

Granite State Electric Company d/b/a National Grid
Docket No. DE 11-016
Witness: S.M. McCabe

DIRECT TESTIMONY
OF
SCOTT M. MCCABE

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1 **I. Introduction and Qualifications**

2 Q. Please state your full name and business address.

3 A. My name is Scott M. McCabe and my business address is 40 Sylvan Road, Waltham,
4 Massachusetts, 02451.

6 Q. Please state your position.

7 A. I am Principal Analyst in the New England Electric Pricing group of the Regulation and
8 Pricing – Electricity Distribution and Generation department of National Grid USA, Inc.
9 This department provides rate-related services to Granite State Electric Company d/b/a
10 National Grid (“National Grid” or “the Company”).

12 Q. Please describe your educational background.

13 A. I graduated from Bowdoin College in Brunswick, Maine with a Bachelor of Arts degree
14 in Economics and Government and Legal Studies in 1991.

16 Q. Please describe your professional experience and training.

17 A. From 1991 to 1999, I was employed by Bay State Gas Company (“Bay State Gas”),
18 headquartered in Westborough, MA. At Bay State Gas I held several positions,
19 beginning as an intern for the Marketing and Sales Group in September 1991 and
20 promoted to Associate Planning Analyst for the same group in January 1993. In August
21 1993, I joined the Demand Side Management department as a program manager
22 responsible for the implementation of Bay State Gas’s commercial and multifamily DSM

1 Programs. In August 1996, I joined EnergyUSA, an unregulated affiliate of Bay State
2 Gas, as a Senior Financial Analyst and in December 1997 was promoted to Manager of
3 Product Support. In January 1999 I rejoined Bay State Gas as Revenue Control and
4 Analysis Supervisor. From May 1999 through April 2001, I worked for the
5 Massachusetts Technology Collaborative as Project Manager for the Massachusetts
6 Renewable Energy Trust. I joined National Grid in April 2001 as Senior Analyst in the
7 Energy Efficiency Services Group. I transferred to Regulation and Pricing in October
8 2002. In July of 2008 I was promoted to my current position.

9
10 Q. Have you previously testified before the New Hampshire Public Utilities Commission
11 (“the Commission”)?

12 A. Yes. I have previously testified on behalf of National Grid in several proceedings before
13 the Commission.
14

15 **II. Purpose of Testimony**

16 Q. What is the purpose of your testimony?

17 A. The purpose of my testimony is to present National Grid’s proposed Default Service
18 rates, including adjustment factors, for usage on and after May 1, 2011, in accordance
19 with the Default Service Adjustment Provision and Default Service Cost Reclassification
20 Adjustment Provision of the Company’s tariff, and the Settlement Agreement in Docket
21 DE 05-126 approved by the Commission in Order No. 24,577 (January 13, 2006)
22 (“Settlement Agreement”). My testimony also presents the results of the reconciliation

1 of Default Service power supply expense for the period of February 2010 through
2 January 2011 (“Default Service Reconciliation”), the reconciliation of the Company’s
3 cost of complying with its 2010 Renewable Portfolio Standard obligations for the period
4 of January 2010 through December 2010 “(Renewable Portfolio Standard
5 Reconciliation”), and the reconciliation of the administrative cost of providing Default
6 Service, also for the period February 2010 through January 2011 (“Default Service Cost
7 Reclassification Adjustment Factor Reconciliation”). This filing also presents the final
8 reconciliation of the over recovery balance approved for refund through the 2009 Default
9 Service adjustment factor as well as the status of the reconciliation of the under recovery
10 balance approved for recovery through the 2010 Default Service adjustment factor.
11

12 Q. Please summarize the proposed Default Service rates resulting from the Default Service
13 procurement, adjusted by the factors which National Grid is proposing to implement for
14 usage on and after May 1, 2011.

