

STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

June 18, 2008 - 3:07 p.m.  
Concord, New Hampshire

NHPUC OCT28'08 AM11:30

RE: DE 08-011  
GRANITE STATE ELECTRIC COMPANY d/b/a  
NATIONAL GRID: Default Service Request  
for Proposals for the Period August 1, 2008  
through October 31, 2008 for the Large  
Customer Group.

PRESENT: Chairman Thomas B. Getz, Presiding  
Commissioner Graham J. Morrison  
Commissioner Clifton C. Below

Jennifer Ducharme, Clerk

APPEARANCES: Reptg. Granite State Electric Company  
d/b/a National Grid:  
Alexandra E. Blackmore, Esq.

Reptg. PUC Staff:  
Suzanne G. Amidon, Esq.

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

ORIGINAL

I N D E X

PAGE NO.

**WITNESS:**                      **JOHN D. WARSHAW**

Direct examination by Ms. Blackmore                      5

Cross-examination by Ms. Amidon                      8

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E X H I B I T S

EXHIBIT NO.	DESCRIPTION	PAGE NO.
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8	Default Service for the Period Beginning August 1, 2008, including the Testimony and Schedules of John D. Warshaw - <b>REDACTED</b> (06-13-08)	5
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9	Default Service for the Period Beginning August 1, 2008, including the Testimony and Schedules of John D. Warshaw - <b>CONFIDENTIAL</b> (06-13-08)	5
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10	<b>RESERVED</b> (Revision to the filing regarding the RPS adder)	19
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**CLOSING STATEMENTS BY:**

	Ms. Amidon                      18
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	Ms. Blackmore                      19
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1                                   P R O C E E D I N G S

2                   CHAIRMAN GETZ:   Okay.   Good afternoon.  
3   We'll open the hearing in docket DE 08-011.   On March 17,  
4   2008, Granite State Electric Company, doing business as  
5   National Grid, filed pursuant to docket DE 05-126 its  
6   proposed Default Service rates for its Large Customer  
7   Group for the period August 1, 2008 through October 31,  
8   2008.   A secretarial letter was issued on June 16 setting  
9   the hearing for this afternoon.

10                   Can we take appearances please.

11                   MS. BLACKMORE:   Thank you, Mr. Chairman.  
12   My name is Alexandra Blackmore and I'm appearing on behalf  
13   of National Grid.   And, testifying is John Warshaw, who is  
14   the Principal Analyst for Regulated Electric Load and  
15   Distributed Generation.

16                   CHAIRMAN GETZ:   Good afternoon.

17                   CMSR. MORRISON:   Good afternoon.

18                   CMSR. BELOW:   Good afternoon.

19                   MS. AMIDON:   Good afternoon.   Suzanne  
20   Amidon, for Commission Staff, and with me is George  
21   McCluskey, who is an Analyst with the Electric Division.

22                   CHAIRMAN GETZ:   Good afternoon.

23                   CMSR. MORRISON:   Good afternoon.

24                   CMSR. BELOW:   Good afternoon.

1 CHAIRMAN GETZ: Anything we need to  
2 address before hearing from Mr. Warshaw?

3 MS. BLACKMORE: Yes, I have a couple of  
4 exhibits to mark for identification. And, I wasn't sure  
5 exactly, but it sounded like you were referring to a  
6 previous filing that we had made?

7 CHAIRMAN GETZ: Well, there was a  
8 problem with the secretarial letter in the previous case.  
9 What's the --

10 MS. BLACKMORE: The filing was filed on  
11 June 16th, and it's for rates effective August 1st for the  
12 Large Customer Group. And, there's a confidential version  
13 and a non-confidential version of the June 16th filing.

14 CHAIRMAN GETZ: Okay. Yes. If we just  
15 want to mark those, the next exhibits are --

16 MS. DUCHARME: Eight and nine.

17 MS. BLACKMORE: Eight.

18 CHAIRMAN GETZ: Exhibit 8 would be then  
19 the June 16 public filing, --

20 MS. BLACKMORE: Okay.

21 CHAIRMAN GETZ: -- including the  
22 testimony of Mr. Warshaw. And, Exhibit 9 --

23 MS. BLACKMORE: Nine.

24 CHAIRMAN GETZ: -- will be the

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1 confidential material.

2 (The documents, as described, were  
3 herewith marked as **Exhibit 8** and **Exhibit**  
4 **9**, respectively, for identification.)

