

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

December 15, 2011 - 10:05 a.m.
Concord, New Hampshire

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RE: DE 11-254
GRANITE STATE ELECTRIC COMPANY
d/b/a NATIONAL GRID:
2012 Retail Rate Adjustment.

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

Sandy Deno, Clerk

APPEARANCES: Reptg. Granite State Electric Company
d/b/a National Grid:
Jinjue Pak, Esq. (McLane, Graf, Raulerson...)

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Grant Siwinski, Electric Division

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

ORIGINAL

I N D E X

PAGE NO.

WITNESS PANEL: **SCOTT M. McCABE**
 JAMES L. LOSCHIAVO

Direct examination by Ms. Pak	4
Cross-examination by Ms. Amidon	9
Interrogatories by Cmsr. Ignatius	16
Interrogatories by Chairman Getz	20

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E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	2012 Annual Retail Rate Adjustment filing, including testimony and schedules (11-29-11)	4
2	Revised Schedules SMM-1, SMM-11, and SMM-12	4

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CLOSING STATEMENTS BY:	PAGE NO.
Ms. Amidon	22
Ms. Pak	22

1 P R O C E E D I N G

2 CHAIRMAN GETZ: Okay. Good morning,
3 everyone. We'll open the hearing in Docket 11-254. On
4 November 29, 2011, National Grid filed its request for
5 approval of retail rate adjustments related to its
6 Stranded Cost and Transmission Service Charges for effect
7 with service rendered on and after January 1, 2012.
8 National Grid calculates the aggregate impact of the rates
9 proposed on a total bill basis compared to the rate
10 currently in effect is an increase of 74 cents per month,
11 from \$92.30 to \$93.04, for a residential customer using
12 672 kilowatt-hours per month. We issued an order of
13 notice on December 15 setting the hearing for this
14 morning.

15 So, let's take appearances.

16 MS. PAK: Good morning, Commissioners.
17 Jinjue Pak, of the McLane law firm, on behalf of Granite
18 State Electric Company, doing business as National Grid.
19 With me today are the Company's two witnesses, Scott
20 McCabe and James Loschiavo.

21 CHAIRMAN GETZ: Good morning.

22 MR. LOSCHIAVO: Good morning.

23 MS. AMIDON: Good morning,
24 Commissioners. Suzanne Amidon, for Commission Staff.

 {DE 11-254} {12-15-11}

1 Grant Siwinski, with the Electric Division, is with me
2 today.

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

5 MS. PAK: I am. The Company proposes to
6 mark for identification its initial filing as "Exhibit 1".
7 The Company also proposes to mark for identification
8 Mr. McCabe's revised schedules, which were filed on
9 December 6, as "Exhibit 2".

10 CHAIRMAN GETZ: So marked.

11 (The documents, as described, were
12 herewith marked as **Exhibit 1** and
13 **Exhibit 2**, respectively, for
14 identification.)

15 (Whereupon **Scott M. McCabe** and
16 **James L. Loschiavo** were duly sworn by
17 the Court Reporter.)

18 **SCOTT M. McCABE, SWORN**

19 **JAMES L. LOSCHIAVO, SWORN**

20 **DIRECT EXAMINATION**

21 BY MS. PAK:

22 Q. Okay. I will start with you, Mr. McCabe. Can you
23 please state your full name for the record?

24 A. (McCabe) Scott McCabe.

1 Q. By whom are you employed?

2 A. (McCabe) National Grid.

3 Q. And, what is your job position at National Grid?

4 A. (McCabe) I'm a Lead Specialist in the New England
5 Electric Pricing Group.

6 Q. Okay. Do you have before you what has been marked as
7 "Exhibit 1"?

8 A. (McCabe) Yes, I do.

9 Q. Please identify the exhibit.

10 A. (McCabe) Exhibit 1 is National Grid's January 2012
11 retail rate filing, which contains testimony and
12 schedules of myself and Mr. Loschiavo.

