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**Granite State Electric Company
d/b/a Liberty Utilities**

Default Service

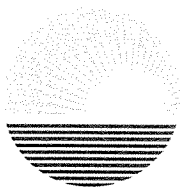
For the Period Beginning
May 1, 2013

Testimony and Schedules
of
John D. Warshaw

March 15, 2013

Submitted to:
New Hampshire Public Utilities Commission
Docket No. DE 13-018

ORIGINAL	
N.H.P.U.C. Case No.	DE 13-018
Exhibit No.	2
Witness	Panel 1
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**STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION**

Docket No. DE 13-018

Granite State Electric Company d/b/a Liberty Utilities

**DIRECT TESTIMONY
OF
JOHN D. WARSHAW**

March 15, 2013

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1 **I. INTRODUCTION**

2 **John D. Warshaw**

3 **Q. Please state your name and business address.**

4 A. My name is John D. Warshaw, and my business address is 11 Northeastern Blvd., Salem,
5 NH 03079.

6
7 **Q. Please state your position.**

8 A. I am the Manager, Electric Supply for Liberty Energy Utilities (New Hampshire) Corp.
9 ("Liberty Energy NH") which is the sole shareholder of Granite State Electric Company
10 ("Granite State" or the "Company") and provides services to Granite State. I oversee the
11 procurement of power for Default Service for Granite State as well as the procurement of
12 renewable energy certificates ("RECs").

13
14 **Q. Please describe your educational background and training.**

15 A. I graduated from the State University of New York Maritime College in 1977 with a
16 Bachelor of Science in Nuclear Science. I received a Master's in Business
17 Administration from Northeastern University in 1986. In 1992, I earned a Master of Arts
18 in Energy and Environmental Management from Boston University.

19
20 **Q. What is your professional background?**

21 A. In November of 2011, I joined Liberty Energy NH as Manager, Electric Supply for
22 Granite State. Prior to my employment at Liberty Energy NH, I was employed by
23 National Grid USA Service Company ("National Grid") as a Principal Analyst in Energy

1 Supply – New England from 2000 to 2010. In that position I conducted a number of
2 solicitations for wholesale power to meet the needs of National Grid’s New England
3 distribution companies. I also administered both short-term and long-term power
4 purchase agreements for National Grid’s New England distribution companies. Prior to
5 my employment at National Grid, I was employed at COM/Energy (now NSTAR) from
6 1992 to 2000. From 1992 to 1997, I was a Rate Analyst in Regulatory Affairs at
7 COM/Energy responsible for supporting state and federal rate filings. In 1997, I
8 transferred to COM/Electric to work in Power Supply Administration.
9

10 **Q. Have you previously testified before the New Hampshire Public Utilities**
11 **Commission (“Commission”)?**

12 A. Yes. I most recently testified before the Commission in Docket DE 12-023 on December
13 19, 2012.
14

15 **Q. Have you testified before any other state regulatory agencies?**

16 A. Yes. I have testified before both the Massachusetts Department of Public Utilities and
17 the Rhode Island Public Utilities Commission regarding electric supply and renewable
18 portfolio procurement activities.
19

20 **II. PURPOSE OF TESTIMONY**

21 **Q. Mr. Warshaw, what is the purpose of your testimony?**

22 A. The purpose of my testimony is to request Commission approval of Granite State’s
23 proposed Default Service rates for (i) the Large and Medium Commercial and Industrial

1 Customer Group (“Large Customer Group”¹) for the three-month period May 1, 2013
2 through July 31, 2013 and (ii) the Residential and Small Commercial Customer Group
3 (“Small Customer Group”²) for the six-month period May 1, 2013 through October 31,
4 2013. My testimony will describe the process used by Granite State to procure Default
5 Service for the Large Customer Group and Small Customer Group, the proposed Default
6 Service rates, how the Company proposes to meet its 2013 Renewable Portfolio Standard
7 (“RPS”) obligation and the resulting Renewable Portfolio Standard Adder for service
8 rendered on and after May 1, 2013.

9
10 In addition, I will present Granite State’s proposed Default Service rates, including
11 adjustment factors, for service rendered on and after May 1, 2013, in accordance with the
12 Default Service Adjustment Provision (“DSAP”) and Default Service Cost
13 Reclassification Adjustment Provision (“DSCRAP”) of the Company’s retail delivery
14 tariff on file with the Commission (“Retail Delivery Tariff”) and the Settlement
15 Agreement in Docket DE 05-126 approved by the Commission in Order No. 24,577
16 (January 13, 2006) (“Settlement Agreement”). My testimony also presents the results of:
17 (i) the reconciliation of Default Service power supply expense and applicable revenue for
18 the period of February 2012 through January 2013 (“Default Service Reconciliation”);
19 (ii) the reconciliation of the Company’s cost of complying with its 2012 Renewable
20 Portfolio Standard obligations and the applicable revenue for the period of January 2012

¹ The Large Customer Group is comprised of customers taking service under General Long-Hour Service Rate G-2 or General Service Time-Of-Use Rate G-1 of the Company’s Retail Delivery Tariff.

