

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

March 17, 2010 - 1:08 p.m.
Concord, New Hampshire

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RE: DE 10-020
GRANITE STATE ELECTRIC COMPANY
d/b/a NATIONAL GRID:
Default Service for the Period May 1, 2010
through July 31, 2010 for the Large Customer
Group and May 1, 2010 through October 31,
2010 for the Small Customer Group.

PRESENT: Chairman Thomas B. Getz, Presiding
Commissioner Clifton C. Below
Commissioner Amy L. Ignatius

Sandy Deno, Clerk

APPEARANCES: Reptg. Granite State Electric Company
d/b/a National Grid:
Sarah B. Knowlton, Esq.

Reptg. Residential Ratepayers:
Meredith Hatfield, Esq., Consumer Advocate
Office of Consumer Advocate

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
George McCluskey, Electric Division

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

ORIGINAL

I N D E X

PAGE NO.

WITNESSES: MARGARET M. JANZEN
SCOTT M. McCABE
MICHAEL W. MURPHY

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1C	Default Service filing for the Period Beginning May 1, 2010, including the Testimony and Schedules of Margaret M. Janzen and Scott M. McCabe (03-15-10) (CONFIDENTIAL & PROPRIETARY)	5
2	RPS Compliance Summary (REDACTED FOR PUBLIC USE)	5
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P R O C E E D I N G S

CHAIRMAN GETZ: Okay. Good afternoon, everyone. We'll open the hearing in docket DE 10-020. On January 29, 2010, National Grid filed a letter notifying the Commission that it would issue a request for proposals to procure Default Service for the period beginning May 1, 2010. In its RFP, National Grid is seeking a three-month power supply contract for its Large Customer Group for the period May 1 through July 31, 2010, and a six-month power supply contract for its Small Customer Group for the period May 1 through October 31, 2010. And, an order of notice was issued on March 3 setting the hearing for this afternoon.

Can we take appearances please.

MS. KNOWLTON: Good morning. Sarah Knowlton of the McLane law firm, here today for Granite State Electric Company.

CHAIRMAN GETZ: Good afternoon.

MS. HATFIELD: Good afternoon, Commissioners. Meredith Hatfield, for the Office of Consumer Advocate, on behalf of residential ratepayers.

CHAIRMAN GETZ: Good afternoon.

MS. AMIDON: Good afternoon. Suzanne Amidon, for Commission Staff. And, with me today is

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1 George McCluskey, an analyst with the Electric Division,
2 who is decidedly non-Irish.

3 CHAIRMAN GETZ: Good afternoon. Are you
4 ready to proceed?

5 MS. KNOWLTON: I do. I have a few
6 procedural matters, if I may, before we start. The first
7 is, I have a proposed Exhibit list and exhibits to mark
8 for identification. The first being the redacted version
9 of the Company's filing, I would propose to mark as
10 "Exhibit 1C" the confidential version of the filing; as
11 Exhibit 2, the RPS Compliance Summary in the confidential
12 form; Exhibit 3, the redacted version of the RPS
13 Compliance Summary; Exhibit 4, the confidential version of
14 the Indicative Bid Summary; Exhibit 5, the redacted
15 version of the Indicative Bid Summary, which I need to
16 provide after the hearing, if that is acceptable; and,
17 Exhibit 6, the Loss Factor Update, confidential version;
18 and then Exhibit 7, the redacted version of that Loss
19 Factor Update Report.

20 CHAIRMAN GETZ: The exhibits will be so
21 marked.

22 (The documents, as described, were
23 herewith marked as **Exhibit 1** through
24 **Exhibit 7**, respectively, for

1 identification.)

2 MS. KNOWLTON: Thank you. And, the
3 Company has also submitted a motion for confidential
4 treatment of the confidential documents, and I would ask
5 that that be granted.

6 And, then, the last procedural related
7 matter is we have three witnesses up on the stand, we
8 prefiled testimony of two. Ms. Janzen and Mr. McCabe are
9 the witnesses who submitted testimony. The Company has
10 Mr. Michael Murphy on the stand, who is able to address
11 issues relating to the Loss Factor Report. So, I thought,
12 if it is acceptable to the Commission, to go ahead and
13 have him join the others as a panel, in the event that
14 there are questions on that Loss Factor Report.

15 CHAIRMAN GETZ: That would be fine.

16 MS. KNOWLTON: Okay. Thank you. May I
17 proceed?

18 CHAIRMAN GETZ: Please.

19 (Whereupon *Margaret M. Janzen, Scott M.*
20 *McCabe*, and *Michael W. Murphy* were duly
21 sworn and cautioned by the Court
22 Reporter.)

23 MARGARET M. JANZEN, SWORN

24 SCOTT M. McCABE, SWORN

[WITNESSES: Janzen|McCabe|Murphy]

MICHAEL W. MURPHY, SWORN

DIRECT EXAMINATION

BY MS. KNOWLTON:

Q. Good morning -- good afternoon, Ms. Janzen. How are you today?

A. (Janzen) Fine. Thank you.

Q. Would you state your full name for the record please.

A. (Janzen) My name is Margaret Janzen.

Q. And, by whom are you employed?

A. (Janzen) National Grid, Granite State Electric Company.

Q. In what capacity?

A. (Janzen) I'm the Director of the Electric Supply/Distributed Generation Group.

Q. And, did you -- are you familiar with the testimony that has been a marked as "Exhibits 1" and "1C" today?

A. (Janzen) Yes. I am.

Q. And, was that prepared by you or under your direction?

A. (Janzen) It was prepared under my direction.

Q. Do you have any corrections to that testimony?

A. (Janzen) No, I do not.

Q. If I were to ask you the questions today in your testimony, would your answers be the same?

A. (Janzen) Yes, they would be.

MS. KNOWLTON: Thank you. Could you

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[WITNESSES: Janzen|McCabe|Murphy]

1 swear the next witness please.