13 Q. Thank you. And, were your testimony and accompanying
14 schedules prepared by you or under your direction?

15 A. (McCabe) Yes.

16 Q. Mr. McCabe, on Bates stamp 7 of Exhibit 1, which is
17 Page 5 of your written testimony, you indicated that
18 the Company would update its Stranded Cost Charge
19 before the hearing if the final CTC changed. Did the
20 Company update its Stranded Cost Charge prior to this
21 hearing?

22 A. (McCabe) Yes. The Company filed revised schedules on
23 December 6th, which have been marked as "Exhibit 2".

24 Q. Okay. Can you please identify the schedules that were

1 revised in that filing?

2 A. (McCabe) Certainly. Schedule SMM-1, which is the
3 "Summary of Proposed Rate Changes", which is on Bates
4 stamp Page 19, was updated. And, Columns (a) and
5 Column (c) of that schedule have been updated to
6 reflect a change in the base CTC charge, from 0.080
7 cents per kilowatt-hour to 0.090 cents per
8 kilowatt-hour. Schedule SMM-11, which is the
9 "Residential Typical Bills", which is on Bates stamp
10 Page -- actually, Pages 48 and 49. These two pages
11 were, again, updated to reflect the change in the base
12 CTC charge. And, finally, Schedule SMM-12, which is
13 the "Proposed Summary of Rates", which is the Company's
14 Tariff Page 84, was also updated to reflect these
15 changes.

16 Q. Okay. Thank you. And, are there any corrections to
17 your written testimony and schedules in Exhibit 1
18 and/or the revised schedules in Exhibit 2?

19 A. (McCabe) I do have one correction to the "Summary of
20 Rates" page, which is, again, Bates stamp Page 51.
21 This is the Company's rate tariff. The retail, there's
22 a column on the far right-hand of the schedule, which
23 reads "Total Retail Delivery Services". That schedule
24 -- or, the numbers in that column did not reflect the

1 updated rates. So, the total numbers needed to be --
2 need to be updated. And, I do have a schedule which
3 would replace that page.

4 Q. Okay. And, is your intention to file that as a
5 compliance or is it the Company's plan to file those
6 updated numbers in Column (f) with the compliance
7 tariff filing?

8 A. (McCabe) Yes. We would certainly update that and make
9 the correction in the compliance filing. I would also
10 like to note that we do have a separate rate, the Storm
11 Recovery Adjustment Factor, which is also proposed to
12 change for January 1st, 2012. And, I believe that's
13 now being considered in Docket DE 11-221. So, the
14 compliance filing that we would make to update this
15 tariff page would reflect the decision in that docket,
16 as well as in this docket.

17 Q. Okay. Thank you, Mr. McCabe. And, other than those
18 questions regarding the Stranded Cost Charge and CTC,
19 which you just updated, if I were to ask you the
20 questions contained in your written testimony today,
21 would your answers be the same?

22 A. (McCabe) My answers would be the same, with the
23 exception of, obviously, the part of my testimony which
24 discusses the typical bill impacts would be updated to

1 reflect the new typical impacts. I can certainly go
2 through those, if necessary.

3 Q. Are those typical bill impacts reflected in Exhibit 2?

4 A. (McCabe) Yes, they are.

5 Q. Which are your revised schedules?

6 A. (McCabe) Yes, they are.

7 Q. Okay. Thank you. Mr. Loschiavo, I will ask you
8 similar questions. Please state your full name for the
9 record.

10 A. (Loschiavo) James Loschiavo.

11 Q. By whom are you employed?

12 A. (Loschiavo) National Grid.

13 Q. And, what is your job position at National Grid?

14 A. (Loschiavo) I'm a Lead Analyst in the Regulation and
15 Pricing Department.

16 Q. Okay. And, do you have before you what's been marked
17 as "Exhibit 1"?

18 A. (Loschiavo) I do.

19 Q. Okay. Do your written testimony and accompanying
20 schedules in Exhibit 1, were they prepared by you or
21 under your direction?