² The Small Customer Group is comprised of customers taking service under Domestic Service Rate D; Domestic Service - Optional Peak Load Pricing Rate D-10; Outdoor Lighting Service Rate M; Limited Total Electrical Living Rate T; General Service Rate G-3; or Limited Commercial Space Heating Rate V of the Company’s Retail Delivery Tariff.

1 through December 2012 (“Renewable Portfolio Standard Reconciliation”); and (iii) the
2 reconciliation of the administrative cost of providing Default Service and the applicable
3 revenue for the period February 2012 through January 2013 (“Default Service Cost
4 Reclassification Adjustment Factor (“DSCRAF”) Reconciliation”). Additionally, this
5 filing presents the Company’s final reconciliation relating to its 2011 Default Service
6 adjustment factor as well as the status of the reconciliation relating to its 2012 Default
7 Service adjustment factor.

8
9 **III. DEFAULT SERVICE BIDDING PROCESS**

10 **Q. Mr. Warshaw, why does Granite State need to procure Default Service for both the**
11 **Large Customer Group and the Small Customer Group for the period beginning**
12 **May 1, 2013?**

13 A. Pursuant to the procurement process approved by the Commission, which I describe later
14 in my testimony, Granite State procures power supply through contracts having a three-
15 month term for the Large Customer Group and six-month term for the Small Customer
16 Group. Granite State’s currently effective Default Service supply contracts for both the
17 Large Customer Group and the Small Customer Group expire on April 30, 2013.
18 Therefore, to assure that Default Service will continue to be available, Granite State
19 requires a new Default Service supply arrangement beginning May 1, 2013.

20
21 **Q. Please describe the process Granite State used to procure its Default Service supply**
22 **for the period beginning May 1, 2013.**

23 A. Granite State conducted its procurement of Default Service supply in accordance with

1 applicable law and Commission directives. The Company complied with the solicitation,
2 bid evaluation and procurement process set forth in the Settlement Agreement dated
3 November 18, 2005, which agreement was approved by the Commission in Order No.
4 24,577 (“Order”) on January 13, 2006 in Docket DE 05-126 and amended by Order No.
5 24,922 in Docket DE 08-011 (as amended, the “Settlement Agreement”). Granite State
6 issued a request for proposals (“RFP”) for certain power supply services and sought a
7 supplier(s) for Granite State’s Default Service covering the Large Customer Group and
8 Small Customer Group.

9
10 **Q: Was the Company’s solicitation for the period beginning May 1, 2013 consistent**
11 **with the Company’s prior solicitations for Default Service?**

12 A. Yes, Granite State’s Default Service RFP was conducted in a manner similar to previous
13 solicitations. This process is consistent with the process approved by the Commission in
14 the Order as well as with Granite State’s past procurements.

15
16 **Q. Could you describe the nature of the RFP that Granite State issued?**

17 A. On February 8, 2013, Granite State issued a RFP to approximately twenty-five potential
18 suppliers soliciting power supplies for the period May 1, 2013 through October 31, 2013.
19 Granite State also distributed the RFP to all members of the New England Power Pool
20 (“NEPOOL”) Markets Committee and posted the RFP on Granite State’s energy supply
21 website. As a result, the RFP had wide distribution throughout the New England energy
22 supply marketplace. The RFP requested fixed pricing for each month of service on an as-
23 delivered energy basis. Prices could vary by month and by service – that is, the prices

1 did not have to be uniform across the entire service period or between the two customer
2 groups. A copy of the RFP is provided as Schedule JDW-1.
3

4 **Q. Are the Company's Default Service rates consistent with least cost resource**
5 **planning?**

6 A. Yes. As indicated during the hearing held before the Commission on December 19, 2012
7 in Docket DE 12-023 (Default Service proceeding) and in the Company's previous
8 Default Service filings, the Company has conducted its Default Service RFP process in a
9 manner that complies with RSA 378:41 and conforms to least cost planning principles by
10 proposing Default Service rates resulting from a competitive bidding process. This is
11 consistent with least cost planning goals, which are to minimize costs in the procurement
12 of energy.
13

14 **IV. RESULTS OF DEFAULT SERVICE BIDDING**

15 **Q. Mr. Warshaw, did Granite State receive responses to the RFP?**

16 A. Yes. Indicative proposals were received on March 5, 2013. Final proposals were
17 received on March 12, 2013. None of the bidders made their provision of Granite State's
18 Default Service contingent upon the provision of any other service. A summary of the
19 RFP process and bid evaluation is included in Schedule JDW-2.