15 A. As I describe in more detail later in my testimony, National Grid proposes to implement
16 the following Default Service rates beginning May 1, 2011, for usage on and after that
17 date:

	Residential and Small C&I	Medium & Large C&I		
	May - October 2011	May	June	July
Base Default Service Rate	6.374¢	6.732¢	6.360¢	6.330¢
2011 Default Service Adjustment Factor	0.035¢	0.035¢	0.035¢	0.035¢
Default Service Cost Reclassification Adjustment Factor	0.078¢	0.011¢	0.011¢	0.011¢
Renewable Portfolio Standard ("RPS") Adder	0.193¢	0.193¢	0.193¢	0.193¢
Total Default Service Rate	6.680¢	6.701¢	6.689¢	6.659¢

The Default Service rates which the Company proposes to bill its customers receiving Default Service are also summarized in Schedules SMM-1 and SMM-2.

III. Base Default Service Rates

Q. What are the "base" Default Service rates that the Company is proposing?

A. National Grid is proposing a fixed six-month base Default Service rate for the Residential and Small Commercial Customer Group¹ ("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) Schedule SMM-2, the proposed base Default Service rate for the Small Customer Group is 6.374¢ per kWh. The calculation of the six-month base Default

¹ 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 Service rate for the Small Customer Group is also presented in Schedule SMM-2. The
2 Company is also proposing monthly base Default Service rates for the Medium and Large
3 Commercial and Industrial Customer Group² (“Large Customer Group”) based on the
4 three monthly contract prices contained in the supply agreement with the winning Default
5 Service supplier for the Large Customer Group. As shown on line (5) of Schedule SMM-
6 1, page 1, the proposed base Default Service rates for the Large Customer Group are
7 6.372¢ per kWh, 6.360¢ per kWh, and 6.330¢ per kWh for the months of May 2011, June
8 2011 and July 2011, respectively.

9
10 **IV. Reconciliations and Adjustment Factors**

11 **Default Service Reconciliation**

12 Q. Please discuss in general terms the Company’s Default Service Reconciliation.

13 A. The Company is required on an annual basis to reconcile its power supply cost of
14 providing Default Service with its Default Service revenue associated with the recovery
15 of power supply costs, and the excess or deficiency, including interest at the interest rate
16 paid on customer deposits, shall be returned to, or recovered from, all Default Service
17 customers over the following 12 months through the Default Service adjustment factor.

18
19 Q. Is the Company presenting a reconciliation of power supply costs for Default Service in
20 its filing?

21 A. Yes. The Default Service Reconciliation for the period February 2010 through January

² Customers taking service under General Long-Hour Service Rate G-2 or General Service Time-Of-Use Rate G-1 of

1 2011 is presented in Schedule SMM-3.

2
3 Q. Please explain the Default Service Reconciliation in detail.

4 A. Schedule SMM-3, page 1, presents the actual reconciliation of Default Service revenue
5 and expense by month. The detail behind each month's Default Service revenue is
6 included on page 2 of Schedule SMM-3. The detail behind each month's Default Service
7 expense is shown on page 3 of Schedule SMM-3. The source of the Default Service
8 expense in Column (a) and Column (b) of page 3 is each month's invoice from the
9 Default Service providers.

10
11 Q. Please explain the adjustment in column (c) in May 2010.

12 A. The adjustment of \$219,306 is the remaining refund balance from the Default Service
13 reconciliation for the period from January 2008 through February 2009 that was to be
14 refunded to customers over the period May 2009 through April 2010 through the 2009
15 Default Service adjustment factor.

16
17 Q. Is the reconciliation prepared in the same manner as the Default Service reconciliation
18 that was filed with the Commission last year?

19 A. Yes. The current reconciliation is prepared in the same manner as the Default Service
20 reconciliation filed with the Commission last year in Docket DE 10-020.

1 Q. Why is the Company subtracting amounts from Default Service revenue for the
2 Renewable Portfolio Standard Adder revenue?

3 A. Any amounts relating to the RPS Adder must be removed from total Default Service
4 revenue billed to customers in order to properly reflect the base Default Service revenue
5 for the current reconciliation period. Accordingly, the Company has calculated the
6 revenue relating to the Residential and Small C&I RPS Adder and the Medium & Large
7 C&I RPS Adder and removed these components of revenue from the total Default
8 Service revenue billed. The revenue amounts related to the RPS Adder are included in
9 the RPS Reconciliation discussed below.

