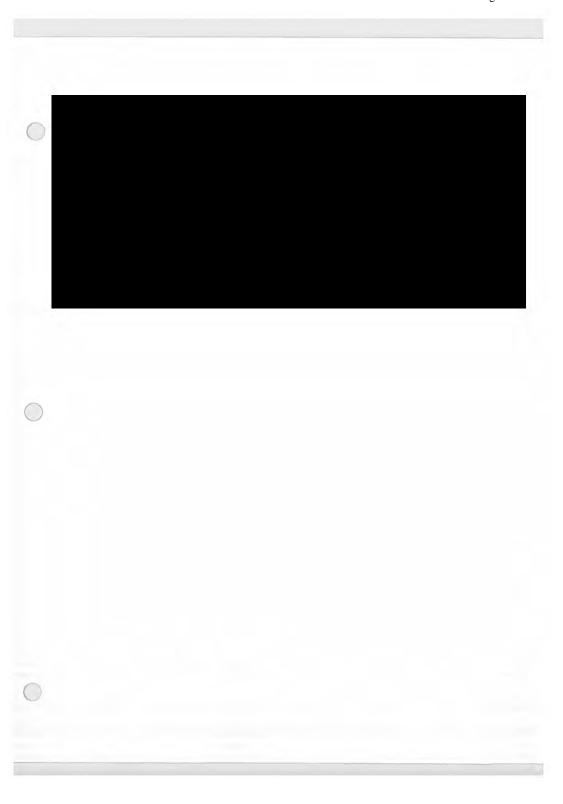
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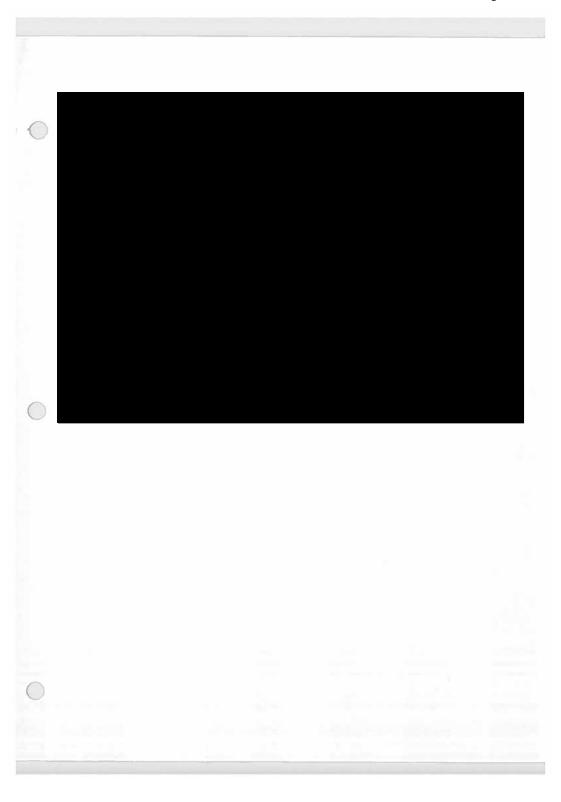
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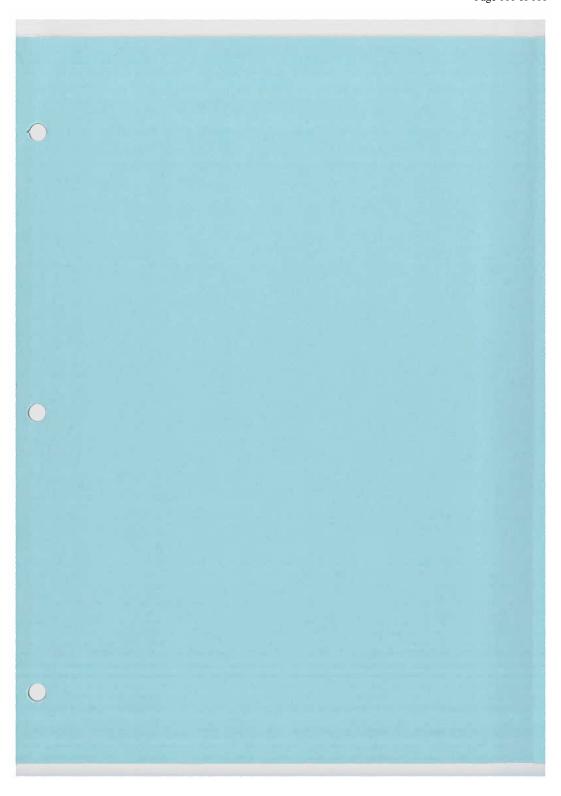
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COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF PUBLIC UTILITIES
DPU 17-170

EVIDENTIARY HEARING, held at the

Department of Public Utilities, One South Station,

Boston, Massachusetts, on Tuesday, May 1, 2018,

commencing at 9:59 a.m., concerning:

BOSTON GAS COMPANY and COLONIAL GAS COMPANY, d/b/a

NATIONAL GRID

SITTING: Cecile M. Fraser, Commissioner

Robert Hayden, Commissioner

Carol Pieper, Hearing Officer

Rates and Revenue Requirements Division:

Paul Osborne

Jeff Hall

Lavinia LaBonte

Emily Luksha

------Reporter: Alan H. Brock, RDR, CRR-----ahb@fabreporters.com www.fabreporters.com

Farmer Arsenault Brock LLC

Boston, Massachusetts

617-728-4404

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	2		4
1	APPEARANCES:	1	Department of Energy Resources
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17	National Grid	17	101 Steelworkers Official Local 12012 4
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24			Tot Steetworkers official Local 12005
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9	Office of Ratepayer Advocacy	9	Massachusetts Energy Directors Association
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20	for the Office of the Attorney General	20	
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22		22	
23		23	
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FARMER ARSENAULT BROCK LLC

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	1		
	6		8
1	May 1, 2018 9:59 a.m.	1	lunch break around 1:00 o'clock each day. We'll
2	PROCEEDINGS	2	also take a ten-minute break in the morning and
3	MS. PIEPER: Let's go on the record.	3	again in the afternoon. While I've reserved this
4	This is the first day of evidentiary hearings in	4	hearing room every day, please check the schedule
5	Docket No. DPU 17-170, petition of Boston Gas	5	out front in case that changes for any reason.
6	Company and Colonial Gas Company, each doing	6	I note that the attorneys appearing in
7	business as National Grid, pursuant to General Laws	7	this case are experienced practitioners before the
8	Chapter 164, Section 94, and 220 CMR 5.00, for	8	Department, and the witnesses have previously
9	approval of general increases in base distribution	9	appeared in regulatory proceedings.
10	rates for gas service	10	Even with all that experience, it is
11	My name is Carol Pieper. I've been	11	worth reciting a useful rule regarding the
12	designated as the presiding officer by the	12	questioning and answering between the attorneys and
13	Commission to hear the case. With me on the bench	13	the witnesses.
14	this morning are Commissioner Cecile Fraser, and	14	As you can see, there is a court
15	Lavinia LaBonte, Emily Luksha, and Jeff Hall, from	15	reporter making a word-for-word report of the
16	the Rates and Revenue Requirements Division	16	hearing. So that the hearing transcript will be as
17	May I have the appearance of counsel,	17	accurate and complete as possible, I ask that the
18	please.	18	witnesses wait for a question to be fully asked
19	MS. BLACKMORE: Yes, Alexandra Blackmore	19	before answering, and I ask that the attorneys wait
20	on behalf of Boston Gas Company and Colonial Gas	20	for the full response before asking the next
21	Company, each doing business as National Grid. Also	21	question.
22	with me today is Cheryl Kimball and Dan Venora, of	22	Another item we have with respect to
23	Keegan Werlin LLP.	23	cross-examination is that we have, by my count, 32
24	MS. PIEPER: Thank you.	24	witnesses, and we have allotted 15 days to take
	7		9
1	MR. ROGERS: Joseph Rogers, on behalf of	1	direct testimony and cross-examination of those
2	the Attorney General, with Ashley Gagnon, Joe	2	witnesses. As the presiding officer, I want to
3	Dorfler, Elizabeth Anderson, William Stevens, and	3	ensure that the parties and the Department have a
4	Tim Reppucci.	4	reasonable opportunity to conduct cross-examination.
5	MS. PIEPER: Thank you.	5	Pursuant to the Department's regulations
6	MR. ROGERS: Geary's over there, too.	6	
7	,		at 220 CMR 1.10(1), the Department may exclude from
'	MR. HARAK: Charles Harak, on behalf of	7	at 220 CMR 1.10(1), the Department may exclude from evidence that which is unduly repetitious or
8	MR. HARAK: Charles Harak, on behalf of the Low-Income Weatherization and Fuel Assistance	7 8	•
	·		evidence that which is unduly repetitious or
8	the Low-Income Weatherization and Fuel Assistance	8	evidence that which is unduly repetitious or cumulative.
8 9	the Low-Income Weatherization and Fuel Assistance Program Network and Massachusetts Energy Directors	8 9	evidence that which is unduly repetitious or cumulative. Therefore, I want to alert the parties,
8 9 10	the Low-Income Weatherization and Fuel Assistance Program Network and Massachusetts Energy Directors Association.	8 9 10	evidence that which is unduly repetitious or cumulative. Therefore, I want to alert the parties, to the extent that a line of questioning by any
8 9 10 11 12 13	the Low-Income Weatherization and Fuel Assistance Program Network and Massachusetts Energy Directors Association. MS. PIEPER: Thank you.	8 9 10 11 12 13	evidence that which is unduly repetitious or cumulative. Therefore, I want to alert the parties, to the extent that a line of questioning by any party is simply affirming that previously
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8 9 10 11 12 13 14 15	the Low-Income Weatherization and Fuel Assistance Program Network and Massachusetts Energy Directors Association. MS. PIEPER: Thank you. MS. EVANS: For the Department of Energy Resources, Rachel Graham Evans, and with me is Colin Carroll.	8 9 10 11 12 13 14 15	evidence that which is unduly repetitious or cumulative. Therefore, I want to alert the parties, to the extent that a line of questioning by any party is simply affirming that previously attested-to information is correct, I may determine that such questions are unnecessary as repetitive and cumulative.
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FARMER ARSENAULT BROCK LLC

The Narragansett Electric Company d/b/a National Grid RIPUC Docket No. 4770 Attachment DIV 7-49-260 Page 4 of 42

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	10		12
1	I will also take this opportunity to put	1	A. I'm employed by the National Grid USA
2	on the record that the Department is taking official	2	Service Company, and my title is president of
3	notice of the National Association of Regulatory	3	Massachusetts jurisdiction and executive vice
4	Utility Commissioners Manual: Public Utility	4	president of U.S. policy and association impact.
5	Depreciation Practices, published August 1996.	5	Q. And how long have you held this position?
6	Pursuant to 220 CMR Section 1.10(2), the	6	A. I began as the president of the
7	Department may take official notice of general,	7	Massachusetts business in 2011, so seven years ago.
8	technical, or scientific facts within its	8	About eight months ago I took a temporary assignment
9	specialized knowledge, provided that the Commission	9	as executive vice president of business operations,
10	shall notify all the parties of the material so	10	engineering and process, to work on some projects,
11	noticed and provided further that any party on	11	and I have returned to the Massachusetts president's
12	timely request be afforded an opportunity to contest	12	role effective today, actually.
13	the matters so noticed.	13	Q. Were you involved in the preparation of
14	The Department may use this manual in	14	this rate case?
15	its line of questioning during the evidentiary	15	A. Yes.
16	hearing. We may also rely on aspects of this manual	16	Q. And as part of that preparation, did you
17	in determining certain issues in this case.	17	prepare prefiled direct testimony submitted to the
18	We have two changes to the witness	18	Department on November 15, 2017?
19	schedule. The information systems panel was	19	A. Yes.
20	originally scheduled for Thursday May 10. Due to a	20	Q. With respect to your prefiled testimony,
21	last-minute scheduling conflict with one of the	21	which is marked for identification as Exhibit
22	witnesses, we're moving the information systems	22	NG-MLR-1, was this exhibit prepared under your
23	panel to Monday, May 14. To accommodate the move,	23	direct supervision and control?
24	we'll remove Melissa Bartos from the schedule for	24	A. Yes.
	we il remove illenssa bartos from the senedale for		71. 163.
	11		13
1			
	Monday, May 14, and she'll appear as scheduled on	1	Q. In your testimony did you present a
2	Monday, May 14, and she'll appear as scheduled on Wednesday, May 16. If we need Ms. Bartos to appear	1 2	Q. In your testimony did you present a statement on the amount of the company's rate
2			
	Wednesday, May 16. If we need Ms. Bartos to appear	2	statement on the amount of the company's rate
3	Wednesday, May 16. If we need Ms. Bartos to appear a second day, it will be on Friday, May 18.	2 3	statement on the amount of the company's rate request?
3 4	Wednesday, May 16. If we need Ms. Bartos to appear a second day, it will be on Friday, May 18. The company has provided a proposed	2 3 4	statement on the amount of the company's rate request? A. Yes.
3 4 5	Wednesday, May 16. If we need Ms. Bartos to appear a second day, it will be on Friday, May 18. The company has provided a proposed exhibit list to each of you. Are there any	2 3 4 5	statement on the amount of the company's rate request? A. Yes. Q. And has the company reduced the amount of
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3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	Wednesday, May 16. If we need Ms. Bartos to appear a second day, it will be on Friday, May 18. The company has provided a proposed exhibit list to each of you. Are there any additional documents that anyone would like to have marked for identification purposes at this time? The documents will be marked for identification purposes only as noted on the exhibit list. We're ready for testimony. The company's first witness is Marcy Reed. If you could please state your full name for the record. THE WITNESS: My name is Marcy L. Reed. MARCY L. REED, being first duly sworn or affirmed to testify to the truth, the whole truth, and nothing but the truth, was examined and testified as follows: MS. PIEPER: You may begin with direct. MS. BLACKMORE: Thank you. DIRECT EXAMINATION	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	statement on the amount of the company's rate request? A. Yes. Q. And has the company reduced the amount of its rate request since the initial filing? A. Yes, we have. Q. And what is the principal driver of the reduction in the company's request? A. We reduced the initial filing for each of Boston Gas and Colonial Gas to account for the change in Federal tax rates that came out in January. So specifically we reduced the rate request from 68.2 million to 36.5 million for Boston Gas, and for Colonial Gas we reduced the initial 19.2 million to 9.5 million. Q. And aside from the change in the amount requested by the company, do you have any changes, corrections, deletions, or additions that you wish to make to your prefiled direct testimony at this time?

FARMER ARSENAULT BROCK LLC

The Narragansett Electric Company d/b/a National Grid RIPUC Docket No. 4770 Attachment DIV 7-49-260 Page 5 of 42

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	14		16
1	and other intervenors in this case?	1	A. The 1.8 and the 2.46, yes.
2	A. Yes.	2	Q. And that pro forma cost of service includes
3	Q. And have you sponsored any responses to	3	some costs for instance, the gas business
4	these information requests?	4	enablement program that goes out five years, to
5	A. Yes.	5	2023. Is that correct?
6	Q. Were those responses prepared under your	6	A. No, all the costs that were incurred in the
7	direct supervision and control?	7	2016 numbers were those incurred in the 2016 test
8	A. Yes.	8	year.
9	Q. At this time do you have any changes,	9	Q. Is it your understanding that the pro forma
10	corrections, deletions, or additions that you would	10	cost of service has no adjustments?
11	like to make to any of the information requests that	11	A. The cost of service for the test year,
12	you have sponsored in this proceeding?	12	2016, has those historic costs. We are in this case
13 14	A. No.	13 14	proposing some adjustments for programs outside of
15	MS. BLACKMORE: The witness is available	15	the test year. If that's what you mean, then yes.
16	for cross-examination.	16	Q. And the return on rate base, they used those additional revenues that you just mentioned in
17	MS. PIEPER: Thank you. The Attorney General may proceed.	17	making the calculation?
18	CROSS-EXAMINATION	18	A. There are no current revenues associated
19	BY MR. ROGERS:	19	with those costs.
20	Q. Good morning, Ms. Reed.	20	Q. The additional costs that were you just
21	A. Good morning, Mr. Rogers.	21	mentioned.
22	Q. Could you please turn to Page 7 of your	22	A. It's my understanding that these costs are
23	prefiled testimony.	23	based on the costs incurred in 2016.
24	A. Okay.	24	Q. And the company has proposed pro forma
	15		17
1	Q. At Lines 4 through 8 you claim that the	1	adjustments for 2017 and 2018; is that correct?
2	company's current distribution rates are	2	A. That is correct.
3	insufficient to meet its costs of providing service;	3	Q. Would you accept subject to check that the
4	is that correct?	4	gas business enablement program costs go out to
5	A. That's correct.	5 6	2023?
6 7	Q. And you state that the return on rate base	7	A. No, I would not. What we have included in
8	is 1.48 percent for Boston Gas and 2.46 percent for Colonial Gas; is that correct?	8	the proposed rate adjustment is a portion of costs for gas business enablement that go out for five
9	A. That's correct.	9	years, and even then it's a portion of the costs.
10	Q. Now, when the company did those	10	The program itself extends through ten years, but
11	calculations to determine the return in this case.	11	we're proposing costs that go out five.
12	it was using the test-year revenues from 2016; is	12	Q. Ms. Reed, would you accept subject to check
13	that correct?	13	that Boston Gas Company reported that it had 672,568
14	A. Yes.	14	retail customers at the beginning of the test year
15	Q. And it compared those 2016 revenues to the	15	in this case?
16	company's proposed pro forma cost of service; is	16	A. Subject to check, yes.
17	that correct?	17	Q. And would you also accept subject to check
18	A. We compared them to the allowed rate of	18	that the company had 695,076 retail customers at the
19	return in the prior case, yes.	19	end of 2017?
20	Q. Have you seen the pro forma cost of	20	A. Yes.
		21	O And if we do the moth that's about a 2.2
21	service?		Q. And if we do the math, that's about a 3.3
22	A. Yes, I have.	22	percent increase in the number of customers; is that

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	1		
	18		20
1	Q. To your knowledge, did the company make any	1	correct?
2	adjustments to its pro forma revenue requirement	2	A. Yes.
3	calculations to recognize the increase in sales	3	Q. So as president, you have the
4	associated with the increase in the number of retail	4	responsibility to create the annual budget?
5	sales customers since the beginning of the year?	5	A. Yes.
6	A. The beginning of which year?	6	Q. And you also have the responsibility of
7	Q. The test year.	7	creating the annual operating budget?
8	A. I would suspect that all the adjustments	8	A. Yes.
9	made through that would be made through the end	9	Q. And did you also have the responsibility of
10	of 2016, the test year.	10	achieving those budgeted results?
11	Q. Do you think the company should make an	11	A. Yes.
12	adjustment for the number of customers at the end of	12	Q. So cost control to meet the annual budget
13	2017?	13	was an important part of your job; is that correct?
14	A. No, I would not think so, if we're dealing	14	A. Costs are always important when we're
15	with the test year of 2016.	15	talking about what we charge our customers, yes.
16	Q. Would you accept subject to check that	16	Q. Now, one of the largest components of your
17	Boston Gas Company reported that it had 18,345	17	operations costs was the costs charged to the
18	transportation customers at the beginning of the	18	company by National Grid USA Service Company; is
19	test year in this case?	19	that correct?
20	A. Yes.	20	A. That's correct, yes.
21	Q. And would you also accept subject to check	21	Q. Can you describe how, as the president of
22	that the company had 34,803 transportation customers	22	Massachusetts operations, you control the service
23	at the end of 2017?	23	company costs that are charged to the company each
24	A. Subject to check, yes.	24	year?
	19		21
1	Q. And would you accept subject to check that	1	A. Sure. I think as you know, many employees
2	this is about a 90 percent increase in the number of	2	of National Grid are employed through the service
3	transportation customers?	3	company, as am I. This is in cases where employees
4	A. Yes.	4	serve multiple operating companies. In my case I
5	Q. To your knowledge, did the company make any	5	serve Boston Gas, Colonial Gas, Mass. Electric, and
6	adjustments to its pro forma revenue requirement	6	Nantucket Electric. So multiple employees exist as
7	calculations to recognize the increase in sales	7	service company employees.
8	associated with the increase in the number of	8	However, we need their services in the
9	transportation customers since the beginning of the	9	Boston and Colonial operating company, so we create
10	test year?	10	budgets that include everything from gas engineers
11	A. As I said with the nontransportation	11	to call center reps to accountants and gas
12	customers, I would expect adjustments to be made	12	mechanics. Some of them are service company
13	through the end of the test year.	13	employees.
	through the end of the test year.		
14	Q. Now, Ms. Reed, you were basically the	14	So when we derive those budgets, we
14 15	,	15	So when we derive those budgets, we include the costs that they represent in the
14 15 16	Q. Now, Ms. Reed, you were basically the president of National Grid's Massachusetts jurisdiction from 2011 to 2017; is that correct?	15 16	include the costs that they represent in the budgets. And when at the end of the year we are
14 15 16 17	Q. Now, Ms. Reed, you were basically the president of National Grid's Massachusetts jurisdiction from 2011 to 2017; is that correct? A. Yes, August of '17.	15 16 17	include the costs that they represent in the budgets. And when at the end of the year we are looking at how we've performed, we obviously include
14 15 16 17 18	O. Now, Ms. Reed, you were basically the president of National Grid's Massachusetts jurisdiction from 2011 to 2017; is that correct? A. Yes, August of '17. O. As president of the Massachusetts gas and	15 16 17 18	include the costs that they represent in the budgets. And when at the end of the year we are looking at how we've performed, we obviously include not just the direct operating costs of someone who's
14 15 16 17 18 19	O. Now, Ms. Reed, you were basically the president of National Grid's Massachusetts jurisdiction from 2011 to 2017; is that correct? A. Yes, August of '17. O. As president of the Massachusetts gas and electric distribution operations, were you	15 16 17 18 19	include the costs that they represent in the budgets. And when at the end of the year we are looking at how we've performed, we obviously include not just the direct operating costs of someone who's just a Boston Gas employee, but we also include
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14 15 16 17 18 19 20 21	O. Now, Ms. Reed, you were basically the president of National Grid's Massachusetts jurisdiction from 2011 to 2017; is that correct? A. Yes, August of '17. O. As president of the Massachusetts gas and electric distribution operations, were you personally were you responsible for the company's budgets? Is that correct?	15 16 17 18 19 20 21	include the costs that they represent in the budgets. And when at the end of the year we are looking at how we've performed, we obviously include not just the direct operating costs of someone who's just a Boston Gas employee, but we also include obviously those costs incurred by the service company employees.

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7

	22		24
1	A. Yes, I have. Thank you.	1	than 8 percent annual increase in those charges?
2	Q. And what we've just distributed is the	2	A. Sounds right.
3	cover page and Page 5 from Colonial Gas's 2009	3	Q. Would you agree that inflation during this
4	annual report to the Department; is that right?	4	period was only 2 percent?
5	A. That's right.	5	A. Sounds right.
6	Q. Would you accept subject to check that the	6	Q. Would you agree that the service company
7	test year used in DPU 10-55, the company's last base	7	costs were increasing at rates several times the
8	rate case, was 2009?	8	rate of inflation while you were president?
9	A. Yes.	9	A. I would agree if it were an apples-and-
10	Q. And could you turn to what is indicated as	10	apples comparison, but there are differences between
11	Page 5 of the return. Do you see there's an item in	11	the two years. So that would further explain the
12	Paragraph 11 entitled Management Fees and Expenses	12	cost increase.
13 14	during the Year? Do you see that?	13 14	Q. What are those differences?
15	A. Yes.	15	A. In 2009 the capital budget, for example,
16	Q. And the amount indicated there from	16	for Colonial Gas and I know we're just looking at
17	National Grid Corporate Services is \$29,368,140; is that correct?	17	Colonial here but the gas business in
18	A. I see that, yes.	18	Massachusetts was somewhere in the \$200 million range. In 2016 it had more than doubled, to closer
19	MR. ROGERS: Now I'm going to hand out a	19	to \$450 million.
20	couple of pages from the 2016 annual return to the	20	The reason I bring that out is, it just
21	Department.	21	represents the massive amount of change that we've
22	Q. Have you had a chance to look at this?	22	seen in the costs to serve our customers over time.
23	A. Yes, I have. Thank you.	23	So although your math is right, that 2 percent
24	Q. And this is a cover page and Page 5 from	24	inflation may have occurred over the last eight
	23		25
1	Colonial Gas's 2016 annual report to the Department;	1	years, the rate of change within the utility
2	is that correct?	2	business has been much more significant than that.
3	A. Right.	3	
		4	So your math is correct here, but there
4	Q. And these are the same pages we looked at	4	are plenty of costs in here that relate to gas
5	as we did in the 2009 report?	5	are plenty of costs in here that relate to gas engineers dealing with the increased complexity and
5 6	as we did in the 2009 report? A. Right.	5 6	are plenty of costs in here that relate to gas engineers dealing with the increased complexity and number of projects we have; the changing in Federal
5 6 7	as we did in the 2009 report? A. Right. Q. And the test year in this case is 2016; is	5 6 7	are plenty of costs in here that relate to gas engineers dealing with the increased complexity and number of projects we have; the changing in Federal safety regulations, which created an entirely new
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5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	as we did in the 2009 report? A. Right. Q. And the test year in this case is 2016; is that correct? A. Yes. Q. If we again turn to what's indicated on Page 5 of the return; there's an Item 11, Management Fees and Expenses during the Test Year. Do you see that? A. Yes. Q. And the amount indicated there from National Grid Corporate Services for 2016 is \$51,058,039? A. That's correct. Q. Would you accept subject to check that the service company charges to Colonial increased since the last test year by 74 percent? A. Yes.	5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	are plenty of costs in here that relate to gas engineers dealing with the increased complexity and number of projects we have; the changing in Federal safety regulations, which created an entirely new department; the existence of cybersecurity, which created an entirely new department; data analytic scientists that we bring on board to help our customers better understand the services they're receiving and the bills they get. So there are a number of examples. I don't have them all in hand, but I'd be happy to explore that later with you, if you'd like. Q. We might come back to that. Could you please turn to Page 10 of your prefiled testimony. Do you see the table at the bottom of the page, Table MLR-1? A. Yes. Q. Now, this provides the capital additions for each of the companies from 2010 through 2016; is
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	26		28
1	Q. And if we look at the last two years, 2015	1	A. It's as I thought: There was no
2	and 2016, you see the additions increased from 58	2	construction work in progress included in these
3	million to 101 million? Do you see that?	3	numbers.
4	A. Yes.	4	Q. Now if we'd turn our attention to the
5	Q. Would you accept subject to check that the	5	Boston Gas column: Would you accept subject to
6	test year increase in capital additions was 74	6	check that the increase in plant additions during
7	percent?	7	2016 indicated in Table MLR-1 for Boston Gas is 26
8	A. Yes.	8	percent?
9	Q. Was there some particular reason that the	9	A. Yes.
10	capital additions for Colonial increased so much	10	Q. Was there some particular reason that the
11	during the test year?	11	capital additions for Boston Gas increased so much
12	A. As I stated in the prior response, we show	12	during the test year?
13	here in the table the massive amount of capital	13	A. Similar answer to Colonial: Just you can
14	increase that we've had over time.	14	see the increasing trend of capital work that we're
15	In calendar '16 projects closed to plant	15	doing on behalf of our customers. So there would be
16	for Colonial would have included some work that has	16	a number of projects that are in there. But yes.
17	been performed on pipe expansion, system	17	And for the record, the numbers in 2017
18	reinforcement. There are projects going on up in	18	and '18 that don't show on this are even larger,
19	the Lowell area which are being worked on to better	19	showing the increasing trend of capital additions to
20	serve our customers from a capacity perspective. I	20	our customers' network.
21	don't have the exact list, but those are the types	21	Q. Now, again, there's no particular project
22	of things you would see in that number.	22	in the Boston Gas service territory that would
23	Q. Is there anything in particular, one	23	account for the bulk of this increase?
24	project in particular, that sort of stands out?	24	A. It is possible that in 2016, subject to
	27		29
1	A. In calendar 2016 we will have already	1	check, that we had started the work on our LNG tank
2	started working on a number of large projects.	2	in Dorchester, but I wouldn't be able to tell you,
3	Whether any of them were closed to plant during that	3	sitting here, if that had closed to plant in '16.
4	time I honestly don't remember. If you're thinking	4	We could check that.
5	about a specific one	5	Q. I'd like to make a record request for that
6	Q. And this table indicates plant additions;	6	information, whether the LNG plant
7	is that correct?	7	MS. PIEPER: Is that something you can
8	A. Yes which would be plant closed to plant	8	check on a break and get back to us?
9	in service, in this case including cost of removal.	9	THE WITNESS: Right now.
10	Q. So it doesn't include construction work in	10	MS. PIEPER: Okay.
11	progress; is that correct?	11	MS. KIMBALL: We may be able to check it
12	A. I don't think so. I would have to check.	12	right this minute.
13	Q. I'd like to make a record request, that the	13	MS. PIEPER: Okay. We'll let them
14	company provide us with whether this table contains	14	confer.
15	construction work in progress.	15	A. I was correct. It has to do with the LNG
16	A. If it's proper, I could probably get that	16	upgrades that we're doing in Dorchester. In that
17	answer for you right now.	17	case it was the trucking terminal that we
18	Q. Sure.	18	repositioned and rebuilt accounts for a piece of
19	MS. PIEPER: Off the record for a minute	19	that change.
20	while she confers.	20	Q. And that was closed to plant by the end of
21	(Discussion off the record.)	21	2016; is that correct?
22	MS. PIEPER: Let's go back on the	22	A. That's correct.
23	record. Were you able to confer?	23	Q. Was that the only major piece of equipment
24	THE WITNESS: Yes, thank you.	24	that was closed to plant in the Dorchester facility?

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	30		32
1	A. That was certainly the single largest	1	2018. Do you see that?
2	piece. That was the first project that we started	2	A. Yes.
3	at the Dorchester facility. Since then, outside of	3	Q. Again, this is National Grid's fiscal
4	the test year, there have been ongoing capital	4	year excuse me, again, National Grid's fiscal
5	additions.	5	year is the 12 months ended March 31; is that
6	Q. Ms. Reed, do you know what the company's	6	correct?
7	financial results were for calendar year 2017?	7	A. Yes.
8	A. Roughly, yes.	8	Q. Now, this graph indicates that National
9	Q. Would you accept subject to check that	9	Grid's U.S. operations are expecting to earn 90
10	Boston Gas reported to the Department that it earned	10	percent of the allowed returns during fiscal year
11	a 7.86 percent return on average common equity	11	2018; is that correct?
12	during 2017?	12	A. At the time of this presentation that was
13	A. Sounds about right, yes. Thank you.	13	our aspiration, yes.
14	Q. Could you please turn to Exhibit AG-1-10;	14	Q. And below that it says below that graph
15	and specifically, I want you to look at AG-1-10-1	15	it says the company's targeting 90 percent of the
16	Supplemental.	16	allowed returns during the fiscal year 2018; is that
17	A. Okay.	17	correct?
18	MR. ROGERS: Just to identify the	18	A. Yes.
19	document for the record: This is entitled National	19	Q. Now, Ms. Reed, the company's published
20	Grid U.S. Debt Investor Presentation, dated July	20	tariffs that it charges customers for firm
21	2017.	21	distribution service here in Massachusetts; is that
22	Q. Would you turn to Page 3613. That's the	22 23	correct?
23	number in the upper right-hand corner.	23 24	A. Yes.
24	A. Got it.	24	Q. Now, the company also provides services
	31		33
1	Q. Now, in the graphic on the left side, left	1	under en edel controctor le thet comment?
_		•	under special contracts; is that correct?
2	· ·	2	under special contracts; is that correct? A. Yes.
3	corner, it indicates that there's a filing planned		•
	· · · · · · · · · · · · · · · · · · ·	2	A. Yes.
3	corner, it indicates that there's a filing planned in 2017 or 2018 for Massachusetts Gas. Do you see	2 3	A. Yes.Q. Could you please turn to the company's
3 4	corner, it indicates that there's a filing planned in 2017 or 2018 for Massachusetts Gas. Do you see that?	2 3 4	A. Yes.Q. Could you please turn to the company's response to Information Request AG-1-99.
3 4 5	corner, it indicates that there's a filing planned in 2017 or 2018 for Massachusetts Gas. Do you see that? A. That's correct, yes.	2 3 4 5 6 7	A. Yes. Q. Could you please turn to the company's response to Information Request AG-1-99. MS. PIEPER: Is that the supplemental or
3 4 5 6	corner, it indicates that there's a filing planned in 2017 or 2018 for Massachusetts Gas. Do you see that? A. That's correct, yes. Q. In this presentation what companies would	2 3 4 5 6 7 8	A. Yes. Q. Could you please turn to the company's response to Information Request AG-1-99. MS. PIEPER: Is that the supplemental or the original?
3 4 5 6 7	corner, it indicates that there's a filing planned in 2017 or 2018 for Massachusetts Gas. Do you see that? A. That's correct, yes. Q. In this presentation what companies would be included in the group of Mass. Gas?	2 3 4 5 6 7 8	A. Yes. Q. Could you please turn to the company's response to Information Request AG-1-99. MS. PIEPER: Is that the supplemental or the original? MR. ROGERS: I have to find it first.
3 4 5 6 7 8	corner, it indicates that there's a filing planned in 2017 or 2018 for Massachusetts Gas. Do you see that? A. That's correct, yes. Q. In this presentation what companies would be included in the group of Mass. Gas? A. Boston and Colonial.	2 3 4 5 6 7 8 9	A. Yes. Q. Could you please turn to the company's response to Information Request AG-1-99. MS. PIEPER: Is that the supplemental or the original? MR. ROGERS: I have to find it first. Q. Actually, if you could look at the
3 4 5 6 7 8 9 10	corner, it indicates that there's a filing planned in 2017 or 2018 for Massachusetts Gas. Do you see that? A. That's correct, yes. Q. In this presentation what companies would be included in the group of Mass. Gas? A. Boston and Colonial. Q. And Boston and Colonial filed the petition	2 3 4 5 6 7 8 9 10	A. Yes. Q. Could you please turn to the company's response to Information Request AG-1-99. MS. PIEPER: Is that the supplemental or the original? MR. ROGERS: I have to find it first. Q. Actually, if you could look at the attachment to AG-1-99-1 for Boston. It has a list of the special contracts currently in effect. MS. KIMBALL: I don't think the
3 4 5 6 7 8 9 10 11	corner, it indicates that there's a filing planned in 2017 or 2018 for Massachusetts Gas. Do you see that? A. That's correct, yes. Q. In this presentation what companies would be included in the group of Mass. Gas? A. Boston and Colonial. Q. And Boston and Colonial filed the petition in this case on November 15, 2017; is that correct.	2 3 4 5 6 7 8 9 10 11	A. Yes. Q. Could you please turn to the company's response to Information Request AG-1-99. MS. PIEPER: Is that the supplemental or the original? MR. ROGERS: I have to find it first. Q. Actually, if you could look at the attachment to AG-1-99-1 for Boston. It has a list of the special contracts currently in effect. MS. KIMBALL: I don't think the attachments are in that book. She'll bring it to
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3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	corner, it indicates that there's a filing planned in 2017 or 2018 for Massachusetts Gas. Do you see that? A. That's correct, yes. Q. In this presentation what companies would be included in the group of Mass. Gas? A. Boston and Colonial. Q. And Boston and Colonial filed the petition in this case on November 15, 2017; is that correct. A. Yes. Q. And just below that there's a label for Rhode Island; is that correct? A. That's right. Q. There's no indication that Rhode Island will be filing for any new rates; is that correct? A. That's correct. Q. In fact, both National Grid's electric and gas divisions in Rhode Island petitioned for rate increases in November 2017; is that correct? A. We did, yes.	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	A. Yes. Q. Could you please turn to the company's response to Information Request AG-1-99. MS. PIEPER: Is that the supplemental or the original? MR. ROGERS: I have to find it first. Q. Actually, if you could look at the attachment to AG-1-99-1 for Boston. It has a list of the special contracts currently in effect. MS. KIMBALL: I don't think the attachments are in that book. She'll bring it to you electronically. Q. It's a two-page document. A. Okay, I think I'm with you. Q. Do you have that? Can you look at Page 2. A. It starts at the Boston Gas Company special contracts currently in effect? Is that the page we're looking at? Q. Yes, and then on the second page, the first entry is Sprague.
3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	corner, it indicates that there's a filing planned in 2017 or 2018 for Massachusetts Gas. Do you see that? A. That's correct, yes. Q. In this presentation what companies would be included in the group of Mass. Gas? A. Boston and Colonial. Q. And Boston and Colonial filed the petition in this case on November 15, 2017; is that correct. A. Yes. Q. And just below that there's a label for Rhode Island; is that correct? A. That's right. Q. There's no indication that Rhode Island will be filing for any new rates; is that correct? A. That's correct. Q. In fact, both National Grid's electric and gas divisions in Rhode Island petitioned for rate increases in November 2017; is that correct? A. We did, yes. Q. Now, staying on Page 3, looking at the	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	A. Yes. Q. Could you please turn to the company's response to Information Request AG-1-99. MS. PIEPER: Is that the supplemental or the original? MR. ROGERS: I have to find it first. Q. Actually, if you could look at the attachment to AG-1-99-1 for Boston. It has a list of the special contracts currently in effect. MS. KIMBALL: I don't think the attachments are in that book. She'll bring it to you electronically. Q. It's a two-page document. A. Okay, I think I'm with you. Q. Do you have that? Can you look at Page 2. A. It starts at the Boston Gas Company special contracts currently in effect? Is that the page we're looking at? Q. Yes, and then on the second page, the first entry is Sprague. A. Sprague Operating Resources. Got it.
3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	corner, it indicates that there's a filing planned in 2017 or 2018 for Massachusetts Gas. Do you see that? A. That's correct, yes. Q. In this presentation what companies would be included in the group of Mass. Gas? A. Boston and Colonial. Q. And Boston and Colonial filed the petition in this case on November 15, 2017; is that correct. A. Yes. Q. And just below that there's a label for Rhode Island; is that correct? A. That's right. Q. There's no indication that Rhode Island will be filing for any new rates; is that correct? A. That's correct. Q. In fact, both National Grid's electric and gas divisions in Rhode Island petitioned for rate increases in November 2017; is that correct? A. We did, yes.	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	A. Yes. Q. Could you please turn to the company's response to Information Request AG-1-99. MS. PIEPER: Is that the supplemental or the original? MR. ROGERS: I have to find it first. Q. Actually, if you could look at the attachment to AG-1-99-1 for Boston. It has a list of the special contracts currently in effect. MS. KIMBALL: I don't think the attachments are in that book. She'll bring it to you electronically. Q. It's a two-page document. A. Okay, I think I'm with you. Q. Do you have that? Can you look at Page 2. A. It starts at the Boston Gas Company special contracts currently in effect? Is that the page we're looking at? Q. Yes, and then on the second page, the first entry is Sprague.

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	34		36
1	identified as firm service?	1	(Exhibit AG-1 marked for
2	A. On this page they're all listed as firm	2	identification.)
3	service, if I'm looking correctly.	3	MS. PIEPER: Just for the record,
4	Q. If you go back to Page 1, there's one	4	pursuant to the ground rules that I had issued, all
5	that's not firm, but all the rest are firm?	5	exhibits that are presented at the hearing are
6	•	6	supposed to be provided seven days prior to the
7	A. Yes, Page 1. Yes. Q. Now, there's a similar attachment on	7	start of the hearing when they'll be presented. So
8	AG-1-1-1 for Colonial.	8	other intervenors, keep that in mind. I'm expecting
9	A. I see that.	9	to get exhibits not at the time. Thank you.
10	Q. 1-99-1.	10	Q. So have you seen this chart before?
11		11	•
12	A. Okay, yeah, got that.	12	A. Not specifically, but I'm generally familiar with it.
13	Q. And this page indicates there are eight	13	
14	special contracts for Colonial Gas; is that correct?	14	Q. Now, this is a comparison of oil versus
15	A. Yes.	15	natural gas?
16	Q. And looking at the fourth column again, it	16	A. That's correct.
17	indicates all these are firm contracts; is that	17	Q. And would you agree, according to this
	correct?	18	chart, the company's demonstrating the price of
18	A. That's right, yeah.	19	No. 2 oil has been expected to be more than twice
19	Q. And those special contracts typically	20	the price of natural gas?
20	provide gas distribution service at a discounted	21	A. Not more than twice, but significantly
21	rate to the tariff rate; is that correct?	22	higher, yes.
22	A. Typically. It's where the customer has		Q. So according to the company's own analysis
23	options for other commodities. That is when a	23	of representations to the public, because of the
24	special contract comes into play.	24	higher costs, a customer would be imprudent to burn
	35		37
1	Q. Can you generally describe the reasons that	1	No. 2 oil compared to natural gas, assuming both are
2	the company feels compelled to provide firm service	2	available; is that correct?
3	under a special contract at a discounted rate as	3	A. Assuming both are available. There are
4	opposed to the tariff rate for distribution service?	4	some customers who have already within their premise
5	A. Typically, per the regulations that the	5	all of the equipment associated with burning oil, so
6	Department allows, if a customer has energy options	6	switching to gas actually is a cost for them, in
7	yet would like to receive natural gas as their	7	that they have to switch out all their heating
8	heating and cooking processing source, we have the	8	equipment, boilers, et cetera. So it's not just
9	ability to work with them and create a special	9	commodity, as you're showing here.
10	contract, which is then approved by all the right	10	Q. Now, Ms. Reed, you have a master's degree
11	stakeholders.	11	in accounting; is that correct?
12	Q. What are those options?	12	A. I do.
13	A. Oil heat mostly.	13	Q. And are you still a certified public
14	Q. So is it your belief that oil has been	14	accountant?
15	price-competitive with natural gas?	15	A. Technically, yes.
16	A. Well, the two move together. So when oil	16	Q. What do you mean, "technically"?
17	prices are high, the costs on the special contract	17	A. I do not practice accounting any more,
18	would rise. When oil prices come down, the costs on	18	though I retain my license with the Massachusetts
19	the natural gas special contract would also reduce.	19	Society of CPAs.
20	MR. ROGERS: At this point I'd like to	20	Q. Now, the company made a familiar with the
21	introduce a printout from the National Grid website.	21	Department on April 20th in this case to update its
22	Could we mark this as an exhibit.	22	cost of service; is that correct?
23	MS. PIEPER: Let's mark this as Exhibit	23	A. That's right.
24	AG-1.	24	Q. And one of the adjustments in that filing
I	·· · ··		

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	38		40
1	was to reflect the reduction in the Federal income	1	utilities, how we will treat the reduction in the
2	tax rate as a result of the Tax Cuts and Jobs Act of	2	tax rate on January 1st.
3	2017; is that correct?	3	Q. And nobody briefed you on that?
4	A. That's correct.	4	A. I have a lot of conversations on a lot of
5	Q. And the rates from the new cost of service	5	things internally. On that one, I honestly can't
6	reflecting the 2017 tax act go into effect October	6	tell you.
7	1, 2018; is that correct?	7	Q. So you have a general understanding of the
8	A. That's correct.	8	filing?
9	Q. Now, the company's supposed to make a	9	A. Yes, I do.
10	filing today, May 1st, in Docket 18-15, which is	10	Q. And so what does the filing attempt to
11	part of the Department's investigation into the	11	accomplish?
12	effects of the Tax Cuts and Jobs Act on rates as of	12	A. It attempts to answer the question that the
13	January 1, 2018; is that correct?	13	Department asked about how will we treat the change
14	A. That's correct.	14	in tax law.
15	Q. In Docket 18-15 is the company proposing to	15	Q. And do you understand do you have an
16	return to customers the reduction in taxes	16	understanding of what that treatment is?
17	associated with the tax reduction back to January 1,	17	A. No. I'm sure that the cost-of-service
18	2018?	18	witness will be able to dive much more deeply into
19	A. I am not wholly familiar with the contents	19	that. I apologize.
20	of the filing that will go in later today.	20	Q. So you don't know whether the company's
21	Q. Is there anybody here that is familiar that	21	going to return to customers the reductions
22	could help you?	22	associated with the new tax act back to January 1,
23	MS. KIMBALL: The cost-of-service	23	2018?
24	witness that's coming next is prepared to answer	24	A. I know that it's a whole lot more
	39		41
1	questions on that, if you'd like. If you have	1	complicated than simply returning the cash tax. And
2	questions, we can proceed with them and see if she	2	so I hesitate to answer your questions because I
3	can get the information you need from one of her	3	could potentially mislead you. I think it best at
4	colleagues.	4	this point that our cost-of-service witness address
5	Q. So you testified you're not familiar with	5	that.
6	the not wholly familiar with the contents of the	6	Q. And you don't know whether the company will
7	filing. What exactly do you understand the filing	7	be applying carrying charges to any balances?
8	to be?	8	A. I do not know the answer to that question.
9	A. I understand that the Department ordered	9	Q. When do you expect the company to be filing
10	the utilities in the state to file by today the	10	this?
11	plans for what they would do because of the change	11	A. Before the end of the day.
12	in the Federal tax law. We feel fortunate in the	12	Q. Now, Ms. Reed, on Page 24 of your prefiled
13	timing of the Boston and Colonial cases that we were	13	testimony could you please turn to that.
14	actually able to fold that into the case. So that	14	Now, on this page you indicate that the
15	will go in in October. But I don't know what else,	15	company is proposing new reconciling charges in this
16	honestly, is in the filing and what our plans would	16	case; is that correct?
17	be to accommodate that request.	17	A. Yes.
18	Q. So you have no idea what's in the filing	18	Q. And if we look at Lines 8 through 10: In
19	this afternoon?	19	this case the company is proposing two cost recovery
20	A. I'm not completely filing with it.	20	proposals to account for the costs of non-GSEP work
21	Q. So what do you understand is in the filing?	21	that cannot be funded by growth in revenues the
22	A. What I just said. So I expect us this	22	gas safety and reliability and business gas
23	afternoon to be filing the response that the	23	business enablement programs?
24	Department ordered us to do along with the other	24	A. That's right.