2 (Court reporter indicating that all
3 three witnesses were sworn in at the
4 same time.)

5 MS. KNOWLTON: You did them all? Okay.
6 Great.

7 BY MS. KNOWLTON:

8 Q. Mr. McCabe, would you please state your full name for
9 the record.

10 A. (McCabe) Scott McCabe.

11 Q. By whom are you employed?

12 A. (McCabe) National Grid.

13 Q. In what capacity?

14 A. (McCabe) I'm a Principal Analyst in the Regulation and
15 Pricing Department of the Electric Distribution Group
16 at National Grid.

17 Q. Are you familiar with the testimony that's been marked
18 as "Exhibits 1" and "1C" today?

19 A. (McCabe) Yes.

20 Q. And, was that prepared by you or under your direction?

21 A. (McCabe) Yes, both.

22 Q. Okay. And, do you have any corrections to that
23 testimony?

24 A. (McCabe) I do have a few minor corrections, and I'll

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[WITNESSES: Janzen|McCabe|Murphy]

1 walk you through them. If you could please turn to
2 Page 8 of my testimony, which is Bates stamp Page 108.
3 This is a simple correction. On Line 21, the second
4 half of the sentence reads "53,456 was been recovered",
5 and that should read "has been recovered".

6 On the next page, on Page 9 of my
7 testimony, also on Line 21, the rate on Line 21 should
8 be "0.123" and not "0.121".

9 If you could please turn to Page --
10 Bates stamp Page 139. The total in column (e), which
11 currently reads "31,582", that should read "41,162".
12 There was just a formula error in the spreadsheet.

13 And, finally, on --

14 CMSR. IGNATIUS: I'm sorry. Could you
15 repeat that last number please, what it should be.

16 WITNESS McCABE: It should be "41,162".

17 CMSR. IGNATIUS: Thank you.

18 CONTINUED BY THE WITNESS:

19 A. (McCabe) And, finally, on Bates stamp Page 141, I list
20 the months on the left-hand side of the schedule. And,
21 the months listed as "January 2010" should be
22 "January 2011". And, in Footnote (a) at the bottom of
23 the page, the date "February 2009" should be
24 "February 2010". And, those are all the corrections.

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[WITNESSES: Janzen|McCabe|Murphy]

1 BY MS. KNOWLTON:

2 Q. Thank you. With those corrections, if I were to ask
3 you the questions that are contained in your prefiled
4 testimony today, would your answers be the same?

5 A. (McCabe) Yes.

6 MS. KNOWLTON: Thank you. The witnesses
7 are available for cross-examination..

8 CHAIRMAN GETZ: Thank you. Ms.
9 Hatfield.

10 MS. KNOWLTON: Actually, should I
11 qualify Mr. Murphy now or do you want to wait and see if
12 there's questions for him?

13 CHAIRMAN GETZ: Let's do that.

14 MS. KNOWLTON: Qualify him. Thank you.

15 BY MS. KNOWLTON:

16 Q. Mr. Murphy, please state your full name for the record.

17 A. (Murphy) Michael William Murphy.

18 Q. And, by whom are you employed?

19 A. (Murphy) National Grid.

20 Q. And, in what capacity?

21 A. (Murphy) I'm the Manager of Electric Wholesale and
22 Retail Load Settlement.

23 Q. What is your educational background?

24 A. (Murphy) I have a Bachelor's degree in Economics and

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[WITNESSES: Janzen|McCabe|Murphy]

1 then also a MBA.

2 Q. Would you briefly describe your job duties for the
3 Company.

4 A. (Murphy) My job consists of overseeing the load
5 settlements, energy settlements, and ICAP settlements
6 for the New York wholesale and retail markets, which is
7 upstate and downstate, and the New England markets as
8 well.

9 Q. Are you familiar with the document that has been marked
10 as "Exhibit 6", confidential version, and "Exhibit 7",
11 the redacted version, which is titled "National Grid
12 Update New Hampshire Load Zone Loss Factor Decline
13 March 2010"?

14 A. (Murphy) Yes, I am.

15 Q. Was that prepared by you or under your direction?

16 A. (Murphy) Yes, it was, prepared by me.

17 MS. KNOWLTON: Thank you. Now the
18 witnesses are available for cross-examination.

19 CHAIRMAN GETZ: Ms. Hatfield.

20 MS. HATFIELD: Thank you, Mr. Chairman.
21 Good afternoon.

22 CROSS-EXAMINATION

23 BY MS. HATFIELD:

24 Q. Mr. McCabe, could you please turn, I'm using the

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[WITNESSES: Janzen|McCabe|Murphy]

1 confidential version, so Exhibit 1C, and could you
2 please turn to Bates Page 120.

3 A. (McCabe) Okay.

4 Q. Do I understand correctly that the Company is proposing
5 a rate for residential customers of just over 7.1
6 cents?

7 A. (McCabe) That's correct.

8 Q. And, I'm wondering, I looked at Schedule SMM-4, which
9 starts on Page 126, and I believe that shows your RPS
10 compliance costs, is that correct?

11 A. (McCabe) Yes, it does.

12 Q. And, how much of the 7.1 cents shown on Page 120 is
13 made up by the RPS costs?

14 A. (McCabe) There are two components of the 7.155 cents,
15 which are related to the RPS costs. One component, if
16 you're looking back on Page 120, Schedule SMM-2, we
17 have a "Proposed Renewable Portfolio Standard Adder",
18 which is calculated in Ms. Janzen's testimony, and
19 that's listed on Line 17 of SMM-2. So, that's the
20 first component.