22 A. (Loschiavo) Yes, they were.

23 Q. Okay. Do you have any corrections to your written
24 testimony and/or schedules today?

1 A. (Loschiavo) No corrections.

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

5 A. (Loschiavo) Yes, they would.

6 MS. PAK: Okay. Thank you. I have no
7 further questions.

8 CHAIRMAN GETZ: Thank you. Ms. Amidon.

9 MS. AMIDON: Thank you. Good morning.

10 WITNESS LOSCHIAVO: Good morning.

11 **CROSS-EXAMINATION**

12 BY MS. AMIDON:

13 Q. Mr. McCabe, I'd like to start with you. Regarding
14 Exhibit 2, if we look at Schedule SMM-11, I believe,
15 Revised Page 1 of 2, which was filed with your -- in
16 Exhibit 2, the Stranded Cost Charge there is indicated
17 as "0.0009 cents" per kilowatt-hour. Am I reading that
18 correctly?

19 A. (McCabe) That would be "\$0.0009" per kilowatt-hour,
20 which --

21 Q. I'm sorry.

22 A. (McCabe) That's okay.

23 Q. This is always the mistake I made. Thank you very
24 much. And, it was -- that number was "8" in the prior

1 filing, and the number "9" was "8" in the prior filing,
2 is that correct?

3 A. (McCabe) Yes. That's true.

4 Q. All right. Thank you. And, so, the change that
5 resulted from the final CTC report was an increase of
6 about 12 percent, is that fair to say?

7 A. (McCabe) Yes.

8 Q. And, could you explain what your understanding is for
9 the reason that went up to that extent?

10 A. (McCabe) Certainly. The number that we had included in
11 the initial filing in Exhibit 1 was based on a draft
12 reconciliation report. And, as indicated in my
13 testimony, we said -- we indicated that we would update
14 the rate if it had changed. After we filed the initial
15 filing, I was informed that the number did change.
16 And, according to the people that prepared the
17 reconciliation report, that change was related to
18 recognizing some environmental response costs related
19 to a site in Somerset, Massachusetts, and it was
20 characterized as an "additional site in Somerset".
21 And, while, in the draft report, apparently the costs
22 weren't included, the formula in the reconciliation was
23 not picking up those costs appropriately. Upon
24 reviewing the schedule, before they made their final

1 filing on December 1st, that was discovered and
2 corrected. And, that's the reason why the costs
3 changed.

4 Q. Right. And, the CTC report was filed in Docket 11-261,
5 is that your reconciliation?

6 A. (McCabe) Yes. Yes, it is.

7 Q. And, it's being considered separately from this
8 proceeding here today?

9 A. (McCabe) Yes, it is.

10 Q. Okay. Thank you. I have another question for you
11 regarding your exhibit, in Exhibit 1, the Attachment
12 SMM-6, at Page 36. And, this schedule is SMM-6, Page 1
13 of 2, and it includes Transmission Charge
14 reconciliation data for the period October 2010 through
15 September 2011. On that exhibit, it says "Projected
16 Cumulative Over/Under Collection of Transmission
17 Charge", and, in that case, there's an over collection
18 of a little over \$1 million. Do you see that?

19 A. (McCabe) Yes, I do.

20 Q. Do you know what factors resulted in this over
21 collection?

22 A. (McCabe) There are a few factors that result in the
23 over collection. One factor is that the transmission
24 revenues, which are reflected in Column (b) are

1 slightly higher, approximately a little bit more than
2 1 percent higher than the transmission revenues that
3 were anticipated when we filed -- made the filings in
4 Docket DE 307 [10-307?], and actually in the previous
5 docket. This period, the period included in this
6 reconciliation is October 2010 through September 2011.
7 So, we would have included forecasted revenues over two
8 different years in those, in two different dockets.
9 But, anyways, the reason that the revenues are slightly
10 higher is because the kilowatt-hour deliveries were
11 slightly higher than the forecast included in those
12 proceedings.

13 A second reason for the overrecovery is,
14 if you look at Column (c), "Adjustments", in October of
15 2010 we have an adjustment of \$282,000. And, that
16 adjustment is related to, in last year's docket, DE
17 10-307, the Company included an estimate for its
18 September transmission expenses in the reconciliation
19 for the period October 2009 through September 2010.
20 And, the number in October of \$282,177 is a true-up of
21 that estimate. That's the amount that we had
22 overestimated the expenses.