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1	42		44
1	Q. To your knowledge, is that all of the new	1	A. Commodity-related, yes.
2	reconciling mechanisms that the company is proposing	2	Q. And will you accept subject to check
3	in this case?	3	there's one for environmental remediation costs?
4	A. Yes.	4	A. Yes.
5	Q. Would you accept subject to check that the	5	Q. So just to make the record clear, is it
6	company is proposing to introduce a new property tax	6	your testimony that the regulatory burden on the
7	reconciling mechanism?	7	Department will be reduced by adding four more
8	A. Yes.	8	reconciling mechanisms to those the company already
9	Q. Now, the company is also proposing to	9	has in effect?
10	recover its hardship accounts in this case by	10	A. I would say that when we actually propose a
11	amortizing its actual balance of accounts on a	11	reconciling mechanism, it is done so that in this
12	going-forward basis; is that correct?	12	case, the four that we're adding, but specifically
13	A. Yes. That is similar to what we proposed	13	the GSR, gas system reliability, and GBE, gas
14	in the Mass. Electric/Nantucket filing.	14	business enablement, are intended to begin the
15	Q. So would you agree that there's four new	15	collection of large investments we're making on
16	reconciling mechanisms that the company is	16	behalf of our customers.
17	proposing?	17	What we do hope is, by proposing these
18	A. Yes.	18	and collecting a fraction of the costs that they
19	Q. Could you tell us how many reconciling rate	19	each represent, we would be able to stay out of
20	mechanisms the companies currently have in effect?	20	another rate case proceeding for a period of time,
21	A. No.	21	rather than run right back in the door, since we've
22	Q. Do the companies have a reconciling charge	22	been incurring hundreds of millions of dollars on
23	in effect for their gas commodity costs?	23	these programs since the historic test year of 2016.
24	A. Yes.	24	Q. How many of these adjustment mechanisms
	43		45
1	Q. And one for their interstate pipeline	1	does the Department have to adjust every year?
2	transportation costs?	2	A. A number of them, the ones you just
3	A. I believe so.	3	mentioned. In our experience in other
4	Q. And there's one for revenue decoupling; is	4	jurisdictions, the company is well poised to be able
-			
5	that correct?	5	to put forth the costs that are incurred during such
6	that correct? A. I believe so.	5 6	
			to put forth the costs that are incurred during such
6	A. I believe so.	6	to put forth the costs that are incurred during such mechanisms and provide all the documentation, as is the case with some of those that you mentioned, Mr. Rogers. So we don't really see it, nor do we intend
6 7	A. I believe so. Q. And there's two for leak-prone main and	6 7	to put forth the costs that are incurred during such mechanisms and provide all the documentation, as is the case with some of those that you mentioned, Mr.
6 7 8	A. I believe so. Q. And there's two for leak-prone main and service replacements, the TIRF and GSEP charges; is	6 7 8	to put forth the costs that are incurred during such mechanisms and provide all the documentation, as is the case with some of those that you mentioned, Mr. Rogers. So we don't really see it, nor do we intend
6 7 8 9 10 11	A. I believe so. Q. And there's two for leak-prone main and service replacements, the TIRF and GSEP charges; is that correct?	6 7 8 9 10 11	to put forth the costs that are incurred during such mechanisms and provide all the documentation, as is the case with some of those that you mentioned, Mr. Rogers. So we don't really see it, nor do we intend it, as a burden, but rather a way to stabilize the
6 7 8 9 10 11	 A. I believe so. Q. And there's two for leak-prone main and service replacements, the TIRF and GSEP charges; is that correct? A. GSEP took the place of TIRF, but yes. 	6 7 8 9 10 11	to put forth the costs that are incurred during such mechanisms and provide all the documentation, as is the case with some of those that you mentioned, Mr. Rogers. So we don't really see it, nor do we intend it, as a burden, but rather a way to stabilize the costs that are incurred by the company, in an effort to maintain some stability of rates for both our customers and efforts by all of the parties in this
6 7 8 9 10 11 12 13	 A. I believe so. Q. And there's two for leak-prone main and service replacements, the TIRF and GSEP charges; is that correct? A. GSEP took the place of TIRF, but yes. Q. And one for energy efficiency; is that correct? A. That's correct. 	6 7 8 9 10 11 12	to put forth the costs that are incurred during such mechanisms and provide all the documentation, as is the case with some of those that you mentioned, Mr. Rogers. So we don't really see it, nor do we intend it, as a burden, but rather a way to stabilize the costs that are incurred by the company, in an effort to maintain some stability of rates for both our customers and efforts by all of the parties in this room for putting forth a rate case. We do the best
6 7 8 9 10 11	A. I believe so. Q. And there's two for leak-prone main and service replacements, the TIRF and GSEP charges; is that correct? A. GSEP took the place of TIRF, but yes. Q. And one for energy efficiency; is that correct?	6 7 8 9 10 11	to put forth the costs that are incurred during such mechanisms and provide all the documentation, as is the case with some of those that you mentioned, Mr. Rogers. So we don't really see it, nor do we intend it, as a burden, but rather a way to stabilize the costs that are incurred by the company, in an effort to maintain some stability of rates for both our customers and efforts by all of the parties in this
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6 7 8 9 10 11 12 13 14 15 16 17	A. I believe so. Q. And there's two for leak-prone main and service replacements, the TIRF and GSEP charges; is that correct? A. GSEP took the place of TIRF, but yes. Q. And one for energy efficiency; is that correct? A. That's correct. Q. And one for pension and post-retirement benefits other than pensions; is that correct? A. Yes. Q. And one for residential assistance costs, low-income discount?	6 7 8 9 10 11 12 13 14 15 16 17	to put forth the costs that are incurred during such mechanisms and provide all the documentation, as is the case with some of those that you mentioned, Mr. Rogers. So we don't really see it, nor do we intend it, as a burden, but rather a way to stabilize the costs that are incurred by the company, in an effort to maintain some stability of rates for both our customers and efforts by all of the parties in this room for putting forth a rate case. We do the best we can to try to make the reconciliation process as simple as we can. Q. Of the total revenues of the company, what percentage is recovered through reconciling mechanisms?
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6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	A. I believe so. Q. And there's two for leak-prone main and service replacements, the TIRF and GSEP charges; is that correct? A. GSEP took the place of TIRF, but yes. Q. And one for energy efficiency; is that correct? A. That's correct. Q. And one for pension and post-retirement benefits other than pensions; is that correct? A. Yes. Q. And one for residential assistance costs, low-income discount? A. Subject to check, yes. Q. And one for the Attorney General's consultation costs; is that correct?	6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	to put forth the costs that are incurred during such mechanisms and provide all the documentation, as is the case with some of those that you mentioned, Mr. Rogers. So we don't really see it, nor do we intend it, as a burden, but rather a way to stabilize the costs that are incurred by the company, in an effort to maintain some stability of rates for both our customers and efforts by all of the parties in this room for putting forth a rate case. We do the best we can to try to make the reconciliation process as simple as we can. Q. Of the total revenues of the company, what percentage is recovered through reconciling mechanisms? A. I don't have that off the top of my head. Q. Ms. Reed, would you please turn to Page 27 of your prefiled testimony in this case. Do you
6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	A. I believe so. Q. And there's two for leak-prone main and service replacements, the TIRF and GSEP charges; is that correct? A. GSEP took the place of TIRF, but yes. Q. And one for energy efficiency; is that correct? A. That's correct. Q. And one for pension and post-retirement benefits other than pensions; is that correct? A. Yes. Q. And one for residential assistance costs, low-income discount? A. Subject to check, yes. Q. And one for the Attorney General's consultation costs; is that correct? A. Yes, indeed.	6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	to put forth the costs that are incurred during such mechanisms and provide all the documentation, as is the case with some of those that you mentioned, Mr. Rogers. So we don't really see it, nor do we intend it, as a burden, but rather a way to stabilize the costs that are incurred by the company, in an effort to maintain some stability of rates for both our customers and efforts by all of the parties in this room for putting forth a rate case. We do the best we can to try to make the reconciliation process as simple as we can. Q. Of the total revenues of the company, what percentage is recovered through reconciling mechanisms? A. I don't have that off the top of my head. Q. Ms. Reed, would you please turn to Page 27 of your prefiled testimony in this case. Do you have that?
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	46	48
1 over the next three pages, you describe the	1	Massachusetts, New York, and Rhode Island."
2 company's proposal for the gas business enab	lement 2	Q. Ms. Reed, are you currently the executive
3 program; is that correct?	3	vice president of business operations, engineering
4 A. That's right, yes.	4	and process for National Grid USA Service Company?
5 Q. And this is a new program the company	y is 5	A. I am not. As I stated in my opening
6 implementing; is that correct?	6	comments, I held that position for about eight
7 A. Yes.	7	months, and starting back today, May 1st, I am the
 Q. And on the next page, 28, Lines 4 throu 		president of the Massachusetts business.
9 7, you claim that the GBE program will fundant	nentally 9	Q. In that previous position, were you
10 change the way the gas business works, from		responsible for ensuring the safe, reliable service
11 cross-functional department coordination to ex		to customers along with customer service, financial,
12 interactions, to improve the company's overall		and operational performance of the gas and electric
13 business process and service for customers; is		distribution business?
14 correct?	14	A. Under that prior role, no, I was
15 A. Yes, that's right.	15	responsible for the safe, reliable operations of my
Q. So an important aspect of the program		team and the activity that we pursued. But it's the
that it will convert the business model from a	17	president of Massachusetts's responsibility to have
18 cross-functional architecture to one that is foc		those activities that you just mentioned.
on external interactions; is that correct?	19 20	Q. So as president, you're responsible for
A. No, that's not what it says. It says it		Boston and Colonial Gas Companies operating in a
21 will enhance both of those coordination points	·	safe and reliable manner; is that correct?
22 What we intended by that sentence was that t 23 business enablement again. I'll refer to it as	inc gas	A. That's correct, yes.
zuemese enaziement agam, in reier te it as	'	Q. And one of the largest recent capital additions that National Grid USA made was the SAP
24 GBE is a huge fundamental shift in the way	we	additions that National Grid GSA made was the SAI
	47	49
1 work internally on our work management system	ns, on 1	system; is that correct?
2 our asset management systems, and also the wa	ny we 2	A. That is correct.
3 enable our customers to work with us.	3	 Q. Could you generally describe the major
4 So the internal cross-functional	4	business functions of the SAP system.
5 department coordination gets at the work manage		A. Yes. The SAP system, installed back some
and asset management improvements that we're	٠,	six years ago, were basically a new financial, again
7 through the system, and the external-interaction	I	accounting, general ledger system, and an HR
8 part of that phrase describe how we're going to l		back-office system. Those are the main components
9 able to allow our customers to work with us in a	9	of it.
more digital environment, which is what everyon	ie is 10	Q. Do you know how much National Grid Service
11 used to these days. It will also help us get at 12 things such as that four-hour customer window t		Company invested in the SAP system in the last five
things such as that four-hour customer window tthe Department has an aspiration for us to achie	· · · ·	years? A. In the last five years, I do not, no.
14 So that's what is meant by that. It	14 14	Q. Would you agree that it's over a billion
doesn't mean that we will shift from an external		dollars?
16 an internal.	16	A. In the last six years actually, more
	17	than that: In the last, say, ten years the company
	1	in the secondary
17 Q. Could you look at Page 28 and read that	18	spent close to a billion dollars on our SAP system.
17 Q. Could you look at Page 28 and read that	18 19	spent close to a billion dollars on our SAP system. As has been discussed in forums such as this before,
17 Q. Could you look at Page 28 and read that 18 first sentence that begins on Line 8 and ends on	19	spent close to a billion dollars on our SAP system. As has been discussed in forums such as this before, we charge to our customers the amount of that that
17 Q. Could you look at Page 28 and read that 18 first sentence that begins on Line 8 and ends on 19 Line 11.	19	As has been discussed in forums such as this before,
17 Q. Could you look at Page 28 and read that 18 first sentence that begins on Line 8 and ends on 19 Line 11. 20 A. "This fundamental change will result from	19 20	As has been discussed in forums such as this before, we charge to our customers the amount of that that
17 Q. Could you look at Page 28 and read that 18 first sentence that begins on Line 8 and ends on 19 Line 11. 20 A. "This fundamental change will result from 21 the establishment of three core operating	19 20 21 22	As has been discussed in forums such as this before, we charge to our customers the amount of that that was previously agreed and intended to be spent on

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	50		52
1	took on the burden of the excess costs.	1	external stakeholders and ensure the company's
2	Q. Since initial installation of the SAP	2	public service obligations are met. This structure
3	system, National Grid has also made significant	3	was also designed to result in the streamlining of
4	updates and improvements to that system; is that	4	many customer-facing processes and procedures,
5	correct?	5	thereby improving the customer interactions with
6	A. There have been some along the way to keep	6	National Grid's operating companies, while
7	up with the technology, yes.	7	maintaining safe and reliable service."
8	Q. Again, do you have a ballpark number on how	8	Q. So according to your testimony in DPU
9	much these updates and improvements to the system	9	15-155, the organizational structure that was put
10	have cost?	10	into effect in 2011 was supposed to promote and
11	A. Typically I don't have the exact number,	11	facilitate full engagement with customers and other
12	but typically upgrades to the systems are in the	12	external stakeholders; is that correct?
13	they're measured in millions, not thousands.	13	A. That's correct.
14	Q. Could they be measured in tens of millions?	14	Q. And the design was supposed to maintain
15	A. It's possible. I don't have the answer.	15 16	safe and reliable service; is that correct?
16	Q. Ms. Reed, you testified for National Grid	17	A. Yes.
17	in the Mass. Electric and Nantucket Electric base	18	Q. Now, Ms. Reed, can you turn to Page 26 of
18 19	rate case in 15-155; is that correct?	19	your testimony in this case. A. The electric case?
20	A. That's right.	20	Q. Excuse me, in the electric case, DPU
21	Q. I'm going to hand you a document entitled the Prefiled Direct Testimony of Marcy L. Reed in	21	15-155.
22	15-155, dated November 6, 2015.	22	A. Got it.
23	MR. ROGERS: And I'd like the Department	23	Q. Could you read the question and answer that
24	to incorporate this by reference.	24	starts on Line 13 and goes to the following page on
	to incorporate this by forefolioe.		
	51		53
1	MS. PIEPER: I just want to make sure:	1	53 Line 10, and ends with December 2012.
1 2	- 1	1 2	
2	MS. PIEPER: I just want to make sure:	2	Line 10, and ends with December 2012. A. The question reads, "Please describe the SAP system and the challenges resulting from its
2 3 4	MS. PIEPER: I just want to make sure: It's the full testimony in DPU 15-155? MR. ROGERS: Yes. MS. PIEPER: And it's marked as Exhibit	2 3 4	Line 10, and ends with December 2012. A. The question reads, "Please describe the SAP system and the challenges resulting from its implementation."
2 3 4 5	MS. PIEPER: I just want to make sure: It's the full testimony in DPU 15-155? MR. ROGERS: Yes. MS. PIEPER: And it's marked as Exhibit NG-MLR-1. And we will incorporate it by reference	2 3 4 5	Line 10, and ends with December 2012. A. The question reads, "Please describe the SAP system and the challenges resulting from its implementation." And the answer says, "Following National
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2 3 4 5 6 7 8 9	MS. PIEPER: I just want to make sure: It's the full testimony in DPU 15-155? MR. ROGERS: Yes. MS. PIEPER: And it's marked as Exhibit NG-MLR-1. And we will incorporate it by reference pursuant to 220 CMR 1.10(3). Q. Ms. Reed, could you please turn to Page 23. And could you start with the question on Line 17 and read down to Line 9 on the following page. A. The question reads, "What was the nature of	2 3 4 5 6 7 8 9	Line 10, and ends with December 2012. A. The question reads, "Please describe the SAP system and the challenges resulting from its implementation." And the answer says, "Following National Grid's acquisition of KeySpan in 2007, the business was challenged in supporting multiple and complex business processes that spanned several different technology platforms. The fragmented business processes and systems created numerous risks and
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	MS. PIEPER: I just want to make sure: It's the full testimony in DPU 15-155? MR. ROGERS: Yes. MS. PIEPER: And it's marked as Exhibit NG-MLR-1. And we will incorporate it by reference pursuant to 220 CMR 1.10(3). Q. Ms. Reed, could you please turn to Page 23. And could you start with the question on Line 17 and read down to Line 9 on the following page. A. The question reads, "What was the nature of the organizational restructuring that was undertaken in 2011?" And the answer reads, "On January 31st, 2011, National Grid announced a detailed restructuring plan to improve its performance through creation of an organizational structure based on local state jurisdictions, led by regional presidents with responsibilities for understanding and meeting the needs of our customers, communities, legislative leaders and legislators in each of those local jurisdictions. Organizing its operations on the basis of state jurisdictions rather than lines	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	Line 10, and ends with December 2012. A. The question reads, "Please describe the SAP system and the challenges resulting from its implementation." And the answer says, "Following National Grid's acquisition of KeySpan in 2007, the business was challenged in supporting multiple and complex business processes that spanned several different technology platforms. The fragmented business processes and systems created numerous risks and challenges for day-to-day operations. In 2010, National Grid launched the U.S. Foundations Program ('USFP') to consolidate various systems onto a single platform to replace the functionality delivered by the legacy Oracle and PeopleSoft ERP ssuites and associated applications. Accordingly, National Grid retained consultants to design and build a system to enable the consolidation of human resources, finance, and supply chain processes and more than 20 other applications into a single SAP enterprise resource planning platform. The SAP

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	54		56
1	National Grid with impacts on technology, business	1	there. For example, the personnel that we had to
2	processes, and employees across the U.S. operation.	2	hire to begin addressing the Grade 3 leak
3	"On November 5, 2012, National Grid	3	legislation, some of those are embedded within our
4	launched the majority of the SAP modules and	4	2016 test year costs. Others that we have hired
5	business processes. The remaining modules and	5	since the legislation came and we started the
6	business processes were launched in December 2012."	6	activity have been included as one of the
7	Q. Just so the record is clear, when you refer	7	adjustments you mentioned earlier in our discussion.
8	to KeySpan in the testimony from DPU 15-155, you	8	Much of the projects that we discussed
9	were referring to the holding company that included	9	in the GSR program are capital-related, and we're
10	Boston Gas and Colonial Gas; is that correct?	10	not asking the Department to compensate us for those
11	A. That is correct.	11	at this time. We're asking for a mechanism to be
12	Q. Could you please turn to Page 25 of your	12	able to discuss the compensation for those
13	prefiled testimony in this case.	13	although, having said that, we have already incurred
14	A. Did you say Page 25?	14	tens of millions of dollars in all of those capital
15	Q. Yes, 25, and specifically Line 16.	15	projects. We're not asking for recovery of that
16	A. 16, yes.	16	here.
17	Q. Beginning on Line 16 you state that on the	17	Q. So in the next sentence after the one you
18	O&M side the company's GSR program includes safety	18	just read, on Line 17, it says, in order to meet the
19	initiatives and incremental labor and nonlabor O&M	19	company's work plans over the next five years, the
20	expenses those initiatives require. Is that	20	company implemented a program to recruit, hire, and
21	correct?	21	train 333 additional full-time equivalents to have
22	A. Yes.	22	sufficient personnel resources to perform the
23	Q. In that statement, specifically what do you	23	company's increased gas main replacement and repair
24	mean when you use the term "safety initiatives"?	24	and enhanced leak repair, leak management, and meter
	55		57
1	A. So the GSR program is a large-scale suite	1	lock initiatives; is that right?
2	of initiatives that we have undertaken to address	2	A. That's right, yes.
3	reliability and safety across our business. They	3	Q. And you indicated that the company will
4	include such activities as upgrades to our many LNG	4	hire and use these people over the next five years?
5	facilities across the state. They include	5	A. We began to hire these people in 2016.
6	pipeline pipe replacement programs across the	6	Included in the test year, subject to check, are
7	state. They include system reinforcement projects.	7	about just less than half of those people, and the
8	In addition, they include adherence to	8	rest have subsequently come on board, mostly to
9	the legislation which was passed in 2016 for leak	9	perform the tasks that I mentioned. For example,
10	repair of Grade 3 leaks. It also includes leak	10	the leak repair of Grade 3 leaks was never an
11	surveillance techniques that we've increased and	11	activity any Massachusetts gas LDC performed up to
12	improved, as well as leak rechecks.	12	this point. So we all increased our workforces to
13 14	Further, it includes a meter lock	13	be able to accommodate and comply with that
14	program, that we've discussed with the Department in	14	legislation.
15	prior proceedings. And locate it includes the		
15 16	prior proceedings. And lastly, it includes the	15 16	In fact, just to tell you the amount of
16	creation of a customer mobile hub, so that we can	16	work that they do: In a normal year across the gas
16 17	creation of a customer mobile hub, so that we can better address their concerns.	16 17	work that they do: In a normal year across the gas companies we repair about nine to ten thousand leaks
16 17 18	creation of a customer mobile hub, so that we can better address their concerns. Many of those, I would suggest all of	16 17 18	work that they do: In a normal year across the gas companies we repair about nine to ten thousand leaks every year. We are increasing that by 3600 this
16 17 18 19	creation of a customer mobile hub, so that we can better address their concerns. Many of those, I would suggest all of those, are being undertaken to address safety and	16 17 18 19	work that they do: In a normal year across the gas companies we repair about nine to ten thousand leaks every year. We are increasing that by 3600 this past year and going forward to comply with that
16 17 18 19 20	creation of a customer mobile hub, so that we can better address their concerns. Many of those, I would suggest all of those, are being undertaken to address safety and reliability concerns we have for the system.	16 17 18 19 20	work that they do: In a normal year across the gas companies we repair about nine to ten thousand leaks every year. We are increasing that by 3600 this past year and going forward to comply with that legislation.
16 17 18 19 20 21	creation of a customer mobile hub, so that we can better address their concerns. Many of those, I would suggest all of those, are being undertaken to address safety and reliability concerns we have for the system. Q. And all those are included in your	16 17 18 19 20 21	work that they do: In a normal year across the gas companies we repair about nine to ten thousand leaks every year. We are increasing that by 3600 this past year and going forward to comply with that legislation. So that's what the folks have been hired
16 17 18 19 20	creation of a customer mobile hub, so that we can better address their concerns. Many of those, I would suggest all of those, are being undertaken to address safety and reliability concerns we have for the system. Q. And all those are included in your operations and maintenance expenses? Is that your	16 17 18 19 20	work that they do: In a normal year across the gas companies we repair about nine to ten thousand leaks every year. We are increasing that by 3600 this past year and going forward to comply with that legislation. So that's what the folks have been hired to help us do.
16 17 18 19 20 21 22	creation of a customer mobile hub, so that we can better address their concerns. Many of those, I would suggest all of those, are being undertaken to address safety and reliability concerns we have for the system. Q. And all those are included in your	16 17 18 19 20 21	work that they do: In a normal year across the gas companies we repair about nine to ten thousand leaks every year. We are increasing that by 3600 this past year and going forward to comply with that legislation. So that's what the folks have been hired

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	1		
	58		60
1	include some service company employees?	1	workforce in order to meet the aggressive GSEP
2	A. They'd be both, right at the operating	2	timetable; is that correct?
3	company level and the service company.	3	A. Yes.
4	Q. Do you know how many employees the Boston	4	Q. Now, all the costs associated with the GSEP
5	Gas and Colonial Gas Companies have at the end of	5	program can be capitalized and recovered through the
6	the test year in this case?	6	GSEP tracker; is that correct?
7	A. I would have to check that number. I don't	7	A. I believe most yes, I believe that's
8	have it off the top of my head.	8	true.
9	Q. Would you accept subject to check that it	9	Q. And this is allowed by the statute that you
10	was 1,277?	10	cite in your testimony, Chapter 164, Section 145?
11	A. For the total of the two companies?	11	Is that correct?
12	Q. Yes.	12	A. I don't know the chapters, but yes, it's
13	A. That feels about right.	13	per the agreement that we have with the Department.
14	Q. Would you accept subject to check that the	14	Q. So since the costs associated with the
15	company's employee turnover rate was more than 5	15	ramp-up in workforce that you cite to in your answer
16	percent annually?	16	are capitalized, should they not be included they
17	A. Sounds right.	17	shouldn't be included as an operations and
18	Q. So all things being equal, with 1,277	18	maintenance expense in base rates; is that correct?
19	employees, one can expect a loss of about 64	19	A. Every employee has some certain level of
20	employees per year; is that correct?	20	operating costs associated with them. For example,
21	A. That would be right in that math, yes.	21	under accounting regulations we are not allowed to
22	Q. And over a five-year period that would mean	22	capitalize the cost of training, which obviously is
23	the company would lose about 320 employees; is that	23	very important to us. So there are certain costs
24	correct?	24	that every employee carries, including vacations and
	59		61
1	A. That's right.	1	sick time, that largely go into operating costs
2	I will make the point that the 333	2	versus capital.
3	additional FTEs that we are hiring and have hired	3	Certainly the true capital costs
4	are not simply to backfill people who have left for	4	associated with replacing of leak-prone pipe under
5	retirement or other opportunities. Rather, these	5	the GSEP program are included as such and filed in
6	are incremental new hires to do that incremental	6	the filing for the GSEP.
7	work that I discussed earlier.	7	Q. So is it your testimony that an employee
8	Q. So could you please turn to Page 21 of your	8	who is working solely on GSEP projects would not
9	prefiled testimony. Do you have that?	9	have his nonproductive time, like vacations and days
10	A. Yes.	10	off, charged to the GSEP account?
11	Q. On Lines 5 through 17 you describe the	11	A. So when they're doing training, that goes
12	company's leak-prone pipe replacement program.	12	to O&M. The time not worked that you'd be referring
13	A. Right.	13	to vacation, sick time, et cetera are I
14	Q. And this program includes the replacement	14	believe also going to the operation costs.
15	of leak-prone mains; is that right?	15	We are allowed to collect through the
16	A. That's right.	16	GSEP filing the actual costs incurred in replacing
17	Q. It also includes the replacement of	17	the leak-prone pipe.
18	leak-prone services; is that correct?	18	Q. So nonproductive time is not capitalizable;
19 20	A. Yes.	19	is that correct?
20 21	Q. And it also includes the replacement of	20	A. It's probably best that you chat with the
22	meter sets?	21	pricing and other panels that will come forward.
23	A. Yes. Q. Now, on Lines 16 and 17 you conclude that	22 23	There's a possibility that the nonproductive time follows the cost of an employee. So I wouldn't want
	O. NOW, ON LINES TO AND 17 YOU CONCIDE THAT I	∠3	rollows the cost of an employee. So I wouldn't want
24	the company continues to substantially ramp up its		to mislead you. It's best that you bring that

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	62		64
1	question to them.	1	about earlier are for the whole load of activities
2	Q. If you go to Page 22 of your prefiled	2	that I mentioned, including the leak surveillance,
3	testimony: On Lines 5 through 11 you discuss the	3	the leak recheck, the meter lock program, all of
4	leak repair requirements; is that correct?	4	those programs that I mentioned earlier.
5	A. That's right.	5	Q. Was that a yes or a no?
6	Q. And on Lines 5 through 7 you indicate there	6	A. Could you reask the question, please?
7	are new requirements for Grade 1 and Grade 2 leak	7	MR. ROGERS: Alan, could you read back
8	repairs; is that correct?	8	the question.
9	A. They're not new requirements. But I'd note	9	(Question read.)
10	that there are prescribed times, yes.	10	A. The capital portion should be recovered
11	Q. When did those requirements become	11	through the GSEP charge; that is correct.
12	effective?	12	Q. Should the expense portion be recovered
13	A. The law is cited here, so General Laws 164,	13	through the GSEP charge?
14	144.	14	A. If the GSEP program allows for the related
15	Q. Would you accept subject to check September	15	O&M, capital-related O&M, then yes. If not, then
16	14th, 2014?	16	no.
17	A. Yes, subject to check.	17	Q. Could you please turn to Page 26 of your
18	Q. Has the company been complying with the	18	prefiled testimony.
19	Commonwealth's regulations regarding its Grade 1 and	19 20	MS. PIEPER: I'd like to take a break at
20	Grade 2 leak repairs?	21	some point.
21	A. To the best of our ability, yes.	22	MR. ROGERS: Now would be a good time.
22	Q. So the company has been operating and	23	MS. PIEPER: Let's go off the record and take a ten-minute break.
23 24	incurring costs associated with these Grade 1 and	24	
24	Grade 2 leak repair requirements since 2014; is that	24	(Recess taken.)
	63		65
1	correct?	1	MS. PIEPER: Let's go back on the
2	A. Yes.	2	record. You may proceed.
3	Q. So those costs are already, if you will,	3	Q. Ms. Reed, can you turn to Page 26 of your
4	embedded in the test year cost of service; is that	4	prefiled testimony.
5	correct?	5	A. Yes.
6	A. For 1's and 2's, yes.	6	Q. Specifically, on Lines in this response
7	Q. And in Line 7 through 9 you discuss Grade 3	7	you're talking about the need for additional
8	leaks with significant environmental impact; is that	8	employees; is that correct?
9	right?	9	A. Let me check.
10	A. Yes.	10	Yes, I think that's right.
11	Q. And you provide a cite to the Acts of 2016,	11	Q. And you indicate on Lines 3 and 4 that you
	Chapter 188, Section 13; is that correct?	12	are accelerating the leak repair program in calendar
12			
13	A. Yes.	13	2017 to target an additional 3600 leak repairs per
13 14	A. Yes. Q. And those acts provided for recovery of	14	year; is that correct?
13 14 15	A. Yes. Q. And those acts provided for recovery of those costs associated with identification and	14 15	year; is that correct? A. That's right.
13 14 15 16	A. Yes. Q. And those acts provided for recovery of those costs associated with identification and repair of those Grade 3 leaks with significant	14 15 16	year; is that correct? A. That's right. Q. So that would be an additional 3600 leak
13 14 15 16 17	A. Yes. Q. And those acts provided for recovery of those costs associated with identification and repair of those Grade 3 leaks with significant environmental impact through the GSEP charge; is	14 15 16 17	year; is that correct? A. That's right. Q. So that would be an additional 3600 leak repairs per year over the amount done during 2016,
13 14 15 16 17 18	A. Yes. Q. And those acts provided for recovery of those costs associated with identification and repair of those Grade 3 leaks with significant environmental impact through the GSEP charge; is that correct?	14 15 16 17	year; is that correct? A. That's right. Q. So that would be an additional 3600 leak repairs per year over the amount done during 2016, the test year in this case; is that correct?
13 14 15 16 17 18 19	A. Yes. Q. And those acts provided for recovery of those costs associated with identification and repair of those Grade 3 leaks with significant environmental impact through the GSEP charge; is that correct? A. That's correct.	14 15 16 17 18	year; is that correct? A. That's right. Q. So that would be an additional 3600 leak repairs per year over the amount done during 2016, the test year in this case; is that correct? A. I assume that's what we meant, yes.
13 14 15 16 17 18 19 20	A. Yes. Q. And those acts provided for recovery of those costs associated with identification and repair of those Grade 3 leaks with significant environmental impact through the GSEP charge; is that correct? A. That's correct. Q. So employee costs associated with these	14 15 16 17 18 19 20	year; is that correct? A. That's right. Q. So that would be an additional 3600 leak repairs per year over the amount done during 2016, the test year in this case; is that correct? A. I assume that's what we meant, yes. Q. Is that number, 3600, a significant
13 14 15 16 17 18 19 20 21	A. Yes. Q. And those acts provided for recovery of those costs associated with identification and repair of those Grade 3 leaks with significant environmental impact through the GSEP charge; is that correct? A. That's correct. Q. So employee costs associated with these Grade 3 leaks should not be recovered in base rates	14 15 16 17 18 19 20 21	year; is that correct? A. That's right. Q. So that would be an additional 3600 leak repairs per year over the amount done during 2016, the test year in this case; is that correct? A. I assume that's what we meant, yes. Q. Is that number, 3600, a significant increase over the amount of repairs that the company
13 14 15 16 17 18 19 20 21 22	 A. Yes. Q. And those acts provided for recovery of those costs associated with identification and repair of those Grade 3 leaks with significant environmental impact through the GSEP charge; is that correct? A. That's correct. Q. So employee costs associated with these Grade 3 leaks should not be recovered in base rates and should be recovered through the GSEP charge; is 	14 15 16 17 18 19 20 21	year; is that correct? A. That's right. Q. So that would be an additional 3600 leak repairs per year over the amount done during 2016, the test year in this case; is that correct? A. I assume that's what we meant, yes. Q. Is that number, 3600, a significant increase over the amount of repairs that the company did during 2016?
13 14 15 16 17 18 19 20 21	A. Yes. Q. And those acts provided for recovery of those costs associated with identification and repair of those Grade 3 leaks with significant environmental impact through the GSEP charge; is that correct? A. That's correct. Q. So employee costs associated with these Grade 3 leaks should not be recovered in base rates	14 15 16 17 18 19 20 21	year; is that correct? A. That's right. Q. So that would be an additional 3600 leak repairs per year over the amount done during 2016, the test year in this case; is that correct? A. I assume that's what we meant, yes. Q. Is that number, 3600, a significant increase over the amount of repairs that the company

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1	66		68
1	this would be over 30 percent increase in that	1	of service in DPU 10-55?
2	almost 40 percent, actually.	2	A. I would have to check on that.
3	Q. Would you take subject to check that the	3	Q. Would you take that subject to check?
4	company reported in its gas distribution integrity	4	A. Subject to check.
5	management plan for 2016 that it did 8,071 leak	5	Q. Now, a significant cost of doing a leak
6	repairs?	6	repair is labor cost from company employees; is that
7	A. Sounds right. Yes, thank you.	7	correct?
8	Q. Ms. Reed, can you turn to the company's	8	A. Yes.
9	response to AG-27-2?	9	Q. Could you please turn to Exhibit AG-1-44.
10	A. Is this what you're handing out? Okay.	10	And I'm looking at Attachment AG-1-44-1. And
11	Q. And just for the record, these are pages	11	specifically, if you could turn to Page 7 of 8.
12	exhibits from DPU 17-GSEP-03?	12	A. Okay.
13	A. Looks like it, yes.	13	Q. Now, on this page is the number of
14	Q. And can you turn to Attachment AG-1-5-A,	14	employees by month for 2016, the test year in this
15	Page 152 of 180?	15	case.
16	MS. PIEPER: I just want to clarify: Is	16	A. That's right.
17	this a part of AG-27-2?	17	Q. And do you see at the end of the year for
18	MR. ROGERS: Yes, it's an attachment.	18	December the number of management and union
19	MS. PIEPER: It's an attachment to	19	employees for Boston Gas and Colonial?
20	AG-27-2. All right.	20	A. Yes.
21	A. What page would you like me to see?	21	Q. Would you agree that the number of union
22	Q. 152. Now, if you look at that chart there,	22	employees jumps up in December over the month of
23	go all the way to the bottom, the last line says for	23	November?
24	Massachusetts there was 8,071 repairs for 2016; is	24	A. Yes.
	67		69
1			
	that correct?	1	O. Would you agree that that's a 12 percent
2	that correct? A. That's correct.	1 2	Q. Would you agree that that's a 12 percent increase in Colonial union employees in that one
	A. That's correct.		increase in Colonial union employees in that one
2	A. That's correct. Q. So doing some simple addition, the company	2	increase in Colonial union employees in that one month?
2 3	A. That's correct. Q. So doing some simple addition, the company expected to do about 11,671 leak repairs during	2	increase in Colonial union employees in that one month? A. It's about right. It also coincides with
2 3 4	 A. That's correct. Q. So doing some simple addition, the company expected to do about 11,671 leak repairs during 2017; is that correct? 	2 3 4	increase in Colonial union employees in that one month?
2 3 4 5	 A. That's correct. Q. So doing some simple addition, the company expected to do about 11,671 leak repairs during 2017; is that correct? A. The intent would be to ramp up to that 	2 3 4 5	increase in Colonial union employees in that one month? A. It's about right. It also coincides with the activity that we started to hire the people to take care of the
2 3 4 5 6	 A. That's correct. Q. So doing some simple addition, the company expected to do about 11,671 leak repairs during 2017; is that correct? 	2 3 4 5 6	increase in Colonial union employees in that one month? A. It's about right. It also coincides with the activity that we started to hire the people to
2 3 4 5 6 7	 A. That's correct. Q. So doing some simple addition, the company expected to do about 11,671 leak repairs during 2017; is that correct? A. The intent would be to ramp up to that number. But yes, your math is correct. 	2 3 4 5 6 7	increase in Colonial union employees in that one month? A. It's about right. It also coincides with the activity that we started to hire the people to take care of the Q. And it's a 7.5 percent increase in Boston
2 3 4 5 6 7 8	 A. That's correct. Q. So doing some simple addition, the company expected to do about 11,671 leak repairs during 2017; is that correct? A. The intent would be to ramp up to that number. But yes, your math is correct. Q. Now, if we go back on that chart, you can 	2 3 4 5 6 7 8	increase in Colonial union employees in that one month? A. It's about right. It also coincides with the activity that we started to hire the people to take care of the Q. And it's a 7.5 percent increase in Boston Gas union employees in one month?
2 3 4 5 6 7 8	 A. That's correct. Q. So doing some simple addition, the company expected to do about 11,671 leak repairs during 2017; is that correct? A. The intent would be to ramp up to that number. But yes, your math is correct. Q. Now, if we go back on that chart, you can see 2009, and in 2009 the company repaired 12,328 	2 3 4 5 6 7 8 9	increase in Colonial union employees in that one month? A. It's about right. It also coincides with the activity that we started to hire the people to take care of the Q. And it's a 7.5 percent increase in Boston Gas union employees in one month? A. Looks like it, yes.
2 3 4 5 6 7 8 9	 A. That's correct. Q. So doing some simple addition, the company expected to do about 11,671 leak repairs during 2017; is that correct? A. The intent would be to ramp up to that number. But yes, your math is correct. Q. Now, if we go back on that chart, you can see 2009, and in 2009 the company repaired 12,328 leaks. Do you see that? Is that correct? 	2 3 4 5 6 7 8 9	increase in Colonial union employees in that one month? A. It's about right. It also coincides with the activity that we started to hire the people to take care of the Q. And it's a 7.5 percent increase in Boston Gas union employees in one month? A. Looks like it, yes. Q. Is the jump in the number of employees
2 3 4 5 6 7 8 9 10	 A. That's correct. Q. So doing some simple addition, the company expected to do about 11,671 leak repairs during 2017; is that correct? A. The intent would be to ramp up to that number. But yes, your math is correct. Q. Now, if we go back on that chart, you can see 2009, and in 2009 the company repaired 12,328 leaks. Do you see that? Is that correct? A. Yes. 	2 3 4 5 6 7 8 9 10	increase in Colonial union employees in that one month? A. It's about right. It also coincides with the activity that we started to hire the people to take care of the Q. And it's a 7.5 percent increase in Boston Gas union employees in one month? A. Looks like it, yes. Q. Is the jump in the number of employees typical at the end of a year?
2 3 4 5 6 7 8 9 10 11	 A. That's correct. Q. So doing some simple addition, the company expected to do about 11,671 leak repairs during 2017; is that correct? A. The intent would be to ramp up to that number. But yes, your math is correct. Q. Now, if we go back on that chart, you can see 2009, and in 2009 the company repaired 12,328 leaks. Do you see that? Is that correct? A. Yes. Q. Now, the test year in the company's last 	2 3 4 5 6 7 8 9 10 11	increase in Colonial union employees in that one month? A. It's about right. It also coincides with the activity that we started to hire the people to take care of the Q. And it's a 7.5 percent increase in Boston Gas union employees in one month? A. Looks like it, yes. Q. Is the jump in the number of employees typical at the end of a year? A. No. As I was saying, this is about the
2 3 4 5 6 7 8 9 10 11 12	A. That's correct. Q. So doing some simple addition, the company expected to do about 11,671 leak repairs during 2017; is that correct? A. The intent would be to ramp up to that number. But yes, your math is correct. Q. Now, if we go back on that chart, you can see 2009, and in 2009 the company repaired 12,328 leaks. Do you see that? Is that correct? A. Yes. Q. Now, the test year in the company's last base rate case, DPU 10-55, was calendar year 2009;	2 3 4 5 6 7 8 9 10 11 12	increase in Colonial union employees in that one month? A. It's about right. It also coincides with the activity that we started to hire the people to take care of the Q. And it's a 7.5 percent increase in Boston Gas union employees in one month? A. Looks like it, yes. Q. Is the jump in the number of employees typical at the end of a year? A. No. As I was saying, this is about the time it was the fall of '16 when we started
2 3 4 5 6 7 8 9 10 11 12 13	 A. That's correct. Q. So doing some simple addition, the company expected to do about 11,671 leak repairs during 2017; is that correct? A. The intent would be to ramp up to that number. But yes, your math is correct. Q. Now, if we go back on that chart, you can see 2009, and in 2009 the company repaired 12,328 leaks. Do you see that? Is that correct? A. Yes. Q. Now, the test year in the company's last base rate case, DPU 10-55, was calendar year 2009; is that correct? A. I believe that's right. Q. So the company did 50 percent more leak 	2 3 4 5 6 7 8 9 10 11 12 13	increase in Colonial union employees in that one month? A. It's about right. It also coincides with the activity that we started to hire the people to take care of the Q. And it's a 7.5 percent increase in Boston Gas union employees in one month? A. Looks like it, yes. Q. Is the jump in the number of employees typical at the end of a year? A. No. As I was saying, this is about the time it was the fall of '16 when we started our recruiting program for more gas employees to
2 3 4 5 6 7 8 9 10 11 12 13 14	 A. That's correct. Q. So doing some simple addition, the company expected to do about 11,671 leak repairs during 2017; is that correct? A. The intent would be to ramp up to that number. But yes, your math is correct. Q. Now, if we go back on that chart, you can see 2009, and in 2009 the company repaired 12,328 leaks. Do you see that? Is that correct? A. Yes. Q. Now, the test year in the company's last base rate case, DPU 10-55, was calendar year 2009; is that correct? A. I believe that's right. 	2 3 4 5 6 7 8 9 10 11 12 13 14	increase in Colonial union employees in that one month? A. It's about right. It also coincides with the activity that we started to hire the people to take care of the Q. And it's a 7.5 percent increase in Boston Gas union employees in one month? A. Looks like it, yes. Q. Is the jump in the number of employees typical at the end of a year? A. No. As I was saying, this is about the time it was the fall of '16 when we started our recruiting program for more gas employees to help us with some of those activities I mentioned earlier. That carried on through 2017. Q. Would you accept subject to check this
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16	 A. That's correct. Q. So doing some simple addition, the company expected to do about 11,671 leak repairs during 2017; is that correct? A. The intent would be to ramp up to that number. But yes, your math is correct. Q. Now, if we go back on that chart, you can see 2009, and in 2009 the company repaired 12,328 leaks. Do you see that? Is that correct? A. Yes. Q. Now, the test year in the company's last base rate case, DPU 10-55, was calendar year 2009; is that correct? A. I believe that's right. Q. So the company did 50 percent more leak 	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16	increase in Colonial union employees in that one month? A. It's about right. It also coincides with the activity that we started to hire the people to take care of the Q. And it's a 7.5 percent increase in Boston Gas union employees in one month? A. Looks like it, yes. Q. Is the jump in the number of employees typical at the end of a year? A. No. As I was saying, this is about the time it was the fall of '16 when we started our recruiting program for more gas employees to help us with some of those activities I mentioned earlier. That carried on through 2017.
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	 A. That's correct. Q. So doing some simple addition, the company expected to do about 11,671 leak repairs during 2017; is that correct? A. The intent would be to ramp up to that number. But yes, your math is correct. Q. Now, if we go back on that chart, you can see 2009, and in 2009 the company repaired 12,328 leaks. Do you see that? Is that correct? A. Yes. Q. Now, the test year in the company's last base rate case, DPU 10-55, was calendar year 2009; is that correct? A. I believe that's right. Q. So the company did 50 percent more leak repairs during the test year in the last rate case, 	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	increase in Colonial union employees in that one month? A. It's about right. It also coincides with the activity that we started to hire the people to take care of the Q. And it's a 7.5 percent increase in Boston Gas union employees in one month? A. Looks like it, yes. Q. Is the jump in the number of employees typical at the end of a year? A. No. As I was saying, this is about the time it was the fall of '16 when we started our recruiting program for more gas employees to help us with some of those activities I mentioned earlier. That carried on through 2017. Q. Would you accept subject to check this
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	 A. That's correct. Q. So doing some simple addition, the company expected to do about 11,671 leak repairs during 2017; is that correct? A. The intent would be to ramp up to that number. But yes, your math is correct. Q. Now, if we go back on that chart, you can see 2009, and in 2009 the company repaired 12,328 leaks. Do you see that? Is that correct? A. Yes. Q. Now, the test year in the company's last base rate case, DPU 10-55, was calendar year 2009; is that correct? A. I believe that's right. Q. So the company did 50 percent more leak repairs during the test year in the last rate case, at 12,328 repairs, as compared to the test year 	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	increase in Colonial union employees in that one month? A. It's about right. It also coincides with the activity that we started to hire the people to take care of the Q. And it's a 7.5 percent increase in Boston Gas union employees in one month? A. Looks like it, yes. Q. Is the jump in the number of employees typical at the end of a year? A. No. As I was saying, this is about the time it was the fall of '16 when we started our recruiting program for more gas employees to help us with some of those activities I mentioned earlier. That carried on through 2017. Q. Would you accept subject to check this table indicates the companies had on average 1,193
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	A. That's correct. Q. So doing some simple addition, the company expected to do about 11,671 leak repairs during 2017; is that correct? A. The intent would be to ramp up to that number. But yes, your math is correct. Q. Now, if we go back on that chart, you can see 2009, and in 2009 the company repaired 12,328 leaks. Do you see that? Is that correct? A. Yes. Q. Now, the test year in the company's last base rate case, DPU 10-55, was calendar year 2009; is that correct? A. I believe that's right. Q. So the company did 50 percent more leak repairs during the test year in the last rate case, at 12,328 repairs, as compared to the test year level of 8,071 repairs in this case; is that	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	increase in Colonial union employees in that one month? A. It's about right. It also coincides with the activity that we started to hire the people to take care of the Q. And it's a 7.5 percent increase in Boston Gas union employees in one month? A. Looks like it, yes. Q. Is the jump in the number of employees typical at the end of a year? A. No. As I was saying, this is about the time it was the fall of '16 when we started our recruiting program for more gas employees to help us with some of those activities I mentioned earlier. That carried on through 2017. Q. Would you accept subject to check this table indicates the companies had on average 1,193 employees during 2016?
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	A. That's correct. Q. So doing some simple addition, the company expected to do about 11,671 leak repairs during 2017; is that correct? A. The intent would be to ramp up to that number. But yes, your math is correct. Q. Now, if we go back on that chart, you can see 2009, and in 2009 the company repaired 12,328 leaks. Do you see that? Is that correct? A. Yes. Q. Now, the test year in the company's last base rate case, DPU 10-55, was calendar year 2009; is that correct? A. I believe that's right. Q. So the company did 50 percent more leak repairs during the test year in the last rate case, at 12,328 repairs, as compared to the test year level of 8,071 repairs in this case; is that correct?	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	increase in Colonial union employees in that one month? A. It's about right. It also coincides with the activity that we started to hire the people to take care of the Q. And it's a 7.5 percent increase in Boston Gas union employees in one month? A. Looks like it, yes. Q. Is the jump in the number of employees typical at the end of a year? A. No. As I was saying, this is about the time it was the fall of '16 when we started our recruiting program for more gas employees to help us with some of those activities I mentioned earlier. That carried on through 2017. Q. Would you accept subject to check this table indicates the companies had on average 1,193 employees during 2016? A. Which company?
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	A. That's correct. Q. So doing some simple addition, the company expected to do about 11,671 leak repairs during 2017; is that correct? A. The intent would be to ramp up to that number. But yes, your math is correct. Q. Now, if we go back on that chart, you can see 2009, and in 2009 the company repaired 12,328 leaks. Do you see that? Is that correct? A. Yes. Q. Now, the test year in the company's last base rate case, DPU 10-55, was calendar year 2009; is that correct? A. I believe that's right. Q. So the company did 50 percent more leak repairs during the test year in the last rate case, at 12,328 repairs, as compared to the test year level of 8,071 repairs in this case; is that correct? A. Yes. I don't recall what the weather was	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	increase in Colonial union employees in that one month? A. It's about right. It also coincides with the activity that we started to hire the people to take care of the Q. And it's a 7.5 percent increase in Boston Gas union employees in one month? A. Looks like it, yes. Q. Is the jump in the number of employees typical at the end of a year? A. No. As I was saying, this is about the time it was the fall of '16 when we started our recruiting program for more gas employees to help us with some of those activities I mentioned earlier. That carried on through 2017. Q. Would you accept subject to check this table indicates the companies had on average 1,193 employees during 2016? A. Which company? Q. Boston Gas and Colonial.