21 Q. And, do I understand correctly that's 0.2 cents?

22 A. (McCabe) That's correct.

23 Q. Okay.

24 A. (McCabe) And, the second component, which is actually

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[WITNESSES: Janzen|McCabe|Murphy]

1 related to the schedule which you pointed to, Schedule
2 SMM-4, we have calculated a piece of the -- we have
3 incorporated the over-collection for the RPS Portfolio
4 Standard for the years 2008, 2009, and there's an
5 over-collection of approximately 50 -- well, it's
6 \$52,915. And, we have included that over-collection in
7 the calculation of the Default Service Adjustment
8 Factor, which is calculated in Schedule SMM-7. So, if
9 you turn to Schedule SMM-7, you'll see that, on Line 2,
10 there's a "Renewable Portfolio Standard obligation Over
11 Collection", and that over-collection is factored into
12 the Default Service Factor. So, those are the two
13 components of the retail rate proposed for May 1st that
14 are related to RPS.

15 Q. Thank you. And, the Company uses an RFP process for
16 its RPS compliance, is that correct?

17 A. (Janzen) That is correct.

18 Q. And, Mr. McCabe, turning to the very last page of the
19 filing -- or, actually, let me ask you, before we turn
20 to that, the new rate, the 7.1 cents, is that an
21 increase or a decrease from the current period?

22 A. (McCabe) That is a decrease.

23 Q. Thank you. Turning to the last page, Bates Page 186,
24 this is a Customer Migration Report, correct?

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[WITNESSES: Janzen|McCabe|Murphy]

1 A. (McCabe) Yes, it is.

2 Q. And, am I reading it correctly to show that 69 percent
3 of your G-1 customers, based on kilowatt-hours used,
4 have gone to competitive suppliers?

5 A. (McCabe) That's correct, as of December 2009.

6 Q. And, so, the total percentage is 31 percent?

7 A. (McCabe) I'm sorry, I don't understand the question.

8 Q. In the bottom right-hand corner?

9 A. (McCabe) Oh. I'm sorry. Yes. Yes, the total is
10 31 percent.

11 MS. HATFIELD: Mr. Chairman, the OCA has
12 not had time to review the load -- excuse me, the Loss
13 Factor Report that the Company just provided. But my
14 understanding is that Staff has significant cross in that
15 area. So, I'll defer to Staff on that issue. Thank you.

16 CHAIRMAN GETZ: Ms. Amidon.

17 MS. AMIDON: Thank you. As Attorney
18 Hatfield just said, we do have some questions on the
19 National Grid Update New Hampshire Load Zone Loss Factor,
20 and I believe that was identified as "Exhibit 6", in terms
21 of its confidential form.

22 BY MS. AMIDON:

23 Q. The first question relates to the history of this
24 issue. And, I know, Ms. Janzen, you were not involved

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[WITNESSES: Janzen|McCabe|Murphy]

1 back in docket DE 08-011, which was the 2008 Default
2 Service docket for the Company's Default Service
3 solicitations. But would you accept it that, before
4 the hearing, Mr. McCluskey reviewed the Company's
5 monthly loss trend factor and found a significant
6 decline in the factor over a period of time? And, I
7 see Mr. Murphy is nodding, if either of you can answer
8 the question.

9 A. (Janzen) Yes.

10 Q. And, as a result of that, the Staff introduced an
11 exhibit at that hearing in September 2008, which was
12 marked as "Exhibit Number 16", which showed Staff's, in
13 graph form, Staff's analysis of the rolling 12 month
14 trend in the loss factor between April 7th and
15 June 8th. I know that Attorney Knowlton provided a
16 copy to one or more of you. Would you like to address
17 these questions, Mr. Murphy, or shall leave it to
18 Ms. Janzen?

19 A. (Murphy) No, I can do it.

20 MS. AMIDON: Okay. And, I don't think
21 this needs to be marked as an exhibit here. But, just for
22 the information for the Commissioners, this is the exhibit
23 that I'm referring to. And, if you would like me to mark
24 it for identification, I do have copies for the

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[WITNESSES: Janzen|McCabe|Murphy]

1 stenographer and for the Clerk.

2 CHAIRMAN GETZ: Well, I think reference
3 to the previous proceeding is sufficient.

4 MS. AMIDON: Thank you.

5 BY MS. AMIDON:

6 Q. So, if you look at this graph, it shows a decline in
7 the loss factor for the Small Customer group, from
8 approximately 6.5 to 4.5 over the covered period, is
9 that correct?

10 A. (Murphy) That's correct.

11 Q. And, for the Large Customer Group, the decline was
12 approximately 4.8 to 3.2 for the same period, is that
13 right?

14 A. (Murphy) That's correct.

15 Q. And, at that time, at the September 2008 hearing, the
16 Company said it wasn't prepared to address or could not
17 explain the reasons for this declining loss factor and
18 requested additional time to examine the problem, is
19 that correct?

20 A. (Murphy) That's correct.

21 Q. That initial report looking at the reasons for this
22 loss factor was filed in the 2009 docket, Docket Number
23 DE 09-010, and it was filed in March 2009, is that
24 right?

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[WITNESSES: Janzen|McCabe|Murphy]

1 A. (Murphy) That's correct.

2 Q. And, at that time, the Company said that it felt that
3 it had corrected the problem and needed to look at the
4 data over a period of 12 months to determine if that
5 was an effective resolution of the problem, is that
6 correct?

7 A. (Murphy) I think it was partially so. I think there's
8 multiple components of the problem.

9 Q. Right. Which is addressed, I believe, in Exhibit 6?

10 A. (Murphy) Yes.

11 Q. But this March 2010 report sort of summarizes the
12 investigation that went on through those 12 months to
13 update the March 2009 report, is that right?