23 And, the third and I guess final reason
24 for the over collection is that the forecasted expenses

1 included in the two dockets that I mentioned were
2 higher than the actual expenses that we -- that the
3 Company experienced. And, specifically, I believe that
4 the areas where the costs were higher were the -- I'm
5 sorry, were lower than forecasted were the NEP charges,
6 as well as the PTF charges.

7 A. (Loschiavo) Yes. Excuse me. That's correct. On the
8 PTF side, the actual RNS rates that the ISO bills off
9 of so far in 2011 are less than what we had originally
10 forecasted.

11 Q. And, so, just for clarification on the record, Mr.
12 McCabe, the forecast expenses were lower -- were higher
13 than the actual expenses, so the actual expenses came
14 in lower than forecasted?

15 A. (McCabe) That's correct.

16 Q. Okay. All right. Thank you. All right.

17 Mr. Loschiavo, do I have that correct?

18 A. (Loschiavo) You do.

19 Q. Thank you.

20 A. (Loschiavo) Thank you.

21 Q. I have a couple of questions for you related to
22 actually something you just mentioned. I'd like to
23 refer you to your Exhibit JLL-1, it's Bates stamp 75.
24 And, I have two questions on that page. Are you there?

1 A. (Loschiavo) I am there.

2 Q. Okay. Well, first of all, on Line 4, there is a
3 828,000 plus increase in PTF costs, and that's about an
4 8.1 percent increase. Could you explain what's causing
5 this increase?

6 A. (Loschiavo) Yes. Basically, it's the forecasted PTF
7 in-service plant increases projected for calendar year
8 2012 by the transmission owners of New England.

9 Q. And, so, did some new report or some new evaluation
10 come in that caused those --

11 A. (Loschiavo) We forecast -- we've been asked to forecast
12 a five year rate outlook --

13 Q. Okay.

14 A. (Loschiavo) -- every year when we file our RNS rate
15 every June. So, the TO -- excuse me, the TO submit
16 their projected in-service dollars by year, and that
17 gets revised every year. And, there was an increase
18 from the latest forecast to the forecast that had been
19 done last year of approximately \$300 million.

20 Q. Okay. So, if I understand this process correctly,
21 every year there's like a five year forecast done, --

22 A. (Loschiavo) Correct.

23 Q. -- and then those figures may change from year to year,
24 --

1 A. (Loschiavo) Correct.

2 Q. -- depending on what the transmission operators
3 anticipate?

4 A. (Loschiavo) Exactly. Yes.

5 Q. Okay. Thank you. And, then, on the same page, if you
6 look at Line 1, it talks about "Non-PTF Charges", and
7 that again experienced an increase of approximately, in
8 this instance, about over 14 percent. Could you
9 explain what the non-PTF costs are, and why you are
10 seeing this increase?

11 A. (Loschiavo) Okay. That would be every month, on a
12 monthly basis, we calculate NEP's monthly revenue
13 requirement. We subtract from that the PTF regional
14 revenues that we collect from the ISO, and then we bill
15 out what's remaining to Local Network Service
16 customers. And, the reason you're seeing the increase
17 here is basically expenses are -- expenses increased
18 from the filing last year to the filing this year.
19 Some of those include O&M, operation and maintenance
20 costs, costs associated with our Integrated Facilities
21 Agreement, our returns, depreciation has increased.
22 With more plant going into service, your depreciation
23 expenses would increase. So, basically, the reason
24 would be expenses are up generally.

1 Q. Thank you. And, these costs are not -- are not
2 anything that the Company has control over, is that
3 correct?

4 A. (Loschiavo) Municipal taxes, O&M, we go or we perform
5 O&M when we have to. There are some, A&G is -- can be
6 discretionary, but the majority of the costs are not
7 controllable.

8 MS. AMIDON: Okay. Thank you. One
9 moment please.

10 (Atty. Amidon conferring with Mr.
11 Siwinski.)