5 (Whereupon **John D. Warshaw** was duly  
6 sworn and cautioned by the Court  
7 Reporter.)

8 CHAIRMAN GETZ: Actually, off the  
9 record.

10 (Brief off-the-record discussion  
11 ensued.)

12 CHAIRMAN GETZ: All right. Back on the  
13 record.

14 **JOHN D. WARSHAW, SWORN**

15 **DIRECT EXAMINATION**

16 BY MS. BLACKMORE:

17 Q. Mr. Warshaw, would you please state your full name and  
18 business address.

19 A. John Warshaw, 55 Bearfoot Road, Northborough, Mass.

20 Q. What is your position with National Grid?

21 A. Principal Analyst for Regulated Electric Load and  
22 Distributed Generation.

23 Q. And, what are your duties and responsibilities in that  
24 position?

[WITNESS: Warshaw]

1 A. Among my responsibilities, I participate in power  
2 procurement and energy supply related activities for  
3 National Grid's New England operating companies, and  
4 that includes Granite State and Mass. Electric.

5 Q. I'm showing you copies of Exhibits 8 and 9. Can you  
6 please describe these?

7 A. These are the filings that we made in June on our  
8 Default Service rates for the Industrial Customer  
9 Group.

10 Q. And, they contain your testimony, correct?

11 A. Yes.

12 Q. And, do you have any corrections to your testimony?

13 A. No.

14 Q. Do you adopt the testimony and schedules contained in  
15 Exhibits 8 and 9 as your own?

16 A. Yes.

17 Q. Would you please provide a brief summary of your  
18 testimony.

19 A. I will. On May 9th, National Grid issued an RFP to  
20 secure Default Service power for both its Mass.  
21 Electric industrial customers and its New Hampshire  
22 Large Customer Group for the period August 1st, 2008  
23 through October 31st, 2008. We received indicative  
24 bids on June 4th, which we shared with the Staff. And,

[WITNESS: Warshaw]

1        then, we received our final bids on June 11th, which we  
2        then selected a winning supplier and filed those  
3        resulting rates on June 16th.

4    Q.    Did the Company solicit bids from suppliers that  
5        contained both a pass-through and an all-inclusive  
6        price for capacity costs?

7    A.    Yes.

8    Q.    And, can you explain why the Company selected a winning  
9        bid price that contained an all-inclusive price for  
10       capacity?

11   A.    We selected an all-inclusive price because the price of  
12        capacity that was in the bid from the lowest cost  
13        supplier was lower than National Grid's estimate of  
14        capacity. So, we chose to go with that bid.

15   Q.    And, in your opinion, are the proposed Default Service  
16        rates for the Large Customer Group reflective of  
17        current market prices?

18   A.    Yes. As of the time of the bids, yes.

19                    MS. BLACKMORE: Thank you. I have no  
20        further questions.

21                    CHAIRMAN GETZ: Ms. Amidon.

22                    MS. AMIDON: Thank you. Good afternoon.

23                    **CROSS-EXAMINATION**

24    BY MS. AMIDON:

[WITNESS: Warshaw]

1 Q. I have a few questions related to the calculation of  
2 the renewable portfolio adder. And, so, if we look at  
3 your Schedule JDW-5, which is at Page 58, you  
4 demonstrate the calculation, but one thing that I can't  
5 find in this schedule is the associated megawatt-hours  
6 for that three-month period that you used to calculate,  
7 that would tell us what the total cost for the RPS  
8 would be. Am I missing something here?

9 A. We calculated a rate. We didn't -- We didn't use a  
10 megawatt-hour volume --

11 Q. Okay.

12 A. -- to come up with a value. We just used the straight  
13 rate.

14 Q. Okay. But do you have -- I guess my question should  
15 be, what are the associated megawatt-hours for the  
16 three months? Where could I find that, so that we  
17 could find the three months to which this rate would  
18 apply -- or strike that -- so we could find the total  
19 megawatt-hours to which this adder would apply? Do you  
20 have that in your filing? Because, if I look, I'm  
21 sorry to interrupt, but if I look on Schedule -- I  
22 think it's Schedule 3 -- No. Bear with me a second.  
23 Apologize for the delay, I'm just trying to figure out  
24 where it was. Now, on Page 11 of your testimony, is



[WITNESS: Warshaw]

1       this where --

2       A.   Page 11?

3       Q.   Eleven.  Yes, it shows the prior period megawatt-hours,  
4       if you look at the table in that on that page, the  
5       table says "Large Customer Group", and then you have,  
6       at the bottom, at (d), it says "Actual monthly load".  
7       Do you have any estimate of the monthly loads for this  
8       upcoming period in your filing?