14 A. (Murphy) That's correct.

15 Q. And, I don't know who can address this question, but
16 could you please explain why you think the figures
17 attached to Exhibit 6 are confidential?

18 MS. AMIDON: And, perhaps this is
19 something -- this is legal argument. But I just want to
20 make the observation for the Commission that this is
21 historical data. And, I don't -- I question whether it is
22 confidential or I question the need for it to remain
23 confidential.

24 BY THE WITNESS:

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[WITNESSES: Janzen|McCabe|Murphy]

1 A. (Murphy) I would say that, if there is open settlement
2 periods involved in that time frame, it would probably
3 be subject to confidential status.

4 BY MS. AMIDON:

5 Q. And, understanding that Ms. Knowlton may want to
6 address this later, but what has been settled? What
7 period of time has been settled at this point?

8 A. (Murphy) '07, 2007, 2008, portions of 2009. And, we're
9 still in the end of 2009, a little bit.

10 Q. Okay. And, when you mean "settled", could you please
11 explain what you mean by that term?

12 A. (Murphy) Okay. I would say that's when the settlement
13 window closes at the ISO-New England. So, there will
14 be -- adjustments would be precluded from being made
15 after those firm timeframes.

16 Q. So, by "settlement", do you mean that the process
17 whereby a company is allowed to make adjustments at ISO
18 for some particular factor or information?

19 A. (Murphy) That's correct.

20 Q. Could you explain a little bit more what that -- what
21 is adjusted?

22 A. (Murphy) Okay. This would follow normal processing
23 pursuant to meter data collection efforts. And, there
24 are normally prescribed windows that we work with in

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[WITNESSES: Janzen|McCabe|Murphy]

1 the markets in New England that have to deal with the
2 37 hour initial settlement, and then there is a -- what
3 we term a "resettlement", that's very prescribed in
4 terms of dates for both the wholesale part of our
5 business and the retail part of our business. And,
6 this is all per the manuals established by the ISO-New
7 England.

8 MS. AMIDON: Mr. McCluskey would like to
9 ask a follow-up in that regard.

10 BY MR. McCLUSKEY:

11 Q. When you refer to "settlement" at the ISO, are you
12 saying that the loads for a particular National Grid
13 company and the associated wholesale power costs have
14 been established and can't be changed? Is that what
15 you mean by "settlement"?

16 A. (Murphy) I would say that the loads are submitted and
17 can't be changed. I don't really address costs in my
18 purview. But it would be -- there are firm load dates,
19 so this is quantity-related.

20 Q. But, if the loads were settled, wouldn't that determine
21 the Company's allocation of power costs?

22 A. (Murphy) Yes.

23 MR. McCLUSKEY: Thank you.

24 BY MS. AMIDON:

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[WITNESSES: Janzen|McCabe|Murphy]

1 Q. Well, continuing with Exhibit 6, if you look at Figure
2 3, at the top it says "% Loss Variance", and at the
3 bottom of this graph it says "Months 2007 through
4 2009". And, then, the months appear to be at the odd
5 numbered months, it says "1", "3", "5", etcetera, up
6 through "35". If you look at this, probably what would
7 be the 2008 section of this, although I'm not sure what
8 section that is, would that roughly correspond to the
9 analysis that Mr. McCluskey did, which is in Exhibit 16
10 in the prior docket?

11 A. (Murphy) Yes.

12 Q. Okay. And, does each point here in this exhibit
13 indicate an actual loss factor for that month or an
14 average loss factor for that month or a rolling
15 average?

16 A. (Murphy) I believe these were actuals.

17 Q. If you would please, what month and year is represented
18 by the number "1" here on this graph?

19 A. (Murphy) Number "1" would represent January 2007.

20 Q. And, so, how about month 23, what would that be? I
21 mean, as illustrated on this graph?

22 A. (Murphy) Month "23" would be November 2008.

23 Q. And, how about 35?

24 A. (Murphy) "35" would be November 2009.

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[WITNESSES: Janzen|McCabe|Murphy]

1 MS. AMIDON: One moment please.

2 (Short pause.)

3 BY MS. AMIDON:

4 Q. And, so, beginning with January 2007, would you agree
5 that the loss factor for the Small Customer Group is
6 just below 6.00, is that correct?

7 A. (Murphy) Yes.

8 Q. And, would you just describe what happens to that until
9 we get to month "23", which you said is November 2008.

10 A. (Murphy) Yes. And, it was pointed out by Staff, there
11 was a decline in the loss factors over this period of
12 time, from January 2007 to what is indicated by the
13 marking on the bottom, number "23", which would be
14 November 2008. And, this is what was discussed in the
15 previous proceeding.

16 Q. And, to what level did that loss factor decrease, as
17 represented on this graph?

18 A. (Murphy) As we started out, and you just indicated, it
19 was just below 6.00 percent in January 2007. And, the
20 best I can see here, it is right near 2.00 percent at
21 the "23" mark, which would reflect November 2008.

22 Q. And, again, if you look between the months, "23",
23 there's another, I guess it's a triangle, I'm assuming
24 that represents month 24, is that correct? It's not

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[WITNESSES: Janzen|McCabe|Murphy]

1 marked as number "25".

2 A. (Murphy) Yes, the line up. Yes.

3 Q. And, then, as you move up for the Small Customer Group,
4 there is, for month "25", the loss factor goes above
5 6.00, is that correct?

6 A. (Murphy) That's correct.

7 Q. And, did the loss factor actually shoot up like this or
8 is there some other explanation for why this increase
9 occurred?