12 MS. AMIDON: Nothing further. Thank
13 you, Mr. Chairman.

14 CHAIRMAN GETZ: Thank you.

15 CMSR. IGNATIUS: Thank you. Good
16 morning, gentlemen.

17 WITNESS McCABE: Good morning.

18 WITNESS LOSCHIAVO: Good morning.

19 BY CMSR. IGNATIUS:

20 Q. Mr. Loschiavo, following on your discussion with
21 Ms. Amidon, the transmission expenses and investment
22 that you've seen in the region you note in your
23 testimony has been an enormous amount of investment
24 that's coming for collection in 2012.

1 A. (Loschiavo) Correct.

2 Q. And, I think, on Page 70 of your testimony, you mention
3 that figure for New England. Do you have a sense of
4 what's yet to come? What 2013 and 2014 might be
5 looking at -- looking like for transmission investment?

6 A. (Loschiavo) Yes. That would be part of our forecast
7 exercise that we have done. And, yeah, as of right
8 now, with the latest info we have, we see significant
9 increases in the RNS rate going forward.

10 Q. "Significant" meaning "as large as this" or even
11 greater than this amount for 2012?

12 A. (Loschiavo) It would be -- we are seeing currently, for
13 next year, about a \$14 per kilowatt-year increase in
14 2013, followed by approximately a \$10 increase in 2014,
15 and an \$8 increase in 2015, based on the latest
16 in-service projections.

17 Q. And, to make a comparison using kilowatt-year figures
18 for 2012, what would that be?

19 A. (Loschiavo) I'm sorry?

20 Q. When you say in your testimony, --

21 A. (Loschiavo) Oh, for the rate?

22 Q. Just to compare in your testimony, if you look at Page
23 70, Line 8, you said that there's a "\$1.994 billion" of
24 investment for 2012?

1 A. (Loschiavo) Okay. That would be -- Okay, that would be
2 1.8 billion in 2013, 1.3 in 2014, and 900,000 -- 900
3 million in 2015.

4 Q. Thank you. Mr. McCabe, in your -- maybe looking at
5 your updated Schedule 11 that came in on December 6?

6 A. (McCabe) Yes.

7 Q. Can you take those numbers and add in the requested
8 storm recovery figure? It's still, as you pointed out
9 rightly is still pending before the Commission, but to
10 get a sense, if that were approved as requested, what
11 would that do to the total bill amount?

12 A. (McCabe) I'm sorry, I would have to do the math. The
13 existing storm recovery factor is 0.040 cents per
14 kilowatt-hour, and I believe the proposed storm
15 recovery factor is 0.02 -- I'm sorry, 0.223 cents per
16 kilowatt-hour. So, if you can bear with me for one
17 second, I'll perform the calculation.

18 Q. I'm sorry?

19 A. (McCabe) I said, "if you can bear with me for one
20 second, I'll perform that calculation."

21 Q. I would appreciate that. Thank you. Take your time.

22 (Short pause.)

23 **BY THE WITNESS:**

24 A. (McCabe) The increase on a per kilowatt-hour basis

1 would be 0.183 cents per kilowatt-hour, multiplied
2 times 500 kilowatt-hours, would be a 92 cent increase.

3 BY CMSR. IGNATIUS:

4 Q. Ninety-two cents per month?

5 A. (McCabe) Per month, that's correct.

6 Q. And, based on how many kilowatt-hours?

7 A. (McCabe) That would be based on 500 kilowatt-hours,
8 which is reflected on Page 1.

9 Q. And, in fact, your customers are averaging in the high
10 600s per month, is that correct?

11 A. (McCabe) That's correct. That's the amount reflected
12 on Page 2 is "672".

13 Q. Thank you.

14 A. (McCabe) You're welcome.

15 Q. I also wanted a little more explanation on demand
16 response, the Load Response Program. On your -- on
17 Page 61 of your testimony, you mention that, starting
18 in June of 2012, there will be changes in the Load
19 Response Program and how those costs are allocated.
20 Can you just give a little more detail on what's going
21 on?

