

DIRECT TESTIMONY
OF
SCOTT M. MCCABE

Table of Contents

I.	<u>Introduction and Qualifications</u>	1
II.	<u>Purpose of Testimony</u>	2
III.	<u>Base Default Service Rates</u>	4
IV.	<u>Reconciliations and Adjustment Factors</u>	5
	<u>Default Service Adjustment Provision</u>	5
	<u>Default Service Reconciliation</u>	7
	<u>Renewable Portfolio Standard Reconciliation</u>	9
	<u>Reconciliation of 2010 Default Service Adjustment Factor</u>	10
	<u>Reconciliation of 2011 Default Service Adjustment Factor</u>	11
	<u>Proposed 2012 Default Service Adjustment Factor</u>	12
V.	<u>Default Service Cost Reclassification Adjustment Factor Reconciliation</u>	13
	<u>Proposed Default Service Cost Reclassification Adjustment Factors</u>	14
VI.	<u>Effective Date and Bill Impacts</u>	14
VII.	<u>Conclusion</u>	16

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 Lead Specialist, New England Electric Pricing, in the Regulation and Pricing
8 department of National Grid USA. This group provides rate-related services for Granite
9 State Electric Company d/b/a National Grid (“Granite State” or “the Company”).

11 Q. Please describe your educational background.

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

15 Q. Please describe your professional experience and training.

16 A. From 1991 to 1999, I was employed by Bay State Gas Company (“Bay State Gas”),
17 headquartered in Westborough, MA. At Bay State Gas I held several positions,
18 beginning as an intern for the Marketing and Sales Group in September 1991 and
19 promoted to Associate Planning Analyst for the same group in January 1993. In August
20 1993, I joined the Demand Side Management department as a program manager
21 responsible for the implementation of Bay State Gas’s commercial and multifamily DSM
22 Programs. In August 1996, I joined EnergyUSA, an unregulated affiliate of Bay State

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

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

11 A. Yes. I have previously testified on behalf of Granite State in several proceedings before
12 the Commission.
13

14 **II. Purpose of Testimony**

15 Q. What is the purpose of your testimony?

16 A. The purpose of my testimony is to present Granite State’s proposed Default Service rates,
17 including adjustment factors, for service rendered on and after May 1, 2012, in
18 accordance with the Default Service Adjustment Provision (“DSAP”) and Default
19 Service Cost Reclassification Adjustment Provision of the Company’s retail delivery
20 tariff on file with the Commission (“Retail Delivery Tariff”) and the Settlement
21 Agreement in Docket DE 05-126 approved by the Commission in Order No. 24,577

1 (January 13, 2006) (“Settlement Agreement”) ¹. My testimony also presents the results
2 of: (i) the reconciliation of Default Service power supply expense and applicable revenue
3 for the period of February 2011 through January 2012 (“Default Service
4 Reconciliation”); (ii) the reconciliation of the Company’s cost of complying with its 2011
5 Renewable Portfolio Standard obligations and the applicable revenue for the period of
6 January 2011 through December 2011 (“Renewable Portfolio Standard Reconciliation”);
7 and (iii) the reconciliation of the administrative cost of providing Default Service and the
8 applicable revenue for the period February 2011 through January 2012 (“Default Service
9 Cost Reclassification Adjustment Factor (“DSCRAF”) Reconciliation”). Additionally,
10 this filing presents the Company’s final reconciliation relating to its 2010 Default Service
11 adjustment factor as well as the status of the reconciliation relating to its 2011 Default
12 Service adjustment factor ².

13
14 Q. Please summarize the proposed Default Service rates resulting from the Default Service
15 procurement, adjusted by the factors which Granite State is proposing to implement for
16 service rendered on and after May 1, 2012.

17 A. As I describe in more detail later in my testimony, Granite State proposes to implement
18 the following Default Service rates beginning May 1, 2012, for service rendered on and
19 after that date:

¹ The Order granted Granite State’s August 1, 2005 Petition for Post-Transition Service Default Service Proposal as amended by the Post-Transition Service Default Service Proposal Settlement Agreement filed with the Commission on November 18, 2005. Granite State’s original proposal filed August 1, 2005 and the subsequent settlement agreement will together be referred to as the “Settlement Agreement” throughout my testimony.

² The orders approving the 2010 and 2011 Default Service adjustment factors were Order No. 25,083 (March 22, 2010) and Order No. 25,207 (March 22, 2011).