10 A. (Murphy) The loss factor did increase, and there is an
11 explanation I believe for this. And, that is that we
12 -- it's our belief that there were two problems here.
13 One was a modeling problem that caused a decline that
14 was in the loss factors that was pointed out by Staff,
15 and you can see that in the declining loss factors in
16 2008. There was a second part of the problem that we
17 believe is the inaccurate measure at our Tewksbury
18 wholesale PTF tie line point. And, this is proven, and
19 we believe that it is unpredictable in nature. So that
20 the losses, again, instead of showing a decline in the
21 2009 timeframe, as you look to the right of the
22 schedule, show an increase.

23 Q. Did the Company make an adjustment to the loss factor
24 after November 2008, which could account for this

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[WITNESSES: Janzen|McCabe|Murphy]

1 increase?

2 A. (Murphy) I'm -- could you clarify your question please?

3 Q. I believe that, at the hearing, the Company understood
4 that there was an error and decided to use a loss
5 factor that was applicable to a prior period, do you
6 recall that?

7 A. (Murphy) Yes.

8 Q. Could that explain this increase for month 25?

9 A. (Murphy) I believe that there was corrections made.
10 One was the modeling correction that we made, when we
11 resettled the wholesale data. We were here in March at
12 the previous proceeding, and I believe the wholesale
13 data was resettled back to January of 2009. And, that
14 was reflecting the change and the correction of an
15 improper modeling, in the settlement modeling. And,
16 that adjusted the losses upward, if you will, that the
17 resultant was an upward adjustment of the losses. And,
18 we thought basically at that point the losses would be
19 more modeled like 2007.

20 Q. Okay.

21 A. (Murphy) What our findings were is, because of this
22 unpredictability in this meter tie point at Tewksbury,
23 as I indicated, that has not been repaired yet, but is
24 scheduled to be repaired, that we're seeing those

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[WITNESSES: Janzen|McCabe|Murphy]

1 results in 2009 that are, I believe, too high.

2 Q. Thank you. Could you explain what happens at month
3 "35", where there appears to be a reduction?

4 A. (Murphy) That is basically just no data on the graph.

5 Q. Okay.

6 A. (Murphy) It's just an administrative end to the data.

7 Q. Okay. Thank you. Turning to the report itself, which
8 is the text or the technical statement that describes
9 the load zone loss factor decline, as you indicated, it
10 says that there were factors that contributed to the
11 loss factors used in the Company's Default Service
12 filing, and they were "incorrect" based on a settlement
13 model "and the somewhat unpredictable and varied New
14 Hampshire load zone tie [measurement] at Tewksbury",
15 was that accurate?

16 A. (Murphy) That's correct. Yes.

17 Q. And, then, in Paragraph 4 of the technical statement,
18 which is Exhibit 6, at the last sentence, again, the
19 Company talks about the "inherent unpredictability of
20 the meter measurement at Tewksbury", is that correct?

21 A. (Murphy) Yes. That's correct.

22 Q. Is it fair to say that what this means is that the
23 Tewksbury meter is faulty?

24 A. (Murphy) The Tewksbury meter, while compliant per the

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[WITNESSES: Janzen|McCabe|Murphy]

1 ISO-New England regulations under OP-18 is found to be
2 unpredictable. And, we are in the process of
3 completing the site work and engineering analysis to
4 replace that meter and the instrument transformation
5 which is associated with that meter.

6 Q. So, it's fair to say that the meter was unpredictable
7 enough to require its replacement?

8 A. (Murphy) That's correct.

9 MS. AMIDON: Okay.

10 BY MR. McCLUSKEY:

11 Q. Mr. Murphy, could you explain how the Tewksbury meter
12 is considered to be "compliant" with the ISO
13 requirements, and it's providing loss indications of up
14 to 10 percent that I believe you've just said is higher
15 than you would have expected?

16 A. (Murphy) The ISO requirements speak to the accuracy of
17 the measuring device. So, when some -- a tester would
18 go test the measuring device, at any time they would
19 see that it would be accurate. That the issue here we
20 believe is that the measure varies in a non-correlated
21 proportion to the loading of those two transmission
22 lines. So, it is a variable condition.

23 Q. And, you wouldn't experience -- you would presumably
24 experience the same conditions with a new meter,

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[WITNESSES: Janzen|McCabe|Murphy]

1 correct?

2 A. (Murphy) The new meter may test, again, test the same
3 and be as accurate in a meter test. The issue is, is
4 how the instant -- site installation metering and
5 instrument transformation measures under load. So,
6 there are times we believe that this does measure, you
7 know, as you were thinking, in a correct manner. And,
8 there are other times, relative to the unpredictable
9 manner, in variation to the loading of the lines, that
10 it does not.

11 Q. But you seem to be saying it's an equipment problem?

12 A. (Murphy) Yes, I believe it is.

13 Q. And, you think that equipment problem will be addressed
14 by replacing the meter?

15 A. (Murphy) The meter and associated instrument
16 transformation, yes. Or, I should say "instrument
17 transformation".

18 Q. Okay. I'm still trying to understand how the
19 combination of the meter and the associated equipment
20 meets the ISO requirements, if it produces an
21 inaccurate result in combination?

22 A. (Murphy) The ISO requirements pretty much speaks to a
23 type of device, and the guidelines for the testing that
24 would be reflected here in these results are a

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[WITNESSES: Janzen|McCabe|Murphy]

1 combination of instruments. So, it's not testing just
2 the one meter. Each one of these pieces of equipment
3 has standards which they are calibrated by. And, it's
4 the combination of all those, the summation, if you
5 will, in terms of accuracy effect of all the
6 instruments at this site, would be the total accuracy
7 of that site measure. So, the meter is one component
8 of this.

9 MR. McCLUSKEY: Okay. Thank you.

10 BY MS. AMIDON:

11 Q. Well, if the wholesale meters are faulty or inaccurate,
12 what are the implications for the power costs for the
13 Company?