22 A. (Loschiavo) I do know that, per the FERC docket, that
23 it will not be allocated as it currently is on a
24 wholesale basis. And, it will be allocated to Default

1 Service suppliers and other retail suppliers. That's
2 my extent of it. It will just not -- it will not be
3 coming through the ISO bill as a wholesale transmission
4 charge effective June 1st, 2012.

5 Q. Is it the same amount of money just sort of put into
6 different collection baskets?

7 A. (Loschiavo) I would -- Unless there are wholesale
8 adjustments to the actual Load Response Programs
9 themselves, it would be similar amounts, just allocated
10 to a different bucket.

11 Q. Okay. So, it's really more of an internal allocation
12 decision at the ISO and through NEPOOL perhaps?

13 A. (Loschiavo) Correct.

14 CMSR. IGNATIUS: Okay. Thank you.
15 Nothing else.

16 BY CHAIRMAN GETZ:

17 Q. Mr. Loschiavo, I have just one question, I just want to
18 make sure I'm understanding, in general, the
19 forecasting for the -- in the transmission expenses.
20 And, I think, when you were speaking or answering
21 Commissioner Ignatius, for instance, and talking about
22 forecasted capital additions, --

23 A. (Loschiavo) Correct.

24 Q. -- what you were relying on for those additions is not

1 your own forecast or the Company's own forecast, but
2 the documents that have been filed with the ISO?

3 A. (Loschiavo) This is part -- a lot of the projects or
4 most of the projects that are in this forecast should
5 be in the regional system plant, which is filed with
6 the ISO --

7 Q. Okay.

8 A. (Loschiavo) -- on a PTF basis.

9 Q. And, that's what's reflected on your -- well, it's the
10 last page of Exhibit 1, right?

11 A. (Loschiavo) JLL-7, correct. Yes.

12 Q. Okay. And, then, for things like the black start
13 expense, I mean, my understanding is there's ongoing
14 some considerations for the ISO to change those
15 calculations.

16 A. (Loschiavo) Correct.

17 Q. But that's not reflected, you're just basically right
18 now using historical numbers?

19 A. (Loschiavo) Correct.

20 CHAIRMAN GETZ: Okay. That's all I
21 have. Ms. Pak, do you have any redirect?

22 MS. PAK: I have nothing further.

23 CHAIRMAN GETZ: Then, the witnesses are
24 excused. Thank you, gentlemen.

[WITNESS PANEL: McCabe|Loschiavo]

1 WITNESS McCABE: Thank you.

2 WITNESS LOSCHIAVO: Thank you.

3 CHAIRMAN GETZ: Is there any objection
4 to striking the identifications and admitting the exhibits
5 into evidence?

6 (No verbal response)

7 CHAIRMAN GETZ: Hearing no objection,
8 they will be admitted into evidence. Is there anything
9 before opportunity for closings?

10 (No verbal response)

11 CHAIRMAN GETZ: Hearing nothing, then,
12 Ms. Amidon.

13 MS. AMIDON: Thank you. Staff has
14 reviewed the filing, and we find that the Company has
15 calculated these various costs as they have done in the
16 past. And, therefore, we don't have any objection to the
17 filing going into effect as proposed for January 1. Staff
18 does have an ongoing review of the CTC report, which is in
19 a separate docket, and we'll be making a recommendation to
20 the Commission on that at some point in the future. Thank
21 you.

22 CHAIRMAN GETZ: Thank you. Ms. Pak.

23 MS. PAK: Thank you. The Company
24 requests that the Commission approve its retail rate

{DE 11-254} {12-15-11}

1 adjustment filing, specifically its Stranded Cost Charge
2 and Transmission Service Adjustment. And, the Company is
3 asking that the rates be -- or, take effect on January
4 1st, 2012 for usage on or after that date. Thank you.

5 CHAIRMAN GETZ: Okay. Thank you. Then,
6 we'll close the hearing and take the matter under
7 advisement.

8 (Whereupon the hearing ended at 10:34
9 a.m.)