20 **Q. How do the current futures prices for electricity and natural gas compare to the**
21 **futures prices at the time of the Company's September 12, 2012 and March 14, 2012**
22 **solicitations?**

23 A. The futures market prices for electricity and natural gas at the time of the March 14, 2012

1 and September 12, 2012 solicitations as well as current futures market prices are shown
2 in Schedule JDW-3. These are the two most recent solicitations for both the Large and
3 Small Customer Groups.

4
5 **Q. Did Granite State select any of the proposals received in response to the RFP?**

6 A. Yes. Granite State evaluated the bids received and selected the two suppliers that: (i)
7 provided a bid that was conforming to the RFP, (ii) had the lowest price, (iii) met the
8 credit requirements described in the RFP, and (iv) passed our qualitative evaluation. On
9 March 13, 2013, Granite State entered into a wholesale Transaction Confirmation with
10 NextEra Energy Power Marketing, LLC (“NextEra”) formerly known as FPL Energy
11 Power Marketing Inc., the winning bidder for the Large Customer Group block, to
12 provide Default Service to the Large Customer Group for the three-month period May 1,
13 2013 through July 31, 2013, and with Exelon Generation Company, LLC (“Exelon”) formerly known as Constellation Energy Commodities Group, Inc., the winning bidder
14 for the Small Customer Group block, to provide Default Service to the Small Customer
15 Group for the six-month period May 1, 2013 through October 31, 2013. Together, a
16 Transaction Confirmation and a Master Power Agreement provide the terms for the
17 purchase of Default Service from a supplier. A copy of the NextEra Master Power
18 Agreement was filed with the Commission on September 17, 2007 in Docket DE 07-012
19 (Default Service proceeding). A copy of the First Amendment to the Master Power
20 Agreement was filed with the Commission on September 20, 2010 in Docket DE 10-020
21 (Default Service proceeding). A copy of the Transaction Confirmation between Granite
22 State and NextEra, with certain confidential sections redacted, is attached hereto as
23

1 Schedule JDW-4. A copy of the Exelon Master Power Agreement was filed with the
2 Commission on March 20, 2006 in Docket DE 06-115. A copy of the First Amendment
3 to the Master Power Agreement was filed with the Commission on September 15, 2009
4 in Docket DE 09-010. The Transaction Confirmation between Granite State and Exelon,
5 with certain confidential sections redacted, is attached hereto as Schedule JDW-5.
6

7 **V. RENEWABLE PORTFOLIO STANDARD**

8 **Q. Mr. Warshaw, what is the RPS obligation for 2013?**

9 A. As specified in the RPS law, RSA 362-F, the RPS obligation for calendar year 2013
10 requires that a minimum of twelve percent (12.00%) of Granite State's Default Service
11 load come from renewable resources, of which at least three and eight tenths percent
12 (3.8%) can come from Class I New Renewable Energy Resources, at least two tenths
13 (0.2%) can come from Class I New Renewable Useful Thermal Energy, at least two
14 tenths (0.2%) can come from Class II Solar Energy Resources, at least six and one-half
15 percent (6.5%) can come from Class III Existing Renewable Energy Resources and at
16 least one and three tenths percent (1.3%) can come from Class IV Existing Renewable
17 Energy Resources.

18 **Q. How does Granite State expect to satisfy its RPS obligations consistent with the RPS**
19 **rules as promulgated by the Commission?**

20 A. On February 18, 2009, Granite State entered into an amended settlement agreement with
21 Commission Staff and the Office of Consumer Advocate intended to resolve all issues
22 associated with the process by which Granite State would comply with the requirements
23 of the RPS law and the Puc 2500 rules ("Amended RPS Settlement"). The Amended

1 RPS Settlement was approved by the Commission on March 23, 2009 in Order No.
2 24,953 in Docket DE 09-010. The Company may satisfy RPS obligations by providing
3 either RECs for each RPS class from the New England Power Pool Generation
4 Information System (“NEPOOL-GIS”) or by making an Alternative Compliance
5 Payment (“ACP”) to the state of New Hampshire’s Renewable Energy Fund. As
6 specified in the Amended RPS Settlement, Granite State requested bidders to provide a
7 separate RPS compliance adder with their bids. This RPS compliance adder is the
8 incremental charge by a bidder for agreeing to take on the RPS obligation with the
9 Default Service obligation.
10