14 A. (Murphy) Well, I would say that the wholesale meters in
15 and of themselves measure quantity, that would be then
16 applied to a price, as well known. And, I think that
17 it is, you know, incumbent and desired to have an
18 accurate result, you know, to be settled with the
19 ISO-New England, so that it's reflected accurately
20 against the location-based marginal price. So, to the
21 extent that there are quantities that, *per se*, don't
22 belong, you know, where an accurate -- a 100 percent
23 accuracy would be, which is not mandated, you know, the
24 price could be inflated or decreased, depending on

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[WITNESSES: Janzen|McCabe|Murphy]

1 where the loads fell. I mean, it could be variable.

2 It could be up or down. It's not just an increase.

3 BY MR. McCLUSKEY:

4 Q. Assuming that the meters are measuring wholesale loads
5 that are lower than actual, an assumption, would this
6 increase or decrease Grid's power bill?

7 A. (Murphy) This would be between two of our load zones.
8 It would be between the New Hampshire load zone and the
9 west/central Massachusetts load zone. So that the tie
10 line connects those two load zones. So, it would be --
11 it would be a shift between those two load zones.
12 Then, and depending upon what the prices were, it could
13 be either. But that's where the loads should shift
14 between.

15 Q. Okay. But the assumption here is that this particular
16 configuration is measuring loads lower than expected,
17 producing a lower than expected loss factor. That's
18 the assumption that I'm placing in front of you.

19 A. (Murphy) Okay.

20 Q. Would the Company's power bill be higher or lower under
21 that situation? Ms. Janzen.

22 A. (Janzen) That would result in a lower bill.

23 Q. Okay.

24 A. (Janzen) With regards to those loads reflecting at

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[WITNESSES: Janzen|McCabe|Murphy]

1 market prices, that that would result in a lower bill.

2 Q. Okay. Thank you. And, so, if the Company were to
3 reconcile or resettle, whatever term you want to use,
4 with the ISO to some correct level, under this
5 assumption, presumably that lower bill would be
6 adjusted upwards at some point in the future, is that
7 correct?

8 A. (Murphy) Under your hypothetical example, I would say
9 yes.

10 Q. Okay.

11 A. (Murphy) Under the hypothetical example, that's how I
12 believe the mechanics would work.

13 Q. Okay. And, I believe, in the Company's report, you do
14 say that you are going to or you have resettled the
15 power bills or loads back to January 2009, is that
16 correct?

17 A. (Murphy) That's correct.

18 Q. Will the Company also be resettling or reconciling the
19 loads for the period prior to January 2009?

20 A. (Murphy) Only to the extent that the ISO requirements
21 permit open settlement.

22 Q. Is the Company going to seek to have those loads
23 resettled?

24 A. (Murphy) To the extent that open settlement periods

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[WITNESSES: Janzen|McCabe|Murphy]

1 exist, we will.

2 Q. You will?

3 A. (Murphy) Well, we look at everything until the
4 resettlement closes.

5 Q. So, you are saying that, not only have you resettled
6 your power bills back to January 2009, you are planning
7 to resettle for a period prior to that point, correct?

8 A. (Murphy) Of January 2009?

9 Q. Correct.

10 A. (Murphy) No.

11 BY MS. AMIDON:

12 Q. Let me just ask this question. If I understand you
13 correctly, you said that the Company would seek to
14 reconcile or settle with respect to ISO's guidelines
15 regarding open periods, is that correct?

16 A. (Murphy) That is correct.

17 Q. So, is there an open period at play with respect to
18 this loss factor study?

19 A. (Murphy) The settlement periods I believe that, as we
20 sit here today, are open, there is a 45 to 65 day
21 window, if we work it backwards from today, that the
22 wholesale settlement periods are open. And, in the --
23 so, we would resettle back to any open period that goes
24 back in history 65 days.

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[WITNESSES: Janzen|McCabe|Murphy]

1 Q. From what day?

2 A. (Murphy) Today, or from this month. So, we would be
3 looking, if this is March, we would be looking at
4 December, December '09, I believe, I would have to
5 reference the exact schedule. But that would be
6 regarding the tie line data. That would be, you know,
7 whatever the final date would be is day 65 from today
8 backwards. And, not literally by the day, but it's by
9 the month, and there's published ISO-New England
10 schedules.

11 MS. AMIDON: Understood.

12 BY MR. McCLUSKEY:

13 Q. Are there any open settlement periods prior to
14 January 2009?

15 A. (Murphy) No.

16 Q. No.

17 A. (Murphy) No. The schedule is quite firm.

18 Q. So, that answer would appear to indicate that there
19 will be no resettlement prior to January 2009?

20 A. (Murphy) That is correct.

21 MR. McCLUSKEY: Thank you.

22 BY MS. AMIDON:

23 Q. In the third paragraph of your -- what I'm referring
24 to, the technical statement, which is Exhibit 6, you

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[WITNESSES: Janzen|McCabe|Murphy]

1 say that the New Hampshire zonal tie point was a
2 problem, and there was a "restoration of correct
3 modeling." What do you mean by "correct modeling"?

4 A. (Murphy) We had discussed in the previous proceeding
5 that there was a -- data was used from the other end of
6 that transmission line. And, what it essentially did
7 was double count the losses in our model. So that the
8 analyst used a value that was -- should have been
9 adjusted for transmission line losses that we received
10 from the ISO-New England, and that adjustment wasn't
11 made. So, it, in effect, double stated the losses on
12 that transmission line. So, we remodeled now. And,
13 despite the unpredictability of the measure at
14 Tewksbury, we are now using that measurement point,
15 which is metered with the OI losses received from the
16 ISO-New England.