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1 2009, the test year in the last rate case? 1 main replacement pro	70
1 2009, the test year in the last rate case? 1 main replacement pro	72
	ogram?
2 A. Yes, subject to check. 2 A. That's right.	
	agree that the mid-Cape main
	s necessary because the
· · · · · · · · · · · · · · · · · · ·	y be operated at a reduced
6 A. That would only be a true statement if you 6 pressure at 125 pour	ids per square inch?
7 were confining your view to Boston Gas and Colonial. 7 A. That's correct.	
	moratorium on new or
many employees who are employed by the service	in the area served by this
10 company, depending on the tasks they perform. So I 10 pipe? 11 actually look at it as the whole picture, not just 11 A. That is correct.	
That is contact.	
the operating company level.	ee that the Department found
and the company ampropose as the	meet 20 Federal and State
projection reactive participation of the projection of the project	ons with respect to the
15 A. The physical work, no. Much of the 15 company's Cape Cod 16 supervision, yes. 16 DPU 15-PL-4?	200-psig pipeline addressed in
Supervision, yes.	ne exact number, but yes,
18 Colonial were able to do 50 percent more leak 18 there were a number	•
there were a name to	ept subject to check it was
20 case; is that correct? 20 20?	ept subject to check it was
21 A. I would have to check if we had any 21 A. Sure.	
· · ·	e to conclude the company's
, , , , , , , , , , , , , , , , , , , ,	d Federal pipeline safety
	ed to the poor condition of
71	73
1 business. But I can't say for sure that those were 1 this pipe?	
2 all just the Boston Gas and Colonial Gas employees. 2 A. No.	
	hese violations, did the
	hese violations, did the pair, upgrade, and replace the
4 safe and reliable distribution service in compliance 4 company agree to re	pair, upgrade, and replace the
4 safe and reliable distribution service in compliance 4 company agree to re	pair, upgrade, and replace the lattached service lines as part
4 safe and reliable distribution service in compliance 4 company agree to repute 5 with Federal and State regulations issued by the 5 200-psig pipeline and 6 Pipeline and Hazardous Materials Safety 6 of a consent order in	pair, upgrade, and replace the lattached service lines as part
4 safe and reliable distribution service in compliance 4 company agree to repute 5 with Federal and State regulations issued by the 5 200-psig pipeline and 6 Pipeline and Hazardous Materials Safety 6 of a consent order in	pair, upgrade, and replace the l attached service lines as part DPU 15-PL-4?
4 safe and reliable distribution service in compliance 5 with Federal and State regulations issued by the 6 Pipeline and Hazardous Materials Safety 7 Administration and the Department? 8 A. Yes, sir, it is. 4 company agree to repulations issued by the 5 200-psig pipeline and 6 of a consent order in 7 A. We proposed to repulations issued by the 8 remedy, yes.	pair, upgrade, and replace the l attached service lines as part DPU 15-PL-4?
4 safe and reliable distribution service in compliance 5 with Federal and State regulations issued by the 6 Pipeline and Hazardous Materials Safety 7 Administration and the Department? 8 A. Yes, sir, it is. 4 company agree to repulse of a consent order in 7 A. We proposed to 8 remedy, yes.	pair, upgrade, and replace the l attached service lines as part DPU 15-PL-4? hat that was the correct
4 safe and reliable distribution service in compliance 5 with Federal and State regulations issued by the 6 Pipeline and Hazardous Materials Safety 7 Administration and the Department? 8 A. Yes, sir, it is. 9 Q. Is it your testimony that the company must 10 meet State and Federal safety regulations for 11 pipeline operations? 4 company agree to rel 5 200-psig pipeline and 6 of a consent order in 7 A. We proposed t 8 remedy, yes. 9 Q. Could you turn 10 turn to Page 3,650. 11 A. I don't have it	pair, upgrade, and replace the lattached service lines as part DPU 15-PL-4? hat that was the correct to Exhibit NG-JBC-6, and
4 safe and reliable distribution service in compliance 5 with Federal and State regulations issued by the 6 Pipeline and Hazardous Materials Safety 7 Administration and the Department? 8 A. Yes, sir, it is. 9 Q. Is it your testimony that the company must 10 meet State and Federal safety regulations for 11 pipeline operations? 12 A. Yes. 4 company agree to replace to replace to the company agree to replace to replace to the company agree to replace	pair, upgrade, and replace the lattached service lines as part DPU 15-PL-4? hat that was the correct to Exhibit NG-JBC-6, and yet.
4 safe and reliable distribution service in compliance 5 with Federal and State regulations issued by the 6 Pipeline and Hazardous Materials Safety 7 Administration and the Department? 8 A. Yes, sir, it is. 9 Q. Is it your testimony that the company must 10 meet State and Federal safety regulations for 11 pipeline operations? 12 A. Yes. 13 Q. Now, the company is proposing the gas 4 company agree to replead to replead to the company agree to replead to replea	pair, upgrade, and replace the lattached service lines as part DPU 15-PL-4? hat that was the correct to Exhibit NG-JBC-6, and yet.
4 safe and reliable distribution service in compliance 5 with Federal and State regulations issued by the 6 Pipeline and Hazardous Materials Safety 7 Administration and the Department? 8 A. Yes, sir, it is. 9 Q. Is it your testimony that the company must 10 meet State and Federal safety regulations for 11 pipeline operations? 12 A. Yes. 13 Q. Now, the company is proposing the gas 14 company agree to replead to replead to the support of the supposition of the suppos	pair, upgrade, and replace the lattached service lines as part DPU 15-PL-4? hat that was the correct to Exhibit NG-JBC-6, and yet. page? It says "not responding."
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	74		76
1	project, put it forth in a paper, and we as a	1	applicable to gas piping specified within DOT
2	committee discuss it, agree or not, sometimes make	2	192.225 welding procedures."
3	amendments. And these are then subject to	3	Q. Thank you.
4	submission to the Department.	4	A. You're welcome.
5	Q. And this paper requests sanction for the	5	MR. ROGERS: We have nothing further
6		6	•
7	mid-Cape main replacement in the amount of \$73.7 million?	7	or at this time, subject to other parties and the Department and redirect.
8		8	•
9	A. That's right, yeah.	9	MS. PIEPER: Okay. Let's go off the
10	Q. And if we turn to Page 3,655, there's a		record. I think I have people that need to get off
	signature on that page. Can you tell me who	10	the Bench and people that need to get on. Let's go
11	Margaret Smith is?	11	off the record.
12	A. I'm not at that page yet, but Margaret	12	(Discussion off the record.)
13	Smith is our chief financial officer for the U.S.	13	MS. PIEPER: Let's go back on the
14	business.	14	record. The Department just has a few questions for
15	Q. So she would have to give sign-off on this?	15	you.
16	A. Yes, she signs all sanction papers.	16	BENCH EXAMINATION
17	Q. Could you turn to Page 3,657.	17	BY MR. OSBORNE:
18	A. Okay. I think I'm there.	18	Q. Good afternoon, Ms. Reed.
19	Q. Do you see a Section 3.2? It says Drivers?	19	A. Good afternoon.
20	A. It's acting up again. Hold on.	20	Q. I just have a couple of followup questions.
21	Could you repeat the page number for me?	21	Earlier today Mr. Rogers was asking you
22	Q. That was 3,657.	22	about the National Grid Service Company and the
23	A. Technical difficulties. Hold on.	23	various employees and shared services. For purposes
24	Okay.	24	of completion, could you give me an example of an
	75		77
1	Q. Do you see the Section 3.2, Drivers?	1	employee who would be exclusively working for Boston
2	A. Yes. It's slightly truncated on my sheet,	2	Gas Company or Colonial Gas Company, as distinct
3	but yes. Let's go with it.	3	from the service company?
4	but yes. Let's go with it.		nom the service company.
	O Could you read the last sentence in the	4	Δ Sure I'm hanny to Δn example would be
5	Q. Could you read the last sentence in the		A. Sure. I'm happy to. An example would be
5 6	first paragraph under Drivers.	5	the many good represented union folks that we have.
6	first paragraph under Drivers. A. Yes, I can. "Were it not for the	5 6	the many good represented union folks that we have. Most are I guess I have to say most; there could
6 7	first paragraph under Drivers. A. Yes, I can. "Were it not for the inadequacies in asset condition described above, the	5 6 7	the many good represented union folks that we have. Most are I guess I have to say most; there could be exceptions. Most are direct employees of Boston
6 7 8	first paragraph under Drivers. A. Yes, I can. "Were it not for the inadequacies in asset condition described above, the approximately 18 miles of pipe would not need to be	5 6 7 8	the many good represented union folks that we have. Most are I guess I have to say most; there could be exceptions. Most are direct employees of Boston Gas or Colonial Gas. So they're the folks out doing
6 7 8 9	first paragraph under Drivers. A. Yes, I can. "Were it not for the inadequacies in asset condition described above, the approximately 18 miles of pipe would not need to be replaced even when taking into consideration the	5 6 7 8 9	the many good represented union folks that we have. Most are I guess I have to say most; there could be exceptions. Most are direct employees of Boston Gas or Colonial Gas. So they're the folks out doing all the hard work in the streets, at the meters, at
6 7 8 9 10	first paragraph under Drivers. A. Yes, I can. "Were it not for the inadequacies in asset condition described above, the approximately 18 miles of pipe would not need to be replaced even when taking into consideration the forecasted increase in demand."	5 6 7 8 9	the many good represented union folks that we have. Most are I guess I have to say most; there could be exceptions. Most are direct employees of Boston Gas or Colonial Gas. So they're the folks out doing all the hard work in the streets, at the meters, at customers' homes, in their basements, et cetera.
6 7 8 9 10 11	first paragraph under Drivers. A. Yes, I can. "Were it not for the inadequacies in asset condition described above, the approximately 18 miles of pipe would not need to be replaced even when taking into consideration the forecasted increase in demand." Q. And could you go to the previous page,	5 6 7 8 9 10 11	the many good represented union folks that we have. Most are I guess I have to say most; there could be exceptions. Most are direct employees of Boston Gas or Colonial Gas. So they're the folks out doing all the hard work in the streets, at the meters, at customers' homes, in their basements, et cetera. Those are primarily the direct employees.
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6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	first paragraph under Drivers. A. Yes, I can. "Were it not for the inadequacies in asset condition described above, the approximately 18 miles of pipe would not need to be replaced even when taking into consideration the forecasted increase in demand." Q. And could you go to the previous page, 3,656. A. Okay. Q. And do you see the second paragraph, under Background? It starts "In 2014." A. Yes. Q. Could you read the first two sentences of that paragraph. A. Sure. "In 2014 weld inspections were conducted at 28 locations along the 200-psig main, which resulted in National Grid's welding consultant	5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	the many good represented union folks that we have. Most are I guess I have to say most; there could be exceptions. Most are direct employees of Boston Gas or Colonial Gas. So they're the folks out doing all the hard work in the streets, at the meters, at customers' homes, in their basements, et cetera. Those are primarily the direct employees. Almost everybody else is a service company employee. Certainly all the engineers, the accountants, the lawyers, the management team, such as myself, most of the supervision, asset managers, work management people, customer service coaches we call our supervisors coaches. Q. Are there any employees who work exclusively for one of the gas companies or the other on a 100 percent basis? A. Sure. So folks all of our represented

FARMER ARSENAULT BROCK LLC

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	78		80
1	facility on Newton Street or on West Street, that	1	answers to questions from your own counsel at the
2	would be a Boston Gas employee as compared to the	2	very beginning. It went by a little fast for me.
3	same exact job-title person who might work in our	3	So as of today you are back as president
4	South Yarmouth facility; that person would be a	4	of the Massachusetts jurisdiction.
5	Colonial employee. It's very rare that they would	5	A. Yes.
6	switch locations and work in the other operating	6	Q. And you were also that role for some number
7	company territory.	7	of years in the past.
8	Q. Has there been any trend since 2009	8	A. Yes.
9	regarding the transfer of employees from the	9	Q. And I think in the interim you said you
10	operating companies to the service company?	10	were executive vice president of U.S. policy and
11	A. I wouldn't have thought so. As I stated,	11	social impact. Did I hear you correctly?
12	it's the guideline we follow is, if you are an	12	A. No, you did not. Sorry. During the
13	employee and the bulk of your time is ever spent	13	there was an eight-month period from roughly Augus
14	working for two or more subsidiaries of National	14	of 2017 until yesterday, technically, when I was in
15	Grid, we employ you by the service company. So the	15	the role of executive vice president, business
16	circumstances haven't changed significantly since	16	operations, engineering, and process.
17	2009. We still have those workers in Waltham and we	17	Q. Thank you. Would you agree that the
18	still have the workers in Colonial. So that really	18	company has various programs and policies that
19	wouldn't have changed much.	19	assist its low-income customers?
20	Q. Thank you. I have no further questions at	20	A. Yes.
21	this time.	21	Q. And could you list any of those that come
22	MS. PIEPER: Does the Attorney General	22	to mind?
23	,	23	
24	have any further questions, or do the other intervenors have any questions for Ms. Reed?	24	A. We have discounted rates. We also have a
	intervenors have any questions for ivis. Reeu:		plethora of energy efficiency programs targeted to
	79		81
1	MR. HARAK: I do have a few.	1	help our low-income customers. Those are a couple
2	MS. PIEPER: Go ahead.	2	off the top of my head.
3	MR. HARAK: Thank you.	3	Q. You also have an arrearage management
4	CROSS-EXAMINATION	4	program that operates both for your gas customers
5	BY MR. HARAK:	5	and your electric customers; is that correct?
6	Q. Good afternoon, Ms. Reed.	6	A. That is true.
7	A. Hello, Mr. Harak.	7	Q. Billing and collections and termination of
8	Q. I think you know that I represent what I'll	8	service and implementation of those programs we
9	call for short the Low-Income Network.	9	discussed. Employees working under you actually
10	A. Right.	10	implement those programs on a day-to-day basis; is
11	Q. I do have a quick question, following up on	11	that correct?
12	these allocations. The customer-service reps that	12	A. Yes.
12 13		12 13	A. Yes.Q. And but what is your role in setting or
	these allocations. The customer-service reps that		
13	these allocations. The customer-service reps that answer the phones and speak to customers, where do	13	Q. And but what is your role in setting or
13 14	these allocations. The customer-service reps that answer the phones and speak to customers, where do they get housed as between the service company I	13 14	Q. And but what is your role in setting or overseeing the policies or practices in these areas
13 14 15	these allocations. The customer-service reps that answer the phones and speak to customers, where do they get housed as between the service company I don't mean physically housed. I mean are they on	13 14 15	Q. And but what is your role in setting or overseeing the policies or practices in these areas that affect low-income people?
13 14 15 16	these allocations. The customer-service reps that answer the phones and speak to customers, where do they get housed as between the service company I don't mean physically housed. I mean are they on the service company payroll or an operating payroll?	13 14 15 16	Q. And but what is your role in setting or overseeing the policies or practices in these areas that affect low-income people?A. I am deeply involved in those
13 14 15 16 17	these allocations. The customer-service reps that answer the phones and speak to customers, where do they get housed as between the service company I don't mean physically housed. I mean are they on the service company payroll or an operating payroll? A. You know what? I actually believe I	13 14 15 16 17	 Q. And but what is your role in setting or overseeing the policies or practices in these areas that affect low-income people? A. I am deeply involved in those conversations.
13 14 15 16 17 18	these allocations. The customer-service reps that answer the phones and speak to customers, where do they get housed as between the service company I don't mean physically housed. I mean are they on the service company payroll or an operating payroll? A. You know what? I actually believe I would have to check, Mr. Harak. But I actually	13 14 15 16 17	 Q. And but what is your role in setting or overseeing the policies or practices in these areas that affect low-income people? A. I am deeply involved in those conversations. Q. In what sense? Could you expand on that at
13 14 15 16 17 18	these allocations. The customer-service reps that answer the phones and speak to customers, where do they get housed as between the service company I don't mean physically housed. I mean are they on the service company payroll or an operating payroll? A. You know what? I actually believe I would have to check, Mr. Harak. But I actually believe they may be service company employees,	13 14 15 16 17 18	 Q. And but what is your role in setting or overseeing the policies or practices in these areas that affect low-income people? A. I am deeply involved in those conversations. Q. In what sense? Could you expand on that at all?
13 14 15 16 17 18 19	these allocations. The customer-service reps that answer the phones and speak to customers, where do they get housed as between the service company I don't mean physically housed. I mean are they on the service company payroll or an operating payroll? A. You know what? I actually believe I would have to check, Mr. Harak. But I actually believe they may be service company employees, because when a Massachusetts gas customer calls into	13 14 15 16 17 18 19	 Q. And but what is your role in setting or overseeing the policies or practices in these areas that affect low-income people? A. I am deeply involved in those conversations. Q. In what sense? Could you expand on that at all? A. Sure. A couple would come to mind. One, I
13 14 15 16 17 18 19 20 21	these allocations. The customer-service reps that answer the phones and speak to customers, where do they get housed as between the service company I don't mean physically housed. I mean are they on the service company payroll or an operating payroll? A. You know what? I actually believe I would have to check, Mr. Harak. But I actually believe they may be service company employees, because when a Massachusetts gas customer calls into our service center, they all sit together. So I	13 14 15 16 17 18 19 20 21	 Q. And but what is your role in setting or overseeing the policies or practices in these areas that affect low-income people? A. I am deeply involved in those conversations. Q. In what sense? Could you expand on that at all? A. Sure. A couple would come to mind. One, I sit on the executive team of National Grid, which is

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ı	82		84
1 2	customers, something we actually care deeply about. So that's one example where I've been deeply	1 2	management program, would you agree that there may be benefits to the companies on the business side by
3	involved.	3	making the bills more affordable?
4	The other would be in the budgeting	4	A. There could be, yes.
5	process, that Mr. Rogers discussed earlier.	5	Q. Do you recall being a witness in the
6	Whenever we have activities that are related to	6	National Grid electric case, DPU 15-155?
7	low-income, whether they're the energy efficiency	7	A. Yes.
8	programs, the arrearage management program you	8	Q. And you may recall that I asked you some
9	mentioned, or anything else, those budgets	9	questions and you provided some answers regarding
10	ultimately come to me for approval. So in that way	10	the arrearage management program, which, again,
11	I'm involved there as well.	11	applies both on the gas and electric side.
12	Q. And I think, if I heard you correctly, you	12	A. Yes.
13	said there was one example where you were deeply	13	Q. And would you agree that as a result of the
14	involved?	14	Department's order and your own, I believe, willing
15	A. Well, when I'm sitting at the executive	15	testimony, the company made some efforts regarding
16	table, there are only about 12 of us. So you are	16	enrolling people, more people, on the arrearage
17	deeply involved by definition.	17	management program. Is that correct?
18	Q. And given the answers you've already	18	A. Yes.
19	stated, would you agree that the company offers	19	Q. And those efforts were successful, were
20	these programs that help low-income people	20	they not?
21	willingly in the sense that you don't do it	21	A. Yes.
22	simply because the Department or statute may have	22	Q. Are you aware that the Low-Income Network
23	ordered you to do so? Would you agree with that?	23	has proposed a witness in this case, John Howett, on
24	A. I would very much agree with that. To the	24	the discount rate issue?
	83		85
1	contrary, we care deeply about all of our customers,	1	A. I was not aware of it. I'm not surprised.
2	but we are particularly cognizant of some of the	2	Q. If the Department were to determine that it
3	dire straits some of our customers find themselves	3	•
			is appropriate to accept the recommendation of
4	in.	4	is appropriate to accept the recommendation of Mr. Howett's testimony to equalize the discount
			Mr. Howett's testimony to equalize the discount
4	Q. Would you agree that some of these programs	4	Mr. Howett's testimony to equalize the discount rates between the electric and gas side and that any
4 5	Q. Would you agree that some of these programs also have benefits on the business side? To the	4 5	Mr. Howett's testimony to equalize the discount
4 5 6	Q. Would you agree that some of these programs	4 5 6	Mr. Howett's testimony to equalize the discount rates between the electric and gas side and that any additional cost would be recoverable from your
4 5 6 7	Q. Would you agree that some of these programs also have benefits on the business side? To the extent programs may assist low-income people,	4 5 6 7	Mr. Howett's testimony to equalize the discount rates between the electric and gas side and that any additional cost would be recoverable from your customers, would you oppose that?
4 5 6 7 8	Q. Would you agree that some of these programs also have benefits on the business side? To the extent programs may assist low-income people, they're less likely to be terminated?	4 5 6 7 8	Mr. Howett's testimony to equalize the discount rates between the electric and gas side and that any additional cost would be recoverable from your customers, would you oppose that? A. I wouldn't necessarily oppose it, but I
4 5 6 7 8 9	 Q. Would you agree that some of these programs also have benefits on the business side? To the extent programs may assist low-income people, they're less likely to be terminated? A. That is true. 	4 5 6 7 8 9	Mr. Howett's testimony to equalize the discount rates between the electric and gas side and that any additional cost would be recoverable from your customers, would you oppose that? A. I wouldn't necessarily oppose it, but I would feel obligated to point out that it's not an
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4 5 6 7 8 9 10 11 12 13 14 15 16	 Q. Would you agree that some of these programs also have benefits on the business side? To the extent programs may assist low-income people, they're less likely to be terminated? A. That is true. Q. And so it may help with billing and collections; is that correct? A. In many cases low-income customers find themselves also in protected classes. So in those cases, no, actually, it's a financial detriment to the company. We are not we don't have a practice of, nor are we allowed to, terminate customers who are in a protected class. 	4 5 6 7 8 9 10 11 12 13 14 15 16	Mr. Howett's testimony to equalize the discount rates between the electric and gas side and that any additional cost would be recoverable from your customers, would you oppose that? A. I wouldn't necessarily oppose it, but I would feel obligated to point out that it's not an apples-and-apples comparison between electric and gas. The reason we have the program we have on the electric side is because our electric bills are burdened with the addition of some costs that represent State policy, such as net metering costs, et cetera. The intent of that was to basically
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4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Q. Would you agree that some of these programs also have benefits on the business side? To the extent programs may assist low-income people, they're less likely to be terminated? A. That is true. Q. And so it may help with billing and collections; is that correct? A. In many cases low-income customers find themselves also in protected classes. So in those cases, no, actually, it's a financial detriment to the company. We are not we don't have a practice of, nor are we allowed to, terminate customers who are in a protected class. So if a customer is incapable of paying their bill and they're protected, we simply continue to serve them, and that number of the uncollected amount simply grows. In fact, in this exact case we are asking to amortize that balance that's over one	4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Mr. Howett's testimony to equalize the discount rates between the electric and gas side and that any additional cost would be recoverable from your customers, would you oppose that? A. I wouldn't necessarily oppose it, but I would feel obligated to point out that it's not an apples-and-apples comparison between electric and gas. The reason we have the program we have on the electric side is because our electric bills are burdened with the addition of some costs that represent State policy, such as net metering costs, et cetera. The intent of that was to basically shield those customers from those increased costs. That doesn't exist on the gas side. Having said that, you know, I am very passionate about the community, as you may well know, and we would certainly look deeply at the
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MR. CARROLL: Not at this time.

FURTHER CROSS-EXAMINATION

have any more questions?

questions.

BY MR. ROGERS:

88 86 1 intervenors have any questions for this witness? what position? 2 A. I'm a vice president with Concentric Energy 3 MS. PIEPER: Does the Attorney General Advisors. 4 Q. And how long have you been employed by 5 MR. ROGERS: We have just a couple of Concentric Energy Advisors? 6 A. About 14 years. 7 Q. Were you involved in the preparation of the 8 companies' rate case? 9 Q. A few minutes ago, in your discussion with A. I was. Mr. Osborne, you discussed employees shifting back 10 Q. And as part of that preparation, did you and forth between distribution and service company. 11 prepare prefiled direct testimony and several

12	How about with outside contractors? Could they do	12	exhibits submitted to the Department on November		
13	leaks, or is it just union?	13	15th, 2017?		
14	A. Most leaks are performed by union	14 15	A. Yes, I did.		
15	personnel.		Q. Did you also prepare an updated revenue		
16	Q. Was that true in 2016?		requirement that was filed with the Department on		
17	A. Understanding there are probably always	17	April 20th, 2018?		
18	exceptions, but it is our practice for most leaks to	18	A. Yes, I did.		
19	be covered by union personnel.	19	Q. With respect to your prefiled testimony,		
20	Q. How about back in 2009?	20	marked for identification as Exhibit NG-DSD-1, and		
21	A. I don't remember. I'm sorry.	21	related exhibits, were these exhibits prepared under		
22	MR. ROGERS: We have nothing further.	22	your direct supervision and control?		
23	MS. PIEPER: Why don't we go off the	23	A. Yes, they were.		
24	record.	24	Q. And did you also prepare testimony and		
	87		89		
1	(Discussion off the record.)	1	exhibits for the supplemental tax testimony in this		
2	MS. PIEPER: Let's go back on the	2	proceeding?		
3	record. So the company does not have any redirect?	3	A. I did.		
4	MS. KIMBALL: No, we do not.	4	Q. Aside from the information presented in the		
5	MS. PIEPER: We are done with this	5	updated revenue requirement that you mentioned, do		
6	witness, then. Thank you very much.	6	you have any changes, corrections, deletions, or		
7	THE WITNESS: Thank you for the	7	additions that you wish to make to your prefiled		
8	opportunity.	8	direct testimony or associated exhibits?		
9	MS. PIEPER: Let's go off the record.	9	A. No, I don't.		
10	(Discussion off the record.)	10	Q. Have you also seen information requests		
11	MS. PIEPER: Let's go back on the	11	propounded by the Department, the Attorney General,		
12	record. The next witness is Daniel Dane. If you	12	and other intervenors in this case?		
13	could please state your full name for the record.	13	A. Yes.		
14	THE WITNESS: My name is Daniel S. Dane.	14	Q. And have you sponsored any responses to a		
15	DANIEL S. DANE,	15	number of those information requests?		
16	being first duly sworn or affirmed to testify to the	16	A. I have.		
17	truth, the whole truth, and nothing but the truth,	17	Q. Were those responses prepared under your		
18	was examined and testified as follows:	18	direct supervision and control?		
19	MS. PIEPER: You may proceed with	19	A. They were.		
20	direct.	20	 Q. At this time do you have any changes, 		
21	MS. BLACKMORE: Thank you.	21	corrections, deletions, or additions that you would		
22	DIRECT EXAMINATION	22	like to make to any of the information-request		
23	BY MS. BLACKMORE:	23	responses that you've sponsored in this proceeding?		
24	Q. Mr. Dane, by whom are you employed and in	24	A. No, I don't.		

FARMER ARSENAULT BROCK LLC

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1 2	90		92
	MS. BLACKMORE: The witness is available	1	A. That's correct.
_	for cross-examination.	2	Q. In the course of compiling your testimony,
3	MS. PIEPER: Thank you. The Attorney	3	your prefiled testimony, and any exhibits and
4	General may proceed.	4	responses to discovery that you've sponsored in this
5	MS. ANDERSON: Thank you very much.	5	case, did you work with anyone at the company, at
6	CROSS-EXAMINATION	6	National Grid?
7	BY MS. ANDERSON:	7	A. Yes. I worked with individuals at National
8	Q. Good afternoon, Mr. Dane.	8	Grid.
9	A. Good afternoon.	9	Q. And who did you work with at National Grid?
10	Q. My name is Elizabeth Anderson. I'm an	10	A. My primary contact was David Tufts at the
11	Assistant Attorney General, and I just have a few	11	company, who is currently the director of revenue
12	questions for you today.	12	requirements.
13	First I was going to ask: Are you a	13	Q. How do you spell that? Is it T-u-f-t-s?
14	certified public accountant?	14	A. T-u-f-t-s, yes.
15	A. Yes, I am.	15	Q. Director of revenue requirements?
16	Q. And are you an expert in Federal corporate	16	A. Yes.
17	income taxes?	17	Q. Was there anyone else that you worked with
18	A. It would depend on the issue as it relates	18	on a regular basis to compile your testimony or
19	to my clients. I haven't offered testimony on that	19	respond to discovery?
20	in the past, but I am generally familiar with tax	20	A. Yes. Mr. Tufts has a team of individuals
21	matters.	21	who work with him, so I would interact as needed
22	Q. Have you worked on tax matters in the past	22	with those individuals.
23	as part of your role at Concentric?	23	Q. And is Mr. Tufts or any of his team here
24	A. Yes, I have.	24	today?
	91		93
1	Q. For other clients?	1	A. Yes, Mr. Tufts is, as well as members of
2	A. Yes. And to clarify: When I say tax	2	his team.
3	matters, I mean incorporating the effects of	3	Q. I'm going to ask you a series of questions
4	taxation into analyses I do, as opposed to offering	4	about advertising costs included in the cost of
	tax advice, which I do not do.	5	
5	0 14 5 11 1 5011		service today. Was there a specific point of
6	Q. Mr. Dane, the company made a filing in DPU	6	contact regarding that issue at National Grid?
6 7	Docket 18-15, which is the Department's	6 7	contact regarding that issue at National Grid? A. I don't recall a specific point of contact.
6 7 8	Docket 18-15, which is the Department's investigation into the effects of the Tax Cuts and	6 7 8	contact regarding that issue at National Grid? A. I don't recall a specific point of contact. So I would say it would be Mr. Tufts and his team
6 7 8 9	Docket 18-15, which is the Department's investigation into the effects of the Tax Cuts and Jobs Act of 2017. Were you involved in that filing?	6 7 8 9	contact regarding that issue at National Grid? A. I don't recall a specific point of contact. So I would say it would be Mr. Tufts and his team generally.
6 7 8 9 10	Docket 18-15, which is the Department's investigation into the effects of the Tax Cuts and Jobs Act of 2017. Were you involved in that filing? A. No, I was not.	6 7 8 9 10	contact regarding that issue at National Grid? A. I don't recall a specific point of contact. So I would say it would be Mr. Tufts and his team generally. Q. Mr. Dane, do you have direct access to the
6 7 8 9 10 11	Docket 18-15, which is the Department's investigation into the effects of the Tax Cuts and Jobs Act of 2017. Were you involved in that filing? A. No, I was not. Q. Mr. Dane, are you an expert in the cost of	6 7 8 9 10 11	contact regarding that issue at National Grid? A. I don't recall a specific point of contact. So I would say it would be Mr. Tufts and his team generally. Q. Mr. Dane, do you have direct access to the company's accounting system?
6 7 8 9 10 11	Docket 18-15, which is the Department's investigation into the effects of the Tax Cuts and Jobs Act of 2017. Were you involved in that filing? A. No, I was not. Q. Mr. Dane, are you an expert in the cost of capital for regulated utility companies?	6 7 8 9 10 11	contact regarding that issue at National Grid? A. I don't recall a specific point of contact. So I would say it would be Mr. Tufts and his team generally. Q. Mr. Dane, do you have direct access to the company's accounting system? A. I don't currently. It's nothing I've
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94 96 1 that exhibit; and I'm also going to be referencing 1 that? 2 2 Exhibit AG-27-31 and the attachments to that A. I do, yes. 3 3 exhibit. Q. If we open that document, it appears to 4 A. Okay 4 list various media posts -- Facebook, Twitter, 5 5 I have 1-73. What was the second one? Instagram -- as well as an end-game promotion. Is 6 6 Q. It was AG-27-31 and the accompanying that correct? 7 7 attachments. There were several provided on a A. Yes, that's correct. 8 8 CD-ROM. I'm not sure if you have it in an Q. Does this list account for all the media 9 9 electronic copy or a hard copy. generated in connection with the \$50,000 line item 10 10 A. Okay. sponsorship in AG-1-73? 11 I have the response, and the attachments 11 A. I don't know. I don't see the costs in 12 12 are on CD-ROM. So those are going to be pulled up. 13 13 Q. Okay. I can ask you a few questions while Q. There appear to be no costs attributed to 14 14 they're pulling up the CD-ROM, if that works, if any of these line items listed in this document 15 vou're readv. 15 labeled Boston Celtics. That's correct? 16 16 A. Yes, I'm ready. A. Yes, that's correct. 17 17 Q. Mr. Dane, were you the witness responsible Q. So you don't know whether or not there were 18 for the response to AG-1-73? 18 additional costs that contributed to the \$50,000 19 19 A. Yes, I was. amount? 20 Q. And were you the witness responsible for 20 A. Not -- without looking through the 21 21 the response to AG-27-31? attachments, I'm not sure if there's additional 22 A. Yes, I was. 22 items related to this piece of advertising. 23 Q. The responses to AG-1-73, Attachment 1, 23 Q. Would that be something that you could 24 24 includes an itemized list of costs that were provide us via record request? 97 95 1 included in the operation and maintenance expenses 1 A. Yes, we could. 2 2 for the company's 2016 test year; is that correct? MS. ANDERSON: Could I please take a 3 3 A. Yes, that's correct. record request for all of the costs contributing to 4 4 Q. Generally speaking, were the costs the \$50,000 sponsorship of the STEM lab for the 5 5 attributed here paid directly to the vendors listed Boston Celtics, please. 6 6 in the vendor column? Is that how I should be MS. PIEPER: So you're looking for a 7 7 reading the spreadsheet? breakdown? I just want to make sure I understand. 8 A. I would expect them to have been, yes. 8 MS. ANDERSON: Yes. 9 Q. There is a line item for a vendor listed as 9 MS. PIEPER: You're looking for a 10 10 Boston Celtics. Do you see that? breakdown of the \$50,000 in costs. 11 11 A. I do, yes. MS. ANDERSON: Exactly -- exactly how 12 12 Q. And the cost attributed to that line item they got to \$50,000. 13 13 is \$50,000: is that correct? THE WITNESS: Okay. 14 14 A. Yes, that's correct. MS. ANDERSON: An itemization and 15 Q. And that's for something called a STEM lab 15 quantification, please. 16 16 MS. PIEPER: And you understand what it sponsorship, 2015 to 2016. Yes? 17 17 A. Yes, that's correct. is that the AG is looking for? 18 18 Q. Now if we could turn to the AG-27-31 THE WITNESS: Yes. 19 19 attachments on CD-ROM. If you go to that CD-ROM, A. If I could rephrase: I think it's 20 20 there is a folder for, it's titled 016_Boston confirmation that the \$50,000 are the costs 21 21 Celtics. Do you see that? represented by this piece of advertising, and then 22 A. I do. 22 further you've asked for a breakdown between those 23 23 Q. And there's a document in that folder. components of the \$50,000. 24 24 Q. Yes. That document is labeled Boston Celtics. Do you see

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1	MS. PIEPER: That's going to be Record	1	with this?
2	Request AG-1.	2	A. No, I'm not aware of any other costs.
3	(Record Request AG-1.)	3	Q. So there would have been no costs incurred
4	Q. Mr. Dane, do you know the nature of the	4	in 2015 for this sponsorship?
5	sponsorship, the Boston Celtics sponsorship, that	5	A. I don't know that. The 2016 expense for
6	we've been discussing?	6	the company, as is included in 1-73, is for the
7	A. The description says STEM lab sponsorship	7	50,000.
8	2015 to 2016.	8	Q. If you could turn back to AG-1-73,
9	Q. Do you know what the purpose of the	9	Attachment 1. The next line item I'd like to focus
10	sponsorship was?	10	
11		11	on is the Boston Athletic Association. Do you see
12	A. I I don't know for sure, no.	12	that? It's at the top.
13	Q. Do you know if it was connected in any way	13	A. I do.
14	to Boston Gas Company specifically?	14	Q. That is a sponsorship with the cost of
15	A. No. I would need to understand the nature	15	\$30,000. Is that correct?
16	of it. It's an expense of the company.	16	A. Yes, that's correct.
17	Q. Is there anyone else who would be able to		Q. And if you go back to the AG-27-31
	answer that question?	17	attachment, CD-ROM, there's a BAA folder; I think
18	A. When you say does it relate to Boston	18	it's labeled 015_Boston Athletic Association. Do
19	Gas so I would need to check on the nature of the	19	you see that?
20	advertising provided at the event to provide a more	20	A. Give me one minute.
21	thorough description of what the advertising was.	21	If I could just ask counsel to help me
22	Q. So you do not know whether or not the	22	navigate. Could you please repeat the attachment?
23	advertising was targeted at conservation or energy	23	Q. Sure. It is Attachment AG-27-31-1, and the
24	efficiency or anything of that nature? You don't	24	CD-ROM, the folder in the CD-ROM is labeled
	99		101
1	know what the nature of the advertising was?	1	015_Boston Athletic Association.
2	A. I don't, no.	2	A. Okay, I'm there.
3	Q. So you don't know if the costs for this	3	Q. In that folder there appears to be a copy
4	sponsorship would have been recovered by the company	4	of an email, that says, "Re urgent MA-GAR request
5	in the energy-efficiency-related docket?	5	attachment, AG-1-73-A, BAA sponsorship." And if you
6	A. I don't know that, no.	6	open that email, the email references a tent with
7	Q. So based on the description, it appears	7	charging stations at the Boston Marathon.
8	that the time frame for the sponsorship was 2015 to	8	A. My apologies, Ms. Anderson. I'm unable to
9	2016. Is that correct?	9	open the email. It's in a format that is not being
10	A. That's what the description says. I'm just	10	accepted. This is the "re urgent MA"?
11	going to look at the attachment to see if it has any	11	Q. Yes.
12	other information.	12	A. We may need this is an Apple machine.
13	The attachment refers to events in 2016.	13	We may need a PC with the appropriate software.
14	Q. Correct. The attachment, from reading it,	14	MS. PIEPER: Is it possible to ask the
15	appears to show the rollout of the lab in March of	15	questions without him actually looking at the email?
16	2016. Does that sound correct to you?	16	MS. KIMBALL: We have one computer with
17	A. That's what the attachment says.	17	a CD drive. We're just trying to get it loaded on
18	Q. So can you tell me if the entire \$50,000	18	that.
19	amount included costs incurred in 2015 as well?	19	A. I have that now.
20	A. These appear to be costs incurred in 2016,	20	Q. Thank you. Have you opened the email?
21	and it's recorded by the company as a 2016 expense.	21	A. I did, yes.
22	Q. Correct. The costs that are listed on this	22	Q. And there's a line there that says, "We had
23	document appear to be 2016 costs. However, are	23	a tent with charging stations at the Boston
24	there any other costs that you know of associated	24	Marathon." Correct?
	and any other costs that you know or associated		marathon. Concett

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	102		104
1	A Voc I see that	1	those facilities to this expense they could
2	A. Yes, I see that.	2	those facilities to this expense, they could potentially be included. But the vendor here is
3	Q. And I believe there's a JPEG file that is	3	Boston Athletic Association, so, subject to further
4	titled IMG_0552(4), which if you open that, it	4	
5	appears to be a photo of people in front of charging stations. Is that correct?	5	checks, these would be costs that were charged by that association.
6		6	
7	A. Yes, I see that.	7	Q. Is it possible that the cost of the
8	Q. These appear to be cell phone charging	8	charging station was over and above the cost of the
9	stations. Is that what kind of charging they're	9	\$30,000 sponsorship?
10	referring to? A. Potentially. I'm not fully familiar with	10	A. That's possible.
11	, ,	11	Q. Would you turn back to the email. I
12	that equipment, so	12	believe the last line references a branded community
13	Q. The only other charging station that could be would be maybe an electric vehicle charging	13	van parked on the Boston Common during the race; is
14	station in this context?	14	that correct?
15		15	A. Yes, that's what the email says.
16	A. Potentially. I'm not sure.	16	Q. And do you know what a community van is?
17	Q. Do you know what the purpose of this advertisement is?	17	A. I don't know.
18	A. I don't, no.	18	Q. So you wouldn't know if it was in any way
19	Q. Do you know if it has any relation to	19	connected to the National Grid gas business?
20	, ,	20	A. I am not familiar with this with the van
21	National Grid's gas business? A. Certainly it's an expense of the company.	21	in the email.
22	I'm not sure what you mean by "relation to Boston	22	Q. And do you know how much the van cost?
23	Gas."	23	A. I don't, no.
24	Q. Well, the advertisement in the form of	24	Q. And do you know if it's a van that is owned
	Q. Well, the advertisement in the form of	24	by National Grid, or is it somehow included in the
	103		105
1	National Grid-sponsored charging stations, does that	1	\$30,000 cost charged by the Boston Athletic
2	have any relation to National Grid's gas business?	2	Association?
3	A. I don't know. I would need to investigate	3	A. I don't know.
4	further.	4	Q. If you'd turn back to AG-1-73, attachment.
5	Q. Do you know what the cost was for these	5	A. Okay.
6	charging stations?	6	Q. Just about halfway down the spreadsheet
7	A. The overall cost for this program is	7	there's a vendor titled Interstate Rental Service,
8	\$30,000.	8	with a description of Boston Marathon sponsorship.
9	Q. So these charging stations would have been	9	Do you see that?
10	part of that overall cost.	10	A. I do, yes.
11	A. Presumably, yes.	11	Q. And that's for \$714. Yes?
12	Q. And were the costs charged to National Grid	12	A. That's correct, yes.
13	by the vendor here, Boston Athletic Association?	13	Q. And do you know what that's in reference
14	A. I assume so, yes.	14	to?
15	Q. So the Boston Athletic Association owns or	15	A. It says Boston Marathon sponsorship. I'm
16	otherwise controls these charging stations?	16	not familiar with additional details.
17	A. The equipment in the picture says "National	17	Q. So you don't know what was rented from the
18	Grid," so my assumption is it's National Grid	18	Interstate Rental Service for \$714?
19	charging stations.	19	A. I don't know that detail.
20	Q. However, you just testified that the cost	20	Q. Now I'm going to turn back to the email
21	was included in the overall \$30,000 cost charged by	21	that we were previously discussing. There is a line
22	Boston Athletic Association?	22	that states that the sponsorship included Facebook
23	A. If the company I should say I don't	23	posts; is that correct?
24	know. If the company were to allocate a portion of	24	A. There is a line that says "FB posts."
l			

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	106		108
1	Q. And there's a PNG file that states, "NG FB	1	Q. Is there anyone who could speak to this
2	Post 1-620."	2	document?
3	A. I see that.	3	A. There may be. I would need to check with
4	Q. That appears to be a draft of a Facebook	4	the company.
5	post?	5	Q. Are they here today?
6	A. Yes.	6	A. I don't know. I would need to check.
7	Q. Do you see that?	7	MS. PIEPER: It's about lunchtime. Why
8	A. Yes.	8	don't we take a lunch break, and you can check
9	Q. And it states at the very top, "Throughout	9	during lunch and find out who's the right person to
10	this week we'll be sharing some tips powered by	10	answer these questions. Let's go off the record.
11	National Grid to get you through the finish line at	11	(Recess for lunch.)
12	Sunday's BAA 10-K." Is that correct?	12	MS. PIEPER: Let's go back on the
13	A. Yes, that's correct.	13	record. I would remind the witness that you remain
14	Q. And do you know what the purpose of this	14	sworn. And the Attorney General may proceed.
15	advertisement is?	15	MS. KIMBALL: Madam Hearing Officer, one
16		16	thing: We talked at lunch to try to figure out who
17	A. Well, per the Facebook post, the purpose is	17	could help us with these questions. There is
18	to alert users to the sharing of tips by National	18	•
19	Grid.	19	somebody at the company, but they're not available.
	Q. And do you know if it's connected in any	20	No one here can answer these questions.
20	way to the National Grid gas business?		So we'll do questions as long as you
21	A. I'm not familiar with the details of what	21	want, but we're offering you, if you want a record
22	was provided.	22	request those line items on AG-1-73 are in the
23	Q. And do you know if the Facebook post was	23	cost of service. We can do as a record request
24	part of the overall \$30,000 cost charged by the	24	either every line or whatever lines you want to pick
	107		109
1	Boston Athletic Association?	1	to correlate to the advertisement in AG-27-31 or
2	A. I don't know.	2	explain why it doesn't correlate and explain what
3	Q. Will you turn back to AG-1-73 Attachment.	3	the use is for Boston Gas. I'm not stopping the
4	I'd like to turn to the line item here regarding the	4	questions. I'm just offering as a matter of
5	Boston Red Sox vendor. Do you see that?	5	administrative efficiency to do that, if you want.
6	A. I do, yes.	6	Otherwise, we can proceed, if that's
7	Q. And the spreadsheet states that this was a	7	what you want to do.
8	sponsorship for a total cost of \$48,750. Is that	8	MS. PIEPER: Would it be easier to bring
9	correct?	9	a witness who actually can answer the questions?
10	A. Yes, that's what that line says.	10	MS. KIMBALL: Sure. Whatever anybody
11	Q. And if we go now to the attachment,	11	else wants. Mr. Dane is not going to be able to
12	AG-27-31-1, there is a Boston Red Sox folder,	12	answer these questions, and nobody else in the room
13	017_Boston Red Sox. And if you open that, there is	13	can, either.
14	a PDF file inside that folder. Do you see that?	14	MS. PIEPER: But there is a witness we
15	A. Yes.	15	can swear in later this week?
16	Q. And if you open that PDF file, this appears	16	MS. KIMBALL: Later this week or
17	to be a document that details what National Grid	17	whatever.
18		18	MS. PIEPER: Would that work?
	received in return for the \$48,750 spent on the	19	
10	sponsorship. Is that correct?	20	MS. ANDERSON: I'm available any other day that we're meeting this week to ask these
19 20	A The decument provides a 2017 seese: !	ZU	uay mai we re meenno inis week to ask these
20	A. The document provides a 2016 season in		· ·
20 21	review and discusses various events in that year.	21	questions of the appropriate witness. That's fine.
20 21 22	review and discusses various events in that year. Q. Do you know what do you know what the	21 22	questions of the appropriate witness. That's fine. MS. KIMBALL: We'll work on finding the
20 21	review and discusses various events in that year.	21	questions of the appropriate witness. That's fine.

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1	MS. ANDERSON: If that's the case, I	
2	don't believe the Attorney General has any further	
3	questions to ask the witness today. Our questions	
4	are related to the advertising fees for today.	
5	Subject to any recross	
6	MS. PIEPER: He's here for the next two	
7	weeks.	
8	Do any of the other intervenors have any	
9	questions?	
10	MR. CARROLL: Not at this time, no.	
11 12	MS. PIEPER: The Bench actually doesn't	
13	have any questions for this witness, either. I	
14	guess we're actually done for the day. So this	
15	hearing is adjourned. Let's go off the record.	
16	(2:02 p.m.)	
17	REPORTER'S CERTIFICATE	
18	I, Alan H. Brock, the officer before	
19	whom the foregoing proceedings were taken, do	
20	certify that this transcript is a true record of the	
21	proceedings on May 1, 2018.	
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24	Alan H. Brock, RDR, CRR	
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FARMER ARSENAULT BROCK LLC

The Narragansett Electric Company d/b/a National Grid RIPUC Docket No. 4770 Attachment DIV 7-49-261 Page 1 of 29

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COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF PUBLIC UTILITIES
DPU 17-170

EVIDENTIARY HEARING, held at the

Department of Public Utilities, One South Station,

Boston, Massachusetts, on Wednesday, May 2, 2018,

commencing at 9:58 a.m., concerning:

BOSTON GAS COMPANY and COLONIAL GAS COMPANY, d/b/a

NATIONAL GRID

SITTING: Cecile M. Fraser, Commissioner

Robert Hayden, Commissioner

Carol Pieper, Hearing Officer

Rates and Revenue Requirements Division:

Jeff Hall

Rebecca Giden

Andrew Brengle

------Reporter: Alan H. Brock, RDR, CRR-----ahb@fabreporters.com www.fabreporters.com
Farmer Arsenault Brock LLC

Boston, Massachusetts 617-728-4404

The Narragansett Electric Company d/b/a National Grid RIPUC Docket No. 4770 Attachment DIV 7-49-261 Page 2 of 29

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1	APPEARANCES:	1	Segal Roitman, LLP
2	Cheryl M. Kimball, Esq.	2	Nicole Horberg Decter, Esq.
3	Daniel P. Venora, Esq.	3	33 Harrison Avenue
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23	for Boston Gas Company and Colonial Gas Company,	23	
24	each d/b/a National Grid	24	
	114		116
1	Joseph W. Rogers, Esq.	1	May 2, 2018 9:58 a.m.
2	William Stevens, Jr., Esq.	2	PROCEEDINGS
3	John J. Geary, Esq.	3	MS. PIEPER: Let's go on the record.
4	Ashley Gagnon, Esq.	4	This is the second day of evidentiary hearings in
5	Assistant Attorneys General	5	Docket No. DPU 17-170, petition of Boston Gas
6	Office of Ratepayer Advocacy	6	Company and Colonial Gas Company, each doing
7	One Ashburton Place	7	business as National Grid, pursuant to General Laws
8	Boston, Massachusetts 02108	8	Chapter 164, Section 94, and 220 CMR 5.00, for
9	617.727.2200	9	approval of general increases in base distribution
10	joseph.rogers@state.ma.us	10	rates for gas service.
11	william.stevens@state.ma.us	11	My name is Carol Pieper. I'm the
12	john.j.geary@state.ma.us	12	hearing officer. With me on the bench this morning
13	ashley.gagnon@state.ma.us	13	are Commissioners Robert Hayden and Cecile Fraser,
14	for the Office of the Attorney General	14	Rebecca Giden, Andrew Brengle and Jeff Hall, from
15	and amount of definition	15	the Rates and Revenue Requirements Division.
16	Department of Energy Resources	16	You can present your first witness. If
17	Rachel Graham Evans, Esq.	17	you can each state your name for the record.
18	Colin Carroll, Esq.	18	WITNESS LLOYD: Jeanne A. Lloyd.
19	100 Cambridge Street, Suite 1020	19	WITNESS LEARY: Ann E. Leary.
20	Boston, Massachusetts 02114	20	JEANNE A. LLOYD AND ANN E. LEARY,
21	617.727.4732	21	being first duly sworn or affirmed to testify to the
22	rachel.evans@state.ma.us	22	truth, the whole truth, and nothing but the truth,
23	colin.carroll@state.ma.us	23	were examined and testified as follows:
24	commeanone state.ma.us	24	MS. PIEPER: You may proceed.
			ivis. FIEFER. Tou may proceed.