10
11 Q. What is the result of the Company's Default Service reconciliation for the period ending
12 January 2011?

13 A. The Company has an under recovery Default Service power supply costs of \$844,876 and
14 will reflect this under recovery in its proposed Default Service adjustment factor to take
15 effect May 1, 2011.

16
17 **Renewable Portfolio Standard Reconciliation**

18 Q. Is the Company presenting a reconciliation of the costs for complying with Renewable
19 Portfolio Standard obligations in this filing?

20 A. Yes. The RPS Reconciliation for the period January 2010 through June 2011 is
21 presented in Schedule SMM-4.

1 Q. Please explain the Renewable Portfolio Standard Reconciliation in detail.

2 A. Schedule SMM-4, page 1, presents the actual reconciliation of RPS Adder revenue and
3 expense by month. The RPS Adder revenue collected from Default Service customers is
4 presented on page 2 of Schedule SMM-4. The RPS Obligation Expenses for 2010 is
5 presented on page 3 of Schedule SMM-4. The Company has until July 1, 2011 to
6 procure its 2010 RPS obligation and thus has not yet incurred all of the expenses to meet
7 that obligation. The Company has provided an estimate of the remaining expenses to
8 meet the 2010 RPS obligation which is reflected in June 2011 on Schedule SMM-4.
9 Based on the reconciliation in Schedule SMM-4, the Company has an over recovery of
10 RPS expense of \$631,017.

11
12 Q. How is the Company proposing to treat the over recovery of RPS expense?

13 A. The Company is proposing to offset the under recovery of Default Service power supply
14 costs with the estimated RPS expense over recovery in the calculation of the proposed
15 2011 Default Service adjustment factor.

16
17 **Reconciliation of the 2009 Default Service Adjustment Factor**

18 Q. Is the Company including the final results of the over collection refunded through the
19 Default Service adjustment factor that was approved for implementation during May
20 2009?

21 A. Yes. The result of the refund through the 2009 Default Service adjustment factor is
22 presented in Schedule SMM-5.

1
2 Q. What does Schedule SMM-5 illustrate?

3 A. Schedule SMM-5 indicates that of the \$1,845,957 over collection from the February 2008
4 through January 2009 reconciliation period that was to be refunded through the 2009
5 Default Service adjustment factor credit of (0.285¢) per kWh, \$1,659,804 was refunded
6 to customers through April 2010. The remaining over recovered balance of \$219,306 is
7 reflected in the Default Service Reconciliation as an adjustment in May 2010.
8

9 **Reconciliation of the 2010 Default Service Adjustment Factor**

10 Q. Is the Company including a status of the under collection recovered with the Default
11 Service adjustment factor that was approved for implementation on May 1, 2010?

12 A. Yes. The status of the adjustment to the 2009 Default Service adjustment factor is
13 presented in Schedule SMM-6.
14

15 Q. What does Schedule SMM-6 illustrate?

16 A. Schedule SMM-6 indicates that of the \$714,571 under collection from the February 2009
17 through January 2010 reconciliation period that is to be recovered through the 2010
18 Default Service adjustment factor of 0.121¢ per kWh, \$564,527 has been recovered from
19 customers through January 2011, with the remaining under recovery of \$162,071 to be
20 recovered from customers by the end of April 2011. Any remaining balance, either
21 positive or negative, will be reflected in next year's Default Service Reconciliation as an
22 adjustment in May 2011.

Proposed 2011 Default Service Adjustment Factor

Q. Is the Company proposing to implement a 2011 Default Service adjustment factor beginning May 1, 2011?

A. Yes. The Company proposes a Default Service adjustment factor of 0.035¢ per kWh as calculated in Schedule SMM-7. This schedule takes both the Default Service under collection from Schedule SMM-3 and the estimated RPS over collection from Schedule SMM-4, accrues interest on the net under-recovered balance during the recovery period assuming monthly recovery amounts, and divides the balance including interest by an estimate of the kWh deliveries attributable to Default Service customers for the period from May 2011 through April 2012.