17 Q. Is this restoration of correct modeling, did that occur
18 when the Company realized it should be using -- had
19 been using a different calculation? If I remember
20 correctly, and please correct me if I'm wrong, the
21 Company originally tied in to or took measurement at
22 the North Litchfield?

23 A. (Murphy) You're correct.

24 Q. Right. And, then, subsequent to that, the Company

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[WITNESSES: Janzen|McCabe|Murphy]

1 moved it to the Tewksbury?

2 A. (Murphy) Yes, that's correct.

3 Q. And, in doing so, and in calculating the loss factor,
4 the Company omitted to take into account what was going
5 on between those two meters?

6 A. (Murphy) By the use of the North Litchfield point that
7 you referred to, that would not properly indicate the
8 amount of losses for that transmission line in the
9 model. You're correct.

10 Q. Right. So, this restoration of correct modeling was
11 just making the appropriate adjustment for the meter at
12 Tewksbury?

13 A. (Murphy) That is correct.

14 Q. Okay. In Paragraph 3 also, there's a reference to, I'm
15 trying to -- Figure 1, and you said that there was a
16 negative value reflected on Figure 1. And, I'm just
17 asking you, Mr. Murphy, do you mean that the value fell
18 below one?

19 A. (Murphy) It actually fell below -- yes.

20 Q. So, it really wasn't negative, but it fell below one,
21 am I correct?

22 A. (Murphy) That's correct.

23 Q. Okay. When the Tewksbury meter is being replaced, and
24 you referred to this open settlement period going back

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[WITNESSES: Janzen|McCabe|Murphy]

1 to December of 2009, once that's done, will the Company
2 be developing a reconciliation for that period?

3 A. (Murphy) The Company will, when the meter gets
4 repaired, we will take the proper use of the data per
5 the settlement model. But we will not go back, it's
6 not intended for us to go back and correct anything,
7 nor do we believe we're allowed to correct anything, in
8 any closed settlement period.

9 MS. AMIDON: Okay. Thank you. Go
10 ahead.

11 BY MR. McCLUSKEY:

12 Q. With regard to data that is underlying Figure 3, could
13 the Company actually provide the monthly load data for
14 the three classes that are referred to here?

15 A. (Murphy) Could you restate your question please.

16 Q. Could the Company provide as an exhibit the load,
17 monthly load data which underlies the loss factors
18 shown on Figure 3?

19 A. (Murphy) Yes.

20 Q. Thank you. And, with regard to going forward, the
21 Company used to provide the monthly data with its
22 indicative bid reports. I believe the Company has
23 recently stopped doing that. Could the Company
24 continue to provide that data on a going-forward basis?

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[WITNESSES: Janzen|McCabe|Murphy]

1 A. (Janzen) Yes.

2 MR. McCLUSKEY: Thank you.

3 MS. AMIDON: So, marked for -- we would
4 request that Exhibit 8 be reserved for the record request
5 made by Mr. McCluskey related to the actual data points
6 for -- represented in Figure 3.

7 CHAIRMAN GETZ: Okay. We will reserve
8 Exhibit 8 for that.

9 (Exhibit 8 reserved.)

10 MS. AMIDON: Thank you.

11 BY MR. McCLUSKEY:

12 Q. Okay. Switching topics, I believe this question will
13 be for Mr. McCabe. My calculations indicate that the
14 wholesale power costs, current compared with proposed,
15 fall by just over 6 percent, based on your filing. But
16 the retail Default Service component of your retail
17 rates is indicated to fall by only 1.7 percent. Could
18 you account for the difference.

19 A. (McCabe) The retail rate that is charged to customers,
20 if you turn to Page 120, Bates stamp Page 120, Schedule
21 SMM-2, which is the calculation of the Small Customer
22 Group retail rate, the retail rate consists of, well,
23 four components, if you look at the bottom of the
24 schedule. There's the base rate, which is represented

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[WITNESSES: Janzen|McCabe|Murphy]

1 on Line 14. And, I believe that's the rate that you're
2 referring to that has declined by approximately six
3 percent, I haven't done the calculation myself, but I
4 believe that's the line you're referring to.

5 Q. That's the one.

6 A. (McCabe) And, added to the base Default Service rate,
7 we also have a Default Service Reconciliation
8 Adjustment Factor, as well as a Default Service Cost
9 Reclassification Adjustment Factor, and a Renewable
10 Portfolio Standard Adder. And, when you add those four
11 components up, that's the retail rate that we charge
12 customers. I don't have with me the components for the
13 current rate, which would have been for the last six
14 months. But I can certainly provide a comparison of
15 those components, to give you which components increase
16 and which components decrease. I know, for instance,
17 that the Default Service Adjustment Factor that is
18 proposed in this proceeding, on Line 15, of 0.123
19 cents, the current Default Service Adjustment Factor is
20 a credit of 0.285 cents. So, that would account for
21 some of the swing. We have a proposed Default Service
22 Reclassification Adjustment Factor of 0.91 -- 0.091
23 cents. And, subject to confirmation, I believe the
24 current rate is 0.071 cents. So, there's a slight

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[WITNESSES: Janzen|McCabe|Murphy]

1 increase there. And, the Renewable Portfolio Standard
2 Adder, the analysis wouldn't be quite as
3 straightforward as comparing those two lines, because I
4 believe in the last six month period we had a proposed
5 adder for the last three months of 2009 and the first
6 three months of 2010. And, I believe that the rate for
7 2010 -- first three months of 2010 was 0.2 -- I'm
8 sorry, 0.262 cents. So, it would like that has
9 decreased. But, I believe, and I don't recall the
10 exact rate for the last three months of 2009, but I
11 believe on a weighted average they're probably similar.
12 But I could certainly provide that analysis for you.