FARMER ARSENAULT BROCK LLC

The Narragansett Electric Company d/b/a National Grid RIPUC Docket No. 4770 Attachment DIV 7-49-261 Page 3 of 29

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1	MS. BLACKMORE: Thank you.	1	in discovery were specifically in DPU-NG-8-5, which
2	DIRECT EXAMINATION	2	were changes to the tariff language and are
3	BY MS. BLACKMORE:	3	identified in that response. Also DPU-NG-8-10,
4	Q. Ms. Lloyd, by whom are you employed and in	4	again, proposed changes to the GSRP tariff, which is
5	what position?	5	again identified in the response.
6	A. [LLOYD] I'm a principal program manager	6	In addition, in DPU-NG-8-17 we
7	for National Grid.	7	identified some errors in our rate design schedules,
8	Q. And how long have you held this position?	8	which we submitted corrections in that response.
9	A. [LLOYD] Approximately 28 years with	9	And again, all of that will be corrected in our
10	National Grid or predecessor.	10	compliance filing.
11	Q. And were you involved in the preparation of	11	In addition, in preparation for the
12	this rate case?	12	hearing, we discovered some errors in the allocated-
13 14	A. [LLOYD] Yes, I was.	13 14	cost-of-service study. All of these are within that
15	Q. And as part of that preparation, did you	15	study, and they all affect Boston's and Colonial's
16	prepare prefiled direct testimony of the pricing	16	schedules equally. So what I'd like to do at a high
17	panel submitted to the Department on November 15th, 2017?	17	level is explain what they are; and if you would like us to submit a specific schedule that
18	A. [LLOYD] Yes, I did.	18	identifies the specific schedule and reference
19	Q. With respect to your prefiled direct	19	within each exhibit, we can do that.
20	testimony, which is marked for identification as	20	Obviously, when something affects an
21	Exhibit NG-PP-1, was this exhibit prepared by you or	21	allocation factor, it flows through every number in
22	under your direct supervision and control?	22	the study, so all the numbers would be changing as a
23	A. [LLOYD] Yes.	23	result of these. However, we did do an analysis,
24	Q. And did you also prepare prefiled rebuttal	24	and we believe that the result on the allocated
	118		120
1			
	testimony submitted to the Department on April 20th,	1	study is very minimal as a result of all of these
2	testimony submitted to the Department on April 20th, 2018?	1 2	study is very minimal as a result of all of these changes; so I'll just explain what each of them are.
2	, , , ,		3
	2018?	2	changes; so I'll just explain what each of them are.
3	2018? A. [LLOYD] Yes, I did.	2 3	changes; so I'll just explain what each of them are. We identified two errors in allocation
3 4 5 6	2018? A. [LLOYD] Yes, I did. Q. With respect to your rebuttal testimony,	2 3 4 5 6	changes; so I'll just explain what each of them are. We identified two errors in allocation factors. One of them appears in Schedule NG-PP-4B,
3 4 5 6 7	2018? A. [LLOYD] Yes, I did. Q. With respect to your rebuttal testimony, marked for identification as Exhibit	2 3 4 5 6 7	changes; so I'll just explain what each of them are. We identified two errors in allocation factors. One of them appears in Schedule NG-PP-4B, again, Boston and Colonial, Pages 13 and 14, which and 4B is our functionalization of production and storage and delivery costs. This
3 4 5 6 7 8	2018? A. [LLOYD] Yes, I did. Q. With respect to your rebuttal testimony, marked for identification as Exhibit NG-PP-Rebuttal-1, was this exhibit prepared by you or under your direct supervision and control? A. [LLOYD] Yes.	2 3 4 5 6 7 8	changes; so I'll just explain what each of them are. We identified two errors in allocation factors. One of them appears in Schedule NG-PP-4B, again, Boston and Colonial, Pages 13 and 14, which and 4B is our functionalization of production and storage and delivery costs. This error was in the labor expense. We did not pick up
3 4 5 6 7 8	2018? A. [LLOYD] Yes, I did. Q. With respect to your rebuttal testimony, marked for identification as Exhibit NG-PP-Rebuttal-1, was this exhibit prepared by you or under your direct supervision and control? A. [LLOYD] Yes. Q. Do you have any changes, corrections,	2 3 4 5 6 7 8	changes; so I'll just explain what each of them are. We identified two errors in allocation factors. One of them appears in Schedule NG-PP-4B, again, Boston and Colonial, Pages 13 and 14, which and 4B is our functionalization of production and storage and delivery costs. This error was in the labor expense. We did not pick up all of the test year labor expenses to calculate the
3 4 5 6 7 8 9	2018? A. [LLOYD] Yes, I did. Q. With respect to your rebuttal testimony, marked for identification as Exhibit NG-PP-Rebuttal-1, was this exhibit prepared by you or under your direct supervision and control? A. [LLOYD] Yes. Q. Do you have any changes, corrections, deletions, or additions that you wish to make to	2 3 4 5 6 7 8 9	changes; so I'll just explain what each of them are. We identified two errors in allocation factors. One of them appears in Schedule NG-PP-4B, again, Boston and Colonial, Pages 13 and 14, which and 4B is our functionalization of production and storage and delivery costs. This error was in the labor expense. We did not pick up all of the test year labor expenses to calculate the labor allocator. So that factor was incorrect.
3 4 5 6 7 8 9 10	2018? A. [LLOYD] Yes, I did. Q. With respect to your rebuttal testimony, marked for identification as Exhibit NG-PP-Rebuttal-1, was this exhibit prepared by you or under your direct supervision and control? A. [LLOYD] Yes. Q. Do you have any changes, corrections, deletions, or additions that you wish to make to your prefiled direct testimony or to your rebuttal	2 3 4 5 6 7 8 9 10	changes; so I'll just explain what each of them are. We identified two errors in allocation factors. One of them appears in Schedule NG-PP-4B, again, Boston and Colonial, Pages 13 and 14, which and 4B is our functionalization of production and storage and delivery costs. This error was in the labor expense. We did not pick up all of the test year labor expenses to calculate the labor allocator. So that factor was incorrect. The other error in the allocation factor
3 4 5 6 7 8 9 10 11	2018? A. [LLOYD] Yes, I did. Q. With respect to your rebuttal testimony, marked for identification as Exhibit NG-PP-Rebuttal-1, was this exhibit prepared by you or under your direct supervision and control? A. [LLOYD] Yes. Q. Do you have any changes, corrections, deletions, or additions that you wish to make to your prefiled direct testimony or to your rebuttal testimony at this time?	2 3 4 5 6 7 8 9 10 11	changes; so I'll just explain what each of them are. We identified two errors in allocation factors. One of them appears in Schedule NG-PP-4B, again, Boston and Colonial, Pages 13 and 14, which and 4B is our functionalization of production and storage and delivery costs. This error was in the labor expense. We did not pick up all of the test year labor expenses to calculate the labor allocator. So that factor was incorrect. The other error in the allocation factor was in the proportional-responsibility allocator.
3 4 5 6 7 8 9 10 11 12	A. [LLOYD] Yes, I did. Q. With respect to your rebuttal testimony, marked for identification as Exhibit NG-PP-Rebuttal-1, was this exhibit prepared by you or under your direct supervision and control? A. [LLOYD] Yes. Q. Do you have any changes, corrections, deletions, or additions that you wish to make to your prefiled direct testimony or to your rebuttal testimony at this time? A. [LLOYD] Yes, I do. We have a few	2 3 4 5 6 7 8 9 10 11 12	changes; so I'll just explain what each of them are. We identified two errors in allocation factors. One of them appears in Schedule NG-PP-4B, again, Boston and Colonial, Pages 13 and 14, which and 4B is our functionalization of production and storage and delivery costs. This error was in the labor expense. We did not pick up all of the test year labor expenses to calculate the labor allocator. So that factor was incorrect. The other error in the allocation factor was in the proportional-responsibility allocator. This appears in Schedules NG-PP-5-C and 5-D, which
3 4 5 6 7 8 9 10 11 12 13	A. [LLOYD] Yes, I did. Q. With respect to your rebuttal testimony, marked for identification as Exhibit NG-PP-Rebuttal-1, was this exhibit prepared by you or under your direct supervision and control? A. [LLOYD] Yes. Q. Do you have any changes, corrections, deletions, or additions that you wish to make to your prefiled direct testimony or to your rebuttal testimony at this time? A. [LLOYD] Yes, I do. We have a few corrections that we've identified. Some of these	2 3 4 5 6 7 8 9 10 11 12 13	changes; so I'll just explain what each of them are. We identified two errors in allocation factors. One of them appears in Schedule NG-PP-4B, again, Boston and Colonial, Pages 13 and 14, which and 4B is our functionalization of production and storage and delivery costs. This error was in the labor expense. We did not pick up all of the test year labor expenses to calculate the labor allocator. So that factor was incorrect. The other error in the allocation factor was in the proportional-responsibility allocator. This appears in Schedules NG-PP-5-C and 5-D, which are both schedules that list our allocators. And
3 4 5 6 7 8 9 10 11 12 13 14	A. [LLOYD] Yes, I did. Q. With respect to your rebuttal testimony, marked for identification as Exhibit NG-PP-Rebuttal-1, was this exhibit prepared by you or under your direct supervision and control? A. [LLOYD] Yes. Q. Do you have any changes, corrections, deletions, or additions that you wish to make to your prefiled direct testimony or to your rebuttal testimony at this time? A. [LLOYD] Yes, I do. We have a few corrections that we've identified. Some of these these are corrections actually to the exhibits that	2 3 4 5 6 7 8 9 10 11 12 13 14	changes; so I'll just explain what each of them are. We identified two errors in allocation factors. One of them appears in Schedule NG-PP-4B, again, Boston and Colonial, Pages 13 and 14, which and 4B is our functionalization of production and storage and delivery costs. This error was in the labor expense. We did not pick up all of the test year labor expenses to calculate the labor allocator. So that factor was incorrect. The other error in the allocation factor was in the proportional-responsibility allocator. This appears in Schedules NG-PP-5-C and 5-D, which are both schedules that list our allocators. And the error in that factor was in the monthly
3 4 5 6 7 8 9 10 11 12 13 14 15	A. [LLOYD] Yes, I did. Q. With respect to your rebuttal testimony, marked for identification as Exhibit NG-PP-Rebuttal-1, was this exhibit prepared by you or under your direct supervision and control? A. [LLOYD] Yes. Q. Do you have any changes, corrections, deletions, or additions that you wish to make to your prefiled direct testimony or to your rebuttal testimony at this time? A. [LLOYD] Yes, I do. We have a few corrections that we've identified. Some of these these are corrections actually to the exhibits that accompany the testimony. And some of them we've	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16	changes; so I'll just explain what each of them are. We identified two errors in allocation factors. One of them appears in Schedule NG-PP-4B, again, Boston and Colonial, Pages 13 and 14, which and 4B is our functionalization of production and storage and delivery costs. This error was in the labor expense. We did not pick up all of the test year labor expenses to calculate the labor allocator. So that factor was incorrect. The other error in the allocation factor was in the proportional-responsibility allocator. This appears in Schedules NG-PP-5-C and 5-D, which are both schedules that list our allocators. And the error in that factor was in the monthly weightings that affected the final calculation of
3 4 5 6 7 8 9 10 11 12 13 14 15 16	A. [LLOYD] Yes, I did. Q. With respect to your rebuttal testimony, marked for identification as Exhibit NG-PP-Rebuttal-1, was this exhibit prepared by you or under your direct supervision and control? A. [LLOYD] Yes. Q. Do you have any changes, corrections, deletions, or additions that you wish to make to your prefiled direct testimony or to your rebuttal testimony at this time? A. [LLOYD] Yes, I do. We have a few corrections that we've identified. Some of these these are corrections actually to the exhibits that accompany the testimony. And some of them we've already identified in discovery, and some of them we	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16	changes; so I'll just explain what each of them are. We identified two errors in allocation factors. One of them appears in Schedule NG-PP-4B, again, Boston and Colonial, Pages 13 and 14, which and 4B is our functionalization of production and storage and delivery costs. This error was in the labor expense. We did not pick up all of the test year labor expenses to calculate the labor allocator. So that factor was incorrect. The other error in the allocation factor was in the proportional-responsibility allocator. This appears in Schedules NG-PP-5-C and 5-D, which are both schedules that list our allocators. And the error in that factor was in the monthly weightings that affected the final calculation of the allocator.
3 4 5 6 7 8 9 10 11 12 13 14 15	A. [LLOYD] Yes, I did. Q. With respect to your rebuttal testimony, marked for identification as Exhibit NG-PP-Rebuttal-1, was this exhibit prepared by you or under your direct supervision and control? A. [LLOYD] Yes. Q. Do you have any changes, corrections, deletions, or additions that you wish to make to your prefiled direct testimony or to your rebuttal testimony at this time? A. [LLOYD] Yes, I do. We have a few corrections that we've identified. Some of these these are corrections actually to the exhibits that accompany the testimony. And some of them we've already identified in discovery, and some of them we found in the past few days or weeks in doing	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16	changes; so I'll just explain what each of them are. We identified two errors in allocation factors. One of them appears in Schedule NG-PP-4B, again, Boston and Colonial, Pages 13 and 14, which and 4B is our functionalization of production and storage and delivery costs. This error was in the labor expense. We did not pick up all of the test year labor expenses to calculate the labor allocator. So that factor was incorrect. The other error in the allocation factor was in the proportional-responsibility allocator. This appears in Schedules NG-PP-5-C and 5-D, which are both schedules that list our allocators. And the error in that factor was in the monthly weightings that affected the final calculation of the allocator. We also identified an error in Schedule
3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	A. [LLOYD] Yes, I did. Q. With respect to your rebuttal testimony, marked for identification as Exhibit NG-PP-Rebuttal-1, was this exhibit prepared by you or under your direct supervision and control? A. [LLOYD] Yes. Q. Do you have any changes, corrections, deletions, or additions that you wish to make to your prefiled direct testimony or to your rebuttal testimony at this time? A. [LLOYD] Yes, I do. We have a few corrections that we've identified. Some of these these are corrections actually to the exhibits that accompany the testimony. And some of them we've already identified in discovery, and some of them we found in the past few days or weeks in doing preparation for the hearing.	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	changes; so I'll just explain what each of them are. We identified two errors in allocation factors. One of them appears in Schedule NG-PP-4B, again, Boston and Colonial, Pages 13 and 14, which and 4B is our functionalization of production and storage and delivery costs. This error was in the labor expense. We did not pick up all of the test year labor expenses to calculate the labor allocator. So that factor was incorrect. The other error in the allocation factor was in the proportional-responsibility allocator. This appears in Schedules NG-PP-5-C and 5-D, which are both schedules that list our allocators. And the error in that factor was in the monthly weightings that affected the final calculation of the allocator. We also identified an error in Schedule NG-PP-4C, which is the schedule that classifies
3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	A. [LLOYD] Yes, I did. Q. With respect to your rebuttal testimony, marked for identification as Exhibit NG-PP-Rebuttal-1, was this exhibit prepared by you or under your direct supervision and control? A. [LLOYD] Yes. Q. Do you have any changes, corrections, deletions, or additions that you wish to make to your prefiled direct testimony or to your rebuttal testimony at this time? A. [LLOYD] Yes, I do. We have a few corrections that we've identified. Some of these these are corrections actually to the exhibits that accompany the testimony. And some of them we've already identified in discovery, and some of them we found in the past few days or weeks in doing preparation for the hearing. So all of these we're proposing to make	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	changes; so I'll just explain what each of them are. We identified two errors in allocation factors. One of them appears in Schedule NG-PP-4B, again, Boston and Colonial, Pages 13 and 14, which and 4B is our functionalization of production and storage and delivery costs. This error was in the labor expense. We did not pick up all of the test year labor expenses to calculate the labor allocator. So that factor was incorrect. The other error in the allocation factor was in the proportional-responsibility allocator. This appears in Schedules NG-PP-5-C and 5-D, which are both schedules that list our allocators. And the error in that factor was in the monthly weightings that affected the final calculation of the allocator. We also identified an error in Schedule NG-PP-4C, which is the schedule that classifies delivery costs between customer demand and
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3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	A. [LLOYD] Yes, I did. Q. With respect to your rebuttal testimony, marked for identification as Exhibit NG-PP-Rebuttal-1, was this exhibit prepared by you or under your direct supervision and control? A. [LLOYD] Yes. Q. Do you have any changes, corrections, deletions, or additions that you wish to make to your prefiled direct testimony or to your rebuttal testimony at this time? A. [LLOYD] Yes, I do. We have a few corrections that we've identified. Some of these these are corrections actually to the exhibits that accompany the testimony. And some of them we've already identified in discovery, and some of them we found in the past few days or weeks in doing preparation for the hearing. So all of these we're proposing to make in the compliance filing, and I'd like to just kind of briefly list them at a high level, so that it's	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	changes; so I'll just explain what each of them are. We identified two errors in allocation factors. One of them appears in Schedule NG-PP-4B, again, Boston and Colonial, Pages 13 and 14, which and 4B is our functionalization of production and storage and delivery costs. This error was in the labor expense. We did not pick up all of the test year labor expenses to calculate the labor allocator. So that factor was incorrect. The other error in the allocation factor was in the proportional-responsibility allocator. This appears in Schedules NG-PP-5-C and 5-D, which are both schedules that list our allocators. And the error in that factor was in the monthly weightings that affected the final calculation of the allocator. We also identified an error in Schedule NG-PP-4C, which is the schedule that classifies delivery costs between customer demand and commodity. On Page 6 of that study the customer deposits cost should be allocated 100 percent to the

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	121		123
1	And the final change affects Schedule	1	corrections?
2	PP-4C, which is the same one as before, and	2	WITNESS LLOYD: As long as we use the
3	Schedules PP-4E and F, which are the schedules that	3	costs that were originally filed.
4	allocated demand-related costs and customer-related	4	MS. KIMBALL: Can we do that?
5	costs, respectively, to the classes.	5	MR. ROGERS: Sure.
6	In those schedules FERC Account 850,	6	MS. PIEPER: We'll issue it as a record
7	which is operations expense, supervision, and	7	request, just for clarity on the record. It's going
8	engineering, should be allocated on operations labor	8	to be Record Request DPU-1.
9	expense. It's currently allocated on operations	9	MR. ROGERS: Just to clarify: What
10	maintenance labor expense I'm sorry, maintenance	10	revenue requirement would you use? It keeps moving
11	labor expense. So again, that will be corrected.	11	MS. KIMBALL: I guess I was thinking, if
12	And again, if you'd like us to turn in a	12	you did it on the one we filed, which is how the
13	schedule that has the specific schedule references	13	cost-allocation study was done to begin with, that
14	and page references, line items, we can do that.	14	would have two benefits: you can get it done
15	MS. PIEPER: Just to confirm, when you	15	quicker, and then it would isolate what the impact
16	say a compliance filing, you're talking about the	16	is of these changes.
17	compliance filing after we issue the order?	17	WITNESS LLOYD: That's what I was
18	WITNESS LLOYD: That was what we	18	thinking as well. That's why I was proposing doing
19	anticipated. As I said, all of these corrections	19	it on the original
20	had a very minimal effect on the for example, for	20	MS. KIMBALL: They have to run it on a
21	the residential heating class, the changes amounted	21	whole new revenue requirement. That's the thing
22	to about \$200,000, which is about .06 percent.	22	that takes a long time.
23	MS. PIEPER: We would definitely like it	23	MS. PIEPER: I think the Department
24	before we issue the order. So should we issue it as	24	would like it on the original request.
	122		124
1	a record request, or is it something you could file	1	MR. ROGERS: And then we'll have to do
2	as a supplemental?	2	it again at the end?
3	MS. KIMBALL: I think what the concern	3	MS. KIMBALL: Absolutely.
4	is, once you do the reallocation like it's a	4	MS. PIEPER: That way we can see the
5	whole big process to do. So I think the company	5	difference between.
6	just wants to do it when there's as much that can be	6	Can you clarify exactly what it's going
7	rolled in as possible.	7	to be?
8	So if you wanted like maybe at the end	8	MS. GIDEN: You mentioned that the
9	of hearings, like after hearings, we can give you	9	record-request response would detail the corrections
10	the updated revenue requirement, updated rate case	10	to the allocated-cost-of-service study that you
11	cost, and then do it at that time.	11	identified, including the schedule and line
12	MR. ROGERS: I'd like it done within the	12	reference numbers?
13	next week, because it doesn't do me any good to get	13	WITNESS LLOYD: Yes.
14	it at the end of May.	14	MS. PIEPER: It's going to be Record
15	MS. KIMBALL: I hear you. How long will	15	Request DPU-1.
16	it take you?	16	(Record Request DPU-1.)
17	WITNESS LLOYD: No, I think we can do	17	Q. Ms. Lloyd, have you also seen information
18	it. I just want to say that, although it affects	18	requests propounded by the Department, the Attorney
19	the allocated study, it would not affect the revenue	19	General, and other intervenors in this case?
	allocation or the rates that were filed in this	20	A. [LLOYD] I have.
20		21	Q. And have you sponsored any responses to a
21	case. So it will only affect the results of the		
21 22	allocated-cost-of-service study.	22	number of those information requests?
21	,		

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	125		127
1	Q. Were those responses prepared by you or	1	A. [LEARY] Not at this time.
2	under your direct supervision and control?	2	MS. BLACKMORE: The witnesses are
3	A. [LLOYD] Yes.	3	available for cross-examination.
4	Q. At this time do you have any changes,	4	MS. PIEPER: Before we continue with
5	corrections, deletions, or additions that you would	5	cross, can you just explain, so it's on the record,
6	like to make to any of the information-request	6	the absence of Mr. Feeney?
7	responses that you've sponsored in this proceeding?	7	MS. BLACKMORE: Yes. Mr. Feeney is on a
8	A. [LLOYD] Other than the ones that I just	8	leave of absence for six months, and Ms. Lloyd and
9	highlighted, no.	9	Ms. Leary can cover all of the information that he
10	Q. I'll turn to Ms. Leary. Ms. Leary, by whom	10	was responsible for in this proceeding.
11	are you employed and in what position?	11	MS. PIEPER: Thank you very much. You
12	A. [LEARY] I'm employed by National Grid	12	may proceed.
13	Service Company, and I am the manager of New England	13	CROSS-EXAMINATION
14	gas pricing.	14	BY MS. GAGNON:
15	Q. And how long have you held that position?	15	Q. Good morning. My name is Ashley Gagnon.
16	A. [LEARY] Approximately 33 years.	16	I'm an Assistant Attorney General with the
17	Q. Were you involved in the preparation of	17	Massachusetts Attorney General's Office, and I have
18	this rate case?	18	a few questions regarding the pricing panel's
19	A. [LEARY] Yes, I was.	19	testimony and discovery responses this morning.
20	Q. And as part of that preparation did you	20	First I have some questions regarding
21	also prepare the prefiled direct testimony marked	21	the company's rate design proposals. Ms. Leary,
22	for identification as Exhibit NG-PP-1 and the	22	I'll be directing these questions at you, and if you
23	rebuttal testimony marked for identification as	23	believe that I should direct them to Ms. Lloyd,
24	Exhibit NG-PP-Rebuttal-1?	24	please let me know and I will do so. Okay?
	126		128
1	A. [LEARY] Yes, I did.	1	A. [LEARY] Okay.
2			
	O. Were these exhibits prepared by you or	2	
3	Q. Were these exhibits prepared by you or under your direct supervision and control?	2	Q. Can you please turn to Page 3 of the
3 4	under your direct supervision and control?		Q. Can you please turn to Page 3 of the panel's rebuttal testimony, NG-PP-Rebuttal-1.
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4	under your direct supervision and control? A. [LEARY] Yes, they were. Q. And aside from the updates noted by	3 4	Q. Can you please turn to Page 3 of the panel's rebuttal testimony, NG-PP-Rebuttal-1.
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4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	under your direct supervision and control? A. [LEARY] Yes, they were. Q. And aside from the updates noted by Ms. Lloyd, do you have any changes, corrections, deletions, or additions that you wish to make to your prefiled direct testimony or to your rebuttal testimony at this time? A. [LEARY] Not at this time. Q. Have you also seen information requests propounded by the Department and the Attorney General and other intervenors in this case? A. [LEARY] Yes, I have. Q. And have you sponsored responses to a number of those information requests? A. [LEARY] Yes, I have. Q. Were those responses prepared by you or under your direct supervision and control? A. [LEARY] Yes, they were.	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	Q. Can you please turn to Page 3 of the panel's rebuttal testimony, NG-PP-Rebuttal-1. A. [LEARY] Yes, I'm there. Page 3? Q. Yes, Page 3. Specifically, Lines 13 through 21. A. [LEARY] Yes. Q. Here in your testimony you indicate that one of the factors you considered in your residential rate design was the results of the allocated-cost-of-service study in this case; correct? A. [LEARY] That is correct. Q. And another factor that you indicate that you considered, according to your testimony, are the bill impacts; is that correct? A. [LEARY] That is correct. Q. Before we get into details: Is it true that under your original filing you proposed to increase distribution revenues for Boston Gas Rates
4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	under your direct supervision and control? A. [LEARY] Yes, they were. Q. And aside from the updates noted by Ms. Lloyd, do you have any changes, corrections, deletions, or additions that you wish to make to your prefiled direct testimony or to your rebuttal testimony at this time? A. [LEARY] Not at this time. Q. Have you also seen information requests propounded by the Department and the Attorney General and other intervenors in this case? A. [LEARY] Yes, I have. Q. And have you sponsored responses to a number of those information requests? A. [LEARY] Yes, I have. Q. Were those responses prepared by you or under your direct supervision and control? A. [LEARY] Yes, they were. Q. At this time do you have any changes,	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	Q. Can you please turn to Page 3 of the panel's rebuttal testimony, NG-PP-Rebuttal-1. A. [LEARY] Yes, I'm there. Page 3? Q. Yes, Page 3. Specifically, Lines 13 through 21. A. [LEARY] Yes. Q. Here in your testimony you indicate that one of the factors you considered in your residential rate design was the results of the allocated-cost-of-service study in this case; correct? A. [LEARY] That is correct. Q. And another factor that you indicate that you considered, according to your testimony, are the bill impacts; is that correct? A. [LEARY] That is correct. Q. Before we get into details: Is it true that under your original filing you proposed to increase distribution revenues for Boston Gas Rates R-1 and R-2, the nonheating residential classes, by
4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	under your direct supervision and control? A. [LEARY] Yes, they were. Q. And aside from the updates noted by Ms. Lloyd, do you have any changes, corrections, deletions, or additions that you wish to make to your prefiled direct testimony or to your rebuttal testimony at this time? A. [LEARY] Not at this time. Q. Have you also seen information requests propounded by the Department and the Attorney General and other intervenors in this case? A. [LEARY] Yes, I have. Q. And have you sponsored responses to a number of those information requests? A. [LEARY] Yes, I have. Q. Were those responses prepared by you or under your direct supervision and control? A. [LEARY] Yes, they were. Q. At this time do you have any changes, corrections, deletions, or additions that you would	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Q. Can you please turn to Page 3 of the panel's rebuttal testimony, NG-PP-Rebuttal-1. A. [LEARY] Yes, I'm there. Page 3? Q. Yes, Page 3. Specifically, Lines 13 through 21. A. [LEARY] Yes. Q. Here in your testimony you indicate that one of the factors you considered in your residential rate design was the results of the allocated-cost-of-service study in this case; correct? A. [LEARY] That is correct. Q. And another factor that you indicate that you considered, according to your testimony, are the bill impacts; is that correct? A. [LEARY] That is correct. Q. Before we get into details: Is it true that under your original filing you proposed to increase distribution revenues for Boston Gas Rates R-1 and R-2, the nonheating residential classes, by 23.9 percent?
4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	under your direct supervision and control? A. [LEARY] Yes, they were. Q. And aside from the updates noted by Ms. Lloyd, do you have any changes, corrections, deletions, or additions that you wish to make to your prefiled direct testimony or to your rebuttal testimony at this time? A. [LEARY] Not at this time. Q. Have you also seen information requests propounded by the Department and the Attorney General and other intervenors in this case? A. [LEARY] Yes, I have. Q. And have you sponsored responses to a number of those information requests? A. [LEARY] Yes, I have. Q. Were those responses prepared by you or under your direct supervision and control? A. [LEARY] Yes, they were. Q. At this time do you have any changes,	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	Q. Can you please turn to Page 3 of the panel's rebuttal testimony, NG-PP-Rebuttal-1. A. [LEARY] Yes, I'm there. Page 3? Q. Yes, Page 3. Specifically, Lines 13 through 21. A. [LEARY] Yes. Q. Here in your testimony you indicate that one of the factors you considered in your residential rate design was the results of the allocated-cost-of-service study in this case; correct? A. [LEARY] That is correct. Q. And another factor that you indicate that you considered, according to your testimony, are the bill impacts; is that correct? A. [LEARY] That is correct. Q. Before we get into details: Is it true that under your original filing you proposed to increase distribution revenues for Boston Gas Rates R-1 and R-2, the nonheating residential classes, by

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1	at Exhibit NG-PP-8A, on day one, the residential	1 2	summary of the bill impacts for Rate R-1 nonheating
2	nonheating and the residential nonheating low-income	3	customers who do not qualify for the low-income
4	customers, there would be a range of bill impacts,	4	discount; correct?
5	depending on their usage. It would vary anywhere,	5	A. [LEARY] That is correct.
6	for the residential nonheating customer class, it	6	Q. And if you look at Lines 14 through 22, we
7	would be in the range of 14 to 24 percent, and for the low-income residential nonheating on day one	7	can agree that this shows annual bill impacts for a pretty wide range of customers, from the lowest 10
8	would be 14 to 24 percent.	8	percent of users to the highest 10 percent of users
9	If we looked at Exhibit NG-PP-8-B, which	9	within the class. Correct?
10	is what we classify as our in-state bill impacts,	10	A. [LEARY] That is correct.
11	based on our initial filing, the bill impacts on our	11	Q. And if we look at the very last column,
12	in-state for residential nonheating would range from	12	Column P, it shows that the lowest users would see
13	7 to 23 percent, and for the low-income would range	13	the highest percentage increases, and as you use
14	from 6 to 22 percent, depending on their usage.	14	more gas, the percentage increase declines; correct?
15	Q. Can you please turn to Exhibit	15	A. [LEARY] That is correct.
16	NG-PP-6B-BOS.	16	Q. So the lowest 10 percent of users of the
17	A. [LEARY] Excuse me, which page on 6B did	17	company's Rate R-1 customers would see their bills
18	you say?	18	go up by 23 percent annually, but the highest users
19	Q. Page 1. And if you look at Line 22, under	19	in the class would see bills increase by only 7
20	the residential nonheat R-1/R-2 column, it indicates	20	percent annually; correct?
21	a base revenue increase on test year base revenue of	21	A. [LEARY] That is correct.
22	23.9 percent; is that correct?	22	Q. And as we discussed earlier, one of the
23	A. [LEARY] That is correct.	23	factors that you said you considered in your
24	Q. And you propose increasing the customer	24	residential rate design was bill impacts; correct?
	130		132
1	charge for those customers by 25 percent, from \$8 to	1	
1 2	charge for those customers by 25 percent, from \$8 to \$10 per month; correct?	1	A. [LEARY] That is correct. Q. Are these the bill impacts that you
	, ,		A. [LEARY] That is correct.
2	\$10 per month; correct?	2	A. [LEARY] That is correct. Q. Are these the bill impacts that you
2	\$10 per month; correct? A. [LEARY] Correct.	2 3	A. [LEARY] That is correct. Q. Are these the bill impacts that you considered in making your proposal for this class of
2 3 4	\$10 per month; correct? A. [LEARY] Correct. Q. So the original proposed increase in the	2 3 4 5 6	A. [LEARY] That is correct. Q. Are these the bill impacts that you considered in making your proposal for this class of customers?
2 3 4 5 6 7	\$10 per month; correct? A. [LEARY] Correct. Q. So the original proposed increase in the nonheating customer charge is by approximately the	2 3 4 5 6 7	A. [LEARY] That is correct. Q. Are these the bill impacts that you considered in making your proposal for this class of customers? A. [LEARY] I think that we looked at both the
2 3 4 5 6 7 8	\$10 per month; correct? A. [LEARY] Correct. Q. So the original proposed increase in the nonheating customer charge is by approximately the same amount as the overall class increase; correct?	2 3 4 5 6 7 8	A. [LEARY] That is correct. Q. Are these the bill impacts that you considered in making your proposal for this class of customers? A. [LEARY] I think that we looked at both the residential heating and the residential nonheating when we were considering the range of the bill impacts in terms of capping the overall customer
2 3 4 5 6 7 8	\$10 per month; correct? A. [LEARY] Correct. Q. So the original proposed increase in the nonheating customer charge is by approximately the same amount as the overall class increase; correct? A. [LEARY] For the low-use for the customers that have a low usage in the residential nonheating rate class, correct.	2 3 4 5 6 7 8 9	A. [LEARY] That is correct. Q. Are these the bill impacts that you considered in making your proposal for this class of customers? A. [LEARY] I think that we looked at both the residential heating and the residential nonheating when we were considering the range of the bill impacts in terms of capping the overall customer charge increase at the 25 percent.
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2 3 4 5 6 7 8 9 10	\$10 per month; correct? A. [LEARY] Correct. Q. So the original proposed increase in the nonheating customer charge is by approximately the same amount as the overall class increase; correct? A. [LEARY] For the low-use for the customers that have a low usage in the residential nonheating rate class, correct. Q. For heating customers in Boston Gas Rates R-3 and R-4, as shown in Exhibit NG-PP-6B, Page 1,	2 3 4 5 6 7 8 9 10	A. [LEARY] That is correct. Q. Are these the bill impacts that you considered in making your proposal for this class of customers? A. [LEARY] I think that we looked at both the residential heating and the residential nonheating when we were considering the range of the bill impacts in terms of capping the overall customer charge increase at the 25 percent. Q. Now, staying with this exhibit: Columns L&M have dollar changes between present and proposed
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	\$10 per month; correct? A. [LEARY] Correct. Q. So the original proposed increase in the nonheating customer charge is by approximately the same amount as the overall class increase; correct? A. [LEARY] For the low-use for the customers that have a low usage in the residential nonheating rate class, correct. Q. For heating customers in Boston Gas Rates R-3 and R-4, as shown in Exhibit NG-PP-6B, Page 1, again Line 22, you propose to increase distribution revenues by 37.28 percent; correct? A. [LEARY] That is correct. Q. And you also propose to increase the customer charge for these customers by 20 percent, from \$10 to \$12 per month. A. [LEARY] Correct. Q. So for these heating customers, you propose	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	A. [LEARY] That is correct. Q. Are these the bill impacts that you considered in making your proposal for this class of customers? A. [LEARY] I think that we looked at both the residential heating and the residential nonheating when we were considering the range of the bill impacts in terms of capping the overall customer charge increase at the 25 percent. Q. Now, staying with this exhibit: Columns L&M have dollar changes between present and proposed rates. Do you see that? A. [LEARY] Yes, I do. Q. And Column L shows the distribution or base rate charge? A. [LEARY] That is correct. Q. And Column L I'm sorry, and Column M is the LDAF change; correct? A. [LEARY] That is correct.
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	\$10 per month; correct? A. [LEARY] Correct. Q. So the original proposed increase in the nonheating customer charge is by approximately the same amount as the overall class increase; correct? A. [LEARY] For the low-use for the customers that have a low usage in the residential nonheating rate class, correct. Q. For heating customers in Boston Gas Rates R-3 and R-4, as shown in Exhibit NG-PP-6B, Page 1, again Line 22, you propose to increase distribution revenues by 37.28 percent; correct? A. [LEARY] That is correct. Q. And you also propose to increase the customer charge for these customers by 20 percent, from \$10 to \$12 per month. A. [LEARY] Correct. Q. So for these heating customers, you propose a customer charge increase less than the overall increase for the class.	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	A. [LEARY] That is correct. Q. Are these the bill impacts that you considered in making your proposal for this class of customers? A. [LEARY] I think that we looked at both the residential heating and the residential nonheating when we were considering the range of the bill impacts in terms of capping the overall customer charge increase at the 25 percent. Q. Now, staying with this exhibit: Columns L&M have dollar changes between present and proposed rates. Do you see that? A. [LEARY] Yes, I do. Q. And Column L shows the distribution or base rate charge? A. [LEARY] That is correct. Q. And Column L I'm sorry, and Column M is the LDAF change; correct? A. [LEARY] That is correct. Q. If you could please look at Row 14 for the lowest users in the R-1 class. This shows that
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	\$10 per month; correct? A. [LEARY] Correct. Q. So the original proposed increase in the nonheating customer charge is by approximately the same amount as the overall class increase; correct? A. [LEARY] For the low-use for the customers that have a low usage in the residential nonheating rate class, correct. Q. For heating customers in Boston Gas Rates R-3 and R-4, as shown in Exhibit NG-PP-6B, Page 1, again Line 22, you propose to increase distribution revenues by 37.28 percent; correct? A. [LEARY] That is correct. Q. And you also propose to increase the customer charge for these customers by 20 percent, from \$10 to \$12 per month. A. [LEARY] Correct. Q. So for these heating customers, you propose a customer charge increase less than the overall increase for the class. A. [LEARY] That is correct.	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	A. [LEARY] That is correct. Q. Are these the bill impacts that you considered in making your proposal for this class of customers? A. [LEARY] I think that we looked at both the residential heating and the residential nonheating when we were considering the range of the bill impacts in terms of capping the overall customer charge increase at the 25 percent. Q. Now, staying with this exhibit: Columns L&M have dollar changes between present and proposed rates. Do you see that? A. [LEARY] Yes, I do. Q. And Column L shows the distribution or base rate charge? A. [LEARY] That is correct. Q. And Column L I'm sorry, and Column M is the LDAF change; correct? A. [LEARY] That is correct. Q. If you could please look at Row 14 for the lowest users in the R-1 class. This shows that their base charge is increasing by \$25.90 per year

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1	A. [LEARY] That is correct.	1	occurring under your original proposal, where the
2	Q. And is that because the LDAF is collected	2	customer charge increased by approximately the same
3	on a per-therm basis but for this class a	3	percentage as the overall class distribution revenue
4	significant portion of the base rate increase is	4	increase.
5	being collected on a per-customer basis?	5	A. [LEARY] Correct.
6	A. [LEARY] The LDAF is collected on a	6	Q. Now if we can look at the changes in the
7	per-therm basis, and as you can see, for this	7	LDAF charges. If you could turn to Workpaper
8	analysis that you're looking at, with these	8	NG-PP-8B.
9	customers only using on an annual basis 7 therms per	9	A. [LEARY] Excuse me, which page did you say?
10	year, so that's why their LDAF decrease is so low.	10	Q. Page 1.
11	Q. So is the answer yes?	11	A. [LEARY] Okay.
12	A. [LEARY] It would be based on a	12	Q. Are you there?
13	per-customer the increase, because the customer	13	A. [LEARY] Yes.
14	charge did increase.	14	Q. Am I correct that for residential customers
15	Q. So the lowest-using customers in this class	15	in Column A there are three items that are changing:
16	pay \$24 per year and a higher customer charge, at \$2	16	Lines 9 and 23, which are the pension and PBOP
17	per month, plus \$1.90 in higher per-therm base	17	costs; Lines 11 and 25, which represent the targeted
18	charges and receive only a \$1.02 offset in lower	18	infrastructure costs; and Lines 12 and 26, which
19	per-therm charges from the LDAF changes; correct?	19 20	reference the gas system enhancement costs?
20	A. [LEARY] That is correct.	20 21	A. [LEARY] Just one second. I just want to
21 22	Q. And in contrast, the highest users on Line	22	double-check.
23	22 would pay \$24 in higher customer charges per	23	Excuse me, I just want to make sure I
24	year, about \$58 in higher per-therm base charges, but would receive a \$41 reduction in their LDAF	24	had the right page number.
24	but would receive a \$41 reduction in their LDAF	2-7	Q. Workpaper NG-PP-8B-BOS.
	134		136
1	per-therm charges; correct?	1	A. [LEARY] I'm sorry. I was on the wrong
2	A. [LEARY] That is correct. But their	2	page. I apologize.
3	overall increase is significantly higher. They're	3	Yes, I agree.
4			•
I	getting a \$41 increase versus a \$34 increase.	4	Q. Let's start with the pension and PBOP
5	Q. Ms. Leary, even though the highest-using	5	costs. These costs are proposed to decrease about a
6	Q. Ms. Leary, even though the highest-using customers in this class use about 40 times as much	5 6	costs. These costs are proposed to decrease about a half cent per therm; correct?
6 7	Q. Ms. Leary, even though the highest-using customers in this class use about 40 times as much gas than the lowest-using customers, their charges	5 6 7	costs. These costs are proposed to decrease about a half cent per therm; correct? A. [LEARY] That is correct.
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6 7 8 9	Q. Ms. Leary, even though the highest-using customers in this class use about 40 times as much gas than the lowest-using customers, their charges don't increase even twice as much as the charges paid by the lowest-use customers; correct?	5 6 7 8 9	costs. These costs are proposed to decrease about a half cent per therm; correct? A. [LEARY] That is correct. Q. And does that half-cent reduction represent cost savings, or is that amount being rolled into
6 7 8 9 10	Q. Ms. Leary, even though the highest-using customers in this class use about 40 times as much gas than the lowest-using customers, their charges don't increase even twice as much as the charges paid by the lowest-use customers; correct? A. [LEARY] Can you repeat that one more time?	5 6 7 8 9	costs. These costs are proposed to decrease about a half cent per therm; correct? A. [LEARY] That is correct. Q. And does that half-cent reduction represent cost savings, or is that amount being rolled into base distribution rates?
6 7 8 9 10 11	Q. Ms. Leary, even though the highest-using customers in this class use about 40 times as much gas than the lowest-using customers, their charges don't increase even twice as much as the charges paid by the lowest-use customers; correct? A. [LEARY] Can you repeat that one more time? Q. Yes. So if you look at Column O, even	5 6 7 8 9 10	costs. These costs are proposed to decrease about a half cent per therm; correct? A. [LEARY] That is correct. Q. And does that half-cent reduction represent cost savings, or is that amount being rolled into base distribution rates? A. [LEARY] We are excluding all pension costs
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6 7 8 9 10 11 12 13	Q. Ms. Leary, even though the highest-using customers in this class use about 40 times as much gas than the lowest-using customers, their charges don't increase even twice as much as the charges paid by the lowest-use customers; correct? A. [LEARY] Can you repeat that one more time? Q. Yes. So if you look at Column O, even though the highest-using customers use about 40 times as much gas than the lowest-using customers,	5 6 7 8 9 10 11 12	costs. These costs are proposed to decrease about a half cent per therm; correct? A. [LEARY] That is correct. Q. And does that half-cent reduction represent cost savings, or is that amount being rolled into base distribution rates? A. [LEARY] We are excluding all pension costs on our base distribution rates and recovering all of our pension costs through our LDAF factor.
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6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	Q. Ms. Leary, even though the highest-using customers in this class use about 40 times as much gas than the lowest-using customers, their charges don't increase even twice as much as the charges paid by the lowest-use customers; correct? A. [LEARY] Can you repeat that one more time? Q. Yes. So if you look at Column O, even though the highest-using customers use about 40 times as much gas than the lowest-using customers, 304 therms versus 7 therms, illustrated in Column C, their charges don't even increase twice as much as the charges paid by the lowest users; correct? A. [LEARY] Well, that is correct. But we're also at the same time trying to capture the fact that there is a minimum for a cost-of-service customer, regardless of the therms that they use. So there is we are trying to collect through that	5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	costs. These costs are proposed to decrease about a half cent per therm; correct? A. [LEARY] That is correct. Q. And does that half-cent reduction represent cost savings, or is that amount being rolled into base distribution rates? A. [LEARY] We are excluding all pension costs on our base distribution rates and recovering all of our pension costs through our LDAF factor. Q. So is your answer no? Yes or no; I'm sorry. A. [LEARY] Rephrase the question. Q. Whether the half-cent reduction represents cost savings or whether the amount was being rolled into base distribution rates. A. [LEARY] Cost savings, a reduction in costs.
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			0
	137		139
1	Q. Page 9 of 14. If you can look at Line 233,	1	that the company would charge had we gone to 100
2	Column D. This indicates that 73.06 percent of	2	percent of our recovery of the customer-related
3	pension and benefits costs are being allocated to	3	costs. The actual customer charges that we're
4	the customer cost function; correct?	4	proposing are significantly less than what the
5	A. [LEARY] Yes, it does.	5	average customer charge resulted from this study.
6	Q. Right now LDAF pension costs are being	6	Q. But according to the study, is that
7	collected from residential customers on a per-therm	7	statement correct?
8	basis; is that correct?	8	A. [LEARY] According to the study, but the
9	A. [LEARY] That is correct.	9	study the results of the study is not the
10	Q. Can we look at the change in the target	10	customer charge that we're proposing in this rate
11	infrastructure costs again, back at Workpaper	11	case for the rate designs that you were reviewing.
12	NG-PP-8B-BOS.	12	Q. If we could look at the last category of
13	A. [LEARY] You said Page 1?	13	changes in the LDAF, the gas system enhancement
14	Q. Yes, Page 1. If we can look at the	14	costs, Workpaper NG-PP-8B-BOS. This cost decreases
15	targeted infrastructure costs.	15	by about 4.5 cents per therm; correct?
16	A. [LEARY] Yes.	16	A. [LEARY] Correct.
17	Q. These costs decrease from about 8.6 cents	17	Q. And a portion of these costs are also
18	per therm down to zero; correct?	18	associated with service line replacements?
19	A. [LEARY] That is correct.	19	A. [LEARY] That is correct, a portion of it.
20	Q. And are all of those costs being rolled	20	Q. And again, as we just covered, those
21	into base rates?	21	service line costs are allocated solely to the
22	A. [LEARY] Yes.	22	customer function in the cost study; correct?
23	Q. And are a portion of those costs for	23	A. [LEARY] Well, as we said, I mean, those
24	service line replacements?	24	are all of service costs, all plant-related service
			are all of service costs, all plant related service
	138		140
1	A. [LEARY] I'm not familiar with the details	1	costs, which would include some of the GSEP and TIRF
2	of the TIRF program. I think they are, but subject	2	costs that you've identified, correct.
3	to check. I'd need to confirm.	3	Q. Ms. Leary, in your rebuttal testimony on
4	Q. But subject to check?	4	Page 4 you have a table that compares customer costs
5	A. [LEARY] Subject to check on that, to	5	in the cost study to the current customer charge.
6	confirm that.	6	Do you see that?
7	Q. They would include service line	7	A. [LEARY] Yes, I do.
8	replacements?	8	Q. Did you attempt to determine how much of
9	A. [LEARY] Yes.	9	that per-unit customer cost in the cost study is
10	Q. And those service line replacement costs	10	associated with moving some cost from the LDAF, a
11	are allocated entirely to the customer function in	11	per-therm charge, to the cost study, where some of
12	the cost-of-service study; correct? And if you need	12	the cost get turned into a customer cost?
13	to reference, NG-PP-4C-BOS, Page 3, Line 78.	13	A. [LEARY] No, we did not.
14	A. [LLOYD] I would say, it's just the costs	14	Q. And we can agree that the bill impacts for
15	that are booked to services that are allocated 100	15	Rates R-1 show that increasing the customer charge
16	percent to the customer function.	16	by approximately the same percentage as the overall
17	Q. Okay. So Ms. Leary, would you say that	17	class distribution revenue increase still results in
18	this is an example where some costs that are	18	the largest bill impacts occurring on those
19	currently collected from residential customers	19	customers who use the least amount of gas?
20	through a per-therm charge are being rolled into	20	A. [LEARY] That is correct.
21	base rates, thus a portion of them are becoming	21	Q. So the more gas a customer uses, the lower
22	customer-related costs?	22	percentage change in their bill; correct?
23	A. [LEARY] Again, the purpose of this study	23	A. [LEARY] That is correct.
	A. [LEARY] Again, the purpose of this study was to identify the total customer-related costs	23 24	A. [LEARY] That is correct.Q. And part of that reason is for the cost of

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1	gas; would you agree with that?	1	is where we see a 23 percent increase for the
2	A. [LEARY] I would say part of it is because,	2	lowest-use customers and a 7 percent increase for
3	you're right, the cost of gas; but also because	3	the highest-use customers; correct?
4	you're taking a fixed cost, which is your customer	4	A. [LEARY] That is correct.
5	charge, and you're spreading it over more volumes,	5	Q. And we can agree that, as a matter of
6	and so a larger bill. So it reduces the percentage	6	arithmetic, the customer charge is increased by a
7	overall increase.	7	significantly larger percentage than the overall
8	Q. And would you agree that another cause of	8	class distribution revenue increase, this disparity,
9	that disparity would be rolling some LDAF costs into	9	the
10	base rates, where they're turned into customer-	10	
11	related costs?	11	We can agree that, as a matter of arithmetic, if the customer charge increased by a
12		12	· · · · · · · · · · · · · · · · · · ·
13	A. [LEARY] Again, I would caution you: We	13	significantly larger percentage than the overall
14	are well below the customer charge that we're	14	class distribution revenue increase, the disparity
15	proposing is well below the average customer cost	15	that we see here between 23 percent and 7 percent
16	resulting from our cost-allocation study. So I		would have to be even larger?
17	would not characterize it as moving our LDAF-related	16	A. [LEARY] It most likely would be larger,
	recovery of our GSEP and our TIRF costs from the	17	but we'd have to see the impact as a result of
18	volumetric charge into a per-customer charge.	18	increasing the customer charge, we would have to see
19	Q. Ms. Leary, in your testimony, when you talk	19	the impact on the reduction in the volumetric rate
20	about considering customer bill impacts, you	20	of the distribution component.
21	evaluated them under proposed rates as you	21	 Q. But you have no reason to believe that it
22	originally filed them; correct?	22	wouldn't be larger?
23	A. [LEARY] That is correct.	23	A. [LEARY] I do think that at the level
24	Q. And that's what we discussed earlier in	24	the 10 percent percentile level with 7 therms, it
	142		144
1	Exhibit NG-PP-8B-BOS?	1	would increase the customer charge, I do agree the
2	A. [LEARY] That is correct.	2	percentage would be higher.
3	Q. The pricing panel did not present a similar	3	Q. Ms. Leary, I have some questions for you
4	bill impact analysis as part of the rebuttal	4	now regarding some of the tariff changes that the
5	testimony based on the revenue requirement that the	5	company is proposing. The company in this case is
6	company currently proposes; correct?	6	proposing new reconciling charges; is that correct?
7	A. [LEARY] That is correct.	7	A. [LEARY] That is correct.
8	Q. So the only residential bill impact	8	Q. Ms. Leary, were you here yesterday for the
9	analysis you prepared was prepared under the	9	Attorney General's cross-examination of the
10	original proposal, where the nonheating customer	10	company's president, Ms. Reed?
11	charge increased by about the class average	11	A. [LEARY] No, I was not.
12	distribution revenue and the heating customer charge	12	Q. Would you accept subject to check that
13	increased significantly less than the class average	13	there were questions put to her regarding the
14	, ,	14	company's many reconciling mechanisms?
15	distribution revenue increase; correct?	15	. 3
16	A. [LEARY] That is correct. Q. And the company hasn't presented a bill	16	A. [LEARY] Yes. Q. And would you accept subject to check that
17	' ' '	17	
18	impact analysis where the customer charge increases	18	the company currently has 11 reconciling mechanisms?
19	by a significantly greater percentage than the class	19	A. [LEARY] Yes.
	average; correct?	20	Q. And Ms. Reed agreed that the company is
20	A. [LEARY] That is correct.		proposing four new reconciling mechanisms, including
21	Q. If I can turn your attention one more time	21	the new gas safety and reliability program cost
22	to Exhibit NG-PP-8B-BOS.	22	allowance mechanism; is that correct?
23	A. [LEARY] 8B, Page?	23	A. [LEARY] We're proposing the gas safety
24	Q. Page 1. And this, as we discussed earlier,	24	reliability, the exogenous cost. The other two

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1	were?	1	costs. We'll identify all of our production and
2	Q. Hardship accounts cost recovery, and the	2	storage costs that are needed for supply purposes.
3	gas business enablement?	3	We will extract those from our distribution rates,
4	A. [LEARY] Both of those mechanisms are not	4	and we'll propose to recover them through our
5	new recovery mechanisms. The hardship account is,	5	commodity factor or our gas adjustment factor, or
6	we are just including in an existing we're making	6	our GAF.
7	a change to our existing reconciling mechanism for	7	When we recover those costs through our
8	our residential assistance adjustment factor, which	8	GAF right now, those are recovered over the peak
9	is part of our LDAF. We're including a provision	9	period only, which would be the period November
10	that will allow us to compare the to actually see	10	through April, and they're recovered from customers
11	if any of the hardship accounts that we're	11	on a volumetric basis.
12	reflecting in our distribution revenue or proposing	12	So we wanted to in this mechanism mirror
13	to reflect in our distribution revenue, that the	13	how those costs would eventually be recovered from
14	customers actually, you know, pay on those accounts.	14	customers, so we modeled the tariff to mirror how
15	And in that case we'd be looking to reduce refund	15	those costs will eventually be recovered when we
16	that amount to the customers through our RAAF, which	4.0	move them to our commodity factor.
17	is our residential assistance adjustment factor.	17	Q. Ms. Leary, the company has in effect two
18	So it's not a new factor; it's just an	18	other capital trackers in the TIRF and GSEP capital
19	additional provision in the existing reconciling	19	trackers; is that correct?
20	mechanism, to make sure that we don't double-recover	20	A. [LEARY] We currently have a TIRF and a
21	the costs from customers.	21	GSEP capital tracker, but eventually, as of November
22	Q. Ms. Leary, the gas safety and reliability	22	2019, our TIRF factor will be eliminated except for
23	program cost allowance mechanism is a capital	23	any prior-period reconciliation.
24	tracker mechanism; is that correct?	24	Q. And just for the record, what do the
	tracker mechanism, is that correct:		
	146		148
1	A. [LEARY] That is correct.	1	acronyms TIRF and GSEP stand for?
2	Q. And it will become a component of the local	2	A. [LEARY] TIRF is our targeted
3	distribution adjustment clause; correct?	3	infrastructure recovery factor, and our GSEP is our
4	A. [LEARY] That is correct.	4	gas system enhancement factor.
5	Q. The gas safety and reliability factor	5	Q. And besides those four capital trackers,
6	formula is actually made up of two separate capital	6	the company recovers the costs of the bulk of its
7	components one for liquid natural gas plant	7	plant investments through the base rates for the
8	investments and one for non-LNG plant investments.	8	distribution service that it charges customers; is
9	Is that correct?	9	that correct?
10	A. [LEARY] That is correct.	10	A. [LEARY] And the only portion of the, I
11	Q. Would you please explain why it is	11	would say, plant investment costs that are
12	necessary to have two separate capital tracker	12	LNG-related are recovered through our commodity
13	formulas for the GSR additions.	13	factor.
14	A. [LEARY] We're going to actually, from a	14	Q. And subject to check from yesterday's
15	ratemaking perspective, we're going to be treating	15	and from yesterday's testimony, subject to check, we
16	the revenue requirement or the costs associated with	16	know that the company will have 11 other cost
17	the LNG-related capital investments differently.	17	reconciliation mechanisms separate from those four
18	What we're going to be doing is, on the LNG-related	18	capital trackers; correct?
19	costs, we want to try to mirror how those costs will	19	A. [LEARY] That is correct.
20	eventually be recovered from our customers when they	20	Q. And given all of the reconciliation
21	become part of base rates.	21	mechanisms and all of the different capital
22	So what happens right now is, every time	22	trackers, how is the Department supposed to
23	we have a rate case proceeding, part of the	23	determine whether rates being charged customers as a
24	proceeding is we'll include a reduction in storage	24	whole are just and reasonable?