11 **Q. If a winning bidder’s RPS compliance adder is accepted, how would the bidder**
12 **satisfy the RPS obligation?**

13 A. The supplier assumes the RPS obligation for its transaction when the RPS compliance
14 adder is accepted. This means that the supplier must deliver RECs to satisfy each RPS
15 class obligation to the Company’s NEPOOL-GIS account, or it must pay the Company
16 the ACP for the undelivered RECs. The quantity of RECs required is calculated by
17 multiplying the RPS obligation percentage for each REC class by the electricity sales for
18 the term of the transaction.
19

20 **Q. What were the criteria Granite State used to evaluate the RPS compliance adders**
21 **provided by the bidders?**

22 A. Granite State evaluated the winning bidder’s RPS compliance adder by comparing it to
23 Granite State’s estimated market prices for New Hampshire RECs. The RPS compliance

1 adder from the winning bidder for the Large Customer Group was higher than Granite
2 State's market estimate for New Hampshire RECs. As a result, Granite State did not
3 accept this bidder's RPS compliance adder. The winning bidder for the Small Customer
4 Group did not submit a RPS compliance adder. Granite State plans to issue a request for
5 proposal in the future for the acquisition of RECs. If Granite State is unable to purchase
6 sufficient RECs to meet its New Hampshire RPS obligations, it will then, consistent with
7 the RPS rules, make an ACP to the state of New Hampshire's Renewable Energy Fund.
8 The bidders' RPS compliance adders can be found in Exhibit 10 of Schedule JDW-2.
9

10 **Q. Is Granite State proposing any changes to the RPS compliance adders at this time?**

11 A. No. Granite State is not proposing to change the Commission-approved RPS compliance
12 adders at this time. The current market prices for RPS compliant RECs are similar to that
13 used by Granite State in its last Default Service filing.
14

15 **Q. How did Granite State calculate the Renewable Portfolio Standard Adder?**

16 A. As shown in Schedule JDW-6, Granite State used the recent 2013 market prices for all
17 REC Classes. Market prices were provided by REC price summaries distributed by
18 brokers. The retail RPS costs were calculated on a per MWh basis. The Company
19 divided the calculated costs by ten in order to convert from a \$ per MWh retail cost to a ¢
20 per kWh rate for retail use.
21

1 **Q. What happens if Granite State's actual RPS compliance costs are different from**
2 **that used in calculating the RPS compliance adder?**

3 A. Granite State reconciles its costs of RPS compliance with the revenue billed to customers
4 from the RPS compliance adder. This reconciliation occurs as part of this filing which
5 contains the annual default service reconciliation.
6

7 **Q. Has Granite State been able to contract for RECs?**

8 A. Yes. In October 2012, Granite State issued a request for proposal to procure RECs to
9 approved New Hampshire renewable generators, generators in the process of applying for
10 approval to generate New Hampshire RECs, as well as other REC suppliers, for its 2012
11 and 2013 RPS obligations. The Company received bids for RECs and contracted for
12 Class I and Class IV obligations for 2012 and Class I obligations for 2013. Granite State
13 shared the results of this request for proposal with Staff
14

15 **Q. When will Granite State issue the next REC request for proposal?**

16 A. Granite State plans to issue a REC request for proposal in the spring or early summer of
17 2013 to procure RECs to satisfy the 2012 and 2013 RPS obligations. Granite State will
18 attempt to procure the quantity of RECs necessary to satisfy the 2012 and 2013
19 obligations for load that will be serviced under Default Service supply contracts.
20

VI. DEFAULT SERVICE COMMODITY COSTS

Q. Mr. Warshaw, please summarize the power supply cost at the retail meter based on Granite State's expected procurement cost used to develop the proposed retail rates.

A. The load-weighted average of the power supply costs for the Large Customer Group is 6.389¢ per kWh compared to the load-weighted average of 6.886 ¢ per kWh for the period February 2013 through April 2013. The load-weighted average of the power supply costs for the Small Customer Group is 6.078¢ per kWh compared to the load-weighted average of 6.545¢ per kWh for the period November 2012 through April 2013. The power supply costs at the retail customer meter (¢ per kWh) were calculated by multiplying the commodity prices at the wholesale level (\$ per MWh) by the applicable loss factor and then dividing the results by ten. The applicable loss factors can be found in the RFP summary in Schedule JDW-2. The loss factor is a calculated ratio of wholesale purchases to retail deliveries.