9       A.   Yes, I do.

10      Q.   I guess I couldn't find it.  So, if you could just help  
11      me find it, that would be great.

12      A.   It is, if you look on Page 57, we have a forecast of  
13      our -- the real-time load.  If you look at, on Page 47,  
14      Line (n).

15      Q.   Page 57?

16      A.   Yes.

17      Q.   Okay.  And, if I look at Exhibit 6, and I'm just trying  
18      to make sure I understand the numbers correctly, if I  
19      look at Exhibit 6, which has the -- of the confidential  
20      filing, it has the summary of the proposed Default  
21      Service rates.  And, the wholesale load up there at  
22      Paragraph (1) is 280,000 -- I mean,  
23      280 million megawatts.  Is that megawatts or kilowatts?  
24      A.   I'm sorry, I didn't -- I was in the wrong book.

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1 Q. Oh. Okay. I'm sorry, too. I don't seem to be as  
2 organized as I thought I was. I apologize for that.

3 A. What page were you looking at?

4 Q. I was looking at the confidential Page 82.

5 A. Oh, okay.

6 Q. Now, is this a corresponding number to the  
7 megawatt-hours? This is a 12-month period, is it not?

8 A. Yes, that's -- what you're looking at is the 12-month  
9 actual loads that are used to create the loss factor to  
10 go from wholesale to retail prices.

11 Q. Uh-huh.

12 A. We -- Actually, the only place that we have a forecast  
13 of megawatt-hours is in that attachment, you know,  
14 Page 57, Attachment 9, inside the RFP summary. We  
15 normally don't provide any sort of a forecast of energy  
16 consumption or load to our customer -- to our  
17 suppliers. And, we also don't use that too much when  
18 we do our evaluation. We really look at the evaluation  
19 based on how much the bids are coming in on a dollar  
20 per megawatt-hour basis period.

21 Q. But would you, I mean, if I wanted to get an average, I  
22 could divide this 280 million by four?

23 A. Right, and that would be the actual loads that we would  
24 have on a monthly basis over the -- I think the

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1 12-month period ending April 2008.

2 Q. Okay. And, I do want to get clear, on Exhibit 6, at  
3 Line (1), those are intended to be megawatt-hours or  
4 are they kilowatt-hours?

5 A. You mean Schedule 6?

6 Q. Schedule 6, Line (1) of the confidential.

7 MS. BLACKMORE: I think you should be  
8 looking at the confidential volume.

9 WITNESS WARSHAW: Yes, I have the  
10 confidential.

11 MS. BLACKMORE: Okay.

12 **BY THE WITNESS:**

13 A. I think that's megawatt-hours, based on the indication,  
14 I mean, based on the value.

15 BY MS. AMIDON:

16 Q. 280 million?

17 A. Yes. Yep. Yes.

18 Q. And, that's annually? It just seems high, that's why  
19 we're asking. You know, we're not -- we just want to  
20 make sure we understand what's in the filing.

21 CHAIRMAN GETZ: Yes, it's not clear if  
22 that's for annually or for the quarter.

23 MS. AMIDON: That's why we're asking.

24 **BY THE WITNESS:**

[WITNESS: Warshaw]

1 A. Well, it is an annual wholesale loads, retail loads --  
2 my understand is its megawatt-hours. We can --

3 MS. BLACKMORE: Why don't we verify  
4 that.

5 WITNESS WARSHAW: We could verify it for  
6 the possibility that they may just have the wrong  
7 designation on the units. We may have the wrong units.

