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Debra A. Howland
Executive Director and Secretary
State of New Hampshire
Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429



DE 06-61

Comments of Halifax- American Energy Company

Dear Ms. Howland:

The purpose of this letter is to provide the Commission with the comments of Halifax-American Energy Company, LLC (HAEC) in the above-captioned matter.

INTRODUCTION

In its testimony filed in the proceeding filed on or about September 17, 2007, National Grid has proposed an hourly pricing program for default service for its large commercial and industrial customers, instead of implementing the three period time of use rate design suggested by the NHPUC in its June 22 order. HAEC recently filed a petition for limited intervention in this proceeding. Since the deadline for submitting evidence has passed, HAEC is submitting these comments for the Commission's consideration pursuant to Puc 203.18.

ABOUT HAEC

HAEC is a New Hampshire limited liability company created on July 30, 2007. HAEC is the New England agent for South Jersey Energy (SJE) (<http://www.southjerseyenergy.com>) a subsidiary of South Jersey Industries. Established in 1973, SJE is the oldest and largest energy marketer in the mid-Atlantic region with over 80,000 customers. South Jersey Energy has recently received its license to operate as a competitive electric power supplier in the service territory of Granite State Electric Company d/b/a National Grid.

HAEC plans to offer National Grid's large commercial and industrial customers a wholesale hourly pass-through option whereby the customer would buy power at the price set each hour in either the ISO-NE real time or day ahead market. In addition to the raw price for energy, the customer would pay actual costs for ISO-NE assessed capacity and ancillary costs. The customer would have full cost transparency, in that the energy portion is posted (hourly) on the ISO-NE web site and the non-hourly charges and ISO-NE expenses are extracted on a kWh-

weighted basis from SJE's invoice from ISO-NE. HAEC will begin providing hourly pricing to one of Grid's largest New Hampshire customers within a week or so.

HAEC'S affiliate, Freedom Logistics, LLC specializes in providing high-end management services to large end-users that are Market Participant End-Users (MPEU). An MPEU is a member of NEPOOL and ISO-NE and purchases electricity directly from the ISO-NE hourly wholesale market.

Freedom Logistics pioneered the passage of the 99th Amendment to the NEPOOL Agreement that became effective on March 1, 2004. This Amendment permits a Market Participant End-User (MPEU) to participate directly in the hourly NEPOOL Market. Freedom Logistics was also the initiating party in the proceeding before the New Hampshire Public Utilities Commission wherein the commission determined that it would not have jurisdiction over NEPOOL or ISO-NE if an end-user were to "self-supply" its own electricity needs by participating directly in the NEPOOL market. *Petition of Luminescent Systems Inc.*, NHPUC Order No. 24, 172 (May 13, 2003).

There are currently several MPEU's (all clients of Freedom Logistics) purchasing power directly from the ISO-NE hourly wholesale market.

COMMENTS

The testimony submitted by Wal-Mart in this proceeding persuasively makes the case for implementing hourly pricing, and it need not be repeated here. Moreover, Grid makes the case that hourly pricing can be expected to reduce bills at by at least 10% in relation to the current program of fixed, forward default service pricing. This can be done utilizing the existing interval meters and is not predicated upon any customer load shifting.

Having said this, HAEC has a couple of concerns with respect to Grid's proposal for mandatory hourly pricing. If this program is implemented on a mandatory basis for each and every one of the 114 customers in the G-1 rate class, the competitive suppliers will aggressively market fixed, forward pricing offerings and most of the investment in the new digital wireless meters could well be stranded. (The new meters may still have use as part of a demand-response program.)

Accordingly, it may be more appropriate for the Commission to implement hourly pricing on an optional basis, but in an enhanced, high-profile manner. The principle reason that the penetration of hourly pricing is relatively low is that there is a general perception advanced primarily by the competitive electricity suppliers that hourly pricing is risky and offers no budget certainty. The facts of the matter are that hourly pricing is significantly less expensive over time, and, as Grid acknowledges, very important for demand response.

Regardless of the outcome here, if hourly pricing is going to be successful, either on a mandatory or optional basis, the Commission will have to step up and offer some clear and firm direction as to the benefits of hourly pricing.

Thank you for your attention to this matter.

/s/ James T. Roster