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	7		
	149		151
1	A. [LEARY] Well, I mean, the Department will	1	I think the appropriate witness would probably be a
2	review every reconciling mechanism that we propose	2	company witness, not the revenue requirement witness
3	and will actually approve the recovery of those	3	in this case. And I think Mr. Tufts is in the room,
4	reconciling factors, and through the rate case, the	4	and he could probably answer the question.
5	Department is reviewing and scrutinizing and	5	MS. GAGNON: Could he be sworn in?
6	eventually approving our distribution or our	6	MS. KIMBALL: Sure. If that helps.
7	delivery rates.	7	MS. PIEPER: Let's go off the record for
8	Q. So the Department will have to look at each	8	a minute.
9	individual piece in a silo; is that correct?	9	(Discussion off the record.)
10	A. [LEARY] For many of the reconciling	10	MS. PIEPER: Back on the record. If you
11	mechanisms, we include them in our LDAF filing, our	11	could state your full name for the record.
12	local distribution adjustment factor filing, and the	12	WITNESS TUFTS: David E. Tufts.
13	Department reviews them at that point in time. But	13	DAVID E. TUFTS,
14	for other mechanisms, even if they are included in	14	being first duly sworn or affirmed to testify to the
15	our LDAF filing, we do provide a separate filing	15	truth, the whole truth, and nothing but the truth,
16 17	for instance, our gas system enhancement filing	16 17	was examined and testified as follows:
18	factor, but we provide that with a six-month lead	17	MS. KIMBALL: We'll just proceed. We'll
19	time to the Department for their review.	18 19	do direct later if we need to. I think what he's
20	Q. Okay, Ms. Lloyd, these questions are for you. You testified in National Grid's Massachusetts	20	testifying to is not I think he can answer it
21	Electric Company base rate case in DPU 15-155; is	21	without going through the administrative process of
22	that correct?	22	direct.
23	A. [LLOYD] Correct.	23	JEANNE A. LLOYD, ANN E. LEARY, AND DAVID E. TUFTS, being first duly sworn or affirmed to testify to the
24	Q. And in that case you testified as part of	24	•
			truth, the whole truth, and nothing but the truth,
	150		truth, the whole truth, and nothing but the truth,
1		1	<u> </u>
	150		152
1 2 3	the pricing panel; correct?	1	152 were examined and testified as follows:
1 2 3 4	the pricing panel; correct? A. [LLOYD] Correct. Q. And in that case the company proposed the continuation of a capital tracker for plant	1 2 3 4	were examined and testified as follows:
1 2 3 4 5	the pricing panel; correct? A. [LLOYD] Correct. Q. And in that case the company proposed the	1 2 3 4 5	were examined and testified as follows: CROSS-EXAMINATION BY MS. GAGNON:
1 2 3 4 5 6	the pricing panel; correct? A. [LLOYD] Correct. Q. And in that case the company proposed the continuation of a capital tracker for plant investment; correct? A. [LLOYD] Correct.	1 2 3 4 5	were examined and testified as follows:
1 2 3 4 5 6	the pricing panel; correct? A. [LLOYD] Correct. Q. And in that case the company proposed the continuation of a capital tracker for plant investment; correct? A. [LLOYD] Correct. Q. The capital tracker that Massachusetts	1 2 3 4 5 6	were examined and testified as follows:
1 2 3 4 5 6 7 8	the pricing panel; correct? A. [LLOYD] Correct. Q. And in that case the company proposed the continuation of a capital tracker for plant investment; correct? A. [LLOYD] Correct. Q. The capital tracker that Massachusetts Electric Company uses has a depreciation expense	1 2 3 4 5 6 7 8	were examined and testified as follows:
1 2 3 4 5 6 7 8	the pricing panel; correct? A. [LLOYD] Correct. Q. And in that case the company proposed the continuation of a capital tracker for plant investment; correct? A. [LLOYD] Correct. Q. The capital tracker that Massachusetts Electric Company uses has a depreciation expense net-out test; is that correct?	1 2 3 4 5 6 7 8	were examined and testified as follows:
1 2 3 4 5 6 7 8 9	the pricing panel; correct? A. [LLOYD] Correct. Q. And in that case the company proposed the continuation of a capital tracker for plant investment; correct? A. [LLOYD] Correct. Q. The capital tracker that Massachusetts Electric Company uses has a depreciation expense net-out test; is that correct? A. [LLOYD] I believe that's the case, but I	1 2 3 4 5 6 7 8 9	were examined and testified as follows:
1 2 3 4 5 6 7 8 9 10 11	the pricing panel; correct? A. [LLOYD] Correct. Q. And in that case the company proposed the continuation of a capital tracker for plant investment; correct? A. [LLOYD] Correct. Q. The capital tracker that Massachusetts Electric Company uses has a depreciation expense net-out test; is that correct? A. [LLOYD] I believe that's the case, but I would have to check. The revenue requirements	1 2 3 4 5 6 7 8 9 10	were examined and testified as follows:
1 2 3 4 5 6 7 8 9 10 11 12	the pricing panel; correct? A. [LLOYD] Correct. Q. And in that case the company proposed the continuation of a capital tracker for plant investment; correct? A. [LLOYD] Correct. Q. The capital tracker that Massachusetts Electric Company uses has a depreciation expense net-out test; is that correct? A. [LLOYD] I believe that's the case, but I would have to check. The revenue requirements witness may be more familiar with that tariff. But	1 2 3 4 5 6 7 8 9 10 11	were examined and testified as follows:
1 2 3 4 5 6 7 8 9 10 11 12 13	the pricing panel; correct? A. [LLOYD] Correct. Q. And in that case the company proposed the continuation of a capital tracker for plant investment; correct? A. [LLOYD] Correct. Q. The capital tracker that Massachusetts Electric Company uses has a depreciation expense net-out test; is that correct? A. [LLOYD] I believe that's the case, but I would have to check. The revenue requirements witness may be more familiar with that tariff. But subject to check, yes.	1 2 3 4 5 6 7 8 9 10 11 12 13	were examined and testified as follows:
1 2 3 4 5 6 7 8 9 10 11 12 13 14	the pricing panel; correct? A. [LLOYD] Correct. Q. And in that case the company proposed the continuation of a capital tracker for plant investment; correct? A. [LLOYD] Correct. Q. The capital tracker that Massachusetts Electric Company uses has a depreciation expense net-out test; is that correct? A. [LLOYD] I believe that's the case, but I would have to check. The revenue requirements witness may be more familiar with that tariff. But subject to check, yes. Q. Could you explain for the record	1 2 3 4 5 6 7 8 9 10 11 12 13 14	were examined and testified as follows:
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15	the pricing panel; correct? A. [LLOYD] Correct. Q. And in that case the company proposed the continuation of a capital tracker for plant investment; correct? A. [LLOYD] Correct. Q. The capital tracker that Massachusetts Electric Company uses has a depreciation expense net-out test; is that correct? A. [LLOYD] I believe that's the case, but I would have to check. The revenue requirements witness may be more familiar with that tariff. But subject to check, yes. Q. Could you explain for the record mechanically how that depreciation test works?	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15	were examined and testified as follows:
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16	the pricing panel; correct? A. [LLOYD] Correct. Q. And in that case the company proposed the continuation of a capital tracker for plant investment; correct? A. [LLOYD] Correct. Q. The capital tracker that Massachusetts Electric Company uses has a depreciation expense net-out test; is that correct? A. [LLOYD] I believe that's the case, but I would have to check. The revenue requirements witness may be more familiar with that tariff. But subject to check, yes. Q. Could you explain for the record mechanically how that depreciation test works? A. [LLOYD] No, I really can't. I'm not that	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16	were examined and testified as follows:
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	the pricing panel; correct? A. [LLOYD] Correct. Q. And in that case the company proposed the continuation of a capital tracker for plant investment; correct? A. [LLOYD] Correct. Q. The capital tracker that Massachusetts Electric Company uses has a depreciation expense net-out test; is that correct? A. [LLOYD] I believe that's the case, but I would have to check. The revenue requirements witness may be more familiar with that tariff. But subject to check, yes. Q. Could you explain for the record mechanically how that depreciation test works? A. [LLOYD] No, I really can't. I'm not that familiar with the capital tracker.	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	were examined and testified as follows:
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16	the pricing panel; correct? A. [LLOYD] Correct. Q. And in that case the company proposed the continuation of a capital tracker for plant investment; correct? A. [LLOYD] Correct. Q. The capital tracker that Massachusetts Electric Company uses has a depreciation expense net-out test; is that correct? A. [LLOYD] I believe that's the case, but I would have to check. The revenue requirements witness may be more familiar with that tariff. But subject to check, yes. Q. Could you explain for the record mechanically how that depreciation test works? A. [LLOYD] No, I really can't. I'm not that familiar with the capital tracker. Q. Who would know?	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	were examined and testified as follows:
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19	the pricing panel; correct? A. [LLOYD] Correct. Q. And in that case the company proposed the continuation of a capital tracker for plant investment; correct? A. [LLOYD] Correct. Q. The capital tracker that Massachusetts Electric Company uses has a depreciation expense net-out test; is that correct? A. [LLOYD] I believe that's the case, but I would have to check. The revenue requirements witness may be more familiar with that tariff. But subject to check, yes. Q. Could you explain for the record mechanically how that depreciation test works? A. [LLOYD] No, I really can't. I'm not that familiar with the capital tracker. Q. Who would know? A. [LLOYD] I would ask the revenue	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19	were examined and testified as follows:
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	the pricing panel; correct? A. [LLOYD] Correct. Q. And in that case the company proposed the continuation of a capital tracker for plant investment; correct? A. [LLOYD] Correct. Q. The capital tracker that Massachusetts Electric Company uses has a depreciation expense net-out test; is that correct? A. [LLOYD] I believe that's the case, but I would have to check. The revenue requirements witness may be more familiar with that tariff. But subject to check, yes. Q. Could you explain for the record mechanically how that depreciation test works? A. [LLOYD] No, I really can't. I'm not that familiar with the capital tracker. Q. Who would know? A. [LLOYD] I would ask the revenue requirements witness to explain that.	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	were examined and testified as follows:
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	the pricing panel; correct? A. [LLOYD] Correct. Q. And in that case the company proposed the continuation of a capital tracker for plant investment; correct? A. [LLOYD] Correct. Q. The capital tracker that Massachusetts Electric Company uses has a depreciation expense net-out test; is that correct? A. [LLOYD] I believe that's the case, but I would have to check. The revenue requirements witness may be more familiar with that tariff. But subject to check, yes. Q. Could you explain for the record mechanically how that depreciation test works? A. [LLOYD] No, I really can't. I'm not that familiar with the capital tracker. Q. Who would know? A. [LLOYD] I would ask the revenue requirements witness to explain that. Q. Mr. Dane wasn't on the panel in this case;	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19	were examined and testified as follows:
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	the pricing panel; correct? A. [LLOYD] Correct. Q. And in that case the company proposed the continuation of a capital tracker for plant investment; correct? A. [LLOYD] Correct. Q. The capital tracker that Massachusetts Electric Company uses has a depreciation expense net-out test; is that correct? A. [LLOYD] I believe that's the case, but I would have to check. The revenue requirements witness may be more familiar with that tariff. But subject to check, yes. Q. Could you explain for the record mechanically how that depreciation test works? A. [LLOYD] No, I really can't. I'm not that familiar with the capital tracker. Q. Who would know? A. [LLOYD] I would ask the revenue requirements witness to explain that.	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	were examined and testified as follows:

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1	Electric Company I apologize. In that case the	1	overhead/burdens test; correct?
2	company proposed I'm sorry.	2	A. [TUFTS] Yes.
3	The capital tracker that Massachusetts	3	Q. Is that true for both the TIRF and GSEP
4	Electric Company uses has a depreciation expense	4	capital tracker?
5	net-out test; is that correct?	5	A. [TUFTS] There is a test. There is one
6	A. [TUFTS] That is correct.	6	test for the entire burdens/overhead test, whether
7	Q. And could you explain for the record	7	you do it in the GSEP or the TIRF. The test would
8	mechanically how that depreciation test works?	8	be to make sure we're not overrecovering
9	A. [TUFTS] Well, when we're coming up with	9	recovering in base rates more than what we're
10	the new net investment to be included each year in	10	actually incurring in overhead costs during the
11	the capital tracker, depreciation is excluded the	11	year.
12	depreciation offset is included to reduce the amount		Q. The GSEP and TIRF are two separate
13	of additional capital that we're adding to the	13	trackers; correct?
14	capital tracker each year.	14	A. [TUFTS] They are, but the overhead test is
15	Q. And why does the company net out	15	a company total test of overheads.
16	depreciation expense for the electric company	16	Q. Ms. Lloyd, earlier we discussed the capital
17	capital tracker?	17	tracker formulas presented in this case. Do any of
18	A. [TUFTS] Because we're recovering a certain	18	them have an overheads test?
19	level of depreciation in our base rates.	19	A. [LLOYD] Is that different than the
20		20	
21	Q. And you want to ensure that you're only	21	question that you just Q. Yes.
22	recovering the incremental amount through the	22	A. [LLOYD] I'm sorry, repeat it, then.
23	capital tracker; is that correct?	23	
24	A. [TUFTS] Correct.	24	Q. Whether any of the capital tracker formulas included in this case have an overheads test
24	Q. Are there any other cost tests or	24	included in this case have an overheads test
	154		156
1	adjustments that the electric company makes to its	1	included.
2	capital tracker cost recovery relative to base rates	2	A. [LLOYD] In this case.
3	being charged for electric service?	3	Q. Yes.
4	A. [TUFTS] I'm not sure, off the top of my	4	A. [LLOYD] No.
5	head.	5	Q. And do any of these capital tracker
6	Q. Are you familiar with an overheads test?	6	formulas have a depreciation expense net-out
7	A. [TUFTS] Yes, I am.	7	component?
8	Q. Does Massachusetts Electric Company have an	8	A. [LLOYD] No.
9	overheads test for its capital tracker?	9	Q. Ms. Lloyd, could you please turn to your
10	A. [TUFTS] I'm not sure that I know that.	10	proposed GSR program cost allowance tariff. I
11	The gas capital tracker does.	11	believe it's MDPU No. 3.9, Page 3, and the Bates
12	Q. Does Massachusetts Electric Company have an	12	stamp is 163.
13	overheads test for its capital tracker?	13	A. [LLOYD] These will be questions for Ms.
14	A. [TUFTS] I'd have to check, but I do know	14	Leary. You may want to address them to her or
15	that the gas company's tracker does.	15	Mr. Tufts.
16	Q. We would like to make a record request for	16	A. [LEARY] Page 3 of 10, you said?
17	that information.	17	Q. Yes. So Ms. Lloyd, I'll continue directing
18	MS. PIEPER: Is that something that you	18	the question to you, and if someone else is the
19	could check on break and get back to us?	19	proper person, just let me know.
20	WITNESS TUFTS: Yes, we could do that.	20	So on this page, if we look at the
21	MS. PIEPER: Is that all right?	21	definition of LNG projects that you provide in the
22	MR. ROGERS: Yes.	22	tariff for the new GSR program cost recovery, it
23	Q. Mr. Tufts, you just testified that the	23	reads, "LNG GSR projects consist of, but are not
24	company's gas-side capital tracker does have an	24	limited to, GSR projects related to the following:
1			

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1		1	
2	reinforcement of the dike walls surrounding the	2	project, and the Tewksbury lateral replacement
3	company's LNG tanks and modernization and	3	project.
4	reinforcement of the company's LNG facilities,	4	We then have Category 3, which is the
5	including, but not limited to, installation of vaporization equipment, automatic emergency shutdown	5	gas system reinforcement, and the subcategory indicates it's location-specific reinforcement
6	systems, high expansion foam systems, water mains,	6	·
7	emergency generators, and/or boiloff gas line and	7	projects. Q. So, then, again, exactly which investments
8	sendout relays." Did I read that correctly?	8	would be considered non-LNG investments, according
9	A. [TUFTS] Yes.	9	to that provision?
10	A. [LEARY] Yes.	10	A. [LEARY] It would be Item No. 2 and Item
11	Q. Ms. Leary?	11	No. 3.
12	A. [LEARY] Yes.	12	Q. Ms. Leary, one of the definitions of the
13	Q. Now, under this definition, is there any	13	gas safety and reliability projects is the gas
14	LNG plant addition that the company could make in	14	system reinforcement category; is that correct?
15	the future that would not fit under this definition?	15	A. [LEARY] That is correct.
16	A. [LEARY] I think that question would be	16	Q. And the definition of the gas system
17	better answered by our gas safety reliability panel.	17	reinforcement projects is location-specific
18	MS. KIMBALL: So that panel will be able	18	reinforcement projects; is that correct?
19	to address any questions you have about the content	19	A. [LEARY] That is correct.
20	of the tariff.	20	Q. Just from a definitional perspective,
21	Q. So you have no opinion regarding what type	21	aren't all gas system reinforcement projects
22	of plant could be included in this tracker. Is that	22	location-specific?
23	your testimony?	23	A. [LEARY] Correct.
24	A. [LEARY] Not except for the definition that	24	Q. And generally, what are gas system
	158		160
1	we have in front of us, correct.	1	reinforcement projects?
2	Q. And that definition that I just read from	2	A. [LEARY] Again, I would defer that question
3	the tariff provides for the type of plant includable	3	to our gas safety and reliability panel, where they
4	in the LNG formula. Again, there's a second formula	4	can speak more specifically to the projects and the
5	that provides for the recovery of the non-LNG	5	type of projects that fall into this category.
6	investment; is that correct?	6	Q. Ms. Leary, the TIRF and GSEP capital
7	A. [LEARY] That is correct.	7	trackers both have operations and maintenance
8	Q. And can you show us where in the tariff the	8	expense offsets to the added capital costs; is that
9	company proposes a definition of the non-LNG	9	correct?
10	investment?	10	A. [TUFTS] Repeat the question, please?
11	A. [LEARY] I would say under Page 2 of 10, we	11	MS. GAGNON: Alan, could you read that
12	talk about the GSR projects consist of the following	12	back, please?
13	three categories. So exactly what it reads is, "The	13	(Question read.)
14	GSR projects consist of the following three	14	A. [TUFTS] That's correct.
15	categories of capital projects to include for safety	15	Q. And the reason for those offsets is to
16	and reliability of Boston Gas and Colonial's	16	adjust rates to reflect the fact that the capital
17	distribution systems: one, liquefied natural gas,	17	additions included in the tracker should reduce the
18	or LNG, facilities; two, pipeline replacement; and	18	operations and maintenance expenses associated with
19	three, gas system reinforcement. Included within	19 20	replacing old plant; is that correct?
20	these categories are the following projects," and we	20	A. [TUFTS] That's correct.
21	list them. The projects are, one, LNG, and we list	21	Q. And the company has not proposed any such
22 23	the projects. Two would be the pipeline	22 23	offset for its new capital trackers in this case; is
23 24	replacement. That's where we list the mid-Cape main	23 24	that correct, Ms. Leary?
	replacement, the western segment replacement	47	A. [LEARY] That is correct.

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1	MS. GAGNON: That's all I have for now,	1	revenues by component: In Column B, titled
2	subject to further cross and the Bench.	2	Normalizing Adjustments to Test Year, on Line 16 you
3	MS. PIEPER: It's a little early, but	3	see a negative 1,972,582, and this adjusts the
4	why don't we take a break now, a ten-minute break,	4	special contract revenues down. My questions focus
5	and come back at 11:15.	5	on that reduction. I'm just isolating it here to
6	(Recess taken.)	6	orient us as a starting point. Two of the special
7	MS. PIEPER: Let's go back on the	7	contracts for Boston Gas account for the majority of
8	record.	8	that adjustment.
9	You had one followup question, the	9	So please refer to Exhibit NG-PP-3G-BOS
10	Attorney General did? They were going to check on	10	at 3, Lines 97 and 98. It shows the test year
11	break about the overhead and burdens test, whether	11	adjustment to the special contract with Veolia
12	they have it for the electric side. I think they're	12	Boston Energy Corp., Kneeland Street. There are a
13	prepared to answer it now.	13	couple of asterisks just after the customer name,
14	MR. ROGERS: Sure.	14	leading to a footnote that says, "Veolia Boston
15	Q. Does Massachusetts Electric Company have an	15	Energy Corp., Kneeland Street experienced a one-time
16	overheads and burdens test for its capital tracker?	16	abnormal load shift onto Boston Gas's service
17	A. [LLOYD] No, we confirmed that there is no	17	territory." I was wondering if you could explain
18	overheads and burdens test in the capital investment	18	what the abnormal change is and why it changes
19	recovery mechanism for Mass. Electric.	19	Veolia's load use so dramatically downward as shown
20	MS. PIEPER: The Bench has a few	20	on Column C?
21	questions for the witnesses. Andrew, you may	21	A. [LEARY] I would not have that specific
22	proceed.	22	information with me, but if I could consult with
23	BENCH EXAMINATION	23	others in the room, I may be able to get you that
24	BY MR. BRENGLE:	24	answer.
	162		164
1	Q. Good morning.	1	MS. PIEPER: Let's go off the record
2	A. [LEARY] Good morning.	2	while she consults.
3	Q. I will be reviewing exhibits relative to	3	(Discussion off the record.)
4	special contracts during my cross, and so I would	4	MS. PIEPER: Let's go back on the
5	ask you to please have the following ready. They	5	record.
6	all pertain to Boston Gas, and also some of these	6	A. [LEARY] Actually, what happened here: We
7	are confidential exhibits, but I won't be discussing	7	made this one-time adjustment because Veolia had an
8	specific numbers or data that is redacted. I	8	issue with another one of their systems that was
9	believe I can get what I need in open session.	9	located outside our service territory, so it was not
10	So I would ask you to please find	10	part of the National Grid service territory. And
11	NG-PP-2-BOS. I actually have six of them. And then	11	for certain reasons they needed to bring that system
12	the next one is NG-PP-3G-BOS and then Attachment	12	down. And therefore they had actually utilized the
13	AG-1-99-BOS. And then Attachment AG-1-99-2-BOS	13	Veolia system that was within our service territory
14	confidential. That last one is a long one, and I'll	14	for a three-month period. It was an they don't
15	be telling you which pages.	15	expect to be using this in our to be using the
16	A. [LEARY] I think I have everything.	16	Veolia system on an ongoing, recurring basis. This
17	Q. Two more. This is discovery Attachment	17	was an exception to the rule because they had an
18	DPU-NG-25-8-1 confidential. And then one more after	18	issue in another part of their business.
19	that is close to that: Attachment DPU-NG-25-8-3	19 20	Q. So the Kneeland Street facility used the
20	confidential again, another large document with	20 21	gas to or sent gas used the gas to power an
21	contract agreement language.		outside
21	A [LEADV] Okov thonk visio	22	Λ [[[Λ D V]] Το polytop +b = stance +b = t
22	A. [LEARY] Okay, thank you.	22 23	A. [LEARY] To power up the steam that was
	A. [LEARY] Okay, thank you. Q. If you go back to the first exhibit: If you look at NG-PP-2-BOS; that's the operating	22 23 24	A. [LEARY] To power up the steam that was going to be serving the distribution system. Q. And going forward, that won't be

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1	A. [LEARY] That won't be necessary.	1	questions about the Hanscom Air Base special
2	Q. If you refer to Exhibit Attachment	2	contract on Lines 60 to 72.
3	AG-1-99-1-BOS, Page 2, at Line 45.	3	MS. PIEPER: We don't plan to disclose
4	A. [LEARY] Yes.	4	any of the confidential information. I would just
5	Q. According to this attachment, Line 45, the	5	alert you, please don't yourselves disclose any of
6	Veolia Kneeland contract runs from February 2014 to	6	it. So you might want to also look at the redacted,
7	January 2018. I was just wondering if you could	7	just to make sure what's confidential.
8	clarify why is an adjustment to this contract being	8	Q. I'm going to say a number here, but it's in
9	treated as a 2016 test year adjustment?	9	the open. It's not redacted. Again, there's a
10	A. [LEARY] Because when we had prepared this	10	large decrease made regarding the test year
11	rate filing that we filed in November of 2017, we	11	adjustment. It totals a negative \$973,769. Can you
12	had just included as known and measurable	12	please tell us why?
13	adjustments any contract that had been approved by	13	A. [LEARY] I just want to consult to make
14	the Department as of September 30th of 2017. So	14	sure I don't say the wrong thing.
15	this contract obviously was in the process of being	15	This contract is actually being
16	approved post our initial filing.	16	eliminated. This customer is bypassing the company,
17	Q. Has there been anything has anything	17	and they're building a take station and going
18	happened that has changed the contract since January	18	directly to the pipeline.
19	that would indicate in the testimony or the exhibits	19	Q. Going forward, this contract will not
20	about this change that you described?	20	exist?
21	A. [LEARY] No, as I indicated, all the known	21	A. [LEARY] Correct.
22	and measurable adjustments that we made to our	22	Q. The point may be moot, but I wanted to get
23	initial filing in November of '17 was only	23	it on the record: If you could please look at
24	contracts only adjustments to contracts that had	24	Attachment DPU-NG-25-8-3 confidential, at Page 74.
	osimusto sing adjustinono to semilasto mat nad		- The second of the second of
	166		168
1	been approved by the Department as of September 30th	1	Are you there?
2	of 2017.	2	A. [LEARY] Yes, I am.
3	Q. Thank you. Also, if you could look at	3	Q. The date on the agreement says August 25th,
4	AG-1-99-2-BOS, Page 609. Just to summarize, it says	4	2015, and the effective date, lower on the page,
5	there that the Kneeland Street and the Scotia Street	5	says October 1st, 2015. I just want to confirm that
6	contracts are synchronized. Were you able to find	6	this exhibit referenced in DPU-NG-25-8-1
7	that?	7	confidential is the correct one.
8	A. [LEARY] Yes, I see that provision.	8	A. [LEARY] Yes, it is.
9	Q. But if we go back to AG-1-99-1-BOS, the	9	Q. Even though the last even though it
10	list that we just looked at, Page 2 on 45 and 46,	10	references sorry. Even though, if you look at
11	they show the Kneeland and Scotia Street contracts	11	NG-PP-3G at 2, it says the date of the new contract
12	with two different end dates. Can you clarify that	12	for Hanscom Air Base is October 1st, 2016.
13	for me? If they are synchronized, should they have	13	Shouldn't that line up?
14	the same end dates?	14	A. [LEARY] Yes, I would say, subject to
15	WITNESS LEARY: May I consult?	15	check, that should be October 1st of 2015.
16	MS. PIEPER: Sure.	16	Q. We have the new contract. I was just going
17	A. [LEARY] Actually, the contract year is the	17	to introduce into evidence but I don't think we
18	same, is synchronized in both contracts. So what I	18	need to now, since you said it's not going to be
19	mean by that is the period that the contract runs,	19	active going forward. I was just, I wanted to
20	which would be a February-through-January period,	20	clarify why one exhibit said October 1st, 2016, but
21	but not the term of the contract is not	21	the backup agreement was dated August 2015. That's
22	synchronized.	22	the way it should be between the two exhibits?
23	Q. Could I get to you look at Attachment	23	MS. KIMBALL: If it would be easier,
24	DPU-NG-25-8-1 confidential, Page 2. I have similar	24	perhaps we could take a record request.
24	DPU-NG-25-8-1 confidential, Page 2. I have similar	24	perhaps we could take a record request.

FARMER ARSENAULT BROCK LLC

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1	MS. PIEPER: I think we can just say	1	methodology for functionalizing, classifying, and
2	that there is a new contract. We know that. It was	2	allocating the costs.
3	filed in DPU 16-GC-17, and it runs for the dates	3	Q. Thank you. Would your answer be the same
4	that agree with your schedule. So if you can just	4	for Colonial Gas's study?
5	confirm that is the new contract.	5	A. [LLOYD] It would.
6	WITNESS LEARY: Yes, I can.	6	Q. Could you refer to the prefiled testimony,
7	MS. PIEPER: The old one you provided is	7	NG-PP-1 at 40 to 41. Does the tax act and all
8	the wrong contract.	8	related changes to Boston Gas's revenue requirement
9	WITNESS LEARY: Correct.	9	affect any of the revenue allocation rules described
10	MS. PIEPER: But both contracts are	10	here?
11	going away.	11	A. [LLOYD] I'm sorry, is that Page 41? 40 or
12	WITNESS LEARY: Correct.	12	41?
13	MS. PIEPER: There is no new contract	13	Q. 40 to 41.
14	going forward.	14	A. [LLOYD] Are you referring to the Lines 1
15	WITNESS LEARY: Correct.	15	through 7?
16	Q. That's all I have. Thank you.	16	Q. Let me be more specific. I'm referring to
17	BY MS. GIDEN:	17	
18	Q. Good morning.	18	Line 17 on Page 40 and then moving on to Page 41, where you try to allocate the amounts in excess of
19	A. [LEARY] Good morning.	19	the cap equally across the rate classes.
20	Q. Do you recall earlier the discussion that	20	, , ,
21	you found a couple of errors in the allocated-cost-	21	A. [LLOYD] So if the revenue requirement
22	of-service study?	22	changed so that and is lower because it's reflecting the change in the taxes and the total
23	A. [LLOYD] Yes.	23	8
24	Q. Do you recall and correct me if I'm	24	increase falls below the 10 percent cap, Section 20
- '	Q. Do you recall and correct me if this	24	cap, then the methodology wouldn't necessarily
	170		172
1	wrong a statement to the effect that there may	1	change. We would still we would cap each class
2	have been small changes to class-specific revenue	2	at 10 percent, but because the system average
3	requirements but they would not affect either rate	3	increases below 10 percent, it would affect every
4	design or the subsequent rates?	4	class wouldn't necessarily get the system average
5	A. [LLOYD] Correct.	5	increase, as is showing up in our original filing.
6	Q. Can you explain how a change to the class	6	Q. And would your answers be the same for
7	revenue requirement wouldn't result in a change to	7	Colonial Gas's revenue allocation?
8	the rate design of the rates?	8	A. [LLOYD] It would. And I would just add
9	A. [LLOYD] I should have clarified that,	9	that we would also apply not only the 10 percent
10	based on the revenue requirement in the original	10	test but the 200 percent times the system average
11	filing, a change to the allocation factor would not	11	increase as well the two-step test that's
12	change the revenue allocation in the original filing	12	typically use to cap a class.
13	and the subsequent rates, because the way the	13	Q. And then could you just briefly explain why
14	revenue allocation in PP NG-PP-6 shows every	14	you couldn't apply that 200 percent system average
15	class gets an equal percentage increase. So that	15	test in the event that you were over the 10 percent
16	wouldn't have changed even if the allocations	16	cap?
17	changed slightly from the allocated study.	17	A. [LLOYD] Well, we do apply the test, but no
18	Q. On a related topic: Does the tax act and	18	class was over 200 percent in the original filing.
19	all related changes to the revenue requirement	19	Q. As a preface to the following topic,
20	affect any of the methods or assumptions relied upon	20	specifically that of the company's proposal to roll
21	to run Boston Gas's allocated-cost-of-service study?	21	in TIRF and GSEP investments to rate base: This was
22	A. [LLOYD] It would change the revenue	22	discussed in both pricing panel testimony as well as
23	requirement, obviously, that's the basis for the	23	Daniel Dane's testimony. So after I ask the
24	allocated study; but we would not change the	24	question, if it would be best addressed to someone
	-		

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1	else, please feel free to let me know.	1	will be addressing the revenue requirement when we
2	Can you refer to the testimony of the	2	adopt when we roll the TIR into the rate the
3	pricing panel, NG-PP-12-BOS. So specifically	3	new base rates and we adopt new base rates at an
4	looking at Lines 4 and 6 in that Exhibit 12: Is it	4	effective date.
5	the company's position that they are entitled to the	5	Q. Thank you. Would you now turn to your
6	entire 2018 revenue requirement on the TIR	6	prefiled testimony, NG-PP-7A-BOS. It may also be
7	investments?	7	handy to have the response to Information Request
8	A. [LEARY] The company isn't as described	8	DPU-8-17.
9	here and indicated in on Line 6, we are entitled	9	What changes do the corrections made in
10	to nine months of the 2018 revenue requirement on	10	response to DPU-8-17 cause to Page 3 of Exhibit
11	the TIR investments. So that would be the revenue	11	NG-PP-7A-BOS?
12	requirement that the company earned prior to the	12	A. [LLOYD] We're just trying to compare the
13	implementation of the new base rates on October 1st	13	numbers.
14	of 2018. So it's the revenue requirement from the	14	Do you want the specific number changes
15	period January 1st of 2018 through September 30th of	15	or just want generally what is changing?
16	2018.	16	Q. I think specific number changes would be
17	Q. Are you familiar with the DPU 10-55 order,	17	most helpful.
18	in which the Department established the TIR program	18	A. [LLOYD] It may be better for us we're
19	and the cost recovery mechanism for this program?	19	trying to match up the data request to the exhibit.
20 21	A. [LEARY] I would say somewhat, yes.	20 21	It may be better for us either to do this on break
22	Q. I'd like to distribute a few pages from one	22	or submit a record request that shows the changes to
23	of the sections of that order.	23	this schedule. Q. I think a record request of an updated
24	With reference to the highlighted portion, that the program was not meant to provide	24	version of this exhibit would be helpful.
	portion, that the program was not meant to provide		version of this exhibit would be neighbor.
	174		176
1			
1	an all-out financial support for a specifically	1	A. [LLOYD] That's fine.
2	established term, how do you interpret this section	1 2	A. [LLOYD] That's fine. MS. PIEPER: So the record request is
2	established term, how do you interpret this section	2	MS. PIEPER: So the record request is
2 3 4 5	established term, how do you interpret this section as it relates to the position that the companies are	2 3 4 5	MS. PIEPER: So the record request is going to be to provide an updated version of Exhibit
2 3 4 5 6	established term, how do you interpret this section as it relates to the position that the companies are entitled to the entire 2018 revenue requirement on	2 3 4 5 6	MS. PIEPER: So the record request is going to be to provide an updated version of Exhibit NG-PP-7A-BOS to incorporate the changes from Exhibit
2 3 4 5 6 7	established term, how do you interpret this section as it relates to the position that the companies are entitled to the entire 2018 revenue requirement on the TIR investments regardless of the fact that those investments will be rolled into base rates within the course of 2018?	2 3 4 5 6 7	MS. PIEPER: So the record request is going to be to provide an updated version of Exhibit NG-PP-7A-BOS to incorporate the changes from Exhibit DPU-NG-8-17. You understand? WITNESS LLOYD: We do. WITNESS LEARY: Yes.
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	established term, how do you interpret this section as it relates to the position that the companies are entitled to the entire 2018 revenue requirement on the TIR investments regardless of the fact that those investments will be rolled into base rates within the course of 2018? A. [LEARY] Well, as I read this highlighted section, I'm wondering and it goes on to say, as you mentioned, "a specifically established term and program of mains replacement that will supplement or eliminate the disciplining role of regulatory lag inherent in traditional ratemaking principles" I view this as they're addressing the fact that we had a significant regulatory lag in our TIR program and the fact that we were not really being able to recover the TIR revenue requirement until November of the year, and the company was not even though it had been earned at the beginning of, let's say, the calendar year, there was a ten-month lag.	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	MS. PIEPER: So the record request is going to be to provide an updated version of Exhibit NG-PP-7A-BOS to incorporate the changes from Exhibit DPU-NG-8-17. You understand? WITNESS LLOYD: We do. WITNESS LEARY: Yes. MS. PIEPER: That will be Record Request DPU-2. (Record Request DPU-2.) Q. Can you now open to NG-PP-7C-BOS. Did the companies consider consolidating the Boston and Essex C&I rates in one year such that they would be the same on October 1st, 2018? A. [LEARY] Yes, we did consider that. However, a couple of reasons why we felt we could not do that in one adjustment: First of all, for the former Essex customers, which would be the G-E series, are significantly lower, and the bill impacts would have been too substantial to bring
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	established term, how do you interpret this section as it relates to the position that the companies are entitled to the entire 2018 revenue requirement on the TIR investments regardless of the fact that those investments will be rolled into base rates within the course of 2018? A. [LEARY] Well, as I read this highlighted section, I'm wondering and it goes on to say, as you mentioned, "a specifically established term and program of mains replacement that will supplement or eliminate the disciplining role of regulatory lag inherent in traditional ratemaking principles" I view this as they're addressing the fact that we had a significant regulatory lag in our TIR program and the fact that we were not really being able to recover the TIR revenue requirement until November of the year, and the company was not even though it had been earned at the beginning of, let's say, the calendar year, there was a ten-month lag. And I think this is what this is saying here in this part of the same requirement of the year of the tariff in this part of	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	MS. PIEPER: So the record request is going to be to provide an updated version of Exhibit NG-PP-7A-BOS to incorporate the changes from Exhibit DPU-NG-8-17. You understand? WITNESS LLOYD: We do. WITNESS LEARY: Yes. MS. PIEPER: That will be Record Request DPU-2. (Record Request DPU-2.) Q. Can you now open to NG-PP-7C-BOS. Did the companies consider consolidating the Boston and Essex C&I rates in one year such that they would be the same on October 1st, 2018? A. [LEARY] Yes, we did consider that. However, a couple of reasons why we felt we could not do that in one adjustment: First of all, for the former Essex customers, which would be the G-E series, are significantly lower, and the bill impacts would have been too substantial to bring them up to the current G corresponding B series rates.