Q. How would this factor be implemented?

A. The Default Service adjustment factor would become effective for usage on and after May 1, 2011, the same date that the other rates proposed in this filing are proposed to become effective. The proposed Default Service adjustment factor would be combined with the Default Service rates for billing.

V. Default Service Cost Reclassification Adjustment Factor Reconciliation

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

A. Pursuant to the Company's Default Service Adjustment Provision, the Company must

1 reconcile its administrative cost of providing Default Service with its Default Service
2 revenue associated with the recovery of administrative costs, and the excess or
3 deficiency, including interest at the interest rate paid on customer deposits, must be
4 reflected in the subsequent year's Default Service Cost Reclassification Adjustment
5 Factor ("DSCRAF").
6

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

10 A. Yes. The DSCRAF Reconciliation for the period February 2010 through January 2011 is
11 presented in Schedule SMM-8.
12

13 Q. Please explain the DSCRAF reconciliation in detail.

14 A. Schedule SMM-8, page 1, presents the actual reconciliation of DSCRAF revenue and
15 administrative expense by month. The detail behind each month's DSCRAF revenue is
16 included on page 1 of Schedule SMM-8. The detail behind each month's administrative
17 expense is shown on page 2 of Schedule SMM-8. The calculation of the cash working
18 capital impact is presented on pages 4 and 5 of Schedule SMM-8.
19

20 Q. Has the Company calculated the cash working capital impact consistently with last year's
21 calculation?

22 A. Yes.

Proposed Default Service Cost Reclassification Adjustment Factors

Q. Has the Company calculated proposed DSCRAF's?

A. Yes. Schedule SMM-9 calculates the proposed DSCRAF's of 0.078¢ per kWh for the Small Customer Group and 0.101¢ per kWh for the Large Customer Group for the period May 2011 through April 2012.

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

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

VI. 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 usage on and after May 1, 2011.

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

A. Yes. These bill impacts are included in Schedule SMM-10. Schedule SMM-10 shows that for a typical residential 500 kWh Default Service customer, the bill impact of the rates proposed for May 1, 2011, as compared to rates in effect today, is a bill decrease of \$2.06, or 3.1%, from \$65.83 to \$63.77. In addition, a bill comparison for a Default

1 Service residential customer with an average kWh usage of 674 which is the average
2 monthly usage over the twelve month period ending February 2011, has also been
3 included in this filing on page 1 of Schedule SMM-10. The bill impact of the rates
4 proposed in this filing, as compared to rates in effect today, is a bill decrease of \$2.77 or
5 3.1%, from \$89.48 to \$86.71. For other customers in the Small Customer Group,
6 decreases range from 3.1% to 4.1% (see pages 1 to 9 of Schedule SMM-10). For
7 customers in the Large Customer Group, the Company has provided typical bill impacts
8 for illustrative load-weighted rates. The bill impacts for the three-month period ending
9 July 2011 are decreases ranging from 5.5% to 6.6% as compared to the three-month
10 period ending April 2011 (see pages 10 to 16 of Schedule SMM-10).

11
12 Q. Has the Company prepared a revised Summary of Rates tariff page reflecting the
13 proposed rates?

14 A. Yes. It is included as Schedule SMM-11. The Summary of Rates reflects the proposed
15 Default Service rate changes contained in this filing. Upon receiving an order in this
16 proceeding, the Company will file a Seventy-first Revised Page 84, Summary of Rates,
17 reflecting the appropriate approved rates.

18
19 Q. Has the Company included the most recent quarterly report of migration information
20 based on monthly migration by customer class and load, as required by the Commission's
21 Order No. 24,715 in Docket DE 06-115?

22 A. The quarterly report of customer migration information for fourth quarter of calendar

1 year 2010 is included as Schedule SMM-12.

2

3 **VII. Conclusion**

4 Q. Does this conclude your testimony?

5 A. Yes.