8 CMSR. BELOW: The mismatch seems to  
9 arise by comparing it with Page 11, which suggest a 21 to  
10 22,000 monthly megawatt-hour loads. And, if you multiply  
11 that by 12, --

12 WITNESS WARSHAW: Oh.

13 CMSR. BELOW: -- that gets you into the  
14 280,000 megawatt-hours, but not the 280 million  
15 megawatt-hours.

16 MS. AMIDON: Right.

17 CMSR. BELOW: So, there's a factor of a  
18 thousand difference there.

19 MS. AMIDON: Yes, that was sort of where  
20 we got confused. So, if you would just check that.

21 WITNESS WARSHAW: Yes, we will take that  
22 --

23 MS. AMIDON: And, I don't know if we  
24 need a record request for that. If you think we do --

[WITNESS: Warshaw]

1 CHAIRMAN GETZ: To the extent it's  
2 necessary to file a substitute page, then you can do that.

3 MS. BLACKMORE: If we find we need to,  
4 we'll file a substitute.

5 MS. AMIDON: Okay. Great.

6 BY MS. AMIDON:

7 Q. Okay. Now, back to Schedule 5 and your portfolio  
8 adder. Could you just summarize the calculation for  
9 each step here?

10 A. No problem. We start with the value that was issued by  
11 the Commission in January for the Alternative  
12 Compliance Payment of the Class III RPS obligation,  
13 which is \$29.20. And, then, the RPS obligation is  
14 \$3.50 -- is 3.5 percent of Class III for the year.  
15 And, all we do is -- all we did was divide the \$29.20  
16 by the 3.5 percent to get the \$1.02, and use that as a  
17 partial rate for developing the RPS adder. We then  
18 took the other portion of the RPS obligation, which is  
19 the Class IV renewable resources. We used an estimate  
20 of \$2.00 a REC, and that could only be -- that's for  
21 0.5 percent of our load. So, if you take the \$2.00  
22 divided by 0.5 percent, you get 0.01. And, then, when  
23 you add the two together, you get \$1.03. And, that's  
24 at dollars per megawatt-hour. That's a wholesale rate.

[WITNESS: Warshaw]

1 And, then, to adjust that down to retail, we have to  
2 adjust the \$1.03 by the loss factor, and then also  
3 divide by ten, to bring it down from a dollar per  
4 megawatt-hour to a cents per kilowatt-hour rate.

5 Q. And, the \$2.00 mark that you have for Class IV RECs is  
6 derived by what?

7 A. That was an estimate of existing renewable resource REC  
8 prices that we've seen in the marketplace.

9 Q. And, so, you believe that there is a market for Class  
10 IV RECs?

11 A. Similar to the existing resource requirement in Rhode  
12 Island and Connecticut, that's as close as we were able  
13 to find a similar product. We used that as the -- we  
14 used that similar pricing from Rhode Island and  
15 Connecticut to basically reflect what we think is a  
16 market price for New Hampshire existing renewables.

17 Q. I'm just trying to understand this. So, you are aware  
18 that there are Class IV RECs available for \$2.00 or is  
19 this calculation something that you made some time ago  
20 and you are not aware that they continue to remain  
21 available at \$2.00?

22 A. We have not gone to the marketplace for specifically  
23 New Hampshire existing renewables. This is -- This was  
24 our estimate of -- that we used a few months ago. We

[WITNESS: Warshaw]

1 have not gone to market yet, and we have not heard of  
2 any market pricing for either the new resource -- the  
3 Class III or the Class IV resources yet.

4 Q. And, while absent being able to purchase them for  
5 \$2.00, what would the cost be, for example, for the  
6 Alternative Compliance Payments for Class IV RECs here  
7 in New Hampshire?

8 A. That would probably be --

9 Q. I can help you out. The same as Class III?

10 A. I was -- It's 29.20.

11 Q. Right. So, if you're not aware that you can -- that  
12 there's a market for RECs or that they can be purchased  
13 for this amount, why are you continuing to use this  
14 amount to derive your adder?

15 A. Because we feel that the rate -- the regulations have  
16 only recently been finalized for the RPS in New  
17 Hampshire. And, once we begin to start issuing an RFP  
18 and pursuing purchase of these types of RECs, we would  
19 expect that the market would meet the demand.

20 Q. I'm not sure what you mean, "the market would meet the  
21 demand"?

22 A. That the market -- That, if there's a demand for this  
23 product, the market will provide RECs to meet that  
24 demand. I don't think the market would let a demand

[WITNESS: Warshaw]

1 not be met.

2 Q. I guess simply put, I'm just curious whether you're  
3 concerned that you may be underestimating the cost for  
4 procuring the required renewable energy certificates  
5 for Class IV?

6 A. There is a possibility that we could be underestimating  
7 the cost. But, because it's only a small portion of  
8 the obligation for the year, it should have a small  
9 impact. Exactly what that impact is, I don't know.