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177 179 1 1 The B series rates, which are based on meter size Department's ultimate decision not to consolidate 2 2 for the availability, where on the E series rates C&I rates using a multi-year phase-in? 3 3 A. [LLOYD] Somewhat familiar with the order. the availability clause is based on annual usage. 4 So we did do some -- we had evaluated 4 Q. Did the company consider this prior ruling 5 5 it. We actually did the exact same studies in DPU in proposing it in this proposal? 6 6 10-55, looking at that issue. And we just felt at A. [LEARY] I think that order came out after 7 7 this point we need to take it in steps. So we our initial filing, after November 15th. So no, we 8 figured the first step is let's see if we can get 8 would not have considered that. 9 the actual rates similar, which we felt we would 9 Q. I'd like to open Information Request 10 10 need, depending on the rate class, either a two- or DPU-5-12. Am I correct to interpret the company's 11 11 three-year period to phase in the increase in the E response to mean that you did not find any petitions 12 series with a slight decrease in the B series rates, 12 or Department approvals of a similar revenue 13 13 and then eventually hopefully, at the next rate allocation method? 14 14 proceeding, we could address the issue about the A. [LLOYD] I'm not sure that there are any 15 availability clauses to then actually consolidate 15 other companies that were in the same circumstances 16 the rates once and for all. 16 that we were in in this case, where the increase was 17 Q. If we wanted to evaluate the rate -- the 17 above the 10 percent cap. 18 bill impacts that would result from a one-year 18 Q. And please keep this information request 19 consolidation, do you know if that information is on 19 open for the next line of questioning. I'd like to 20 20 pass out some copies of General Laws Chapter 164, 21 A. [LEARY] It's not on the record. I can 21 Section 941. 22 22 tell you that I did look at that from a very Returning to the information request: 23 high-level perspective, and for I think it was our 23 On Page 2 of the response do you see the paragraph 24 G-41 rate customers on E series, it was looking at 24 at the bottom stating that Section 941 should not 178 180 1 on the order of a 30 percent bill impact. And that 1 limit distribution revenue increases to 10 percent 2 2 would just be aligning the rates. That does not and is instead a revenue allocation guideline? 3 3 address the fact that if we wanted to address the A. [LLOYD] I see that paragraph. 4 4 fact of the availability clauses, there may be Q. Can you explain what part of the statute 5 5 customers that would not align -- for instance, a informed your interpretation that Section 941 is a 6 6 G-41E customer may not be on a G-41B rate class. quideline rather than a cap? 7 7 Based on the availability, they may be on a G-42. A. [LLOYD] Well, I would say 94I is a 8 So we have those issues, too. So they could be 8 quideline to setting rates, but it doesn't deal with 9 9 classified differently. cost recovery at a total-company level. So I'm 10 10 Q. So if we look at Page 1 of Exhibit not -- I don't interpret 94I as a provision that 11 11 NG-PP-7C-BOS, Column B, Line 37: Is that 28.4 would deny the company its ability to collect its 12 12 percent increase, is that the around 30 percent total revenue requirement or to defer the total 13 13 increase you were speaking of before? Or would you revenue requirement to a certain period. 14 14 have to do a different calculation to get to that Q. Thank you. Do the companies plan to 15 number? 15 provide new electronic versions or Excel versions of 16 16 A. [LEARY] Yes, that is correct. pricing panel Exhibits 4, 5, 6, 7, and 8 for BOS and 17 Q. So if we wanted to see the impact of a 17 COL following evidentiary hearings that accord with 18 18 one-year consolidation rather than a two or three, the proposed final revenue requirement? 19 we could just look at this first set of columns? 19 A. [LLOYD] Yes, we do. 20 20 A. [LEARY] Yes. Q. That's all for me. Thank you. 21 21 Q. Thank you. Are the companies familiar with MS. PIEPER: And that will come in with 22 Eversource's most recent rate case, DPU 17-05, the 22 the final revenue requirement at the end. 23 23 company's proposal in that case to consolidate C&I That is all the questions the Bench has 24 24 for these witnesses today. Does the Attorney rates using a multi-year phase-in, and the

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4	Company have a small beautiful and 1999	
1 2	General have anything additional for these witnesses?	
3		
4	MR. ROGERS: Nothing more today. MS. PIEPER: Let's go off the record.	
5	(Discussion off the record.)	
6	MS. PIEPER: Let's go back on the	
7	record. In a discussion off the record, we realized	
8	we are done for the day, so this hearing is	
9	adjourned. Thank you all.	
10	(12:10 p.m.)	
11	X - 1 - 7	
12		
13		
14		
15	REPORTER'S CERTIFICATE	
16	I, Alan H. Brock, the officer before	
17	whom the foregoing proceedings were taken, do	
18	certify that this transcript is a true record of the	
19	proceedings on May 2, 2018.	
20		
21 22		
23		
23 24	Alan H. Brock DDD CDD	
24	Alan H. Brock, RDR, CRR	
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COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF PUBLIC UTILITIES
DPU 17-170

EVIDENTIARY HEARING, held at the

Department of Public Utilities, One South Station,

Boston, Massachusetts, on Monday, May 7, 2018,

commencing at 10:02 a.m., concerning:

BOSTON GAS COMPANY and COLONIAL GAS COMPANY, d/b/a

NATIONAL GRID

SITTING: Cecile M. Fraser, Commissioner

Robert Hayden, Commissioner

Carol Pieper, Hearing Officer

Rates and Revenue Requirements Division:

Paul Osborne

Jeff Hall

Marcos Pareto

Tyler Wagner

------Reporter: Alan H. Brock, RDR, CRR-----ahb@fabreporters.com www.fabreporters.com

Farmer Arsenault Brock LLC

Boston, Massachusetts

617-728-4404

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1	APPEARANCES:	1	May 7, 2018 10:02 a.m.
2	Cheryl M. Kimball, Esq.	2	PROCEEDINGS
3	Daniel P. Venora, Esq.	3	MS. PIEPER: Let's go on the record.
4	Ashley Wagner, Esq.	4	This is the fourth day of evidentiary hearings in
5	Keegan Werlin LLP	5	Docket No. DPU 17-170, petition of Boston Gas
6	265 Franklin Street	6	Company and Colonial Gas Company, each doing
7	Boston, Massachusetts 02110-3113	7	business as National Grid, pursuant to General Laws
8	617.951.1400	8	Chapter 164, Section 94, and 220 CMR 5.00, for
9	ckimball@keeganwerlin.com	9	approval of general increases in base distribution
10	dvenora@keeganwerlin.com	10	rates for gas service.
11	awagner@keeganwerlin.com	11	My name is Carol Pieper. I'm the
12	for Boston Gas Company and Colonial Gas Company,	12	hearing officer. With me on the bench this morning
13	each d/b/a National Grid	13	are Commissioners Robert Hayden and Cecile Fraser;
14		14	Jeff Hall, Marcos Pareto, and Paul Osborne, from the
15	Alexandra E. Blackmore, Esq.	15	Rates and Revenue Requirements Division.
16	Andrea G. Keeffe, Esq.	16	I have one procedural matter. On April
17	National Grid	17	27th, 2018, National Grid submitted a motion for
18	40 Sylvan Road	18	protective treatment of its supplemental response to
19	Waltham, Massachusetts 02451	19	AG-1-99. In its motion National Grid seeks
20	781.907.2123	20	permanent protection of the information or, in the
21	alexandra.blackmore@nationalgrid.com	21	alternative, until one year after the customer
22	andrea.keeffe@nationalgrid.com	22	ceases to be a customer of National Grid. The
23	for Boston Gas Company and Colonial Gas Company,	23	deadline for objecting to the motion has passed, and
24	each d/b/a National Grid	24	the Department did not receive any objection.
	273		275
1		1	I find that National Crid has mat its
1 2	John J. Geary, Esq.	2	I find that National Grid has met its
3	Elizabeth A. Anderson, Esq.	3	burden under General Laws Chapter 25, Section 5D,
4	Ashley Gagnon, Esq.	4	and has demonstrated that there is a need to provide
5	Assistant Attorneys General	5	confidential treatment to this information. I find
6	Office of Ratepayer Advocacy	6	that the information may in fact become stale as time goes by and may lose any benefit of maintaining
7	One Ashburton Place	7	confidentiality, and thus I grant protective
8	Boston, Massachusetts 02108	8	treatment for one year after the customer ceases to
9	617.727.2200	9	be the companies' customer. At the conclusion of
10	john.j.geary@state.ma.us elizabeth.a.anderson@state.ma.us	10	the sunset period, National Grid may renew the
11		11	request for protective treatment and demonstrate why
12	ashley.gagnon@state.ma.us for the Office of the Attorney General	12	such continued treatment is necessary.
13	To the office of the Attorney General	13	Thank you. The company's first witness
14		14	is Maureen Heaphy. If you could please state your
15	Segal Roitman, LLP	15	full name for the record.
16	Nicole Horberg Decter, Esq.	16	THE WITNESS: Maureen P. Heaphy.
17	33 Harrison Avenue	17	MAUREEN P. HEAPHY,
18	Boston, Massachusetts 02111	18	being first duly sworn or affirmed to testify to the
19	617.742.0208	19	truth, the whole truth, and nothing but the truth,
20	ndecter@segalroitman.com	20	was examined and testified as follows:
21	for Steelworkers Union Local 12003	21	MS. PIEPER: You may proceed with
22	101 Otociworkers Officia Eccai 12003	22	direct.
23		23	MS. BLACKMORE: Thank you.
24		24	DIRECT EXAMINATION

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	070		070
	276		278
1	BY MS. BLACKMORE:	1	Q. Good morning, Ms. Heaphy.
2	Q. Ms. Heaphy, by whom are you employed and in	2	A. Good morning.
3	what position?	3	Q. I'm Elizabeth Anderson, Assistant Attorney
4	A. National Grid USA Service Company, vice	4	General, and I just have a few questions on your
5	president of compensation, benefits, and pensions.	5	testimony this morning.
6	Q. And how long have you held your current	6	Ms. Heaphy, one of the components of
7	position?	7	employee compensation at National Grid is incentive
8	A. A little over ten years.	8	pay; is that correct?
9	Q. Were you involved in the preparation of	9	A. That's correct.
10	this rate case?	10	 Q. And the company also uses the term
11	A. Yes.	11	"variable pay" for incentive pay; is that correct?
12	Q. And as part of that preparation did you	12	A. Yes.
13	prepare prefiled direct testimony and various	13	Q. According to Mr. Dane's testimony the other
14	exhibits submitted to the Department on November	14	day, there's another form of variable pay, and
15	15th, 2017?	15	that's some type of commission paid on customer
16	A. Yes.	16	service; is that correct?
17	Q. With respect to your prefiled testimony,	17	A. That's correct.
18	marked for identification as Exhibit NG-MPH-1, was	18	Q. And can you explain a little bit more about
19	this exhibit prepared by you or under your direct	19	what those commissions are and why they are paid
20	supervision and control?	20	out?
21	A. Yes, it was.	21	A. Sure. That's a sales commission plan, so
22	Q. At this time do you have any changes,	22	it is a form of variable pay or incentive
23	corrections, deletions, or additions that you would	23	compensation for the sales force. It's very few
24	like to make to your prefiled testimony in this	24	employees that are part of that program it's
	277		279
1	proceeding?	1	roughly about 40 employees and it's in lieu of
2	A. No, I do not.	2	the APP variable pay plan that other employees are
3	Q. Have you seen information requests	3	in. So they're not in both plans.
4	propounded by the Department, the Attorney General,	4	Q. So what they selling, the sales force?
5	and other intervenors in this case?	5	A. It's generally in the gas business.
6	A. Yes.	6	Q. The gas business. So what kinds of
7	Q. And have you sponsored any responses to a	7	products?
8	number of those information requests?	8	A. I'm not sure of the details. I'd have to
9	A. Yes, I have.	9	get that for you.
10	Q. Were those responses prepared by you or	10	Q. So to your knowledge, are the commissions
11	under your direct supervision and control?	11	included in the cost of service in this case?
		12	A. Yes.
12	A. Yes, they were.		
12 13	A. Yes, they were. Q. At this time do you have any changes,	13	
			Q. Would you be able to provide exactly what service or product they're selling in a record
13	Q. At this time do you have any changes,	13	Q. Would you be able to provide exactly what
13 14	Q. At this time do you have any changes, corrections, deletions, or additions that you would	13 14	Q. Would you be able to provide exactly what service or product they're selling in a record
13 14 15	Q. At this time do you have any changes, corrections, deletions, or additions that you would like to make to any of the information-request	13 14 15	Q. Would you be able to provide exactly what service or product they're selling in a record request?
13 14 15 16	Q. At this time do you have any changes, corrections, deletions, or additions that you would like to make to any of the information-request responses that you've sponsored in this proceeding?	13 14 15 16	Q. Would you be able to provide exactly what service or product they're selling in a record request?A. Yes, definitely.
13 14 15 16 17	Q. At this time do you have any changes, corrections, deletions, or additions that you would like to make to any of the information-request responses that you've sponsored in this proceeding? A. No, I do not.	13 14 15 16 17	Q. Would you be able to provide exactly what service or product they're selling in a record request?A. Yes, definitely.Q. Could I please have a record request for
13 14 15 16 17	Q. At this time do you have any changes, corrections, deletions, or additions that you would like to make to any of the information-request responses that you've sponsored in this proceeding? A. No, I do not. MS. BLACKMORE: The witness is available	13 14 15 16 17	 Q. Would you be able to provide exactly what service or product they're selling in a record request? A. Yes, definitely. Q. Could I please have a record request for that information.
13 14 15 16 17 18	Q. At this time do you have any changes, corrections, deletions, or additions that you would like to make to any of the information-request responses that you've sponsored in this proceeding? A. No, I do not. MS. BLACKMORE: The witness is available for cross-examination.	13 14 15 16 17 18	 Q. Would you be able to provide exactly what service or product they're selling in a record request? A. Yes, definitely. Q. Could I please have a record request for that information. A. Sure.
13 14 15 16 17 18 19 20	Q. At this time do you have any changes, corrections, deletions, or additions that you would like to make to any of the information-request responses that you've sponsored in this proceeding? A. No, I do not. MS. BLACKMORE: The witness is available for cross-examination. MS. PIEPER: Thank you. You may	13 14 15 16 17 18 19 20	 Q. Would you be able to provide exactly what service or product they're selling in a record request? A. Yes, definitely. Q. Could I please have a record request for that information. A. Sure. Q. Thank you.
13 14 15 16 17 18 19 20 21	Q. At this time do you have any changes, corrections, deletions, or additions that you would like to make to any of the information-request responses that you've sponsored in this proceeding? A. No, I do not. MS. BLACKMORE: The witness is available for cross-examination. MS. PIEPER: Thank you. You may proceed.	13 14 15 16 17 18 19 20 21	 Q. Would you be able to provide exactly what service or product they're selling in a record request? A. Yes, definitely. Q. Could I please have a record request for that information. A. Sure. Q. Thank you. MS. PIEPER: So just to make sure that I

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	280		282
1	MS. ANDERSON: Right, exactly.	1	motivate employees to achieve certain performance
2	MS. PIEPER: Record Request AG-4.	2	measures or metrics.
3	(Record Request AG-4.)	3	A. Yes.
4	Q. So are there any other forms of variable	4	Q. Do these performance metrics involve
5	pay other than the incentive pay and these	5	maintaining a safe and reliable distribution system?
6	commissions that we just discussed?	6	A. Yes, and that's where all which I
7	A. That would be it.	7	mentioned before, the safety metrics, the
8	Q. I believe in Mr. Dane's testimony he also	8	reliability metrics; it all centers around
9	uses the term "nonfinancial variable pay." Would	9	delivering safe, reliable, and efficient service to
10	you know what that refers to?	10	our customers.
11	A. The variable pay plan, or what we refer	11	Q. Your Exhibit NG-MPH-2 provides a Willis
12	also as the APP plan, is made up of a few different	12	Towers Watson study that the company had done to
13	components. So the nonfinancial component has to do	13	compare National Grid's nonunion compensation to
14	with again, by band, it's different for each band	14	other companies'; is that correct?
15	of employee so in terms of the breakup of the	15	A. That's correct.
16	plan.	16	Q. And the study is dated March 29th, 2017; is
17	But for the most part, that's the	17	that correct?
18	individual goals that are set by employees and then	18	A. That's correct.
19	all of the people, customer, community goals that	19	Q. Could you please turn to Page 3 of the
20	really revolve around safety metrics, reliability	20	study, which is indicated as Page 4 of 15 of the
21	metrics, and customer metrics.	21	exhibit.
22	Q. So how do you assign a number to the	22	A. Yes.
23	nonfinancial variable pay?	23	Q. And looking at that third paragraph on Page
24	A. When you say how do we assign a number	24	4 of the exhibit, the first two sentences read,
	281		283
1	So let's take most of our employees that	1	"Market data reflects survey participants and
2	go from Band C through Band F, and these are	2	salaries in effect as of March 2016 and incentives
3	nonunion employees. 50 percent of their variable	3	largely reflect 2016 payouts for the 2015 fiscal
4	pay component is dedicated to their individual	4	year performance. For comparison purposes, market
5	components. The other 50 percent are these	5	data has been aged to April 2017 using an annual
6	metrics people, customer, community which,	6	update factor of 3 percent based on the 2016 Willis
7	again, are safety metrics, reliability metrics, and	7	Towers Watson salary budget survey." Did I read
8	customer-type metrics. So 50 percent of the plan is	8	that correctly?
9	dedicated to those metrics.	9	A. Yes.
10	Q. And that's what you mean by nonfinancial	10	Q. And I had that correct?
11	variable pay.	11	A. Yes.
12	A. Yes.	12	Q. Typically an incentive program has some
13	Q. So the term "nonfinancial" is referring to	13	target performance level that the business builds
	· ·		
14	performance metrics.	14	its incentive pay around; is that correct?
14 15	performance metrics. A. Yes.	15	A. That's correct.
14 15 16	performance metrics. A. Yes. Q. The company has had an incentive	15 16	A. That's correct. Q. And National Grid does the same thing
14 15 16 17	performance metrics. A. Yes. Q. The company has had an incentive compensation program for its employees starting back	15 16 17	A. That's correct. Q. And National Grid does the same thing that is, it has a target level of performance and
14 15 16 17 18	performance metrics. A. Yes. Q. The company has had an incentive compensation program for its employees starting back in 2007; is that correct?	15 16 17 18	A. That's correct. Q. And National Grid does the same thing that is, it has a target level of performance and incentive pay; correct?
14 15 16 17 18 19	performance metrics. A. Yes. Q. The company has had an incentive compensation program for its employees starting back in 2007; is that correct? A. That's correct.	15 16 17 18 19	A. That's correct. Q. And National Grid does the same thing that is, it has a target level of performance and incentive pay; correct? A. Yes, it does.
14 15 16 17 18 19 20	performance metrics. A. Yes. Q. The company has had an incentive compensation program for its employees starting back in 2007; is that correct? A. That's correct. Q. And the company believes that its incentive	15 16 17 18 19 20	 A. That's correct. Q. And National Grid does the same thing that is, it has a target level of performance and incentive pay; correct? A. Yes, it does. Q. When Willis measures the incentive payments
14 15 16 17 18 19 20 21	performance metrics. A. Yes. Q. The company has had an incentive compensation program for its employees starting back in 2007; is that correct? A. That's correct. Q. And the company believes that its incentive pay program is an important part of its compensation	15 16 17 18 19 20 21	 A. That's correct. Q. And National Grid does the same thing that is, it has a target level of performance and incentive pay; correct? A. Yes, it does. Q. When Willis measures the incentive payments for 2016 for this survey, is it measuring the actual
14 15 16 17 18 19 20 21 22	performance metrics. A. Yes. Q. The company has had an incentive compensation program for its employees starting back in 2007; is that correct? A. That's correct. Q. And the company believes that its incentive pay program is an important part of its compensation to its employees; correct?	15 16 17 18 19 20 21 22	 A. That's correct. Q. And National Grid does the same thing that is, it has a target level of performance and incentive pay; correct? A. Yes, it does. Q. When Willis measures the incentive payments for 2016 for this survey, is it measuring the actual payouts for that year, that 2016 year, or is it
14 15 16 17 18 19 20 21	performance metrics. A. Yes. Q. The company has had an incentive compensation program for its employees starting back in 2007; is that correct? A. That's correct. Q. And the company believes that its incentive pay program is an important part of its compensation	15 16 17 18 19 20 21	 A. That's correct. Q. And National Grid does the same thing that is, it has a target level of performance and incentive pay; correct? A. Yes, it does. Q. When Willis measures the incentive payments for 2016 for this survey, is it measuring the actual

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1 Q. Sure. 2 MS. PIEPER: Yes. 3 A. It's actual payouts.	286 1 A. Yes. 2 O Ms Heaphy the test year that is used in
2 MS. PIEPER: Yes.	7.1. 1.66.
Mo. 1121 210. 100.	2 O Ma Hambu the test
3 A. It's actual payouts.	 Q. Ms. Heaphy, the test year that is used in
	this case as the starting point for determining the
4 Q. When the market data is aged by Willis,	4 cost of service is calendar year 2016; correct?
5 does it simply multiply the survey participants'	5 A. Correct.
6 March 2016 annual salaries by the 3 percent update	6 Q. And the company's fiscal year for financial
7 factor to get the addition to arrive at the April	7 reporting purposes is the 12-month period ending
8 2017 salaries?	8 March 31st of each year; correct?
9 A. Yes, I believe so.	9 A. Correct.
10 Q. And does the Willis study also increase the	10 Q. For incentive performance measurement, does
survey participants' 2016 incentive payouts by 3	the company use the fiscal year ending in March, or
12 percent to arrive at the April 2017 pay?	does it use some other period?
13 A. I believe so.	A. The fiscal year ending in March.
Q. So the next sentence in Paragraph 3 on Page	14 Q. So a whole 12 months is used.
15 4 of your exhibit, NG-MPH-2, reads, "National Grid	15 A. Correct.
	16 Q. And generally when is the incentive payment
17 2017, and incentives reflect awards paid in June	made to employees?
, i i i	A. The incentive payment is made by mid-June
	19 of each year.
	20 Q. So the incentive payments that were
	21 recorded on that were recorded on the company's
	books for 2016, the test year in this case, were for
.,	the performance months of April 2015 through March
Q. And did they age the company's incentives	24 of 2016?
285	287
1 paid in June of 2016?	1 A. '16, correct.
A. I have to confer on that one also.	2 Q. Is that correct?
3 MS. PIEPER: Go ahead.	3 And would you accept subject to check
4 A. They were not.	4 that, according to Mr. Dane's testimony, the compan
5 Q. And why did they not age the incentives?	5 paid out incentive pay during the test year at 146
6 A. I'm not sure, to be honest.	6 percent of its target for nonunion employees?
7 Q. Did Willis use the company's actual	7 A. Yes, subject to check.
8 incentive payout during June of 2016, or did Willis	8 Q. And the company also paid out incentive pay
9 use the target level of payout to do its market	9 for its union employees above target for the test
10 comparison in this study?	10 year; correct?
11 A. The actual payout.	11 A. Subject to check, yes.
12 Q. And did the company's nonunion employees as	12 Q. And do you know approximately what percent
a whole perform above target or below target during	13 above target the union's incentive was?
2013.	A. I don't know offhand. And again, the union
711 TOT THE PLYSHER IN SUITE OF ESTATE IN	APP plan does not have that individual component.
nas azere ta geti	16 It's 100 percent dedicated to the people, customer,
	community, so, again, totally dedicated to the
	safety metrics, reliability metrics, and customer
the Hatterian end certification company, contest.	19 metrics.
7. Fin or our empreyees, an er our nemanier.	Q. Would you be able to provide the percent
21 employees.	above target for the union incentive in 2016?
	00
22 Q. So would that include nonunion employees at	22 A. Yes.
Q. So would that include nonunion employees at the distribution companies, including Boston Gas and	A. Yes. O. Could I ask for that information in a record request?

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1			
1	288		290
	A. Sure.	1	Q. Schedule 12, Page 3 of 6.
2	Q. Thank you.	2	A. Oh, that was 1 of 6.
3	MS. PIEPER: So that's to provide a	3	Okay so, the "elevate portion of
4	percentage of target the percentage above target	4	variable pay," that is the component dedicated to
5	for the union incentive in 2016.	5	the customer, safety, and reliability excuse me,
6	MS. ANDERSON: Yes, please.	6	reliability measures.
7	MS. PIEPER: It's going to be Record	7	Q. So the 146 percent of target, you're only
8	Request AG-5.	8	talking about the performance metrics portion?
9	(Record Request AG-5.)	9	A. Right. It doesn't include the individual
10	Q. Ms. Heaphy, when the company says that it	10	portion there.
11	paid at 146 percent of target, does that mean that	11	Well, again, I'd have to subject-to-
12	the employees hit 146 percent of their target	12	check. This is me reading this now. This is my
13	performance metrics or that the incentive pay itself	13	guess, because it says "elevate portion." That's
14	was at 146 percent of the target level of incentive	14	strictly the safety, customer, and reliability
15	pay?	15	measures. But I can't really state what's on this
16	A. First, I'd have to check on the 146	16	page. I'm just reading what it says there on the
17	percent, if that was the total on just the people,	17	title description.
18	customer, and community portion, or if that was the	18	Q. I understand. Thank you. So it's just 146
19	comprehensive, including the individual component.	19	percent of the performance measures, and it's not
20	So that's subject to check, so I'm not sure of the	20	necessarily 146 percent of the pay.
21	146, if it's both components or just the one piece.	21	A. Correct. So I can go through an example.
22	Q. Could I refer you to an exhibit that might	22	So if you have, let's say, Band E supervisor. They
23	help clarify that?	23	have a 10 percent target. 50 percent of that
24	A. Sure.	24	target, 5 percent, would be dedicated to their
	71. Guile.		target, a percent, would be dedicated to their
	289		291
1	Q. Just if you look at, I believe it's	1	individual piece, and the other 5 percent would be
2	Schedule 12 of Mr. Dane's updated cost of service,	2	dedicated to the elevate metrics, which we're now
3	so the revised Schedule 12.	3	calling the focused metrics this year.
4	MS. PIEPER: Just to be clear for the	4	So it's 146 percent of that 5 percent
5	record, it's Exhibit NG-DSD-2-BOS? Are you looking	5	for that particular employee and that band.
6	at Boston?	6	Q. Do you know, when you say that the
7	MS. ANDERSON: Yes, that's correct.	7	employee, the nonunion employees were paid at 146
8	MS. PIEPER: BOS, Revision 1.	8	percent of their incentive target during the test
9	Q. I'm specifically looking at Page 3 of 6 of	9	year, do you know if that's an average in any way by
10	that schedule, when you get it.	10	the salaries associated with the employees'
11	A. I'm not sure if I've seen this schedule	11	incentive pay?
12	before, so I'm not sure if it's going to have the	12	A. I'm sorry, can you repeat that, please?
13	level of detail needed to figure that out, but	13	MS. ANDERSON: Alan, could you read that
14	l'II	14	back for me, please.
15	Can you refer me to the line, please, on	15	(Question read.)
16	that schedule?	16	A. I'm still not certain of the question, of
	Q. Sure. If you go to, I believe it's the	17	what you're driving at.
17	first three lines, so Lines 2, 3, and 4. These	18	Q. Is the 146 percent an average number, or is
17 18		19	that the number that every employee got?
	reflect adjustments to normalize the historical test		
18	-	20	A. It's again, subject to check, because I
18 19	year. And each line says "elevate portion of		
18 19 20	year. And each line says "elevate portion of variable pay paid at 146 percent of target; reduce	20	A. It's again, subject to check, because I don't remember if it was 146 percent or not.
18 19 20 21	year. And each line says "elevate portion of	20 21	A. It's again, subject to check, because I

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1	variation would be on the reliability measures,	1	salary and incentives are put together, the company
2	because they're done by jurisdiction; so there could	2	is paying out 102 percent of the market rate; is
3	be slight differences on the reliability metrics.	3	that correct?
4	Q. So that would indicate that it's likely	4	A. If you're comparing us to their total
5	somewhat of an average?	5	energy survey, which includes a lot of smaller
6	A. Again, I'd have to see, to dig into that	6	companies. So generally we would really look at
7	number. But I would think so.	7	companies in excess of 6 billion, which are the
8	Q. Do you know if the nonunion employees in	8	numbers on the left-hand side.
9	the metering department on average received an	9	Q. And that shows that they're paying out at
10	incentive payment above their target during the test	10	99 percent of the market rate.
11	vear?	11	A. Correct.
12	3	12	
13	A. I would subject to check, but yes, I	13	Q. And again, Willis used the February 2017
14	would think so again, on that portion of it,	14	salary rate for the company's employees; is that
15	because, again, you have the individual component,	15	correct?
16	and you could have someone that their individual	16	A. Yes, for the companies, yes.
17	goals were not met and are not getting even 100	17	Q. And the union increases generally occur at
	percent on that half of it.		the anniversary date of the contracts for each
18	Q. So in that case somebody could not get paid	18	union; is that correct?
19	above target because their individual goals were not	19 20	A. Generally.
20	sufficient?	21	Q. And did most of this happen during the
21	A. Correct.		springtime of each year?
22	Q. Does that happen often?	22	A. I would have to check.
23	A. Well, on average, again, on the individual	23	Q. Do you know generally when the union
24	portion on average it would come out at 100	24	contracts have their anniversaries?
	293		295
1	percent. So you are going to have a number of	1	A. I know that that 12003 and then 12012-4,
2	employees that could come out at 50 percent on that	2	the two levels
3	measure, could be zero percent, and then you have	3	MS. PIEPER: It's 12012-4.
4	ones that have performed at stretch goals that would	4	THE WITNESS: Yes.
5	go above 100 percent.	5	A. Their contracts are up in June of this
6	Q. So just for clarification, you used the	6	year. We have 13507 I believe is up in June of
7	term "jurisdiction" a minute ago. Can you just	7	2019. And then we have 318, 350, 369 I believe are
8	clarify for the record what you mean when you say	8	
8 9	clarify for the record what you mean when you say "jurisdiction"?	8 9	expiring in 2021, but I forget the month. I think
	"jurisdiction"?		expiring in 2021, but I forget the month. I think one might be April, another might be June.
9		9	expiring in 2021, but I forget the month. I think
9 10	"jurisdiction"? A. Massachusetts, New York, Rhode Island.	9 10	expiring in 2021, but I forget the month. I think one might be April, another might be June. Q. Generally in the spring, early summertime frame?
9 10 11	"jurisdiction"? A. Massachusetts, New York, Rhode Island. Q. So Massachusetts includes both Boston Gas	9 10 11	expiring in 2021, but I forget the month. I think one might be April, another might be June. Q. Generally in the spring, early summertime frame? A. Subject to check.
9 10 11 12	"jurisdiction"? A. Massachusetts, New York, Rhode Island. Q. So Massachusetts includes both Boston Gas and Colonial Gas? A. Correct.	9 10 11 12	expiring in 2021, but I forget the month. I think one might be April, another might be June. Q. Generally in the spring, early summertime frame? A. Subject to check. Q. The nonunion employees' rates generally
9 10 11 12 13	"jurisdiction"? A. Massachusetts, New York, Rhode Island. Q. So Massachusetts includes both Boston Gas and Colonial Gas? A. Correct. Q. Do you know if the nonunion employees in	9 10 11 12 13	expiring in 2021, but I forget the month. I think one might be April, another might be June. Q. Generally in the spring, early summertime frame? A. Subject to check. Q. The nonunion employees' rates generally increase on July 1 of each year; correct?
9 10 11 12 13 14	"jurisdiction"? A. Massachusetts, New York, Rhode Island. Q. So Massachusetts includes both Boston Gas and Colonial Gas? A. Correct. Q. Do you know if the nonunion employees in the information technology department on average	9 10 11 12 13 14	expiring in 2021, but I forget the month. I think one might be April, another might be June. Q. Generally in the spring, early summertime frame? A. Subject to check. Q. The nonunion employees' rates generally increase on July 1 of each year; correct? A. Nonunion, generally, yes.
9 10 11 12 13 14 15	"jurisdiction"? A. Massachusetts, New York, Rhode Island. Q. So Massachusetts includes both Boston Gas and Colonial Gas? A. Correct. Q. Do you know if the nonunion employees in the information technology department on average received an incentive payment above the target	9 10 11 12 13 14	expiring in 2021, but I forget the month. I think one might be April, another might be June. Q. Generally in the spring, early summertime frame? A. Subject to check. Q. The nonunion employees' rates generally increase on July 1 of each year; correct? A. Nonunion, generally, yes. Q. Is that true for both the service company
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9 10 11 12 13 14 15 16	"jurisdiction"? A. Massachusetts, New York, Rhode Island. Q. So Massachusetts includes both Boston Gas and Colonial Gas? A. Correct. Q. Do you know if the nonunion employees in the information technology department on average received an incentive payment above the target during the test year? A. Subject to check, again, on the elevate	9 10 11 12 13 14 15 16	expiring in 2021, but I forget the month. I think one might be April, another might be June. Q. Generally in the spring, early summertime frame? A. Subject to check. Q. The nonunion employees' rates generally increase on July 1 of each year; correct? A. Nonunion, generally, yes. Q. Is that true for both the service company nonunion employees as well as the Boston Gas and Colonial Gas?
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9 10 11 12 13 14 15 16 17 18	"jurisdiction"? A. Massachusetts, New York, Rhode Island. Q. So Massachusetts includes both Boston Gas and Colonial Gas? A. Correct. Q. Do you know if the nonunion employees in the information technology department on average received an incentive payment above the target during the test year? A. Subject to check, again, on the elevate portion, I would say yes. Q. So looking back at your Exhibit NG-MPH-2, Page 5 of 15 and this is Page 5 of 15 of the	9 10 11 12 13 14 15 16 17 18 19 20	expiring in 2021, but I forget the month. I think one might be April, another might be June. Q. Generally in the spring, early summertime frame? A. Subject to check. Q. The nonunion employees' rates generally increase on July 1 of each year; correct? A. Nonunion, generally, yes. Q. Is that true for both the service company nonunion employees as well as the Boston Gas and Colonial Gas? A. Yes, it is. Q. And the company granted a 2.5 percent merit increase to its nonunion employees on July 1, 2017;
9 10 11 12 13 14 15 16 17 18 19 20 21 22	"jurisdiction"? A. Massachusetts, New York, Rhode Island. Q. So Massachusetts includes both Boston Gas and Colonial Gas? A. Correct. Q. Do you know if the nonunion employees in the information technology department on average received an incentive payment above the target during the test year? A. Subject to check, again, on the elevate portion, I would say yes. Q. So looking back at your Exhibit NG-MPH-2, Page 5 of 15 and this is Page 5 of 15 of the exhibit. There's a chart at the top of this page	9 10 11 12 13 14 15 16 17 18 19 20 21 22	expiring in 2021, but I forget the month. I think one might be April, another might be June. Q. Generally in the spring, early summertime frame? A. Subject to check. Q. The nonunion employees' rates generally increase on July 1 of each year; correct? A. Nonunion, generally, yes. Q. Is that true for both the service company nonunion employees as well as the Boston Gas and Colonial Gas? A. Yes, it is. Q. And the company granted a 2.5 percent merit increase to its nonunion employees on July 1, 2017; is that correct?
9 10 11 12 13 14 15 16 17 18 19 20 21	"jurisdiction"? A. Massachusetts, New York, Rhode Island. Q. So Massachusetts includes both Boston Gas and Colonial Gas? A. Correct. Q. Do you know if the nonunion employees in the information technology department on average received an incentive payment above the target during the test year? A. Subject to check, again, on the elevate portion, I would say yes. Q. So looking back at your Exhibit NG-MPH-2, Page 5 of 15 and this is Page 5 of 15 of the	9 10 11 12 13 14 15 16 17 18 19 20 21	expiring in 2021, but I forget the month. I think one might be April, another might be June. Q. Generally in the spring, early summertime frame? A. Subject to check. Q. The nonunion employees' rates generally increase on July 1 of each year; correct? A. Nonunion, generally, yes. Q. Is that true for both the service company nonunion employees as well as the Boston Gas and Colonial Gas? A. Yes, it is. Q. And the company granted a 2.5 percent merit increase to its nonunion employees on July 1, 2017;

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1 2 3 4 5 6 7 8	equity increase in 2017; is that correct? A. That's correct. Q. Can you explain why the company felt compelled to Can you explain why the company felt compelled to grant the extra 1.14 percent equity increase to its nonunion employees when those employees were already earning at 99 percent of the market rate?	percent. Someone might get lower; someone might get higher. And it's really looking at performance and where their salary is in relation to the marketplace. Q. Would the employees in the first band earning that 108 percent of the market rate have received equity increases? A. I would have to check. It's possible. Q. It's possible, based on your testimony,
10 11 12 13 14 15 16 17 18 19 20 21 22	A. Not all employees were earning at 99 percent of the market rate. So we do look every year to see employees that may have fallen below 85 percent of the market, and adjustments may be needed there. We had a whole supervisor enablement initiative and looking at our supervisors and making sure there was enough, you know, compression with union salaries if the supervisor is supervising union folks. And a lot of the big complex construction projects that were going on and the need for engineers and to continue those capital projects, there was a segment of the population in gas and electric process engineering that also	where they assess a need based on various incentives? A. Correct. And again, the 108 percent is looking at the total energy survey, whereas we would more concentrate on the 6-billion-dollar-plus companies, and that would be the numbers on the left-hand side, which is still at 105 percent. Q. 105 percent, yes. A. Right. Q. Ms. Heaphy, the company has annual turnover in its employee population; correct? A. Correct. Q. And the normal turnover rate is about 5
23 24	received market adjustments. I think we have an exhibit in the case	percent; is that correct? A. I believe in one of our exhibits we had
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24	somewhere that kind of goes through which portion of the population got those extra monies. And also to note: The merit increase on average was lower at that time than the national average, so any of our survey sources at that time were indicating that average merit increases were in the 3 percent range. So we decided to move that down to 2 1/2 and use those extra monies then to allocate to the areas that needed it. Q. Looking back at Exhibit NG-MPH-2, Page 5: The lower chart on that page provides Willis's breakout of the pay analysis by salary bands; correct? A. Yes. Q. And the band analysis seems to indicate that the lower-end salary bands tend to have the higher salaries relative to the market; is that correct? A. That's correct. Q. Is it correct that the company has given out 2.5 percent annual merit pay increases in each of the last two years to its nonunion employees? A. Yes, but that doesn't mean that everyone receives 2 1/2 percent. So the budget is 2 1/2	said 5.7 percent, correct. O. One of the expected components of turnover is employee retirements; yes? A. Correct. O. Is there a month of the year in which the number of employee retirements is typically expected to be higher than other months? A. Generally no. I mean, I'd have to look to see I haven't looked at it on a month-to-month basis. But off the top of my head, I would say no. But again, subject to check. O. So generally speaking, people retire at any time during a year? A. Uh-huh. O. If you could turn to Exhibit AG-1-44, the attachment to that exhibit. If you could take a look. A. Yes. O. We walked through this exhibit in a lot of detail with Mr. Dane, so I'm not going to do that here. But if you turn to Page 7 of 8 of the attachment. A. Okay. O. When you compare the numbers in 2016,

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1	especially at the end of the year, the employee	1	A. I would think we might have moved at
2	count numbers, for November and December of 2016,	2	different time periods for some of the unions; but
3	there appears to be somewhat of a significant	3	I'm thinking at least close to ten years.
4	increase in employees. Do you know why that is?	4	Q. Close to ten years?
5	A. In looking at the chart, it looks like the	5	A. At least for a portion of the population.
6	big increase has been in the service company and	6	Q. And for the remaining population it would
7	then also in the union base. I'm not responsible	7	be sometime within the last ten years?
8	for determining head counts. Head count is really	8	A. Yeah.
9	determined by the business.	9	Q. And the company has an outside firm manage
10	But in preparing for this today, a	10	the payouts for those benefits; is that correct?
11	request was sent to recruiting to see if we could	11	A. We have different vendors, medical vendors,
12	get a handle, especially on the service company	12	yes.
13	here, on where are the increases coming from. And	13	Q. Who is the company currently using to
14	basically it was four major areas. It was technical	14	manage those accounts? Who are those vendors?
15	support in gas and electric process and engineering,	15	A. Our major vendor is Blue Cross/Blue Shield
16	IS and gas business enablement, finance in the	16	of Massachusetts.
17	Massachusetts jurisdiction. And again, these head	17	Q. And you have additional vendors?
18	counts are determined in conjunction with the	18	A. We just and that's one of the ways we
19	business.	19	saved money in this past year, was looking at all
20	So I think any questions directed	20	the vendors that we had, and we eliminated again,
21	towards the reasons for the increase in head counts	21	this is the management population, the nonunion
22	in the service company, and even the union base	22	population eliminated a number of the regional
23	here, would really be directed since we have an	23	PPO plans that we had in place. So for the
24	IS panel, we have the GBE panel, the GSR panel I	24	management population Blue Cross now is the vendor
	301		303
1	think any questions in terms of the reasons for the	1	for the three plans that we have in place.
2	head count increase would be better directed there.	2	Q. And that's for the service company?
3	Q. That's still very helpful. Thank you.	3	A. That includes the service company, correct.
4	A. And again, those areas that I mentioned	4	Q. Does the company have any stop-loss
5	comprise about 75 percent of the head count add in	5	insurance for its health care plan?
6	the service company. So I think 40 percent was	6	A. Yes, we do.
7	attributable to the technical support areas, and	7	Q. And could you explain the stop-loss
8	then another 20 percent for IS and gas business	8	insurance that the company has for its health care
9	enablement.	9	costs.
10	Q. I'm going to ask you a few questions about	10	A. Sure. If any claims are in excess of
11	health care.	11	we're insured up to any claims in excess of 2
12	A. Sure.	12	million. So if any individuals' claims go beyond 2
13	Q. So the company provides health care as one	13	million, that would be covered.
14	of its employee benefits; correct?	14	Q. And that's the only stop-loss insurance
15	A. Correct.	15	that you have?
16	Q. And after salaries, it's probably the	16	A. Correct.
17	largest single employee cost. Would you agree?	17	Q. Could you please turn to your Exhibit
18	A. Subject to check, but yes.	18	NG-MPH-10, Schedule 1. So Schedule 1 provides the
19	Q. The company does not use an outside health	19	calculations used to determine the nonunion working
20	care insurance company to provide its health care	20	rate for medical and dental costs; is that correct?
21	benefits; instead it self-insures. Is that correct?	21	A. That's correct.
22	A. It does, yes.	22	Q. And just for the record, what is the
23	Q. And do you know how long the company has	23	working rate and how is it used in determining the
24	been self-insuring its employee health care costs?	24	company's annual health care costs?

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	304		306
1	A. So the working rate really is something	1	employees?
2	that is calculated to represent what the rate would	2	A. That's correct.
3	be if we were fully insured. The only difference	3	Q. Would there be anyone else considered
4	and if we were fully insured with a vendor, they	4	management population?
5	would go through all of these types of calculations,	5	A. No, so it's all our nonunion. We use those
6	also.	6	terms interchangeably.
7	The only thing that's not included with	7	Q. Does that term refer to the nonunion
8	the working rate and that's why we go	8	employees at both the service company and the
9	self-insured is you don't have any profit and	9	distribution company?
10	risk margins, you're not including state premium	10	A. Yes.
11	taxes and also ACA taxes are not included. And	11	
12		12	Q. Looking at the schedule, it appears the
13	that's why we've moved to self-insure, because we	13	analysis is done separately for the medical costs,
14	believe we're paying the claims as they go, we pay	14	which are in the first column of numbers, and the
	the administrative services fees, and there's a		drug costs, which are in the second column of
15	savings in doing that for a company our size. And	15	numbers; is that correct?
16	any consultant that you talk to, the savings could	16	A. That's correct.
17	be anywhere from a low of 5 percent to a high of	17	Q. Lines 1 through 4 indicate that the base
18	about 11 percent.	18	year for the analysis is 2016; is that correct?
19	Q. And the calculations that are included in	19	A. That's correct.
20	Exhibit NG-MPH-10 are for calendar year 2018; is	20	Q. And Line 4 has the actual claims paid for
21	that correct?	21	2016; correct?
22	A. Yes.	22	A. Correct.
23	Q. And I think as you just discussed, the	23	Q. After some adjustments, there's an amount
24	working rate does not represent the actual costs	24	that appears on Line 15 that says historical claims
	305		307
1	that the company will incur for that year; correct?	1	quote, "PEPY." Is that correct?
2	A. It's a projection of what it will cost.	2	A. Correct.
3	Again, the same thing you'd do with the working	3	Q. Does that refer to per employee per year?
4	rate not the working rate, but if you were fully	4	A. That's correct.
5	insured with the premiums you would be paying. So	5	Q. So that amount provides the per-employee
6	it's representative of that.	6	cost base derived from actual results from 2016;
7	Q. So it's more like an estimate or a	7	correct?
8	placeholder to accrue costs during the year?	8	A. That's correct.
9	A. It's just as if you were fully insured,	9	Q. And that number for 2016 is then used to
10	the premium you're paying is an estimate of what's	10	determine the forecasted cost per employee per year
11	going to happen.	11	for calendar year 2018; correct?
12	Q. So the actual costs can be higher or lower	12	A. Correct.
13	than the working rate?	13	Q. Just to get some more information: When
14	A. That's true and again, just as a fully	14	you use the term "per employee per year," is that an
15	insured plan, the premium you paid, that that could	15	average number, meaning it's not taking into accoun
16	be higher or lower than it should be or the	16	if the employee is single or if that employee has
17	actual.	17	dependents that are using the insurance?
18	Q. Could you please turn to Page 1 of Schedule	18	A. Those factors are built into all of these
19	1 of this exhibit, NG-MPH-10.	19	calculations, but that's in that particular
20	·	20	
21	A. Yes. Q. And this schedule indicates that the	21	number, that's just taking all the claims and then
22		22	dividing by the number of employees.
23	calculation is for management population; correct?	23	Q. On the next four lines, Lines 17 through
23 24	A. That's correct.	23 24	20, the calculation takes annual inflation rates of
∠+	Q. And that's referring to all nonunion	27	6.8 percent for medical costs and 11.3 percent for

