DIRECT TESTIMONY

OF

SCOTT M. MCCABE

Table of Contents

DIRECT TESTIMONY

OF

SCOTT M. MCCABE

I. Introduction and Qualifications

Q. Please state your full name and business address.

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

Q. Please state your position.

A. I am Principal Analyst in the Electric Pricing group of Regulation and Pricing – Electricity Distribution and Generation for National Grid USA. This group provides rate-related services for Granite State Electric Company d/b/a National Grid ("National Grid" or "the Company").

Q. Please describe your educational background.

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

Q. Please describe your professional experience and training.

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

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

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

A. Yes.

II. <u>Purpose of Testimony</u>

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present National Grid’s proposed rate adjustments for 2011 in accordance with the Company’s reconciliation and adjustment provisions of its tariff, and the Company’s Amended Restructuring Settlement Agreement approved in Docket No. DR 98-012 (“Amended Settlement Agreement”). The reconciliations and adjustments I describe in my testimony relate to the Stranded Cost Charge and transmission charges.

The purpose of each reconciliation is to determine the difference between revenues collected under these mechanisms and the Company's actual expenses. For the Company's Stranded Cost Charge and transmission charges, the Company calculates an adjustment factor based on the result of each of these reconciliations, which is used to determine whether a refund or further collection from customers is necessary. This filing also presents the final reconciliation of balances approved for refund or recovery through adjustment factors, the refund or recovery of which has been completed since the Company's last reconciliation filing on November 20, 2009, and proposes a disposition of any remaining balances relating to these adjustment factors. I will discuss each provision subject to reconciliation, its reconciliation, and its proposed adjustment factor separately.

My testimony also presents the proposed rate design for the Company's forecasted 2011 transmission expenses, as provided for in the Company's Transmission Service Cost Adjustment Provision, and changes in National Grid's Stranded Cost Charge in accordance with the Company's Amended Settlement Agreement.

Q. Please summarize the results of the adjustments and reconciliations which National Grid proposes to implement in 2011.

A. As I describe in more detail later in my testimony, National Grid proposes to implement the following adjustments to its rates and charges beginning January 1, 2011, for usage on and after that date:

Charge or Factor (¢/kWh)	2010	2011	Increase (Decrease)
Stranded Cost Charge (avg.)	0.070¢	0.020¢	(0.050¢)
Transmission Service Charge (avg.)	1.633¢	1.577¢	(0.056¢)
Total	1.703¢	1.597¢	(0.106¢)

Schedule SMM-1 sets forth in detail the proposed adjustment factors as well as the proposed transmission rates and Stranded Cost Charge.

III. Stranded Cost Charge

Base Stranded Cost Charge

Q. Please discuss, in general terms, the Company's proposed adjustment and reconciliation of its Stranded Cost Charge.

A. National Grid's Stranded Cost Charge consists of two components: (1) a uniform per kilowatt-hour charge the Company charges all customers, and which reflects the Contract Termination Charge ("CTC") assessed by New England Power Company ("NEP"); and (2) rate-class specific adjustment factors reflecting the reconciliation of any excess or deficiency in stranded cost recovery from that rate class in the prior year. The Company's Stranded Cost Adjustment Provision provides for changes to the Stranded Cost Charge as a result of a change in the CTC from NEP and the rate-class-specific reconciliation described above. The changes proposed by National Grid are in accordance with that provision of its tariff.

Q. Please describe the changes to the base portion of the Stranded Cost Charge resulting from the changes in the CTC assessed by NEP.

A. National Grid is proposing to decrease the uniform Stranded Cost Charge it assesses from 0.070¢ per kilowatt-hour (excluding Stranded Cost adjustment factors) to 0.020¢ per kilowatt-hour (excluding Stranded Cost adjustment factors) for the period beginning January 1, 2011. At the time of this filing, NEP has not finalized its 2011 CTC, but expects to do so on or before December 1, 2010, at which time it will provide the reconciliation report to the Commission and the signatories to the Amended Settlement Agreement in accordance with Section 3.5 of the Wholesale Settlement approved by the Federal Energy Regulatory Commission. The Company intends to update its proposed Stranded Cost Charge prior to the hearing in this proceeding if the final CTC is different than today's proposed value.