Q. How will Granite State reconcile any difference in costs associated with Default Service?

A. To the extent that the actual cost of procuring Default Service vary from the amounts billed to customers for the service, Granite State will continue to reconcile the difference through a reconciliation mechanism pursuant to Granite State's Default Service Adjustment Provision contained in its currently effective Retail Delivery Tariff.

VII. SUMMARY OF DEFAULT SERVICE RATES

Q. Please summarize the proposed Default Service rates resulting from the Default Service procurement, adjusted by the factors which Granite State is proposing to implement for service rendered on and after May 1, 2013.

As I describe in more detail later in my testimony, Granite State proposes to implement the following Default Service rates beginning May 1, 2013, for service rendered on and after that date:

	Residential and Small C&I	Medium & Large C&I		
	May - October_2013	May	June	July
Base Default Service Rate	6.078 ¢	5.704 ¢	6.573 ¢	6.849 ¢
2013 Default Service Adjustment Factor	0.087 ¢	0.087 ¢	0.087 ¢	0.087 ¢
Default Service Cost Reclassification Adjustment Factor	0.063 ¢	0.039 ¢	0.039 ¢	0.039 ¢
Renewable Portfolio Standard ("RPS") Adder	0.428 ¢	0.428 ¢	0.428 ¢	0.428 ¢
Total Default Service Rate	6.656 ¢	6.258 ¢	7.127 ¢	7.403 ¢

The Default Service rates which the Company proposes to bill its customers receiving Default Service are also summarized in Schedules JDW-7 and JDW-8.

VIII. BASE DEFAULT SERVICE RATES

Q. What are the “base” Default Service rates that the Company is proposing for service rendered on and after May 1, 2013?

A. Consistent with the Settlement Agreement, Granite State is proposing a fixed six-month base Default Service rate for the period May – October 2013 for the Small Customer Group based on the weighted average of the six monthly contract prices contained in the supply agreement with the winning Default Service supplier for the Small Customer Group. As shown on line (14) of Schedule JDW-8, the proposed base Default Service rate for the Small Customer Group is 6.078¢ per kWh. The calculation of the six-month base Default Service rate for the Small Customer Group is also presented in Schedule JDW-8. The Company is also proposing monthly base Default Service rates for the Large Customer Group based on the three monthly contract prices contained in the supply agreement with the winning Default Service supplier for the Large Customer Group. As shown on line (5) of Schedule JDW-7, page 1, the proposed base Default Service rates for the Large Customer Group are 5.704 ¢ per kWh, 6.573 ¢ per kWh, and 6.849 ¢ per kWh for the months of May 2013, June 2013 and July 2013, respectively.

IX. RECONCILIATIONS AND ADJUSTMENT FACTORS

Default Service Adjustment Provision

Q. Please summarize the Company’s obligations under the Company’s DSAP.

A. Pursuant to the Company’s DSAP, on an annual basis, the Company performs its Default Service Reconciliation (power supply reconciliation) and Default Service Cost Reclassification Adjustment Factor Reconciliation (reconciliation of administrative costs

1 of providing Default Service). The Company performs these reconciliations in order to
2 set factors that adjust its Default Service rates and ensure that it recovers only the costs it
3 actually incurs to provide Default Service to its customers, no more and no less.

4
5 In the Default Service Reconciliation, the Company reconciles its power supply cost of
6 providing Default Service with its Default Service revenue associated with the recovery
7 of power supply costs. The excess or deficiency resulting from that reconciliation,
8 including interest at the interest rate paid on customer deposits, is returned to, or
9 recovered from, all Default Service customers over the following 12 months through the
10 Default Service adjustment factor. For purposes of this reconciliation, Default Service
11 revenue means all revenue collected from Default Service customers through the Default
12 Service rate for the applicable twelve-month reconciliation period. The power supply
13 cost of providing Default Service means all payments to suppliers and the Independent
14 System Operator associated with the provision of Default Service.

15
16 In addition, New Hampshire's Electric RPS statute, RSA 362-F, requires providers of
17 electric service to either purchase a portion of their power from renewable sources
18 through the acquisition RECs or, if RECs are not available, make specified ACPs to the
19 State renewable energy fund created by the RPS law. Accordingly, power supply costs
20 also include payments to suppliers of RECs as well as any ACP that the Company makes
21 to meet RPS obligations. As I describe later in my testimony, the Company performs a
22 separate reconciliation of the costs for complying with its RPS obligations, which is
23 included in the Default Service adjustment factor.