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1	drug costs, to arrive at projected claims per	1	chart, of 16,853.
2	employee per year on Line 20; correct?	2	So when you go through all of these
3	A. That's correct.	3	calculations, at the end of the day the per-employee
4	Q. And you can see there on Line 19 that the	4	cost is going up roughly 4 percent from 2016 to
5	company is proposing a 14 percent increase in the	5	2018.
6	test year level of medical costs; is that correct?	6	Q. So do you see on Line 15 of the first page
7	A. That's the trend rate. But if you go	7	on the schedule for historical claims per employee
8	through here, you'll see also there's a lot of	8	per year the total is 15,543?
9	adjustments in terms of the savings that we've	9	A. I'm sorry, what line?
10	achieved and what we think will flow through in	10	Q. Line 15.
11	2018. So it's not saying that the costs are going	11	A. Oh, yes.
12	to be in totality going up 14 percent. But that is	12	Q. So is that the actual cost?
13	the trend rate.	13	A. No, that's taking into account because,
14	There's a couple of line items that I	14	again, we're starting with 2016. And then on Line
15	could point you to. Line 11, so that .942 factor is	15	Item 11 we're adjusting it not we, the actuary is
16	saying roughly that we have savings of 5.8 percent	16	adjusting it for different plan design changes
17	that were in the 2017 plan year. So that's being	17	and plan migration and those types of things that
18	subtracted out. So that's why that factor of .942	18	happen in 2017. So that's bringing, I believe
19	is there.	19	but I would have to check the 2017 number, the
20	And then also the same thing to bring it	20	15,000. But I'd have to check that.
21	forward to 2018: All the savings by all the things	21	Q. So Line 11 is accounting for plan
22	that we are doing that we think will take place in	22	factor/demographic change; is that correct?
23	2018, there's another factor on the next page, Line	23	A. Correct, and that could be looking at what
24	1A, .958, and we're saying we think we'll be	24	the average age has changed to in 2017; migration of
	309		
	309		311
1		1	
1 2	achieving a 4.2 percent savings.	1 2	plans, so employees moving from our EPO plan to our CEHP plans; and also taking into account different
			plans, so employees moving from our EPO plan to our
2	achieving a 4.2 percent savings. So that 6.8 is a general trend. So that	2	plans, so employees moving from our EPO plan to our CEHP plans; and also taking into account different
2 3	achieving a 4.2 percent savings. So that 6.8 is a general trend. So that 6.8 compounded does bring you to that 14 percent.	2	plans, so employees moving from our EPO plan to our CEHP plans; and also taking into account different plan design changes that were made within the plans,
2 3 4	achieving a 4.2 percent savings. So that 6.8 is a general trend. So that 6.8 compounded does bring you to that 14 percent. But we need to look at everything to see, okay,	2 3 4	plans, so employees moving from our EPO plan to our CEHP plans; and also taking into account different plan design changes that were made within the plans, whether it be a co-pay or a deductible change, an
2 3 4 5	achieving a 4.2 percent savings. So that 6.8 is a general trend. So that 6.8 compounded does bring you to that 14 percent. But we need to look at everything to see, okay, we're not saying that the costs are going to go up	2 3 4 5	plans, so employees moving from our EPO plan to our CEHP plans; and also taking into account different plan design changes that were made within the plans, whether it be a co-pay or a deductible change, an out-of-pocket max change, those types of things.
2 3 4 5 6	achieving a 4.2 percent savings. So that 6.8 is a general trend. So that 6.8 compounded does bring you to that 14 percent. But we need to look at everything to see, okay, we're not saying that the costs are going to go up 14 percent.	2 3 4 5 6	plans, so employees moving from our EPO plan to our CEHP plans; and also taking into account different plan design changes that were made within the plans, whether it be a co-pay or a deductible change, an out-of-pocket max change, those types of things. Q. And these are the types of things that
2 3 4 5 6 7	achieving a 4.2 percent savings. So that 6.8 is a general trend. So that 6.8 compounded does bring you to that 14 percent. But we need to look at everything to see, okay, we're not saying that the costs are going to go up 14 percent. Q. And is the same true for the 24 percent	2 3 4 5 6 7	plans, so employees moving from our EPO plan to our CEHP plans; and also taking into account different plan design changes that were made within the plans, whether it be a co-pay or a deductible change, an out-of-pocket max change, those types of things. Q. And these are the types of things that occur every year typically?
2 3 4 5 6 7 8	achieving a 4.2 percent savings. So that 6.8 is a general trend. So that 6.8 compounded does bring you to that 14 percent. But we need to look at everything to see, okay, we're not saying that the costs are going to go up 14 percent. Q. And is the same true for the 24 percent increase in drug costs that you see there?	2 3 4 5 6 7 8 9	plans, so employees moving from our EPO plan to our CEHP plans; and also taking into account different plan design changes that were made within the plans, whether it be a co-pay or a deductible change, an out-of-pocket max change, those types of things. Q. And these are the types of things that occur every year typically? A. Well, we made a lot of changes this past
2 3 4 5 6 7 8 9 10	achieving a 4.2 percent savings. So that 6.8 is a general trend. So that 6.8 compounded does bring you to that 14 percent. But we need to look at everything to see, okay, we're not saying that the costs are going to go up 14 percent. Q. And is the same true for the 24 percent increase in drug costs that you see there? A. That's correct, because if you look at that same line item for RX on Line 11, again, in 2017, achieving a savings of approximately 5.8 percent.	2 3 4 5 6 7 8 9 10	plans, so employees moving from our EPO plan to our CEHP plans; and also taking into account different plan design changes that were made within the plans, whether it be a co-pay or a deductible change, an out-of-pocket max change, those types of things. Q. And these are the types of things that occur every year typically? A. Well, we made a lot of changes this past year, coming into 2018. But typically we always are looking at how do we provide the best medical plans to our employees while also keeping a critical eye
2 3 4 5 6 7 8 9 10 11	achieving a 4.2 percent savings. So that 6.8 is a general trend. So that 6.8 compounded does bring you to that 14 percent. But we need to look at everything to see, okay, we're not saying that the costs are going to go up 14 percent. Q. And is the same true for the 24 percent increase in drug costs that you see there? A. That's correct, because if you look at that same line item for RX on Line 11, again, in 2017, achieving a savings of approximately 5.8 percent. And then looking at that same line item on 1A on the	2 3 4 5 6 7 8 9 10 11	plans, so employees moving from our EPO plan to our CEHP plans; and also taking into account different plan design changes that were made within the plans, whether it be a co-pay or a deductible change, an out-of-pocket max change, those types of things. Q. And these are the types of things that occur every year typically? A. Well, we made a lot of changes this past year, coming into 2018. But typically we always are looking at how do we provide the best medical plans to our employees while also keeping a critical eye on containing costs.
2 3 4 5 6 7 8 9 10 11 12	achieving a 4.2 percent savings. So that 6.8 is a general trend. So that 6.8 compounded does bring you to that 14 percent. But we need to look at everything to see, okay, we're not saying that the costs are going to go up 14 percent. Q. And is the same true for the 24 percent increase in drug costs that you see there? A. That's correct, because if you look at that same line item for RX on Line 11, again, in 2017, achieving a savings of approximately 5.8 percent. And then looking at that same line item on 1A on the next page, Page 2 of 6, that .815 percent factor,	2 3 4 5 6 7 8 9 10 11 12	plans, so employees moving from our EPO plan to our CEHP plans; and also taking into account different plan design changes that were made within the plans, whether it be a co-pay or a deductible change, an out-of-pocket max change, those types of things. Q. And these are the types of things that occur every year typically? A. Well, we made a lot of changes this past year, coming into 2018. But typically we always are looking at how do we provide the best medical plans to our employees while also keeping a critical eye on containing costs. Q. So on the second page, under projected
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	achieving a 4.2 percent savings. So that 6.8 is a general trend. So that 6.8 compounded does bring you to that 14 percent. But we need to look at everything to see, okay, we're not saying that the costs are going to go up 14 percent. Q. And is the same true for the 24 percent increase in drug costs that you see there? A. That's correct, because if you look at that same line item for RX on Line 11, again, in 2017, achieving a savings of approximately 5.8 percent. And then looking at that same line item on 1A on the next page, Page 2 of 6, that .815 percent factor, that's showing, because we just renegotiated our CVS contract, and the level of rebates that we're going to be getting back and also the different drug programs that we've put in place. You can see we're thinking not thinking; the actuarial value of	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	plans, so employees moving from our EPO plan to our CEHP plans; and also taking into account different plan design changes that were made within the plans, whether it be a co-pay or a deductible change, an out-of-pocket max change, those types of things. Q. And these are the types of things that occur every year typically? A. Well, we made a lot of changes this past year, coming into 2018. But typically we always are looking at how do we provide the best medical plans to our employees while also keeping a critical eye on containing costs. Q. So on the second page, under projected total costs, Line 1, 1A, you have a plan factor for 2018. Can you describe what that is? A. Yeah. So again, the plan factor so we're reducing that .958, which is roughly a 4.2 percent savings that we're projected in plan year
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	achieving a 4.2 percent savings. So that 6.8 is a general trend. So that 6.8 compounded does bring you to that 14 percent. But we need to look at everything to see, okay, we're not saying that the costs are going to go up 14 percent. Q. And is the same true for the 24 percent increase in drug costs that you see there? A. That's correct, because if you look at that same line item for RX on Line 11, again, in 2017, achieving a savings of approximately 5.8 percent. And then looking at that same line item on 1A on the next page, Page 2 of 6, that .815 percent factor, that's showing, because we just renegotiated our CVS contract, and the level of rebates that we're going to be getting back and also the different drug programs that we've put in place. You can see we're thinking not thinking; the actuarial value of that is an 18 percent reduction on the RX.	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	plans, so employees moving from our EPO plan to our CEHP plans; and also taking into account different plan design changes that were made within the plans, whether it be a co-pay or a deductible change, an out-of-pocket max change, those types of things. Q. And these are the types of things that occur every year typically? A. Well, we made a lot of changes this past year, coming into 2018. But typically we always are looking at how do we provide the best medical plans to our employees while also keeping a critical eye on containing costs. Q. So on the second page, under projected total costs, Line 1, 1A, you have a plan factor for 2018. Can you describe what that is? A. Yeah. So again, the plan factor so we're reducing that .958, which is roughly a 4.2 percent savings that we're projected in plan year 2018.
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	achieving a 4.2 percent savings. So that 6.8 is a general trend. So that 6.8 compounded does bring you to that 14 percent. But we need to look at everything to see, okay, we're not saying that the costs are going to go up 14 percent. Q. And is the same true for the 24 percent increase in drug costs that you see there? A. That's correct, because if you look at that same line item for RX on Line 11, again, in 2017, achieving a savings of approximately 5.8 percent. And then looking at that same line item on 1A on the next page, Page 2 of 6, that .815 percent factor, that's showing, because we just renegotiated our CVS contract, and the level of rebates that we're going to be getting back and also the different drug programs that we've put in place. You can see we're thinking not thinking; the actuarial value of that is an 18 percent reduction on the RX. So really when you look at the	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	plans, so employees moving from our EPO plan to our CEHP plans; and also taking into account different plan design changes that were made within the plans, whether it be a co-pay or a deductible change, an out-of-pocket max change, those types of things. Q. And these are the types of things that occur every year typically? A. Well, we made a lot of changes this past year, coming into 2018. But typically we always are looking at how do we provide the best medical plans to our employees while also keeping a critical eye on containing costs. Q. So on the second page, under projected total costs, Line 1, 1A, you have a plan factor for 2018. Can you describe what that is? A. Yeah. So again, the plan factor so we're reducing that .958, which is roughly a 4.2 percent savings that we're projected in plan year 2018. And again, that's due to the same
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	achieving a 4.2 percent savings. So that 6.8 is a general trend. So that 6.8 compounded does bring you to that 14 percent. But we need to look at everything to see, okay, we're not saying that the costs are going to go up 14 percent. Q. And is the same true for the 24 percent increase in drug costs that you see there? A. That's correct, because if you look at that same line item for RX on Line 11, again, in 2017, achieving a savings of approximately 5.8 percent. And then looking at that same line item on 1A on the next page, Page 2 of 6, that .815 percent factor, that's showing, because we just renegotiated our CVS contract, and the level of rebates that we're going to be getting back and also the different drug programs that we've put in place. You can see we're thinking not thinking; the actuarial value of that is an 18 percent reduction on the RX. So really when you look at the bottom-line number, if you look at that page 2 of 6,	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	plans, so employees moving from our EPO plan to our CEHP plans; and also taking into account different plan design changes that were made within the plans, whether it be a co-pay or a deductible change, an out-of-pocket max change, those types of things. Q. And these are the types of things that occur every year typically? A. Well, we made a lot of changes this past year, coming into 2018. But typically we always are looking at how do we provide the best medical plans to our employees while also keeping a critical eye on containing costs. Q. So on the second page, under projected total costs, Line 1, 1A, you have a plan factor for 2018. Can you describe what that is? A. Yeah. So again, the plan factor so we're reducing that .958, which is roughly a 4.2 percent savings that we're projected in plan year 2018. And again, that's due to the same factors we just talked about: plan migration, plan
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	achieving a 4.2 percent savings. So that 6.8 is a general trend. So that 6.8 compounded does bring you to that 14 percent. But we need to look at everything to see, okay, we're not saying that the costs are going to go up 14 percent. Q. And is the same true for the 24 percent increase in drug costs that you see there? A. That's correct, because if you look at that same line item for RX on Line 11, again, in 2017, achieving a savings of approximately 5.8 percent. And then looking at that same line item on 1A on the next page, Page 2 of 6, that .815 percent factor, that's showing, because we just renegotiated our CVS contract, and the level of rebates that we're going to be getting back and also the different drug programs that we've put in place. You can see we're thinking not thinking; the actuarial value of that is an 18 percent reduction on the RX. So really when you look at the bottom-line number, if you look at that page 2 of 6, the Total column, and the very bottom of the Total	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	plans, so employees moving from our EPO plan to our CEHP plans; and also taking into account different plan design changes that were made within the plans, whether it be a co-pay or a deductible change, an out-of-pocket max change, those types of things. Q. And these are the types of things that occur every year typically? A. Well, we made a lot of changes this past year, coming into 2018. But typically we always are looking at how do we provide the best medical plans to our employees while also keeping a critical eye on containing costs. Q. So on the second page, under projected total costs, Line 1, 1A, you have a plan factor for 2018. Can you describe what that is? A. Yeah. So again, the plan factor so we're reducing that .958, which is roughly a 4.2 percent savings that we're projected in plan year 2018. And again, that's due to the same factors we just talked about: plan migration, plan design changes. But again, we made a lot of changes
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	achieving a 4.2 percent savings. So that 6.8 is a general trend. So that 6.8 compounded does bring you to that 14 percent. But we need to look at everything to see, okay, we're not saying that the costs are going to go up 14 percent. Q. And is the same true for the 24 percent increase in drug costs that you see there? A. That's correct, because if you look at that same line item for RX on Line 11, again, in 2017, achieving a savings of approximately 5.8 percent. And then looking at that same line item on 1A on the next page, Page 2 of 6, that .815 percent factor, that's showing, because we just renegotiated our CVS contract, and the level of rebates that we're going to be getting back and also the different drug programs that we've put in place. You can see we're thinking not thinking; the actuarial value of that is an 18 percent reduction on the RX. So really when you look at the bottom-line number, if you look at that page 2 of 6,	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	plans, so employees moving from our EPO plan to our CEHP plans; and also taking into account different plan design changes that were made within the plans, whether it be a co-pay or a deductible change, an out-of-pocket max change, those types of things. Q. And these are the types of things that occur every year typically? A. Well, we made a lot of changes this past year, coming into 2018. But typically we always are looking at how do we provide the best medical plans to our employees while also keeping a critical eye on containing costs. Q. So on the second page, under projected total costs, Line 1, 1A, you have a plan factor for 2018. Can you describe what that is? A. Yeah. So again, the plan factor so we're reducing that .958, which is roughly a 4.2 percent savings that we're projected in plan year 2018. And again, that's due to the same factors we just talked about: plan migration, plan

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	312		314
1	already; we introduced another CEHP plan. We	1	THE WITNESS: Yes, I do.
2	introduced four tiers for our contribution rates.	2	MS. PIEPER: Thank you.
3	So there's a number of things that are	3	(Record Request AG-6.)
4	happening in 2018, and this is what the actuaries	4	Q. Now, Ms. Heaphy, you testified in the
5	came up with, what they think is the actuarial value	5	company's electric base-rate case here in
6	of all those changes and how it will affect claims	6	Massachusetts, docketed as DPU 15-155; correct?
7	in 2018.	7	A. Correct.
8 9	Q. So these are the same types of changes that	8 9	Q. And in that case the company also used a
10	you just described, that would be the plan-factor-	10	working rate to estimate the cost of employee health
11	slash-demographic changes?	11	care costs; correct?
12	A. Right, except the first one on Line 11 is	12	A. Correct.
13	bringing you from '16 through '17 or to the '17	13	Q. And the company would have done a nonunion
14	plan year, and now this one is bringing us forward to 2018.	14	calculation for its employees similar to that which
15		15	you have here in your Schedule 1 to Exhibit
16	Q. So it includes demographic changes. A. Correct.	16	NG-MPH-10; correct? A. Correct.
17	Q. A minute ago you said that the company has	17	Q. In that case the projected health care
18	been self-insuring its employee health care benefits	18	costs that the company forecasted were for calendar
19	for about ten years; correct?	19	year 2016; is that correct?
20	A. Yes.	20	A. I believe, subject to check, yes.
21	Q. So has it been using this working rate	21	Q. So at least for nonunion costs you can
22	methodology for those ten years?	22	compare the company's forecasts from that last case
23	A. Yes. Anytime you have a self-insured plan,	23	to actuals; is that correct?
24	you have to use some type of working rate.	24	A. Correct.
	you have to use some type of working rate.		A. Correct.
	313		315
1		1	
1 2	Q. Since the company has established these	1 2	Q. Can you tell us what the forecast working rate for nonunion employees was from the
			Q. Can you tell us what the forecast working rate for nonunion employees was from the
2	Q. Since the company has established these working rates, have they used the assistance of a	2	Q. Can you tell us what the forecast working rate for nonunion employees was from the
2 3	Q. Since the company has established these working rates, have they used the assistance of a consultant?	2	Q. Can you tell us what the forecast working rate for nonunion employees was from the Massachusetts Electric Company case in DPU 15-155?
2 3 4	Q. Since the company has established these working rates, have they used the assistance of a consultant? A. Yes.	2 3 4	Q. Can you tell us what the forecast working rate for nonunion employees was from the Massachusetts Electric Company case in DPU 15-155? A. I don't recall.
2 3 4 5	 Q. Since the company has established these working rates, have they used the assistance of a consultant? A. Yes. Q. And does the company ever review the 	2 3 4 5	 Q. Can you tell us what the forecast working rate for nonunion employees was from the Massachusetts Electric Company case in DPU 15-155? A. I don't recall. Q. If I made a record request, could you
2 3 4 5 6 7 8	 Q. Since the company has established these working rates, have they used the assistance of a consultant? A. Yes. Q. And does the company ever review the forecasts to determine how reliable they are? Do 	2 3 4 5 6 7 8	 Q. Can you tell us what the forecast working rate for nonunion employees was from the Massachusetts Electric Company case in DPU 15-155? A. I don't recall. Q. If I made a record request, could you provide the projected claims per employee per year
2 3 4 5 6 7 8	 Q. Since the company has established these working rates, have they used the assistance of a consultant? A. Yes. Q. And does the company ever review the forecasts to determine how reliable they are? Do you ever compare the forecasts to the actuals? A. Yes. Q. And what has that analysis found? 	2 3 4 5 6 7 8 9	 Q. Can you tell us what the forecast working rate for nonunion employees was from the Massachusetts Electric Company case in DPU 15-155? A. I don't recall. Q. If I made a record request, could you provide the projected claims per employee per year for medical and drug costs?
2 3 4 5 6 7 8 9	 Q. Since the company has established these working rates, have they used the assistance of a consultant? A. Yes. Q. And does the company ever review the forecasts to determine how reliable they are? Do you ever compare the forecasts to the actuals? A. Yes. 	2 3 4 5 6 7 8 9	 Q. Can you tell us what the forecast working rate for nonunion employees was from the Massachusetts Electric Company case in DPU 15-155? A. I don't recall. Q. If I made a record request, could you provide the projected claims per employee per year for medical and drug costs? A. Yes.
2 3 4 5 6 7 8 9 10	 Q. Since the company has established these working rates, have they used the assistance of a consultant? A. Yes. Q. And does the company ever review the forecasts to determine how reliable they are? Do you ever compare the forecasts to the actuals? A. Yes. Q. And what has that analysis found? A. Off the top of my head, I couldn't talk to the numbers. 	2 3 4 5 6 7 8 9 10	 Q. Can you tell us what the forecast working rate for nonunion employees was from the Massachusetts Electric Company case in DPU 15-155? A. I don't recall. Q. If I made a record request, could you provide the projected claims per employee per year for medical and drug costs? A. Yes. Q. Could I make that a record request, please. MS. KIMBALL: I just want to clarify: You just said projected claims, and you're saying
2 3 4 5 6 7 8 9 10 11	 Q. Since the company has established these working rates, have they used the assistance of a consultant? A. Yes. Q. And does the company ever review the forecasts to determine how reliable they are? Do you ever compare the forecasts to the actuals? A. Yes. Q. And what has that analysis found? A. Off the top of my head, I couldn't talk to the numbers. Q. Do you know if the company does that type 	2 3 4 5 6 7 8 9 10 11	 Q. Can you tell us what the forecast working rate for nonunion employees was from the Massachusetts Electric Company case in DPU 15-155? A. I don't recall. Q. If I made a record request, could you provide the projected claims per employee per year for medical and drug costs? A. Yes. Q. Could I make that a record request, please. MS. KIMBALL: I just want to clarify: You just said projected claims, and you're saying forecasts. But is the projected claims the same
2 3 4 5 6 7 8 9 10 11 12	Q. Since the company has established these working rates, have they used the assistance of a consultant? A. Yes. Q. And does the company ever review the forecasts to determine how reliable they are? Do you ever compare the forecasts to the actuals? A. Yes. Q. And what has that analysis found? A. Off the top of my head, I couldn't talk to the numbers. Q. Do you know if the company does that type of analysis regularly?	2 3 4 5 6 7 8 9 10 11 12	 Q. Can you tell us what the forecast working rate for nonunion employees was from the Massachusetts Electric Company case in DPU 15-155? A. I don't recall. Q. If I made a record request, could you provide the projected claims per employee per year for medical and drug costs? A. Yes. Q. Could I make that a record request, please. MS. KIMBALL: I just want to clarify: You just said projected claims, and you're saying forecasts. But is the projected claims the same thing as the working rate? Or is what you're
2 3 4 5 6 7 8 9 10 11 12 13	Q. Since the company has established these working rates, have they used the assistance of a consultant? A. Yes. Q. And does the company ever review the forecasts to determine how reliable they are? Do you ever compare the forecasts to the actuals? A. Yes. Q. And what has that analysis found? A. Off the top of my head, I couldn't talk to the numbers. Q. Do you know if the company does that type of analysis regularly? A. Usually every annually.	2 3 4 5 6 7 8 9 10 11 12 13	 Q. Can you tell us what the forecast working rate for nonunion employees was from the Massachusetts Electric Company case in DPU 15-155? A. I don't recall. Q. If I made a record request, could you provide the projected claims per employee per year for medical and drug costs? A. Yes. Q. Could I make that a record request, please. MS. KIMBALL: I just want to clarify: You just said projected claims, and you're saying forecasts. But is the projected claims the same thing as the working rate? Or is what you're looking for just what is the working rate versus the
2 3 4 5 6 7 8 9 10 11 12 13 14	 Q. Since the company has established these working rates, have they used the assistance of a consultant? A. Yes. Q. And does the company ever review the forecasts to determine how reliable they are? Do you ever compare the forecasts to the actuals? A. Yes. Q. And what has that analysis found? A. Off the top of my head, I couldn't talk to the numbers. Q. Do you know if the company does that type of analysis regularly? A. Usually every annually. Q. Could you provide a copy of the most recent 	2 3 4 5 6 7 8 9 10 11 12 13 14	 Q. Can you tell us what the forecast working rate for nonunion employees was from the Massachusetts Electric Company case in DPU 15-155? A. I don't recall. Q. If I made a record request, could you provide the projected claims per employee per year for medical and drug costs? A. Yes. Q. Could I make that a record request, please. MS. KIMBALL: I just want to clarify: You just said projected claims, and you're saying forecasts. But is the projected claims the same thing as the working rate? Or is what you're looking for just what is the working rate versus the actual experience?
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	 Q. Since the company has established these working rates, have they used the assistance of a consultant? A. Yes. Q. And does the company ever review the forecasts to determine how reliable they are? Do you ever compare the forecasts to the actuals? A. Yes. Q. And what has that analysis found? A. Off the top of my head, I couldn't talk to the numbers. Q. Do you know if the company does that type of analysis regularly? A. Usually every annually. Q. Could you provide a copy of the most recent analysis in a response to a record request? A. Yes. Q. Could I please make a record request for the most recent analysis comparing the forecast working rates to the actual costs? A. Yes. 	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	 Q. Can you tell us what the forecast working rate for nonunion employees was from the Massachusetts Electric Company case in DPU 15-155? A. I don't recall. Q. If I made a record request, could you provide the projected claims per employee per year for medical and drug costs? A. Yes. Q. Could I make that a record request, please. MS. KIMBALL: I just want to clarify: You just said projected claims, and you're saying forecasts. But is the projected claims the same thing as the working rate? Or is what you're looking for just what is the working rate versus the actual experience? MS. ANDERSON: I'm looking for the working rate. So thank you for that clarification, yes. I'm looking for the working rate per employee per year for medical and RX separately for nonunion employees from the DPU 15-155 rate case, please. MS. PIEPER: And is that not in the rate

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13

1 2 3	316 MS. KIMBALL: Well, of course it is.		318
2	MS. KIMBALL: Well, of course it is.		
3		1	the actual. So would it be the best when we're
	But I thought what you were asking for that's why	2	comparing the working rate versus the actual costs?
	I'm trying to make sure we're using the right term.	3	A. I believe so, but subject to check on that.
4	So I thought you said what would be in the rate case	4	Q. And would a number similar to the
5	is the working rate for whatever year was the for	5	revised-claims number that we see here, would that
6	the post-test-year adjustment, which would have been	6	be part of your response to the record request?
7	probably '17. But I thought you were saying you	7	Will we receive a similar number?
8	wanted to know what that looked like versus the	8	A. I believe so, but subject to check, again,
9	actual experience.	9	in terms of what was in the last rate case.
10	MS. ANDERSON: That's right.	10	Q. Thank you.
11	MS. KIMBALL: So the actual experience	11	MS. ANDERSON: That's all the questions
12	would not be in the rate case, only the working	12	that I have for the witness, subject to recross.
13	rate.	13	MS. PIEPER: We have some questions, but
14	MS. ANDERSON: Right, exactly.	14	I'd like to take a short break. Let's go off the
15	MS. KIMBALL: I just want to make sure	15	record and take a five-minute break.
16	we have the right terminology so we get you the	16	(Recess taken.)
17	right information.	17	MS. PIEPER: Let's go back on the
18	MS. ANDERSON: Thank you.	18	record. Mr. Pareto?
19	MS. PIEPER: I'm really not	19	BENCH EXAMINATION
20	understanding. Do you understand?	20	BY MR. PARETO:
21	MS. KIMBALL: I do. It's not important	21	Q. Good morning, Ms. Heaphy.
22	if I do.	22	A. Good morning.
23	A. There's a similar exhibit on working rates	23	Q. Nor the first question, if you could go to
24	in that rate case, so it's looking at, okay, what	24	Exhibit DPU-NG-26-8, Attachment 1.
	317		319
1	has actually happened versus that working rate.	1	A. Okay, I have that one.
2	Q. Yes.	2	Q. For the record, could you please clarify
3	MS. PIEPER: And that's referring to	3	whether this salary increase applies also on the
4	Docket 15-155, which was the last rate case on the	4	officers?
5	electric side.	5	A. I believe it does.
6	MS. ANDERSON: Yes.	6	Q. Now if we could go to Information Request
7	MS. PIEPER: That's going to be AG-7.	7	AG-1-36, please.
8	(Record Request AG-7.)	8	A. Okay, I have that one.
9	MS. ANDERSON: Could we have one more	9	Q. Thank you. At the bottom the company
10	second? I apologize.	10	mentions that they will provide updated information
11	Q. Ms. Heaphy, just to confirm: On Schedule 1	11	for 2017 after year end. Has this information been
12	of your NG-MPH-10, Page 2, Line D, of the projected	12	provided yet?
13	total costs, there's the revised claims total	13	A. Can I confer with colleagues, please?
14	number, and that's before the administrative costs	14	Q. Yes, please.
15	are factored in.	15	A. I don't believe it has.
16	A. Correct.	16	Q. I would like to issue a record request to
17	Q. Would that be the best figure to compare to	17	provide this information.
18	the actual?	18	A. Sure.
19	A. I don't think so. I think those revised	19	Q. Thank you.
20	claims, again, is using all these factors applied	20	MS. PIEPER: That's provide an update to
21	for 17. I don't believe it's the actual claims.	21	AG-1-36 for 2017, and it's going to be Record
22	But subject to check on that, because this is all	22	Request DPU-3.
1	proposed by our actuaries.	23	(Record Request DPU-3.)
23 24	Q. This is the projected number, so it's not	24	Q. So for the same exhibit, if we could go to

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	220		222
	320		322
1	Attachment 14, please.	1	relation to prior years?
2	A. I only have the bulk attachment. I'll have	2	A. It's a combination of things. So Mercer
3	to get the actual attachment.	3	has a great understanding of the marketplace and a
4	Okay, I believe I have it.	4	lot of resources in terms of what's happening in the
5	Q. Thank you. This question applies both to	5	marketplace. So they have a good handle on other
6	Boston Gas as well as Colonial Gas. If we look at	6	PBMs out there, pharmacy benefit managers, and what
7	Employee ID No. 6, the annual base pay here is	7	other companies are getting in terms of rebates in
8	\$50,440. Is that an accurate number?	8	their contracts, where the wholesale prices work
9	A. I believe it is.	9	so the whole configuration of the plan.
10	Q. And for incentive compensation for ID	10	They also sponsor a collective
11	No. 3, here it's listed as zero.	11	purchasing coalition, and a lot of leverage they can
12	A. Yes, I see that.	12	use from that purchasing coalition, and that
13	Q. Would you be able to explain why it's zero,	13	leverage was used when we were negotiating back and
14	when everybody else has 50, 60 thousand or more?	14	forth with Caremark.
15	A. I'm only guessing here: It could be	15	Q. Okay, so you would it would be safe to
16	someone that was hired a couple of months into the	16	say that it's savings relative to, again,
17	year wouldn't have a payout. But subject to check;	17	competitors as well as over time.
18	I'm just guessing.	18	A. Correct.
19	Q. Thanks. So also regarding Dane's testimony	19	Q. Would you be able to quantify the savings
20 21	on Friday: He mentioned that a fraction of National	20	that Mercer has provided to National Grid and its
22	Grid's variable pay is due to customer service	21	employees with these negotiations?
23	commission. I'm hoping you could elaborate just a	22	A. This is actually factored into the working
24	little bit more on this. Would you know what the	23 24	rate, so that exhibit that I went through earlier.
24	percentage of the variable pay is attributed to	24	And it shows on the RX portion of the working rate
	321		
	V2.		323
1		1	
1 2	commission of total?	1 2	the factor I think it was offhand, I don't remember now. I think it was about 18 percent
			the factor I think it was offhand, I don't remember now. I think it was about 18 percent
2	commission of total? A. I don't know. I'd have to follow up and	2	the factor I think it was offhand, I don't
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	commission of total? A. I don't know. I'd have to follow up and get you that information. Q. Okay, thank you. And you also wouldn't know the amounts; is that correct? A. No, I don't. Q. Okay. I would like to issue a record request for this, please. MS. PIEPER: So that's to get both the percentage and the amount of the variable pay that's attributable to the commission portion for 2016, and that's Record Request DPU-4. (Record Request DPU-4.) Q. So regarding Information Request DPU-NG-24-14. A. 24-14? Q. Yes. A. I have that. Q. So it mentions at the end of the first paragraph and at the end of the second paragraph that Mercer provides significant is able to	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	the factor I think it was offhand, I don't remember now. I think it was about 18 percent but not on the total premium, just specific to RX. Q. Correct, okay. And would you happen to know A. And I'm sorry, the 18 percent is not just what we contracted with CVS; it's also different programs we put in place with employees. Q. Okay, thanks. So next, if you could go to Information Request DPU-NG-24-16. A. Okay, I have that one. Q. So I was looking at this attachment as well as Attachment AG-1-51, Attachment 1. A. Okay, I have that one. Q. I was looking at these attachments, and I noticed that there was a very large fluctuation in costs not just the total costs, but also costs per employee particularly with the service company as well as Boston Gas. Would you be able to elaborate as to why this is the case? A. It could be a number of things. It could

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	324		326
1	composition of family could change. We had a number	1	commented earlier today: So for the record,
2	of new hires in the plan. The family member count	2	regarding the stop loss, could you please clarify
3	has increased. So that could justify some of it.	3	what happens if the claims exceed the \$2 million
4	The other thing to know is that these	4	stop loss?
5	numbers here by finance and they're net of	5	A. If they exceed the \$2 million stop loss,
6	employees and net of contributions. So I'm not sure	6	we're not paying that amount. So National Grid wil
7	if, say, capitalization rates have changed over the	7	not be paying that amount. So National Grid will
8	years, and if that has any impact.	8	Q. So you pay zero.
9	So, again, it's not the O&M portion of	9	A. Correct, in excess of the 2 million.
10	the claims.	10	BY MR. HALL:
11		11	
12	Q. And does the company have any initiatives	12	Q. Sorry, just to be clear: So if a claim
13	to reduce its volatility?	13	came in and it was 5 million, National Grid would
	A. We always strive to keep track of the	14	pay the first 2, the insurance would pay the
14	marketplace and provide our employees with a	15	additional 3.
15	market-competitive package, and in doing so, what	16	A. Correct.
16	are the ways that we can contain costs? So we're		BY MR. PARETO:
17	always looking to contain costs as much as possible.	17	Q. Oh, okay. Thank you. And now
18	So I think I've gone through some of the	18	DPU-NG-24-13.
19	things we've done. We've been on the consumerism	19	A. What was the last dash?
20	journey. We've brought in different consumer-driven	20	Q. I'm sorry?
21	health plans for our employees, to really change	21	A. 24-dash?
22	their behaviors and the way they look at medical, so	22	Q. 13.
23	they can take costs into account and try to get the	23	A. I don't believe I have that one.
24	best outcomes, try to give them decisionmaking tools	24	Okay, I have that.
	325		327
1	to do that. We have health and wellness programs in	1	Q. This response addresses why the company
2	place.	2	does not have specific medical and different
3	So we have a myriad of things that we've	3	reserves, but rather has reserves for incurred but
4	been doing to really have a healthier workforce and,	4	not reported incidents under the general reserves.
5	you know, curb our costs at the same time.	5	Would you be able to clarify for the record what the
6	Q. Thank you. The next question relates to	6	difference is between the general reserves and the
7	DPU-NG-24-16.	7	specific reserves?
8	A. 24-16. I have that one.	8	A. I'm sorry, this is the first time I've seen
9	Q. Wait, no, sorry; that's not right.	9	this. I'm just reading through it.
10	A. Same one as before.	10	Q. It was issued by George Carlin.
11	Q. Sorry. The next question actually doesn't	11	A. I don't think I could answer that question.
12	have an exhibit but it's more of a general question.	12	Q. Would you know who would be able to provide
13	Because the companies self-insure their health care	13	this information?
14	costs, has the company ever challenged bills to	14	A. I would believe it would be finance.
15	ensure that it's accurate, and if not, what policies	15	MS. PIEPER: Would Mr. Dane be able to
16	does National Grid have to ensure accuracy of the	16	answer the question when we go back? He's here
17	bills, medical bills?	17	later today.
18	A. That's done in another area of the company.	18	MS. KIMBALL: Possibly. We'll check on
19	I can get that information. But the bills that come	19	that. There's a person that supports Mr. Dane that
20	in I believe are scrutinized to make sure there's	20	we might have to confer with, and he's not here.
21	nothing amiss when they come in.	21	But we'll work on it before.
22	Q. I'd like to issue a record request, please.	22	
23	• • • •	23	MS. PIEPER: Okay.
24	That's fine. Don't worry about it. Just for clarification on something you	24	MR. PARETO: That's all I have. Thank
4	Just for clarification on something you	47	you.

FARMER ARSENAULT BROCK LLC

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	220		220
	328		330
1	MS. PIEPER: That's all the Department	1	get the information about why there is a disparity
2	has. Do you have any further?	2	between those two numbers?
3	MS. ANDERSON: I just had a couple, two	3 4	A. I don't think we'd be able to do that now.
4 5	followup questions on what you were just discussing,	5	Q. Could I ask for a record request for that
6	if that's okay.	6	information, please?
7	FURTHER CROSS-EXAMINATION	7	A. Sure.
8	BY MS. ANDERSON:	8	Q. Thank you.
9	Q. Just going back to DPU-NG-24-16 and the	9	MS. PIEPER: I just want to make sure I
10	response, the attachment to AG-1-51. In each of	10	have it right. So it's to explain the disparity
11	those attachments there's a per-employee I'm	11	between the employee numbers on AG-1-44, Attachmen
12	sorry, in each of those attachments there's a number	12	1, and AG-1-51, Attachment 1, and that's for 2016?
13	of employees listed. Is that number based on an	13	MS. ANDERSON: Yes, correct. Thank you.
14	average for that year, or is it based on the year-end count?	14	MS. PIEPER: That's going to be AG-8.
15	A. I don't know for sure. I would have to	15	(Record Request AG-8.)
16	check on that.	16	Q. I just have one other question. You talked about scrutinizing some of the bills that the
17	Q. If you go to AG-1-44, Attachment 1.	17	company pays for insurance purposes. Do you know
18	A. Yes, I have that.	18	whether or not Blue Cross/Blue Shield applies any
19	Q. And if you go to Page 7 of 8 for 2016	19	scruting to the bills that are passed on to the
20	employee count.	20	company?
21	A. Yes.	21	A. Yes, definitely.
22	Q. And the total count at the year end for	22	Q. And what is it that they do?
23	2016, do you know what that was between management	23	A. I don't know the details of what they do,
24	and union?	24	but it's built into our you know, they have
	329		331
1	A. December of 2016?	1	part of their service that they provide to us is to
2	Q. Yes.	2	scrutinize and then go through different audit-type
3	A. 1,058, combining management and union.	3	procedures for the bills that are passed on.
4	Q. If you go to Attachment AG-151-1, Page 1 of	4	Q. That's all. Thank you very much.
5	4 AG-1-51, Attachment 1.	5	
6	A. Yes, I have that.		MS. PIEPER: Thank you. Do you have any
	A. res, i nave mat.	6	MS. PIEPER: Thank you. Do you have any questions?
7	Q. Page 1 of 4, at the bottom of that page,	6 7	
	·		questions?
7	Q. Page 1 of 4, at the bottom of that page,	7	questions? MS. DECTER: I have one very brief
7 8	Q. Page 1 of 4, at the bottom of that page, the number of employees for 2016 is listed as 1091;	7 8	questions? MS. DECTER: I have one very brief question.
7 8 9	Q. Page 1 of 4, at the bottom of that page, the number of employees for 2016 is listed as 1091; correct?	7 8 9	questions? MS. DECTER: I have one very brief question. CROSS-EXAMINATION
7 8 9 10	Q. Page 1 of 4, at the bottom of that page, the number of employees for 2016 is listed as 1091; correct?A. Correct.	7 8 9 10	questions? MS. DECTER: I have one very brief question. CROSS-EXAMINATION BY MS. DECTER:
7 8 9 10 11	 Q. Page 1 of 4, at the bottom of that page, the number of employees for 2016 is listed as 1091; correct? A. Correct. Q. That's slightly higher than the total that 	7 8 9 10 11	questions? MS. DECTER: I have one very brief question. CROSS-EXAMINATION BY MS. DECTER: Q. If you could refer to an exhibit to your
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7 8 9 10 11 12 13 14	 Q. Page 1 of 4, at the bottom of that page, the number of employees for 2016 is listed as 1091; correct? A. Correct. Q. That's slightly higher than the total that we have as the employee count for AG-1-44-1, Page 7. A. Correct. 	7 8 9 10 11 12 13	questions? MS. DECTER: I have one very brief question. CROSS-EXAMINATION BY MS. DECTER: Q. If you could refer to an exhibit to your testimony, NG-MPH-7. A. Okay, I have that.
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7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	 Q. Page 1 of 4, at the bottom of that page, the number of employees for 2016 is listed as 1091; correct? A. Correct. Q. That's slightly higher than the total that we have as the employee count for AG-1-44-1, Page 7. A. Correct. Q. Do you know why that is? A. No, I do not. It could be at the time that it was a run off the system. These numbers are coming from finance, the AG-1-51, so I'd have to see how those counts are derived. Q. If you look at AG-44, Attachment 1, for each month prior to December the employee count was less than 1058; correct? 	7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	MS. DECTER: I have one very brief question. CROSS-EXAMINATION BY MS. DECTER: Q. If you could refer to an exhibit to your testimony, NG-MPH-7. A. Okay, I have that. Q. And if you look at the very first the first row, which is management, where it says regional and then management under affiliation. Do you see that? A. Yes. Q. I'm curious, if I could draw your attention to the 2015 increase and effective date column for that first line. I'm wondering if you can explain

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1	marketplace was at probably a 2.9 percent, 3 percent	1	Q. So I'd like to make a record request for
2	salary increase level for nonunion employees, the	2	each year between actually, just for the rate
3	company took the position from an affordability	3	year strike that for the test year, 2016, for
4	perspective not to grant a salary increase, the	4	all compensation surveys used in calculating
5	general merit increase. And the .43 I would have	5	nonunion compensation.
6	to go back is comprised of career path	6	A. For 2016?
7	progressions and some market adjustments. But that	7	Q. For 2016.
8	overall general merit increase for management	8	MS. PIEPER: Those weren't provided as
9	employees was not given in 2015.	9	an information-request response?
10	Q. So the merit pool that you described	10	MS. KIMBALL: I'm just thinking: You're
11	earlier in your discussion with the Attorney	11	looking for her to list what was used? We've
12	General's Office, is there any cost-of-living	12	submitted these surveys.
13	variable or inflationary variable in that, or is	13	MS. DECTER: You can reference where
14	that	14	they were which information-request response they
15	What are the variables that go into	15	were.
16	that?	16	MS. KIMBALL: We don't need a record
17	A. So we look at different survey sources that	17	request for us to tell you where it is in the
18	are provided, and the six or seven sources that we	18	record. I'm happy to or maybe Ms. Heaphy can
19	look at, to see, okay, what are companies doing in	19	even answer that.
20	terms of merit increases. And some of it includes	20	THE WITNESS: May I just confer with my
21	cost-of-living increases. The actual derivation of	21	colleagues?
22	what amounts to that I don't know offhand.	22	MS. PIEPER: Sure.
23	Q. Can you tell me what the other variables	23	A. AG-17-5.
24	are in considering what your pool should be for any	24	Q. Thank you. I appreciate that. Just going
	are in considering what your poor should be for any		Q. Mank you. Tappredate that. Just going
	333		335
1	given year?	1	back to our discussion earlier: You said that for
2	A. Again, we use those surveys. So we look at	2	2015 the increase was the 2015 increase for
3	those surveys and say, okay, the marketplace is	3	nonunion managers was based on affordability. I was
4	using a certain level of increase for their	4	wondering if you could just explain what you meant
5	employees, and we go on the average of those	5	by that.
6	surveys.	6	A. So every year when we're looking at what
7	Q. I see. I want to draw your attention to	7	the salary increases should be for our nonunion
8	another one of your exhibits. This is NG-MPH-6.	8	population, again, we look at the marketplace and we
9	A. Okay, I have that.	9	look at those surveys and see what the marketplace
10	Q. When you're talking about looking at the	10	is doing. But, of course, it's also in terms of
11	market and the number of factors, is this what	11	controlling costs at the same time, is it something
12	you're talking about, in thinking about setting the	12	that the company can afford in a given year. And
13	pool? Or are you thinking about something	13	the decision was made in that given year we would
14	different?	14	not give increases.
15	A. This is one of the sources, and I believe	15	Q. Why would you do that? What specific
16	this is Willis Towers Watson. So this would be one	16	factors went into determining that the company was
17	of the sources, but not all of them.	17	not giving increases to its nonunion managers in
18	Q. What are the other sources you use to	18	2016?
19	determine nonunion the nonunion compensation	19	A. That was an executive decision that was
20	pool?	20	made.
21	A. There are other we have Aon surveys	21	Q. Who would have made the decision to give
22	Aon Hewitt surveys, Mercer surveys, World at Work	22	to give or not to give nonunion managers increases
23	surveys, SHRM surveys, and there's another one, too,	23	in 2015?
24	I'm not remembering.	24	A. So it would be the top leadership of the

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	336		338
1	company.	1	record requests were posed by the Attorney General's
2	Q. Boston Gas and Colonial Gas or the holding	2	Office asking for the historical working rate versus
3	company?	3	the actual claims in the year for certain years?
4	A. The entire U.S. company.	4	A. Yes.
5	MS. DECTER: Thank you. That's all I	5	Q. Could you just explain to me: Do you
6	have.	6	consider the working rate to be a forecast? Is that
7	MS. PIEPER: Do you have further	7	what it's intended to serve as, a forecast?
8	questions?	8	A. It's intended to come up with a rate that
9	MS. ANDERSON: Could I have one more	9	is equivalent to a rate that would be in place if we
10	followup question?	10	were fully insured.
11	MS. PIEPER: Sure.	11	Q. Is it ever reconciled to an actual in any
12	FURTHER CROSS-EXAMINATION	12	way?
13	BY MS. ANDERSON:	13	A. It's normally not reconciled. I mean, just
14	Q. Ms. Heaphy, you were just talking about	14	like when you have you keep track of things and
15	Exhibit NG-MPH-6, and one page in that exhibit.	15	see what your increases are from year to year, but
16	A. Yes.	16	it's not normally reconciled, just like you're not
17	Q. Just to be clear for the record: The	17	reconciling a fully insured product, either.
18	budget increases that are reflected on this exhibit,	18	MS. KIMBALL: That's all I have.
19	are those based on budgeted increases or on the	19	MS. PIEPER: Okay. Do the intervenors
20	actual increases paid out?	20	have any followup on that tiny redirect?
21	A. This page I believe is survey data from	21	MS. ANDERSON: We might have one
22	Willis Towers Watson, and some of these, the earlier	22	followup.
23	years, are actuals, and 2018, that is projected.	23	RECROSS-EXAMINATION
24	Q. Thank you.	24	BY MS. ANDERSON:
	337		339
1	A. You're welcome.	1	Q. So Ms. Heaphy, based on what you just said,
2	Q. So just to be clear, everything prior to	2	when the company does the budget for the next year,
3	2018 are actuals?	3	for the future costs, what does it use to estimate
4	A. I believe so.	4	those health care costs?
5	Q. And 2018	5	A. We use our working rates.
6	A. Projected, yeah.	6	Q. Thank you.
7	Q. Even though the title of the page is Budget	7	MS. PIEPER: Further redirect?
8	Increases?	8	MS. KIMBALL: All set.
9	A. I believe so again, subject to check.	9	MS. PIEPER: We are done with this
4.0		10	
10	Q. So I guess the thing that we're kind of	. 0	witness. Thank you very much. Let's go off the
10 11	Q. So I guess the thing that we're kind of stuck on is the budget increases for each year for	11	witness. Thank you very much. Let's go off the record while we switch witnesses.
_		11	, ,
11	stuck on is the budget increases for each year for	11	record while we switch witnesses.
11 12	stuck on is the budget increases for each year for management is 3 percent. So it would consistently	11 12	record while we switch witnesses. (Discussion off the record.)
11 12 13 14 15	stuck on is the budget increases for each year for management is 3 percent. So it would consistently have been 3 percent actual?	11 12 13	record while we switch witnesses. (Discussion off the record.) MS. PIEPER: Let's go on the record.
11 12 13 14 15 16	stuck on is the budget increases for each year for management is 3 percent. So it would consistently have been 3 percent actual? A. I believe so, but again, subject to check. Q. Do you know why the term "budget" is used for the title?	11 12 13 14 15	record while we switch witnesses. (Discussion off the record.) MS. PIEPER: Let's go on the record. Mr. Dane, I would remind you that you remain sworn.
11 12 13 14 15	stuck on is the budget increases for each year for management is 3 percent. So it would consistently have been 3 percent actual? A. I believe so, but again, subject to check. Q. Do you know why the term "budget" is used	11 12 13 14 15 16	record while we switch witnesses. (Discussion off the record.) MS. PIEPER: Let's go on the record. Mr. Dane, I would remind you that you remain sworn. The Attorney General may proceed.
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11 12 13 14 15 16 17 18 19	stuck on is the budget increases for each year for management is 3 percent. So it would consistently have been 3 percent actual? A. I believe so, but again, subject to check. Q. Do you know why the term "budget" is used for the title? A. Again, subject I'd have to check. Q. Thank you.	11 12 13 14 15 16 17 18 19 20	record while we switch witnesses. (Discussion off the record.) MS. PIEPER: Let's go on the record. Mr. Dane, I would remind you that you remain sworn. The Attorney General may proceed. MS. ANDERSON: We do not have any questions for Mr. Dane today. MS. PIEPER: Let's go off the record for
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11 12 13 14 15 16 17 18 19 20 21 22	stuck on is the budget increases for each year for management is 3 percent. So it would consistently have been 3 percent actual? A. I believe so, but again, subject to check. Q. Do you know why the term "budget" is used for the title? A. Again, subject I'd have to check. Q. Thank you. MS. KIMBALL: I just have a couple of questions.	11 12 13 14 15 16 17 18 19 20 21 22	record while we switch witnesses. (Discussion off the record.) MS. PIEPER: Let's go on the record. Mr. Dane, I would remind you that you remain sworn. The Attorney General may proceed. MS. ANDERSON: We do not have any questions for Mr. Dane today. MS. PIEPER: Let's go off the record for a second. (Recess taken.)
11 12 13 14 15 16 17 18 19 20 21	stuck on is the budget increases for each year for management is 3 percent. So it would consistently have been 3 percent actual? A. I believe so, but again, subject to check. Q. Do you know why the term "budget" is used for the title? A. Again, subject I'd have to check. Q. Thank you. MS. KIMBALL: I just have a couple of questions. MS. PIEPER: All right.	11 12 13 14 15 16 17 18 19 20 21	record while we switch witnesses. (Discussion off the record.) MS. PIEPER: Let's go on the record. Mr. Dane, I would remind you that you remain sworn. The Attorney General may proceed. MS. ANDERSON: We do not have any questions for Mr. Dane today. MS. PIEPER: Let's go off the record for a second. (Recess taken.) MS. PIEPER: Let's go back on the

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	340		342
1	truth, the whole truth, and nothing but the truth,	1	Q. Yes.
2	was examined and testified as follows:	2	A. And so that's what we did here, was to lay
3	BENCH EXAMINATION	3	it out in a format that allows the reader to see
4	BY MR. WAGNER:	4	where the inflation flows throughout the revenue
5	Q. Good morning, Mr. Dane.	5	requirement.
6	A. Good morning.	6	And the amount per the revenue
7	Q. Does the company have any letter campaigns	7	requirement I'm just referring to the schedule
8	or outreach initiatives to encourage hardship	8	here should be this Line No. 41, which is company
9	customers to enroll in payment programs?	9	amount per Schedule 3, Page 4. And that's slightly
10	My understanding is the company has an	10	different than the inflation allowance as calculated
11	arrearage management program that's hardship-	11	per that previous iteration from another case of
12	protected accounts individuals with hardship-	12	this table.
13	protected accounts are able to enroll in. I'm not	13	My only further clarification on this is
14	familiar with what campaigns it may have to	14	that this response was provided prior to our
15	encourage that enrollment, but I am aware of the	15	revisions to the revenue requirement, and certain of
16	program.	16	those may affect the overall calculation of
17	Q. Do you know what kinds of other	17	inflation in the model. So it would be there's a
18	communications the company has with customers who		number similar to the amount from Line 41 here, but
19	have hardship account balances over 360 days?	19	it would have changed somewhat through that revised
20	MS. KIMBALL: Could I interrupt for a	20	revenue requirement process.
21	moment? I did miss one thing. We were planning on	21	Q. In the next Schedule 2 O&M calculation,
22	bringing we had talked about pricing; in another	22	does the company plan on providing the inflation
23	section we had talked about pricing being able to	23	allowance per this calculation, or the way they had
24	talk about bad debt and hardship issues. So we were	24	it in the initial filing, broken up into a number of
	341		343
1	planning on the 14th, with pricing, to bring people	1	inflation allowances?
2	that would know about the collections and all this	2	A. We can certainly provide it in a format
3	process.	3	similar to this. Right now this isn't part of the
4	MS. PIEPER: So you think they would be	4	revenue requirement model, but this takes inputs
5	better suited to answer these questions?	5	from that model. So this is something that we could
6	MS. KIMBALL: We'll have the actual	6	fairly readily amend or append to that model to
7	company people here who do these types of things.	7	provide in this format.
8	MS. PIEPER: So that's Monday, the 14th.	8	Q. Would it be more convenient to get this in
9	MS. KIMBALL: With the pricing panel.	9	a record request or to wait until the next set of
10	Q. Please refer to Exhibit DPU-NG-23-14,	10	revised schedules and just provide it then?
11	Attachment 1.	11	A. We can do it either way. It's probably
12	A. Okay, I have that.	12	more efficient for us to do it as part of that
13	Q. In this attachment the company calculated	13	second revision to the revenue requirement, but it
14	inflation allowance as one item instead of including	14	would be up to what is better for you, I think.
15	it in multiple parts of the O&M. Does the company	15	MS. PIEPER: Our plan is and I think
16	intend to include this inflation allowance of	16	we discussed this briefly last week that we would
17	5,511,533 in their next revised cost-of-service	17	want a complete cost-of-service revenue requirement
18	schedules?	18	update at the end of hearings, so that people can
19	A. Just to clarify: This table was put	19	use it for briefing purposes. And everybody agrees
20	together per this request, asking the inflation	20	with that.
21	allowance as calculated throughout the revenue	21	MS. KIMBALL: Sure.
22	requirement, to put it into a tabular format,	22	MS. PIEPER: So with that same when
23 24	similar to something that had been provided in a	23 24	you provide that, you also want it similar to this
	previous case.	4	table?