	Residential and Small C&I	Medium & Large C&I		
	May - October 2012	May	June	July
Base Default Service Rate	4.923 ¢	4.395 ¢	4.496 ¢	5.168 ¢
2012 Default Service Adjustment Factor	0.478 ¢	0.478 ¢	0.478 ¢	0.478 ¢
Default Service Cost Reclassification Adjustment Factor	0.087 ¢	0.103 ¢	0.103 ¢	0.103 ¢
Renewable Portfolio Standard ("RPS") Adder	0.396 ¢	0.396 ¢	0.396 ¢	0.396 ¢
Total Default Service Rate	5.884 ¢	5.372 ¢	5.473 ¢	6.145 ¢

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 for service rendered on and after May 1, 2012?

A. Consistent with the Settlement Agreement, Granite State is proposing a fixed six-month base Default Service rate for the period May – October 2012 for the Residential and Small Commercial Customer Group³ ("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 SMM-2, the proposed base Default Service rate for the Small Customer

³ 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 Group is 4.923¢ per kWh. The calculation of the six-month base Default Service rate for
2 the Small Customer Group is also presented in Schedule SMM-2. The Company is also
3 proposing monthly base Default Service rates for the Medium and Large Commercial and
4 Industrial Customer Group⁴ (“Large Customer Group”) based on the three monthly
5 contract prices contained in the supply agreement with the winning Default Service
6 supplier for the Large Customer Group. As shown on line (5) of Schedule SMM-1, page
7 1, the proposed base Default Service rates for the Large Customer Group are 4.395¢ per
8 kWh, 4.496¢ per kWh, and 5.168¢ per kWh for the months of May 2012, June 2012 and
9 July 2012, respectively.

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

12 **Default Service Adjustment Provision**

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

14 A. Pursuant to the Company’s DSAP, on an annual basis, the Company performs its Default
15 Service Reconciliation (power supply reconciliation) and Default Service Cost
16 Reclassification Adjustment Factor Reconciliation (reconciliation of administrative costs
17 of providing Default Service). The Company performs these reconciliations in order to
18 set factors that adjust its Default Service rates and ensure that it recovers only the costs it
19 actually incurs to provide Default Service to its customers, no more and no less.

20

⁴ 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.

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

11
12 In addition, New Hampshire's Electric Renewable Portfolio Standard ("RPS") statute,
13 RSA 362-F, requires providers of electric service to either purchase a portion of their
14 power from renewable sources through the acquisition of renewable energy certificates
15 ("RECs") or, if RECs are not available, make specified alternative compliance payments
16 ("ACPs") to the State renewable energy fund created by the RPS law. Accordingly,
17 power supply costs also include payments to suppliers of RECs as well as any ACP that
18 the Company makes to meet RPS obligations. As I describe later in my testimony, the
19 Company performs a separate reconciliation of the costs for complying with its RPS
20 obligations, which is included in the Default Service adjustment factor.

21
22 In the Default Service Cost Reclassification Adjustment Factor Reconciliation, the

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

12
13 **Default Service Reconciliation**

14 Q. Is the Company presenting a reconciliation of power supply costs for Default Service in
15 this filing?

16 A. Yes. The Default Service Reconciliation for the period February 2011 through January
17 2012 is presented in Schedule SMM-3.

18
19 Q. Please explain the Default Service Reconciliation in detail.

20 A. Schedule SMM-3, page 1, presents the actual reconciliation of Default Service revenue
21 and Default Service expense by month. The detail behind each month's Default Service
22 revenue is included on page 2 of Schedule SMM-3. The detail behind each month's

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

5 Q. Please explain the adjustment in column (c) in May 2011.

6 A. The adjustment of \$11,223 represents the remaining recovery balance from a prior
7 Default Service reconciliation for the period February 2009 through January 2010. This
8 balance was to be recovered from customers over the period May 2010 through April
9 2011 through the 2010 Default Service adjustment factor.
10

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

13 A. Yes. The current reconciliation is prepared in the same manner as the Default Service
14 reconciliation filed with the Commission last year in Docket DE 11-016.
15

16 Q. In Schedule SMM-3, why is the Company subtracting amounts from Default Service
17 revenue for the Renewable Portfolio Standard adder revenue?