1
2 In the Default Service Cost Reclassification Adjustment Factor Reconciliation, the
3 Company reconciles the administrative costs associated with providing Default Service
4 with the Default Service revenue associated with the recovery of administrative costs.
5 Pursuant to the DSCRAP, the excess or deficiency resulting from that reconciliation,
6 including interest at the interest rate paid on customer deposits, is then reflected in the
7 subsequent year's DSCRAF. Administrative costs of providing Default Service means
8 the sum of all labor and consultant costs in arranging for and administering the provision
9 of Default Service, any payments related to the cost of providing contract security (i.e.,
10 collateral or other credit enhancements), Default Service-related working capital cost, and
11 Default Service-related bad debt (i.e., uncollectible account expense) cost. Revenue
12 associated with the recovery of administrative costs means the revenue generated from
13 the DSCRAFs.

14
15 **Default Service Reconciliation**

16 **Q. Is the Company presenting a reconciliation of power supply costs for Default**
17 **Service in this filing?**

18 A. Yes. The Default Service Reconciliation for the period February 2012 through January
19 2013 is presented in Schedule JDW-9.

20
21 **Q. Please explain the Default Service Reconciliation in detail.**

22 A. Schedule JDW-9, page 1, presents the actual reconciliation of Default Service revenue
23 and Default Service expense by month. The detail behind each month's Default Service

1 revenue is included on page 2 of Schedule JDW-9. The detail behind each month's
2 Default Service expense is shown on page 3 of Schedule JDW-9. The source of the
3 Default Service expense in Column (a) and Column (b) of page 3 is each month's invoice
4 from the Default Service providers.

5
6 **Q. Is this filing's Default Service Reconciliation prepared in the same manner as the**
7 **Default Service reconciliation that was filed with the Commission last year?**

8 A. Yes. The current reconciliation is prepared in the same manner as the Default Service
9 reconciliation filed with the Commission last year in Docket DE 12-023.

10
11 **Q. In Schedule JDW-9, why is the Company subtracting amounts from Default Service**
12 **revenue for the Renewable Portfolio Standard adder revenue?**

13 A. Any amounts relating to the RPS compliance adder must be removed from total Default
14 Service revenue billed to customers in order to properly reflect the base Default Service
15 revenue for the current reconciliation period. As indicated on page 9 of my written
16 testimony, the RPS compliance adder is the incremental charge associated with meeting
17 the RPS obligation associated with the Default Service obligation. Accordingly, the
18 Company has calculated the revenue relating to the Small Customer Group RPS
19 compliance adder and the Large Customer Group RPS compliance adder and removed
20 these components of revenue from the total Default Service revenue billed. The revenue
21 amounts related to the RPS compliance adders are included in the Renewable Portfolio
22 Standard Reconciliation discussed below.

1 **Q. In Schedule JDW-9, please explain the nature of the adjustments in column (c) for**
2 **the months of October 2012, November 2012, December 2012 and January 2013.**

3 A. These adjustments reflect base commodity revenue collected from borderline sales
4 customers.

5 **Q. What is the result of the Company's Default Service Reconciliation for the period**
6 **ending January 2013?**

7 A. The Company has an under recovery of Default Service power supply costs of \$82,329
8 and will reflect this under recovery in its proposed Default Service adjustment factor to
9 take effect May 1, 2013.

10 **Renewable Portfolio Standard Reconciliation**

11 **Q. Is the Company presenting a reconciliation of the cost of complying with the**
12 **Renewable Portfolio Standard obligation in this filing?**

13 A. Yes. The Renewable Portfolio Standard Reconciliation for the period January 2012
14 through June 2013 is presented in Schedule JDW-10.

15
16 **Q. Please explain the Renewable Portfolio Standard Reconciliation in detail.**

17 A. Schedule JDW-10, page 1, presents the actual reconciliation of RPS compliance adder
18 revenue and expense by month. The RPS compliance adder revenue collected from
19 Default Service customers during January through December 2012 is presented on page 2
20 of Schedule JDW-10. The RPS Obligation Expense for 2012 is presented on page 3 of
21 Schedule JDW-10. Based on actual revenue collected for the period January through
22 December 2012 and actual expenses incurred during 2012, the ending balance as of
23 December 2012 is an over recovery of \$1,935,671. Pursuant to Section 362-F:8, the

1 Company has until July 1, 2013 to procure its 2012 RPS obligation and thus has not yet
2 incurred all of the expense to meet that obligation. The Company has provided an
3 estimate of the remaining expense to meet the 2012 RPS obligation which is reflected in
4 June 2013 on Schedule JDW-10. The estimate of remaining expense includes the cost of
5 2012 RECs under contract but not yet delivered as well as an estimate of the remaining
6 2012 obligation volumes still to be procured valued at the estimated market price for each
7 NH RPS class. As presented in Schedule JDW-10, the Company has a projected under
8 recovery of RPS expense of \$421,611.