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1	MR. WAGNER: Yes.	1	appropriate for utilities operating under a
2	MS. PIEPER: We won't issue a record	2	long-term rate plan? I have a copy of the relevant
3	request. It will just be a part of what you	3	section of DPU 12-25, if that would be helpful.
4	provide.	4	A. That would be helpful.
5	THE WITNESS: Yes.	5	Just give me one moment. I'm just going
6	MS. PIEPER: Thank you.	6	to review the section in my testimony.
7	Q. A couple of questions for clarification:	7	Okay.
8	Does the overall inflation allowance in this	8	Q. Does the company believe that the proposed
9	attachment account for all of the inflation	9	property tax mechanism falls under the category of
10	calculations done in the initial filing?	10	an exogenous cost recovery mechanism?
11	A. This accounts for those items where	11	A. From my understanding, the purpose of the
12	inflation was applied as the known and measurable	12	mechanism is for costs that are beyond the company's
13	adjustment. There may be some other schedules in	13	control, subject to certain thresholds and then
14	which inflation plays a role in addressing certain	14	further subject to potential credit for abatement
15	costs. These are the parts of the revenue	15	costs related to property taxes.
16	requirement in which that constituted the known and	16	I don't know exactly the Department's
17	measurable adjustment.	17	definition of exogenous cost recovery mechanisms. I
18	Q. And so all of those known and measurable	18	do see here the language that you said in your
19	adjustments would be removed if this was included?	19	question. I think that the focus of the exogenous
20	A. To clarify: The company's proposal is	20	cost factor is on that the costs are beyond the
21	to our proposal was to include inflation as it	21	company's control and potentially significant, with
22	was in the revenue requirement. This table just	22	Towns that are moving to this alternative form or
23	presents it differently. So the goal wasn't	23	approach to assessing property taxes.
24	necessarily to remove it from, for instance, Lines	24	And so I think that was the overall goal
	345		347
1	28 to 33 from this schedule. It was to update that	1	of the factor.
2	in the second revised cost of service, to represent	2	Q. Is the company currently operating under or
3	whatever was the most current numbers from those	3	proposing to begin operating under a long-term rate
4	schedules.	4	plan?
5	Q. Has the company demonstrated on the record	5	A. No.
6	the cost containment measures undertaken since the	6	 Q. Does the company specifically believe their
7	company's last rate case?	7	proposal is exempt from Department precedent
8	A. I know there are specific examples of that.	8	regarding exogenous cost recovery mechanisms?
9	For instance, Ms. Heaphy was just speaking to	9	A. I certainly wouldn't say the company thinks
10	overall health care expense and the company's	10	they're exempt from Department precedent. I think
11	programs there. We also provided some evidence	11	the company's view is that these costs are something
		12	that could reasonably be considered to be considered
12	about the company's insurance programs and the		•
13	benchmarking that it does within those programs.	13	for exogenous costs, given they're outside the
13 14	benchmarking that it does within those programs. So I think there are individual examples	13 14	for exogenous costs, given they're outside the company's control and potential significance.
13 14 15	benchmarking that it does within those programs. So I think there are individual examples on the record of efforts the company has taken to	13 14 15	for exogenous costs, given they're outside the company's control and potential significance. Q. Please refer to Exhibit DPU-NG-23-2.
13 14 15 16	benchmarking that it does within those programs. So I think there are individual examples on the record of efforts the company has taken to contain costs.	13 14 15 16	for exogenous costs, given they're outside the company's control and potential significance. Q. Please refer to Exhibit DPU-NG-23-2. A. Okay.
13 14 15 16 17	benchmarking that it does within those programs. So I think there are individual examples on the record of efforts the company has taken to contain costs. Q. Please refer to DPU-NG-23-4.	13 14 15 16 17	for exogenous costs, given they're outside the company's control and potential significance. Q. Please refer to Exhibit DPU-NG-23-2. A. Okay. Q. Does the response to this question concern
13 14 15 16 17 18	benchmarking that it does within those programs. So I think there are individual examples on the record of efforts the company has taken to contain costs. Q. Please refer to DPU-NG-23-4. A. Okay.	13 14 15 16 17 18	for exogenous costs, given they're outside the company's control and potential significance. Q. Please refer to Exhibit DPU-NG-23-2. A. Okay. Q. Does the response to this question concern the company's new property tax calculation method or
13 14 15 16 17 18	benchmarking that it does within those programs. So I think there are individual examples on the record of efforts the company has taken to contain costs. Q. Please refer to DPU-NG-23-4. A. Okay. Q. This line of questioning is regarding the	13 14 15 16 17 18 19	for exogenous costs, given they're outside the company's control and potential significance. Q. Please refer to Exhibit DPU-NG-23-2. A. Okay. Q. Does the response to this question concern the company's new property tax calculation method or the company's proposed property tax recovery
13 14 15 16 17 18 19 20	benchmarking that it does within those programs. So I think there are individual examples on the record of efforts the company has taken to contain costs. Q. Please refer to DPU-NG-23-4. A. Okay. Q. This line of questioning is regarding the company's proposal for a property tax exogenous	13 14 15 16 17 18 19 20	for exogenous costs, given they're outside the company's control and potential significance. Q. Please refer to Exhibit DPU-NG-23-2. A. Okay. Q. Does the response to this question concern the company's new property tax calculation method or the company's proposed property tax recovery mechanism?
13 14 15 16 17 18 19 20 21	benchmarking that it does within those programs. So I think there are individual examples on the record of efforts the company has taken to contain costs. Q. Please refer to DPU-NG-23-4. A. Okay. Q. This line of questioning is regarding the company's proposal for a property tax exogenous factor mechanism.	13 14 15 16 17 18 19 20 21	for exogenous costs, given they're outside the company's control and potential significance. Q. Please refer to Exhibit DPU-NG-23-2. A. Okay. Q. Does the response to this question concern the company's new property tax calculation method or the company's proposed property tax recovery mechanism? A. This response is focused on the property
13 14 15 16 17 18 19 20 21 22	benchmarking that it does within those programs. So I think there are individual examples on the record of efforts the company has taken to contain costs. Q. Please refer to DPU-NG-23-4. A. Okay. Q. This line of questioning is regarding the company's proposal for a property tax exogenous factor mechanism. Is the company familiar with the	13 14 15 16 17 18 19 20 21 22	for exogenous costs, given they're outside the company's control and potential significance. Q. Please refer to Exhibit DPU-NG-23-2. A. Okay. Q. Does the response to this question concern the company's new property tax calculation method or the company's proposed property tax recovery mechanism? A. This response is focused on the property tax calculation for purposes of the revenue
13 14 15 16 17 18 19 20 21	benchmarking that it does within those programs. So I think there are individual examples on the record of efforts the company has taken to contain costs. Q. Please refer to DPU-NG-23-4. A. Okay. Q. This line of questioning is regarding the company's proposal for a property tax exogenous factor mechanism.	13 14 15 16 17 18 19 20 21	for exogenous costs, given they're outside the company's control and potential significance. Q. Please refer to Exhibit DPU-NG-23-2. A. Okay. Q. Does the response to this question concern the company's new property tax calculation method or the company's proposed property tax recovery mechanism? A. This response is focused on the property

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1	tax recovery mechanism avoids recovery of property	1	recent information provided by the company was.
2	taxes associated with post-test-year plant	2	I don't know that, due to the timing of
3	additions specifically, how amounts included in	3	when FOLs are issued and when the municipalities
4	the mechanism, because of the adoption of the hybrid	4	make their tax assessments, if it would it
5	method, would account for evolving property tax	5	wouldn't necessarily be that exact year, because of
6	bases?	6	the lag that I've also described in my testimony.
7	A. The overall goal of both the property tax	7	But it would necessarily involve more updated
8	proposal in the revenue requirement as well as the	8	information.
9	exogenous cost factor are to provide a cost recovery	9	Q. And that updated information could include
10	for those costs those expenses that are most	10	capital that the company had installed after the end
11	reflective of the rate year expense for the company,	11	of this rate case?
12	so to capture its expense level, property taxes	12	A. Yes, to capture the expense level, which is
13	being one of those expenses incurred by the company.	13	based on the net book value of plant, then it would
14	And the calculation, as we've said here,	14	capture whatever that level was, which would involve
15	does involve or at least the calculation of the	15	changes to the capital amount post test year.
16	revenue requirement does involve the provision of	16	Q. That's all that I have for today.
17	what are called forms of list, which are items	17	MS. PIEPER: That's all the Department
18	produced by the company to the municipalities in	18	has for today. We're done with this witness, and
19	which they're taxed upon which the company the	19	we're done for the day. So let's go off the record.
20	municipalities base their property tax assessments,	20	This hearing is adjourned.
21	and that provision of those FOLs is the	21	(12:12 p.m.)
22	acronym gets to the most current and rate-year-	22	
23	like level of expense for purposes of what we're	23	
24	doing here.	24	
	349		351
1	O So if a company or a municipality mayor	1	DEDODTED'S CEDTIFICATE
2	Q. So if a company or a municipality moved to the hybrid calculation method in, say, 2020,	2	REPORTER'S CERTIFICATE
3	would you use the 2020 FOLs to determine the	3	I, Alan H. Brock, the officer before
4	increase for the mechanism?	4	whom the foregoing proceedings were taken, do
5	A. And so this would be an instance in which a	5	certify that this transcript is a true record of the
6	municipality moved to the hybrid method and that	6	proceedings on May 7, 2018.
7	method was over the threshold, so it kicked in,	7	proceedings on May 7, 2010.
8	effectively, the exogenous cost factor?	8	
9	Q. Yes.	9	
10	A. And the approach there would be to compare	10	Alan H. Brock, RDR, CRR
11	the results of that switch to the new method to	11	,
12	what's in the revenue requirement, and because that	12	
13	switch would necessarily be as of whenever the time	13	
14	that was made, the only way to calculate that	14	
15	difference would be based on the most current	15	
16	information.	16	
17	When a municipality switches to this	17	
18	hybrid method, though, it's not it's a hybrid	18	
19	method that involves net book value, which is the	19	
20	value per the FOL, as well as replacement cost new	20	
21	less depreciation, the acronym for which is RCNLD.	21	
22	So to the extent that the underlying basis for both	22	
23	of those is the net book value per the company's	23	
24	FOL, presumably it would reflect whatever the most	24	
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FARMER ARSENAULT BROCK LLC

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Gas Transformation



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Agenda

- Business Context: risk and opportunity
- National Grid's IS landscape: the need for action, but also change in direction
- Proposed Solution: roadmap including indicative timeline and costs
- Associated Benefits and critical enablers
- Next steps

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Gas Transformation Business Context

- There are significant growth opportunities for the US Gas Business through organic growth and acquisition
- However the situation we are in currently puts that at risk:
 - > Safety performance pockets of excellence but generally 3rd and 4th quartile
 - > Compliance is improving but there is still much to do to be where we want and need to be
 - Customer Satisfaction we are struggling to maintain performance and don't benchmark well
 - Performance we have lost visibility of work in the field to enable us to drive productivity
 - Engagement our employees are frustrated as they feel that the company is stagnating
- There are a number of contributing factors to our current situation:
 - Complex and broken processes that are performed inconsistently
 - Obsolete, duplicative and inflexible systems (call center, schedule/ dispatch, work mgmt.)
 - Loss of alignment between regulatory settlement, budgets and work delivery
 - Leadership capability and governance
- This also creates a material & growing operational risk that the PLC is carrying with potentially significant financial and reputational consequences from a gas incident
- To deliver our future growth potential and mitigate the PLC risks we need a holistic transformation of our gas distribution business making us truly process aligned, utilizing modern systems and building the capability of our people
 3

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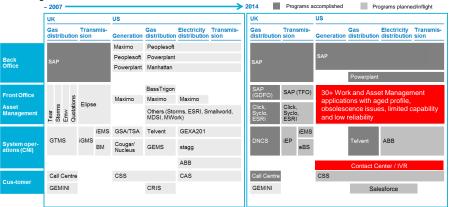
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National Grid's Technology Systems

- There has been a long term roadmap (2008) with the US work and asset management systems next to be replaced following USFP; but no progress has been made with the focus on stabilization
- Due to these delays our emergency work management systems are now 10-15 years old with credible obsolescence issues contributing to deteriorating reliability and a high likelihood of failure. Work needs to start on identifying the right replacement solutions for the US business
- There is an opportunity to use the investment updating our systems as a catalyst for business transformation that will not only address current performance challenges but lay the foundation for future growth.



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We need a new way....

- Due to financial constraints and a reduced risk appetite for large IT systems we need to manage over all costs but also be able to deliver in a modular way – delivering initial benefits quicker, building confidence as we go and mitigating potential for any sort of USFP style recovery process
- With so much change and future potential for change in the US energy and regulatory environment we need to ensure we maintain flexibility and agility to respond to requests and take advantage of future opportunities
- With the progress we have been making on becoming more process aligned we really wanted to leverage that approach as we think about our systems
- Building on the lessons learned from our USFP implementation:
 - > We need to ensure this is a business driven project with a significant IS element
 - We need to simplify and standardize our business requirements to enable value while reducing complexity, time to deliver and cost
 - We need robust testing and to have a phased implementation following a successful pilot
 - We need to ensure we have the capability to manage our delivery partners
- We are therefore proposing a BPM (Business Process Management) architecture and approach as we update our systems...this is new for the US business but is common in the external market place and aligned with the current thinking on Transmission Front Office in National Grid's UK business.

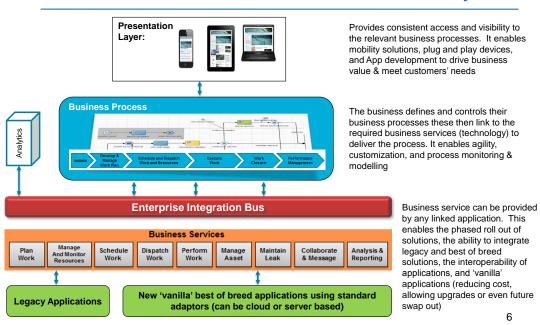
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Modular Architecture – Enables Incremental Build Out of Systems



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Technology Principles and Benefits

- Technology and process streams are highly interdependent and must align in parallel - will help us embed process into how we operate
- Business processes and capability requirements influence best of breed technology selection – solutions driven by business need focused on value creation
- Information bus and service based architecture mitigates the risk of customized independent systems that can't communicate with others but also avoids the need for monolithic systems break existing process and data silos to gain insight from enterprise data (one view of work in the field)
- Service driven architecture enables us to build the modular target system incrementally in a controlled manner – reducing implementation risk and phasing cost to implement
- Business Process Management tools sit above the core systems holding the business process requirements enabling:
 - minimal customization of standard industry packages
 - > continuous improvement, rapid process change and regulatory response
 - prototyping and simulation of proposed process changes

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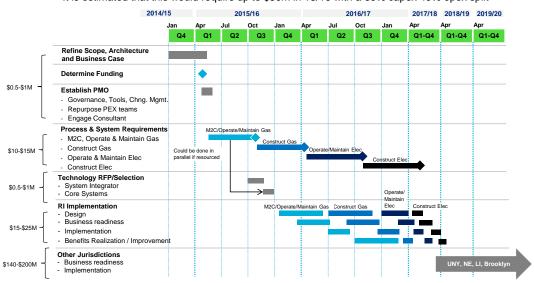
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Proposed Roadmap and Indicative Funding

- It is proposed to start in RI on maintain gas then build out in terms of process and geography, to balance cost, risk and significantly improve the likelihood of successful implementation
- It is estimated that this would require up to \$50m in 15/16 with a 60% capex 40% opex split



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High Level Business Benefits

Range of Estimated Annual Savings: \$20M - \$40M pa derived from process and system changes

	Annual Benefits		
	< \$250,000 - \$1,000,000 (Low)	\$1,000,000 to \$5,000,000 (Medium)	5,000,000 - \$10,000,000 (High)
Work Management	Reduce time spent collecting data and reporting information Improve material planning integration for various work types/orders	Improve process for managing work orders to completion – reduced waste & rework Reduce the time of processing manual work orders (Back Office)	Data to drive productivity More accurate accounting of time to Capex & Opex (will also support rate case filings) Reduced fines from PUC/PSC/DPU for non-compliance
Planning &Scheduling	Reduce Admin time associated with populating crew time sheets	Reduction in wasted travel time Reduction in time wasted due to material unavailability Improved Customer Satisfaction scores from increase of kept customer appointments	Reduce overtime through better planning & shift alignment Improved access and reduction in Unable to Complete jobs Increased utilization Improved information for rate case filings
Mobility	Reduce costs associated with printing Have full policies/procedures/asset locations available on trucks Mobility to expand and provide capability for navigation based on real time traffic and road conditions	Improved communications – video/photos with supervisors, email, internet access Mobile tablet or handheld electronic device to automate simple checklist type inspections, and eliminate data transcription/entry Improve stock control Improve training – infield device training	Reduce crew down time due to non functioning devices Reduce average time for crews to leave the barn/yard/work out location each morning Reduce fines from PUC/PSC for outdated procedures, maps Increase field time for supervisors to drive productivity

Additional non-tangible benefits anticipated include improved engagement, safety performance & customer satisfaction

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Beyond the technology there are a number of other things we need to put in places...

There are a number of things we need to ensure are in place to realize the potential:

- Strong program leadership, business ownership and sustained executive sponsorship of program, objectives and team
- Clear accountability and governance (incl. potential organizational structure impacts)
- Data structure & governance will be critical and should be dealt with up front
- Business change and readiness likely to be significantly more challenging than the technical solution and will need equal focus and effort
- Common work practices and minimal customization of systems need to be principles embedded in the heart of the program
- HiPo talent program should be integrated into deliver to maximize use of our best and brightest during and after implementation
- Supervisor development, developing our planning processes, Performance Hubs are central parts to the delivery of value from the program
- Regulatory and Labor strategies need to be closely integrated into the value realization plans
- Appropriate commercial management capability required to manage suppliers
- Evolution of IS delivery and support models to support program

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Thoughts, Questions & Next Steps

- Does the approach and direction make sense?
- Anything we need to follow up on?
- Desired next steps:
 - Confirm direction, funding potential, USET support
 - Identify core team and fund short term effort to define, scope & architecture
 - Put plans in place to move to implementation quickly



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Gas Business Enablement

Executive Offsite







October 1st 2015

Dean Seavers, Marie Jordan, Ross Turrini, Mike Calviou & Johnny Johnston



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Objectives for the day

- Context 10 min
 - Current state of the business
- Gas enablement ambitions 10 min
 - Create a long term business management approach to match our long asset life cycle
- Gas enablement approach 20 min
 - Deep dives by work stream
- Proposed Next Steps: Phase 1 20 min
- Question led discussion 30 min

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US Gas Business in 2015

Legacy Issues:

- Legacy company practices & processes never fully integrated & standardized
- Aged, duplicative & failing systems
- Data, Asset Record & Mapping Issues

- Culture of 'making do' instead of excellence

Rapidly Changing External **Environment:**

- Gas Safety never had higher profile Significant increase in regulatory focus (audits & fines) New legislation expected to material increase obligations on NG

Significant NG Growth Opportunities:

- Significant inorganic opportunities through acquisition & consolidation

Risk - of operational delivery from systems failures, fines from compliances findings (\$26.7M in fines received or in negotiation over last 2 years), safety failures due to issues with maps/records/systems

Historic Compliance issues - disjointed systems make it difficult to keep up with & demonstrate compliance with current obligations resulting in fines & adverse reputational impact

Future Compliance - our legacy systems hamper our ability to make timely changes to keep up with rule changes, frustrating regulators and putting the company at risk of further fines

Operational Performance – focus on in year performance has deterred from strategic improvements, resulting in a misalignment between regulatory funding and operational costs

Accessing future growth at risk - resource limitations limit ability to deliver organic opportunities. Reputation from compliance findings combined with broken processes and systems limit inorganic growth

Drivers/Challenges Business

Resulting Implications for the US Gas Business



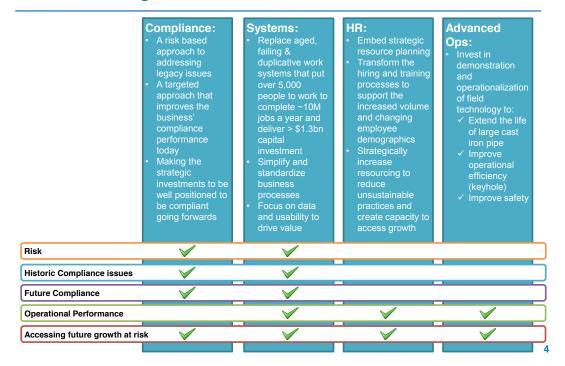
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Enablement developed around 4 work streams to transform the US gas business and address





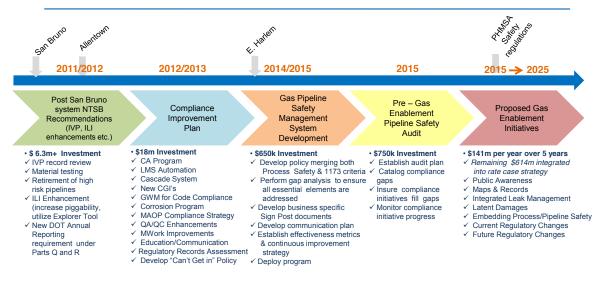
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Compliance: Adapting to a Dynamic Pipeline Safety Environment



A step change in performance needed to avoid future fines (\$26.7M in fines received or in negotiation over last 2 years)



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Compliance work stream details

Compliance initiatives	Main Cost line items	What this enables	Benefits
Resolving Existing Non-Compliance Issues	People, Training, Systems	Provides for resources, training and tools, to resolve past non- compliant programs and performance	Meeting full intent of existing mandated compliance programs. Eliminating pipeline safety risk due to non-compliance Minimizing financial penalties due to non-compliant programs
Adapting to Current and Future Regulatory Change	 People, Training, Systems IVP – 80 miles transmission main replacement Enabling robotic inspections & testing ROV's, system isolation Service Line Definition and over 1 million inside piping inspections 	Provides for resources and training and tools, to maximize our current compliance posture while efficiently preparing and adapting to emerging regulatory demands	Meeting today's mandated compliance requirements while preparing and building for what is expected tomorrow Eliminating ineffective "reactive" approach to imminent regulatory change Maximizing our ability to achieve pipeline safety / process safety visions
Enhancing Today's Performance - Process, Pipeline and Public Safety Improvements	Embedding process/pipeline safety culture Improving Public Awareness Program Enhancing QA/QC field presence and focus Latent damage assessments 3 rd party independent audits of gas compliance	Enables cultural adaptation to fundamental principles of process safety in day-to-day operations Paradigm shift in public safety education – transforming public awareness to public engagement Finding problems before they find us	Striking the right balance between process safety, pipeline safety and public safety to impact a sustainable culture shift in thinking Minimizing corporate and public safety risk associated with continued operation of one of the most mature distribution systems in the US



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IS work stream ambition – transform our processes, systems & behaviors

Today		Ambition	Anticipated Benefits
1. Old, unreliable Toughbook computer is mounted in the truck 2. Manual paper capture of data 3. Limited customer & job history	Field Employee	Modern Tablet device is in hand Electronic capture of data – barcodes/picture Visibility of asset & customer history	Compliance – more accurate capture of data Productivity – complete jobs quicker Waste reduction – get data right first time Customer Satisfaction – job history Engagement – right tools to do job
1. Limited performance data – historic, disjointed & time consuming 2. Required to plan work with limited visibility of all work or resources 3. Field issues generally require a visit to resolve	Field Supervisor	Live performance dashboards Central planning and scheduling of work to maximize utilization and work plan completion Video chat with employees to address issues remotely	Safety – getting right resource to right job at right time Compliance better visibility of work Productivity from more timely and relevant performance information Engagement from better communication with front line resources
Given all day appointments at a time suitable for the company No shows with no contact Call center unable to tell you what NG is doing in your street	Customers	Go online/app to book an appointment Receive real time updates – including when resources unavailable due to emergency work Call center has visibility but also can access directly online	Productivity from higher access and completion rate Cost reductions from reduced call center traffic due to enhanced self serve Customer Satisfaction

Key Design Principles: Usability, Visibility, Consistency & Agility



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How to make a big IT project, not a really big IT project

- 1. Golden Rules single leader, business sponsorship, robust governance
- 2. Capability invest in the right people & skills upfront
- 3. Process standardization and simplification make the investment in our processes upfront
- 4. Technology leverage the latest architecture



5. Phased Implementation – by working by process and geography we can turn one huge project into 16 much smaller more manageable ones.





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Business Process Standardization & IS implementation costs



¹Assumes a 60/40 CapEx/OpEx split, Does not account for overlap of phases, Includes contingency ²Allocation based on number of users in each jurisdiction. Pilot costs are allocated across all jurisdictions.

-Allocation based on number of users in each jurisdiction. Pilot costs are allocated across all jurisdictions.

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Resource, skills, capabilities & culture work stream

- · Embed strategic resource planning
- · Transform the hiring and training process for Gas
- Industry demands (increasing workload) are outpacing the supply of skilled craftsmen, leading to the need to hire, train, and retain the workforce required
- Availability of contracted crews is limited for this type of work so reduction through contractor use is not possible
- Unsustainable rate of overtime within Gas Field Operations, and Customer Meter Services with current levels of overtime of 25% - 40%

Cost: New FTE	\$185,000	
2000 straight hours (\$40)		\$80,000
500 OT hours (\$60)		\$30,000
Overheads		\$75,000
Benefit: displaces 2500 OT hours		
2500 hours * \$60 (OT)	\$150,000	
New FTE's cost is greater than the offset overtime hence increased cost (+ cost of hiring & training)		

Resource, skills, capabilities & culture initiatives	Main cost line items	What this enables	Benefits
Hire and train new FTEs	Hire 200 new FTEs Buy supporting equipment Train employees	 Increased capacity Reduces overtime to a more sustainable level of 20% Allows employees to complete work Trains employees how to properly do the work 	Increased delivery of work Increases productivity A more sustainable workforce



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Advanced Field Technology work stream

National Grid hosts one the oldest gas systems in the entire country with the highest number of miles of Leak Prone Pipe. Using new technology will both improve system performance, reduce system leaks and future costs to run the business.

Advanced technology initiatives	The state of the s		Benefits
Recondition and renew large cast iron pipe	Cured in place lining Invest in CISBOT technology	Reduces leaks and renews life by 50years Work on large pipe that would otherwise be inaccessible	Addresses all large cast iron mains in both in New York and New England
Buy keyhole equipment	Keyhole equipment Labor to use keyhole equipment	New drilling technology to reduce work to access pipe New FTE's trained o utilize the new keyhole equipment	Increased productivity, reduced third party damages, and improved public relations
Buy new leak detection equipment	New Picarro detection equipment for vans	Allow for leak detection in fast moving vans to cover a much larger distance on surveys	Improved pipeline safety and improved public relations



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What do we need to next

- 1. Create a small DEDICATED project team (and appropriately backfill) to take the gas enablement concept forwards over the next 6 months to:
 - Complete the next level of analysis, options & prioritization with appropriate support
 - Develop the strategic roadmap and detailed project plan based on appropriate phasing and deliverability
 - Clarify the timing, resourcing & funding requirements
 - Develop a refined Enablement Plan including regulatory strategy & funding plan
- 2. In parallel, look to pilot the approach process & technology to support plan & ask
- 3. Where there are critical 'no-brainer activities' move those forwards immediately

Create an Executive Steering Group of Dean, Andrew & Stephanie to stage gate progress and provide strategic direction

Use the 'Golden Rules' to stage gate progress & increase likelihood of success

4. Return to the Exec with an update, more detailed plan & ,if required, financial ask when complete

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Ask' ,The of Summary

Area Ask Outputs Central Team \$2M • Establish a PMO – governance & reporting established – including Golden Rules · Refine the Case for Change Develop the Prioritized & Phased Plan · Define the Ask & Benefits Case Develop the regulatory cost recovery strategy including for KEDNY/KEDLI rate cases Compliance \$1.5M 3rd party independent compliance assessment Plan Risk based compliance plan to address historic issues, current performance and strategic investments for future performance Compliance Public Awareness enhancements including Damage Prevention Web Portal Immediate 10 Compliance Analysts + 2 QA/QC Analysts Plastic Joining Compliance monitoring post East Harlem Actions Service Line Definition preparation · Tactical IS solutions IS Plan \$6M · Project principles & scope approved Target Data Architecture model developed (including ownership) Approach to process governance established with tool to support Detailed plan to map processes Target technology architecture approach confirmed Benchmarking with other utilities and other leading companies completed Key applications & devices selected Procurement strategy developed IS Pilot \$6M · First process (Collections) fully mapped Significant progress made on the build of a single process pilot HR Plan \$0.85M · Strategy and implementation plan including embedding strategic resource planning, transforming hiring & training processes HR Immediate \$0.65M · Refreshed strategic resourcing planning model · 3 FTEs on-boarded to support future hiring requirements Actions Advanced Ops \$0.35M Strategy and implementation plan including investment recommendation, deployment plan and regulatory recovery strategy \$0.3M · 3 supervisors embedded in NY & MA operations to deploy CISBOT & advanced lining techniques in the Advanced Ops **Immediate** Actions Risk Margin \$2.3M @ 10% 13 \$25.5M Total



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Questions for discussion with the Exec

- 1. Is it clear that due to the drivers and current situation the US gas business is in that a 'gas enablement' type project is required?
- 2. Do you agree the right priorities have been identified?
- 3. Are there any aspects you think are missing the team should consider?
- 4. Are you comfortable with the proposed 3 prong attack of Phase 1: i) completing the detailed planning and analysis, ii) in parallel looking to pilot the approach on process and systems to further inform the plan, and iii) progress with 'no-brainer' critical activities
- 5. Does the ask of \$25.5M and 6 months seem about right?
- 6. Have we got the right members on the steering group (Dean, Andrew & Stephanie)?
- 7. Anything else the team should consider?



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Appendices:

- Golden Rules
- Initial Assessment against Critical Success Factors
- Draft project structure
- Compliance Work Stream Phase 1 Details
- Systems Work Stream Phase 1 Details
- HR Work Stream Phase 1 Details
- Advanced Operations Work Stream Phase 1 Details



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Appendix:

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Golden Rules for Project Management

- All projects must have a clearly identified, single sponsor who will be accountable for ensuring the successful delivery of the project.
- 2 All project Sponsors will have successfully completed Project Sponsorship training through the National Grid Academy.
- 3 All projects will be assessed against the Project Management Critical Success Factors.
- Project Stagegating with clear exit and entry criteria must be strictly adhered to and progress signed-off by the Project Sponsor.
- 5 All projects must have a quality plan that defines how the project will operate to deliver the target outcomes to standards that meet the Project Sponsors expectations. The plan must be actively monitored throughout the life of the project and signed-off at each stage exit.
- © Projects can only proceed with failed exit or entry criteria on completion of a Risk Assessment and mitigation plan for each failed criterion again signed-off by the Project Sponsor.
- Oapability, skills and resourcing needs will be a mandatory entry criterion for all project Stages.
- 8 All projects will complete a post-completion review to confirm that the project objectives have been met and to gather any lessons that can be applied to future projects.



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Appendix: Assessment against Critical Success Factors

Area	Full Project	Phase 1	Basis/Comment
Active Sponsorship			Dean Seavers – still to complete Project Sponsorship training
Scope Management			Not enough work completed to define robust scope for whole project – scope of Phase 1 ask defined in pack
Clear Success Criteria			Desired outputs from Phase 1 defined
Rigorous Stage gating			Stage gating ambition articulated but criteria still to be defined
Business change/readiness		NA	Business change activities will need to be built into the plan
Good Governance Controls/Planning			
Partner Management	Too early	Too early	Procurement have been engaged on how they can support on partner selection but early stages
High Performance Team			Finding the right people to resource this project is probably biggest risk and needs further focus



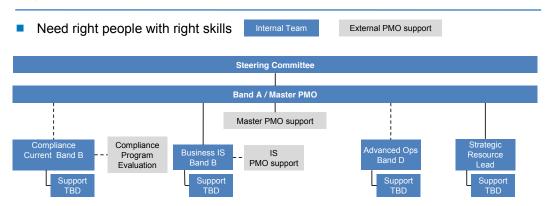
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Appendix: Draft Structure PMO



Departments with likely costs to support					
Department	Compliance	IS	Advanced Ops	Resourcing	
Regulatory	XX	XX	detailed XX	XX	
Network Strategy	XX	Xy tentified in	XX		
Human Resources	XX	us costs lovment plan	XX	XX	
Procurement	IIIU	XX X> X> Aventified in the control of the contro	XX		
Facilities	XX		XX	XX	



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Appendix: Compliance Work Stream Phase 1 Details

Six Month Spend	Key Outputs:
Compliance Strategy Development & Roadmap	3rd party independent compliance assessment
-\$300k - 2 FTEs	Risk based compliance plan to address historic issues, current
-\$1.2M consultancy	performance and strategic investments for future performance
-\$1.5M Total	
Public Awareness Enhancements	6 Public Awareness Liaisons
-\$500k - 6 Int FTEs	Begin the paradigm shift in public safety education – transforming
-\$1.5M consultancy	public awareness to public engagement
-\$2.1M Total	
Additional Compliance Analysts and QA/QC personnel -\$900k - 12 Int FTEs	10 Compliance Analyst and 2 QC/QC Analysts will enhance compliance oversight over our major operations. Additional support to continue to minimize corporate & public safety risk
-\$227k - License ,Equipment, Maintenance & Training -\$ 1,127M Total	associated with continued operation of one of the most mature distribution systems in the US
Complete implementation of plastic joining compliance monitoring - \$1.04M - Total (overall spend)	Developed database that captures all important information (including GPS location) of fuses - fuser, inspector, location, date, etc. that is for both internal crews and contractors. tablets in the hands of all internal crews to capture fuses being placed into service.
Begin GTI Inside Piping Risk Assessment to Address Service Line Definition Transition. - \$75k consultancy - \$250k equipment and training for inspections - \$325k Total	Preparitory work for implementation of service line definition (assume incremental inspections receive regulatory funding)
MDSI enhancements and compliance data warehouse. - \$500k consultancy - \$500k Total	Begins development of data warehouse and FDC improvement framework
Damage Prevention Education Web Portal. - \$400k consultancy -\$400k Total	Development of web portal program
Total: \$6.992M	



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Appendix: Systems Work Stream Phase 1 Details





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Appendix: HR Work Stream Phase 1 Details

Six Month Spend	Key Outputs:
HR Strategy Development & Roadmap -\$300k - 2 FTEs -\$500k consultancy -\$0.85M Total	Strategy and implementation plan including embedding strategic resource planning, transforming hiring & training processes
Strategic Resource Planning -\$ 125k - 1 FTEs - \$250k consultancy -\$ 375k Total	Refresh strategic resource planning model for US gas business to refine future hiring & capability requirements
Critical Recruiting Resources - \$300k - 3 FTEs - \$300k Total	Incremental resourses in resourcing to support future hiring requirements
Total: \$1.525M	



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Appendix: Advanced Operations Work Stream Phase 1 Details

Six Month Spend	Key Outputs:
Advanced Ops Technology Strategy Development & Roadmap -\$150k - 2 Int FTEs - 3 month secondment -\$200k consultancy -\$0.35M Total	Strategy and implementation plan including investment recommendation, deployment plan and regulatory recovery strategy
Deployment Supervisor Resources -\$ 300k - 3 Int FTEs -\$ 300k Total	3 supervisors embeded in NY & MA operations to deploy CISBOT & advanced lining techniques in the field
Total: \$0.65M	



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Gas Transformation - Update





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Agenda

- Reminder of the business context & the ask from February 5
- Summary of the work we have completed
- Proposed Solution: roadmap including indicative timeline and costs
- Program Risks
- Considerations for the Board
- Ask & Next steps



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Reminder of the context for Gas Transformation:

- There are significant growth opportunities for the US Gas Business through organic growth and acquisition
- However the situation we are in currently puts that at risk:
 - > Safety performance pockets of excellence but generally 3rd and 4th quartile
 - > Compliance is improving but there is still much to do to be where we want and need to be
 - Customer Satisfaction we are struggling to maintain performance and don't benchmark well
 - > Performance we have lost visibility of work in the field to enable us to drive productivity
 - Engagement our employees are frustrated as they feel that the company is stagnating
- There are a number of contributing factors to our current situation:
 - Complex and broken processes that are performed inconsistently
 - Obsolete, duplicative, disjointed and inflexible systems (call center, schedule/ dispatch, asset, GIS, work mgmt.)
 - Loss of alignment between regulatory settlement, budgets and work delivery
 - Leadership capability and governance
- This also creates a material & growing operational risk that the PLC is carrying with potentially significant financial and reputational consequences from a potential gas incident
- To deliver our future growth potential and mitigate the PLC risks we need a holistic transformation of our gas distribution business – making us truly process aligned, utilizing modern systems and building the capability of our people



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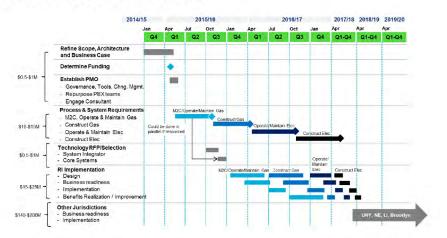
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Proposed Roadmap and Indicative Funding

■ We presented a 5 year \$200m+ plan....



 As the costs and timings were indicative you asked for us to do more work to give us more certainty around the timings, costs & benefits...



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What we have done over last 8 weeks

- Created a small steering group (Marie, Max, Ross and Vivienne)
- Completed a mini tender and selected Bridge Energy Group to provide independent expert advice to help us build consensus and answer your questions
- Completed the following:

	Discover	Collect	Analyze	nd
	Interviews – 14 VP interviews	5 Workshops with 49 business & IS SMEs	➤ Scope – Gas Work Management (incl electric short cycle) Recommendation	
A	Strong alignment & support on need for the project	 Visualization and integration of information and work Data to flow through the E-2-E process 	High level integration architecture – Service Driven Architecture (SDA) – supporting Business Process Management (BPM) approach Risks	
	Business principles	Plan, prioritize, schedule and track work	and Modular Implementation supported	
	➤ Usability ➤ Consistency ➤ Visibility ➤ Agility	 Ensure data is accurate with no need to "scrub" Technology enabled field data capture Enable compliance 	➤ Applications and technology – recommended Maximo and ClickSoftware as industry leaders ➤ Program roadmap –	
	Culture Survey	External Benchmarking	recommended a 5 year roll out but also gave a 4 year option	



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Key findings/recommendations

- There is a significant opportunity for consolidation and simplification (up to 177 application instances down to 28 with a similar reduction in interfaces)
- Support of the proposed BPM/SDA architectural approach well used in other industries; small number of examples in utility industry so far, but direction more are heading in; however it will mean a big change in approach for National Grid
- This project will require significant changes to processes, technology and behavior and will require a robust change management element to ensure success.
- Through the culture survey it showed that National Grid has historically been better at talking about change compared to doing it. We benchmarked comparably to other utilities in terms of change but when compared to non-utility benchmarks were behind on aligning processes & culture, engaging people and reinforcing change.
- Support of the phased approach to rolling out of processes & solution
- Critical success factors will include:
 - Agreement of standardized processes and governance strong process leadership
 - Unlocking data Silos and establishing effective information governance (enterprise level data architecture – Federated Data Hub, Data-as-a-Service, Data Lake)
 - Changes to the IS Delivery & Support model
 - Significant business change effort as part of the implementation



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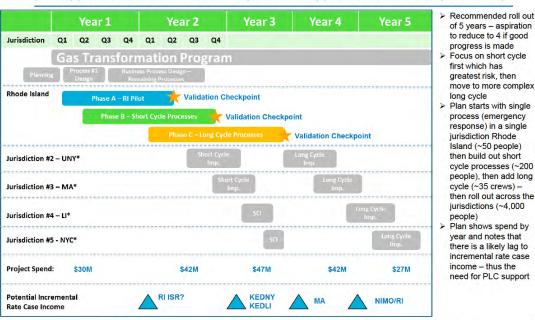
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Timeline: 4 - 5 year roll out (see Appendix A for definition of the phases & Appendix B for further pilot detail)



^{*} Note may want to change Jurisdiction order depending on rate case strategy - would always want to start with RI



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\$151M

\$9M

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\$188M Labor:

\$37M

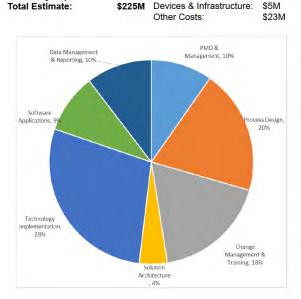
Estimated Cost:

+ Contingency:

Cost Estimate – confidence of +/- 25% with additional risk areas (see Appendix C)

Application Software:

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- PMO & Management: Program management, tracking, monitoring, controlling, includes steering committee – 12FTEs
- Process Design: Business resources providing subject matter expertise to design business processes, provide training and support testing and training – 25FTEs
- Change Management: Change coalition consisting of internal and external change agents, responsible for organizational design and development and development and execution of training – 19 FTEs
- Solution Architecture: Define the solution, integration, infrastructure and environment architecture – 4 FTEs
- Technology Implementation: Develop and implement the business processes and interfaces, responsible for testing and release management - 24 FTEs
- Software Applications: Vendor teams responsible for implementing and configuring the vendor software applications – 8 FTEs
- Data Management & Reporting: Team responsible for data architecture, analysis and conversion 10 FTEs

Resources flex through project. Peak resourcing is assumed at 125 FTEs (56 internal, 69 external)



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Cost Summary by Phase/Jurisdiction/year





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Benefits and incremental costs

Benefit Category	Measurable Benefits
Risk Reduction	 Reliable and supported systems for Emergency Response, fewer complaints and violations, and higher safety performance
Compliance	Fewer compliance violations
Operational Efficiency and Expense	 Less overtime work (CMS, C&M), Higher productivity (CMS, C&M), Optimized work scheduling (CMS, C&M), Lower downtime from technology failures
Employee Engagement	Lower turnover & training costs, Higher productivity, Improved Safety & Customer Satisfaction
Customer Satisfaction	Higher responsiveness, Shorter wait time for service
Agility	Regulatory relationships, Customer Satisfaction
Growth Ready	 Create a capacity for a price premium for future acquisitions due to value derived from implementing our IS solution. Also BPM/SDA approach likely to be valuable for Conect21 investments

Operational Savings:

Benefit (\$M/year)	CapEx	OpEx	Total	Assumptions and Rationale	
CMS Productivity Gain	\$ 1.9	\$ 5.0	\$ 6.9	Gain 40 minutes of productive time per day, per Technician – less rework, more jobs per day, better scheduling	
CMS Overtime Savings	\$ 1.1	\$ 2.9	\$ 4.1	The value of a 20% reduction in overtime cost – better	
NE C&M Overtime Savings	\$ 4.4	\$ 2.6	\$ 7.0	prioritization; resourcing tactics; shift requirements; seasonal balancing; and securing tools and materials. Benefit is either cost reduction or incremental capacity for value adding work	
NY C&M Overtime Savings	\$ 3.2	\$ 1.9	\$ 5.1		
Avoided fines	NA	\$ 11.5	\$11.5	Avoid half of the \$27M in fines paid in 2014.	
Total	\$10.6	\$23.9	\$34.6		

Operational Incremental Costs: IS RTB (Run the Business costs, likely to increase by \$7-10M pa



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Risks

Risk	Mitigation	
Business Units unable to coalesce around standardized business processes across jurisdictions	Strong project leadership, business support & executive sponsorship required Owner – Marie Jordan	
Leadership unable to support the process rigor and governance necessary to develop standard processes	Business Leadership support that we are going to be a process centric organization that supports standardization, build our process capability, strong change management and governance as part of the project Owner – Terry Sobolewski	
Information Services unable to transition current business model and vendor contracts to BPM approach	IS Leadership support that we are going to move to a BPM/SDA approach to IS delivery, build our BPM/SDA capability (plan to build a new co approach), strong change management and governance as part of the project Owner – Max Currie	
Enterprise has insufficient financial resources to fund the transformation over it's term	Need to identify a way to fund outside of core business to avoid ROE impact until funding included as part of the respective rate case Owner - TBC	
Enterprise Process and Change Management efforts are insufficient to support scale of program	These have been enhanced recently through the process teams and USFP BI, however will need to be further enhanced through the project through internal capability build and strategic external support Owner – Marie Jordan/Terry Sobolewski	
Organization is unable to pull key resources from the business and IS to participate in the transformation at the required times	Business & IS need to free up the right people to support this project Owner – Marie Jordan/Max Currie	
Existing application architecture could drive incremental costs into project – through complexity and /or duplication	Business will need to evaluate options and make decisions in particular for CSS/CRIS, Powerplan and GIS. Owner – Vivienne Bracken/Ross Turrini	



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Considerations for the PLC Board

- Due to the age and underinvestment in our work management systems the operational and reputational risks are such that doing nothing is the highest risk option
- Technology has evolved that allows us to replace these aged legacy applications in a phased way that breaks the problem down, reduces risk, gives greater visibility and control of progress (current plan breaks 1 big implementation into 11 mini ones)
- We will build on the original lessons from USFP (as summarized in the Charles Bayless report (see Appendix D)) and recent positive experiences of USFP BI to ensure the project is set up for success from the start
- This will be a challenging project to deliver from a business process as well IS
 perspective and so we will ensure it has the right resources and surround with
 appropriate governance to give visibility
- This solution will not only significantly reduce the risk we are carrying, it will enable the operation to meet its day to day compliance requirements, drive operational efficiency and gives us a robust platform for future growth.
- This is not in our current rate case filings, but is spend regulators will fund. To get the synergy savings of an enterprise wide solution (and support a timely implementation) the proposal is to look for the PLC to fund the central implementation and we will seek regulatory returns through each rate case filing.



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Ask/Next Steps

- Questions/concerns/does the direction still make sense?
- The project currently has no funding, but if we are to move forwards we need to be taking deliberate steps to make it a success – set up a team with right governance to move forwards
- It is assumed will need to go to Exec/Board in due course due to the scale of the project. Ideally would like to quickly source \$10m budget/funding to move forwards over next 6 months to maintain momentum
 - Set up project team
 - Develop implementation strategy Business and IS
 - Start procurement work
 - Develop emergency process
 - Define governance
- In parallel develop the full exec/board paper for sanctioning late summer as joined up with all the other gas transformation opportunities?
- Work with JPs & finance to develop the regulatory funding strategy



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Appendix A: Scope of Phased Work Processes

	Phase A - Leak Management & Survey	Phase B - Short Cycle Work	Phase C - Long Cycle Work	
•	Emergency Response Leak Management	Meter Work Meter/Bill Issues Collections Meter Changes Growth Work/Reinforcements Fitting PLUS Remaining Leak Management & Survey Surveillance/Follow Up Leak Survey	Main Replacement Service Replacement Main Retirement Damage Prevention Inspections I&R Special/Complex Projects Public Works/City & State Inspections	
		Interoperability*		
	Inventory Management Warehousing GIS	Meter Data ServicesCustomer Systems (CSS)	Human ResourcesFinance/Asset Accounting	

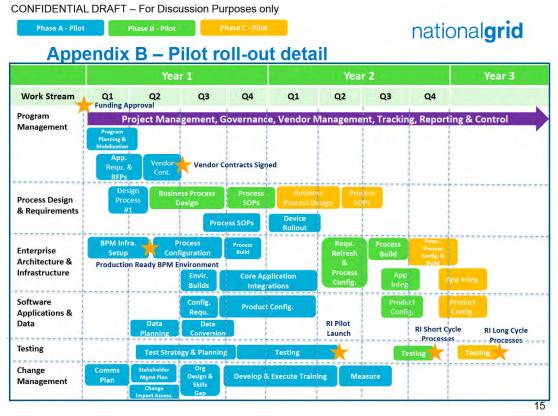
^{*}make systems interoperable without redesigning core business process



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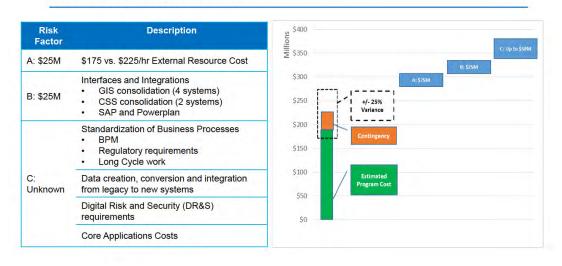
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Appendix C: Factors that Could Drive Costs Beyond +/- 25%

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Appendix D: Charles Bayless USFP Systemic Causes

Proximate Causes

- ·Weak prioritization
- •Weak stakeholder ownership of program
- Contractor Performance
- ·Vendor selection and management
- Culture of fear/distrust
 Underestimated complexity of
- business
- Didn't understand process complexities
- •No program integrator
- Bad system design (didn't pick up
- regional variance)
- •Too big a scope
- •Legacy organization structure
- •No process redesign when system designed
- Poor training preparationPoor assurance procedures
- •Transfer of UK plan to US w/o
- validation
- •EY under T&M, no deliverables
- ·Little point accountability
- Poorly conceptualized project
 Discouragement of negative results
- •Unstable organization post mergers
- •Inadequate testing
- ·Poor understanding of data integrity
- Weak communications
- •USFP reductions due to Marlborough

Root Causes

Weak human capital infrastructure

Personnel churn

Program Management Weakness

Little clarity on roles, responsibilities, authority w/I US and with PLC

Poor Organizational Change Management*

Absence of useful metrics

Poor risk awareness

Poor management of Business Objectives, Budget, Schedule trade-offs *

Systemic Causes

Managing events rather than processes

Debating rather than deciding

Seeking acceptable decisions rather than forcing optimal decisions

Working with the people we have rather than providing the people we need

Top down mandates versus bottom-up solutions.