13 Q. Yes. If you could provide that analysis, that would be
14 helpful.

15 A. (McCabe) Yes.

16 Q. Thank you.

17 CHAIRMAN GETZ: Would you like to
18 reserve an exhibit for that as well?

19 MS. AMIDON: Yes, please.

20 CHAIRMAN GETZ: We will hold Exhibit
21 Number 9 for that response.

22 (Exhibit 9 reserved)

23 MS. AMIDON: Thank you.

24 BY MR. McCLUSKEY:

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[WITNESSES: Janzen|McCabe|Murphy]

1 Q. Also for Mr. McCabe, I believe in your filing you have
2 updated the Company's Lead/Lag Study, is that correct?

3 A. (McCabe) Yes, we have.

4 Q. And, you provided the filing to us I believe this week,
5 Monday, was that correct, or Friday of last week?

6 A. (McCabe) I believe it was sent electronically on Friday
7 and filed a paper copy on Monday, I believe.

8 Q. Okay. And, the results of your new Lead/Lag Study have
9 been reflected in the proposed rates in this filing, is
10 that correct?

11 A. (McCabe) Yes, they have.

12 Q. Okay. And, you would agree that Staff hasn't had an
13 opportunity, a realistic opportunity to review the
14 Lead/Lag Study at this time?

15 A. (McCabe) I would agree.

16 MR. McCLUSKEY: Okay. Thank you.

17 BY MS. AMIDON:

18 Q. Ms. Janzen, as you know, prior to I believe it was
19 December 2008, pursuant to the Settlement Agreement for
20 the Company's solicitation of Default Service, the
21 Company provided an indicative bid, which demonstrated
22 to, for Staff and the OCA, the difference between a
23 all-in energy and capacity indicative bid and then an
24 energy only bid, is that correct? Perhaps that

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[WITNESSES: Janzen|McCabe|Murphy]

1 precedes you. But let me -- would you take that
2 subject to check?

3 A. (Janzen) I would.

4 Q. Okay. And, I believe it was at the end of 2008, the
5 Commission had found that the Forward Capacity Market
6 was settled and the Settlement Agreement was amended to
7 provide that the Company only had to seek energy and
8 capacity combined solicitations. Do you recall that?

9 A. (Janzen) Yes.

10 Q. Based on that, would you agree with Staff that
11 providing those indicative bids probably does not
12 provide any more information than the final filing with
13 the final bids? Perhaps I've worded that inartfully.
14 The Staff has found that, since the bids include energy
15 and capacity, it hasn't provided a basis for a real
16 analysis of the indicative bids compared to final bids,
17 because it's truly market-driven at this point.

18 A. (Janzen) Uh-huh.

19 Q. So, based on that, would you think it fair to, if the
20 Staff said it did not need the indicative bids anymore
21 with respect to these filings?

22 A. (Janzen) Yes. That would be fine.

23 MS. AMIDON: Nothing further.

24 CHAIRMAN GETZ: Commissioner Below?

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[WITNESSES: Janzen|McCabe|Murphy]

1 CMSR. BELOW: No.

2 CHAIRMAN GETZ: Commissioner Ignatius?
3 Then, no questions from the Commissioners. So, any
4 redirect, Ms. Knowlton?

5 MS. KNOWLTON: I have none.

6 CHAIRMAN GETZ: Okay. Then, hearing
7 nothing else, the witnesses are excused. Thank you. Is
8 there any objection to striking the identifications and
9 admitting the exhibits into evidence?

10 (No verbal response)

11 CHAIRMAN GETZ: Hearing no objections,
12 they will be admitted into evidence. Is there anything
13 else we need to address before opportunities for closing?

14 (No verbal response)

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

17 MS. HATFIELD: Thank you, Mr. Chairman.
18 The OCA has no objection to Grid's filing. We're pleased
19 that rates are going down, albeit a small amount. And,
20 we're also pleased that the Company is using the RFP
21 process to comply with the RPS requirements.

22 And, I have a small thing I'd like to
23 mention. I'd like to thank the Company for aligning the
24 pagination in their public and confidential versions. It

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1 may seem like a small thing, but it's very helpful to have
2 that, to actually have a truly redacted version of the
3 confidential filing for public purposes. So, I just
4 wanted to acknowledge that, because I'm sure some work
5 went into it. So, thank you.

6 CHAIRMAN GETZ: Ms. Amidon.

7 MS. AMIDON: Thank you. Staff has
8 reviewed the filing and we believe that the Company acted
9 consistent with the Settlement Agreement in soliciting and
10 evaluating this for Default Service customers for the
11 Small and Large Customer Groups. And, that the resulting
12 rates are market-based.

13 We take no position on the Motion for
14 Confidential Treatment, except insofar as we believe that
15 some of the information in Figure 3, Exhibit 6, is
16 historical and is not confidential, and would ask the
17 Commission to consider whether or not to -- it's
18 appropriate to grant confidentiality to that information.
19 Thank you.

20 CHAIRMAN GETZ: Thank you.

21 Ms. Knowlton.

22 MS. KNOWLTON: Thank you. With regard
23 to Figure 3 in Exhibit 6, the Company will go back and
24 take another look at that figure and determine whether

1 it's possible maybe, you know, part of that chart can be
2 redacted, you know, can be redacted on one end of the
3 graph and the other end be released. So, we will go back
4 and we'll take another look at that and follow up with a
5 letter to the Commission.

6 The Company followed the solicitation
7 and bid evaluation and procurement process that was
8 approved by the Commission in Order 24,577, I think as
9 that's demonstrated in the Company's filing. As a result,
10 the rates that are proposed I believe are market-based and
11 should be approved. Thank you.

12 CHAIRMAN GETZ: Okay. Thank you. Then,
13 we'll close the hearing and take the matter under
14 advisement.

15 (Whereupon the hearing ended at 2:01
16 p.m.)