18 A. Any amounts relating to the RPS compliance adder must be removed from total Default
19 Service revenue billed to customers in order to properly reflect the base Default Service
20 revenue for the current reconciliation period. As indicated in Ms. Janzen's written
21 testimony, the RPS compliance adder is the incremental charge associated with meeting
22 the RPS obligation associated with the Default Service obligation. Accordingly, the

1 Company has calculated the revenue relating to the Small Customer Group RPS
2 compliance adder and the Large Customer Group RPS compliance adder and removed
3 these components of revenue from the total Default Service revenue billed. The revenue
4 amounts related to the RPS compliance adders are included in the Renewable Portfolio
5 Standard Reconciliation discussed below.
6

7 Q. What is the result of the Company's Default Service Reconciliation for the period ending
8 January 2012?

9 A. The Company has an under recovery of Default Service power supply costs of
10 approximately \$2.3 million and will reflect this under recovery in its proposed Default
11 Service adjustment factor to take effect May 1, 2012.
12

13 **Renewable Portfolio Standard Reconciliation**

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

16 A. Yes. The Renewable Portfolio Standard Reconciliation for the period January 2011
17 through June 2012 is presented in Schedule SMM-4.
18

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

20 A. Schedule SMM-4, page 1, presents the actual reconciliation of RPS compliance adder
21 revenue and expense by month. The RPS compliance adder revenue collected from
22 Default Service customers during January through December 2011 is presented on page 2

1 of Schedule SMM-4. The RPS Obligation Expense for 2011 is presented on page 3 of
2 Schedule SMM-4. Based on actual revenue collected for the period January through
3 December 2011 and actual expenses incurred during 2011, the ending balance as of
4 December 2011 is an over recovery of \$761,813. Pursuant to Section 362-R:8 of the RPS
5 statute, the Company has until July 1, 2012 to procure its 2011 RPS obligation and thus
6 has not yet incurred all of the expense to meet that obligation. The Company has
7 provided an estimate of the remaining expense to meet the 2011 RPS obligation which is
8 reflected in June 2012 on Schedule SMM-4. The estimate of remaining expense includes
9 the cost of 2011 RECs under contract but not yet delivered as well as an estimate of the
10 remaining 2011 obligation volumes still to be procured valued at the estimated market
11 price for each NH RPS class. As presented in Schedule SMM-4, the Company has a
12 projected under recovery of RPS expense of \$714,784.

13
14 Q. How is the Company proposing to treat the projected under recovery of RPS expense?

15 A. The Company is proposing to combine the under recovery of Default Service power
16 supply costs with the projected RPS expense under recovery in the calculation of the
17 proposed 2012 Default Service adjustment factor.

18
19 **Reconciliation of the 2010 Default Service Adjustment Factor**

20 Q. Is the Company including in this filing, the final results of the under collection recovered
21 through the Default Service adjustment factor that was approved for implementation
22 during May 2010?

1 A. Yes. The result of the recovery through the 2010 Default Service adjustment factor is
2 presented in Schedule SMM-5.

3
4 Q. What does Schedule SMM-5 illustrate?

5 A. Schedule SMM-5 indicates that of the \$714,571 under collection from the February 2009
6 through January 2010 reconciliation period that was to be recovered through the 2010
7 Default Service adjustment factor of 0.121¢ per kWh, \$737,098 was collected from
8 customers through April 2011. The remaining over recovered balance of \$11,233 is
9 reflected in the Default Service Reconciliation as an adjustment in May 2011.

10
11 **Reconciliation of the 2011 Default Service Adjustment Factor**

12 Q. Is the Company including in this filing, a status of the under collection recovered through
13 the Default Service adjustment factor that was approved for implementation on May 1,
14 2011?

15 A. Yes. The result of the recovery through the 2011 Default Service adjustment factor is
16 presented in Schedule SMM-6.

17
18 Q. What does Schedule SMM-6 illustrate?