10 Q. Well, the difference, if you had calculated the adder  
11 using the 29.20 figure, I believe, you would be -- the  
12 adder would be 0.121 cents per kilowatt-hour, instead  
13 of 0.108 cents. And, the Staff has calculated this,  
14 and the delta for this period, if assuming that you're  
15 going to have to pay the Alternative Compliance  
16 Payments, is about \$9,000 for these three months.  
17 Would you, subject to check, would you agree that  
18 that's likely?

19 A. That sounds about right.

20 Q. So, absent -- and you propose to reconcile these costs  
21 on an annual basis, is that correct?

22 A. Yes.

23 Q. But, in the meantime, if you do end up with an  
24 undercollection, the associated carrying costs are



[WITNESS: Warshaw]

1 going to be billed back to customers, is that correct?

2 A. Yes, subject to check.

3 MS. AMIDON: Okay. Well, I guess we  
4 just want to point that out to you, because our concern  
5 is, we heard from Unitil this morning, and according to  
6 their research there is no market for RECs, and they have  
7 used the Alternative Compliance Payment in calculating the  
8 appropriate adder. And, so, it's contrary to what we saw  
9 in this filing, and we just wanted to, at this point,  
10 point that out, because we're concerned that there will  
11 be, maybe in this case not a significant undercollection,  
12 but it could be something that accrues over time to the  
13 detriment of the customers. And, that's all we had.

14 CHAIRMAN GETZ: Ms. Blackmore, redirect?

15 MS. BLACKMORE: I don't think I have any  
16 further questions.

17 CHAIRMAN GETZ: Then, the witness is  
18 excused. Thank you, Mr. Warshaw. Any objection to  
19 striking identifications and admitting the exhibits into  
20 evidence?

21 (No verbal response)

22 CHAIRMAN GETZ: Hearing no objection,  
23 they will be admitted into evidence. Is there anything  
24 else, other than opportunity for closings?

1 MS. AMIDON: No.

2 CHAIRMAN GETZ: Hearing nothing, then,  
3 Ms. Amidon.

4 MS. AMIDON: Well, based on Staff's  
5 review of this filing, we believe that the Company  
6 followed the solicitation and procurement and evaluation  
7 process that the Commission approved in its initial -- its  
8 initial docket on Default Service procurement. We believe  
9 that it's appropriate that the Company included -- having  
10 selected an all-inclusive bid including energy and  
11 capacity at fixed prices. And, we believe that the  
12 resulting rates are market-based.

13 CHAIRMAN GETZ: Is there any particular  
14 proposal with respect to the different use of another --  
15 other than the ACPs in calculating the adder?

16 MR. McCLUSKEY: We would recommend that  
17 the Company revise the adder, because, while it only  
18 applies to the G-1 class in this proceeding, it would  
19 apply to the non-G-1 class in other proceedings and for  
20 other periods. And, hence, over the 2008 as a whole, the  
21 undercollection could be quite significant, resulting in  
22 additional interest charges to be paid by customers. So,  
23 we would recommend that the Company revise the adder to  
24 reflect the fact that RECs are essentially being purchased

1 at the Alternative Compliance Payment level.

2 CHAIRMAN GETZ: Thank you.

3 Ms. Blackmore.

4 MS. BLACKMORE: Thank you. National  
5 Grid is respectfully requesting that the Commission issue  
6 an order approving the proposed rates no later than  
7 June 23rd, so that the rates can become effective for  
8 usage on and after August 1, 2008. And, we can, I guess,  
9 talk with Staff regarding the revision of the RPS adder.  
10 And, I'm not sure when that would be effective, but we can  
11 work that out with Staff.

12 CHAIRMAN GETZ: Okay. Why don't we  
13 adopt the approach we used in the Unutil case. We'll  
14 reserve an exhibit for a record response, to the extent  
15 there's a proposed revision agreed to among the parties,  
16 and you can file that in this docket.

17 **(Exhibit 10 reserved)**

18 CHAIRMAN GETZ: Okay. Anything else  
19 this afternoon? (No verbal response) Okay. Hearing  
20 nothing, then we'll close the docket, wait for the record  
21 response, and take the matter under advisement. Thank  
22 you, everyone.

23 **(Whereupon the hearing ended at 3:30**  
24 **p.m.)**