9 **Q. How is the Company proposing to treat the projected under recovery of RPS**
10 **expense?**

11 A. The Company is proposing to combine the under recovery of Default Service power
12 supply costs with the projected RPS expense under recovery in the calculation of the
13 proposed 2013 Default Service adjustment factor.

14
15 **Reconciliation of the 2011 Default Service Adjustment Factor**

16 **Q. Is the Company including in this filing, the final results of the under collection**
17 **recovered through the Default Service adjustment factor that was approved for**
18 **implementation beginning May 2011?**

19 A. Yes. The result of the recovery through the 2011 Default Service adjustment factor is
20 presented in Schedule JDW-11.

21
22 **Q. What does Schedule JDW-11 illustrate?**

23 A. Schedule JDW-11 indicates that of the \$220,641 under collection from the February 2010

1 through January 2011 reconciliation period that was to be recovered through the 2011
2 Default Service adjustment factor of 0.035¢ per kWh, \$216,105 was collected from
3 customers through April 2012. The remaining over recovered balance of \$7,984 is
4 reflected in the Default Service Reconciliation as an adjustment in May 2012.

5
6 **Reconciliation of the 2012 Default Service Adjustment Factor**

7 **Q. Is the Company including in this filing, a status of the under collection recovered**
8 **through the Default Service adjustment factor that was approved for**
9 **implementation on May 1, 2012?**

10 A. Yes. The result of the recovery through the 2012 Default Service adjustment factor is
11 presented in Schedule JDW-12.

12
13 **Q. What does Schedule JDW-12 illustrate?**

14 A. Schedule JDW-12 indicates that of the \$3,011,869 under collection from the February
15 2011 through January 2012 reconciliation period that is to be recovered through the 2012
16 Default Service adjustment factor of 0.478¢ per kWh, \$2,038,057 has been recovered
17 from customers through January 2013, with the remaining under recovery to be recovered
18 from customers by the end of April 2013. Any remaining balance, either positive or
19 negative, will be reflected in next year's Default Service Reconciliation as an adjustment
20 in May 2013.

21
22 **Q. In Schedule JDW-12, please explain the nature of the adjustments in column (c) for**
23 **the months of October 2012, November 2012, December 2012 and January 2013.**

24 A. These adjustments reflect default service adjustment revenue collected from borderline

1 sales customers.

2
3 **Proposed 2013 Default Service Adjustment Factor**

4 **Q. Is the Company proposing to implement a 2013 Default Service adjustment factor**
5 **beginning May 1, 2013?**

6 A. Yes. The Company proposes a Default Service adjustment factor of 0.087¢ per kWh as
7 calculated in Schedule JDW-13. This schedule takes both the Default Service under
8 collection from Schedule JDW-9 (covering the period February 2012 through January
9 2013) and the estimated RPS under collection from Schedule JDW-10 (covering the
10 period January 2012 through June 2013), projects accrued interest on the under-recovered
11 balance during the recovery period assuming monthly recovery amounts, and divides the
12 balance including interest by an estimate of the kWh deliveries attributable to Default
13 Service customers for the period from May 2013 through April 2014.

14
15 **Q. How would this factor be implemented?**

16 A. The Default Service adjustment factor would become effective for service rendered on
17 and after May 1, 2013, the same date that the other rates proposed in this filing are
18 proposed to become effective. The proposed Default Service adjustment factor would be
19 combined with the base Default Service rates for billing.

**X. DEFAULT SERVICE COST RECLASSIFICATION ADJUSTMENT FACTOR
RECONCILIATION**

Q. Please describe the reconciliation of the administrative costs of providing Default Service.

A. As stated earlier, pursuant to the Company's DSAP, the Company must reconcile its administrative cost of providing Default Service with its Default Service revenue associated with the recovery of administrative costs; and the excess or deficiency resulting from that reconciliation, including interest at the interest rate paid on customer deposits, must be reflected in the subsequent year's DSCRAF.

Q. Is the Company presenting a reconciliation of administrative costs of providing Default Service with its Default Service revenue associated with the recovery of administrative costs in this filing?