19 A. Schedule SMM-6 indicates that of the \$220,641 under collection from the February 2010
20 through January 2011 reconciliation period that is to be recovered through the 2011
21 Default Service adjustment factor of 0.035¢ per kWh, \$168,383 has been recovered from
22 customers through February 2012, with the remaining under recovery to be recovered

1 from customers by the end of April 2012. Any remaining balance, either positive or
2 negative, will be reflected in next year's Default Service Reconciliation as an adjustment
3 in May 2012.
4

5 **Proposed 2012 Default Service Adjustment Factor**

6 Q. Is the Company proposing to implement a 2012 Default Service adjustment factor
7 beginning May 1, 2012?

8 A. Yes. The Company proposes a Default Service adjustment factor of 0.478¢ per kWh as
9 calculated in Schedule SMM-7. This schedule takes both the Default Service under
10 collection from Schedule SMM-3 (covering the period February 2011 through January
11 2012) and the estimated RPS under collection from Schedule SMM-4 (covering the
12 period January 2011 through June 2012), projects accrued interest on the under-recovered
13 balance during the recovery period assuming monthly recovery amounts, and divides the
14 balance including interest by an estimate of the kWh deliveries attributable to Default
15 Service customers for the period from May 2012 through April 2013.
16

17 Q. How would this factor be implemented?

18 A. The Default Service adjustment factor would become effective for service rendered on
19 and after May 1, 2012, the same date that the other rates proposed in this filing are
20 proposed to become effective. The proposed Default Service adjustment factor would be
21 combined with the base Default Service rates for billing.
22

1 **V. Default Service Cost Reclassification Adjustment Factor Reconciliation**

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

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

9
10 Q. Is the Company presenting a reconciliation of administrative costs of providing Default
11 Service with its Default Service revenue associated with the recovery of administrative
12 costs in this filing?

13 A. Yes. The DSCRAF Reconciliation for the period February 2011 through January 2012 is
14 presented in Schedule SMM-8.

15
16 Q. Please explain the DSCRAF reconciliation in detail.

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

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

3 A. Yes.
4

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

6 Q. Has the Company calculated proposed DSCRAF's for the period beginning May 1, 2012?

7 A. Yes. Schedule SMM-9 calculates the proposed DSCRAF's of 0.087¢ per kWh for the
8 Small Customer Group and 0.103¢ per kWh for the Large Customer Group for the period
9 May 2012 through April 2013. The proposed DSCRAF's would be combined with the
10 Default Service rates for billing.
11

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

13 A. Yes. The Company has calculated the DSCRAF's in the same manner as in last year's
14 filing and in accordance with the methodologies approved in the Settlement Agreement.
15

16 **VI. Effective Date and Bill Impact**

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

18 A. Consistent with the Commission's rules on the implementation of rate changes, the
19 Company is proposing that all of the above rate changes be made effective for service
20 rendered on and after May 1, 2012.
21

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

1 A. Yes. These bill impacts are included in Schedule SMM-10. Schedule SMM-10 shows
2 that for a typical residential 500 kWh Default Service customer, the bill impact of the
3 rates proposed for May 1, 2012, as compared to rates in effect today, is a bill decrease of
4 \$9.31, or 13.4%, from \$69.64 to \$60.33. In addition, as requested by the Office of
5 Consumer Advocate, a bill comparison for a Default Service residential customer with an
6 average kWh usage of 666 which is the average monthly usage over the twelve month
7 period ending February 2012, has also been included in this filing on page 1 of Schedule
8 SMM-10. The bill impact of the rates proposed in this filing, as compared to rates in
9 effect today, is a bill decrease of \$12.40 or 13.3%, from \$93.50 to \$81.10. For other
10 customers in the Small Customer Group, decreases range from 12.4% to 17.5% (see
11 pages 1 to 9 of Schedule SMM-10). For customers in the Large Customer Group, the
12 Company has provided typical bill impacts for illustrative load-weighted rates. The bill
13 impacts for the three-month period ending July 2012 are decreases ranging from 8.2% to
14 10.1% as compared to the three-month period ending April 2012 (see pages 10 to 16 of
15 Schedule SMM-10).

16
17 Q. Has the Company prepared a revised Summary of Rates tariff page reflecting the
18 proposed rates?

19 A. Yes. It is included as Schedule SMM-11. The Summary of Rates tariff page reflects the
20 proposed Default Service rate changes contained in this filing. Upon receiving an order
21 in this proceeding, the Company will file a Seventy-seventh Revised Page 84, Summary
22 of Rates, reflecting the appropriate approved rates.

1

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

5 A. The quarterly report of customer migration information for the fourth quarter of calendar
6 year 2011 is included as Schedule SMM-12.

7

8 **VII. Conclusion**

9 Q. Does this conclude your testimony?

10 A. Yes.