A. Yes. The DSCRAF Reconciliation for the period February 2012 through January 2013 is presented in Schedule JDW-14.

Q. Please explain the DSCRAF reconciliation in detail.

A. Schedule JDW-14, page 1, presents the actual reconciliation of DSCRAF revenue and administrative expense by month. The detail behind each month's DSCRAF revenue is included on page 1 of Schedule JDW-14. The detail behind each month's DSCRAF administrative expense is shown on page 2 of Schedule JDW-14. The calculation of the cash working capital impact is presented on pages 3 and 4 of Schedule JDW-14.

1 **Q. On Schedule JDW-14, page 1, please explain the nature of the adjustments in**
2 **column (c) for the months of October 2012, November 2012, December 2012 and**
3 **January 2013.**

4 A. These adjustments reflect default service reclass adjustment revenue collected from
5 borderline sales customers.
6
7

8 **Q. Has the Company calculated the cash working capital impact consistently with last**
9 **year's calculation?**

10 A. Yes.
11

12 **Proposed Default Service Cost Reclassification Adjustment Factors**

13 **Q. Has the Company calculated proposed DSCRAF's for the period beginning May 1,**
14 **2013?**

15 A. Yes. Schedule JDW-15 calculates the proposed DSCRAF's of 0.063¢ per kWh for the
16 Small Customer Group and 0.039¢ per kWh for the Large Customer Group for the period
17 May 2013 through April 2014. The proposed DSCRAF's would be combined with the
18 Default Service rates for billing.
19

20 **Q. Has the Company calculated the DSCRAF's in the same manner as in last year's**
21 **filing?**

22 A. Yes. The Company has calculated the DSCRAF's in the same manner as in last year's
23 filing and in accordance with the methodologies approved in the Settlement Agreement.
24

XI. EFFECTIVE DATE AND BILL IMPACT

Q. How and when is the Company proposing that these rate changes be implemented?

A. Consistent with the Commission's rules on the implementation of rate changes, the Company is proposing that all of the above rate changes be made effective for service rendered on and after May 1, 2013.

Q. Has the Company determined the impact of these rate changes on customer bills?

A. Yes. These bill impacts are included in Schedule JDW-16. Schedule JDW-16 shows that for a typical residential 500 kWh Default Service customer, the bill impact of the rates proposed for May 1, 2013, as compared to rates in effect today, is a bill decrease of \$4.35, or 6.2%, from \$69.93 to \$65.58. In addition, as requested by the Office of Consumer Advocate, a bill comparison for a Default Service residential customer with an average kWh usage of 675 which is the average monthly usage over the twelve month period ending February 2013, has also been included in this filing on page 1 of Schedule JDW-16. The bill impact of the rates proposed in this filing, as compared to rates in effect today, is a bill decrease of \$5.86 or 6.2%, from \$95.17 to \$89.31. For other customers in the Small Customer Group, decreases range from 5.9% to 8.1% (see pages 1 to 9 of Schedule JDW-16). For customers in the Large Customer Group, the Company has provided typical bill impacts for illustrative load-weighted rates. The bill impacts for the three-month period ending July 2013 are decreases ranging from 6.2% to 7.3% as compared to the three-month period ending April 2013 (see pages 10 to 16 of Schedule JDW-16).

1 **Q. Has the Company prepared a revised Summary of Rates tariff page reflecting the**
2 **proposed rates?**

3 A. Yes. It is included as Schedule JDW-17. The Summary of Rates tariff page reflects the
4 proposed Default Service rate changes contained in this filing. Upon receiving an order
5 in this proceeding, the Company will file a Fifth Revised Page 84, Summary of Rates,
6 reflecting the appropriate approved rates.

7
8 **Q. Has the Company included the most recent quarterly report of migration**
9 **information based on monthly migration by customer class and load, as required by**
10 **the Commission's Order No. 24,715 in Docket DE 06-115?**

11 A. The quarterly report of customer migration information for the fourth quarter of calendar
12 year 2012 is included as Schedule JDW-18.

13
14 **XII. CONCLUSION**

15 **Q. Mr. Warshaw, when will Granite State issue the next RFP for Default Service?**

16 A. The Large Customer Group rates proposed in this filing end on July 31, 2013. Per the
17 terms of the Settlement Agreement, Granite State will issue a RFP for the Large
18 Customer Group in May 2013. For purposes of notice to the Commission, the following
19 table illustrates Granite State's proposed timeline for the next RFP:

20

RFP Process Steps	June 2013 RFP
RFP Issued	May 10, 2013
Indicative Bids Due	June 11, 2013

Final Bids Due	June 18, 2013
Contract Execution	June 18, 2013
Default Service Filing to Commission	June 21, 2013
Commission Order Needed	June 28, 2013
Service Begins	August 1, 2013

1

2 **Q. Does this conclude your testimony?**

3 A. Yes. It does.