Reconciliations

Q. Please describe the Stranded Cost adjustment factors and the reconciliation used to determine those factors.

A. In addition to establishing a revised uniform CTC applicable to all kilowatt-hour deliveries for the forthcoming year, the Company also performs an annual reconciliation of the Stranded Cost revenue it has billed to customers and recorded in its general ledger with the CTC expenses it has paid to NEP in order to develop rate-class specific adjustment factors. The adjustment factors are implemented to ensure that there is no over or under collection of stranded costs from any particular rate class. Details of this reconciliation for the period October 2009 through September 2010 are included in Schedule SMM-2.

Q. Can you explain the adjustments to the Stranded Cost revenue on pages 3 and 4 of Schedule SMM-2, Column (c)?

A. The adjustments in Column (c) on pages 3 and 4 of Schedule SMM-2 is reflected in January 2010 for Rates D-10, G-2, G-3, V and Streetlights, and represent the final balance of the 2009 Stranded Cost adjustment factor reconciliation after completion of the refund of the reconciliation balance for the period October 2007 through September 2008 at the end of 2009. The reconciliation and remaining amount for each rate class are found in Schedule SMM-3. Reflecting these amounts as adjustments in the current period's reconciliation ends the 2009 Stranded Cost adjustment factor reconciliation and provides final resolution of the remaining balance.

Q. Can you explain the adjustments to the Stranded Cost revenue on page 5 of Schedule SMM-2?

A. Yes. Stranded Cost revenue consists of revenue billed by the Company and recorded in its general ledger for all retail delivery customers. This revenue is generated by both the base Stranded Cost Charge as set by NEP's CTC and the Stranded Cost adjustment factors in effect during the period that is reflected in this year's reconciliation (October 2009 through September 2010). Any amounts attributable to the Stranded Cost adjustment factors must be removed from total Stranded Cost revenue to provide for a proper Stranded Cost reconciliation. This adjustment is presented on page 5 of Schedule SMM-2. Similar adjustments have been made to total billed transmission revenue for the transmission adjustment factors in effect during 2009 and 2010.

Q. Has the Company prepared a reconciliation of the Stranded Cost adjustment factors that were implemented in 2009 and 2010?

A. Yes. Schedule SMM-3 presents the final reconciliation for the 2009 factor and Schedule SMM-4 presents the current status of the reconciliation for the 2010 factors. The 2009 Stranded Cost adjustment factors were intended to refund a net over collection of $3,964, which was refunded to customers during 2009. By the end of 2009, the Company had under refunded customers by a net of $1,485. This amount, as discussed above, is reflected in this year's reconciliation as an adjustment to credit to customers the net over collection balance. This final balance is reflected in January 2010, as the Company indicated would occur in its November 20, 2009 Retail Rate Filing.

The currently effective 2010 Stranded Cost adjustment factors are intended to refund a combined net over collection of $4,664 to customers on rates D-10, G-1, V and M, and this net amount is being reflected on customers' bills during 2010. By the end of October 2010, the status of the 2010 Stranded Cost adjustment factor reconciliation is a combined net over collection of $1,967, which remains to be refunded to customers by the end of 2010. Any remaining balances after the end of the refund/recovery period will be reflected as adjustments in next year's reconciliation in January 2011.

2011 Adjustment Factors

Q. Has the Company calculated proposed Stranded Cost adjustment factors for 2011?

A. Yes. Schedule SMM-5 calculates a Stranded Cost adjustment factor per kilowatt-hour for each rate class to be applied to all retail delivery service customer bills in that rate class for the period January 2011 through December 2011. A Stranded Cost adjustment factor is indicated for classes D-10, T, V and M. The remaining rate classes (D, G-1, G-2 and, G-3) have balances so low that their calculated adjustment factor is zero. Therefore, the balances for these rate classes will be carried forward as the beginning balance in the next reconciliation period (October 2010 through September 2011). Consequently, there will be no Stranded Cost adjustment factors for these rate classes.

Q. How does the methodology used for the Company's Stranded Cost adjustment factor determination and reconciliation compare to the other reconciliations presented in your testimony?

A. As explained in prior filings, NEP continues to bill its CTC based on the number of kilowatt-hours delivered by the Company on a cycle-billed basis. This process eliminates the timing differences between cycle and calendar-month billing that is present for some of the Company's other reconciliations, such as the transmission reconciliation. Consequently, there is a more accurate matching of revenue and expense for stranded cost recovery than there is for the other reconciliations presented in this filing, resulting in correspondingly small Stranded Cost adjustment factors.

IV. Transmission Service

Transmission Service Cost Adjustment Provision

Q. Please describe the Company's Transmission Service Cost Adjustment Provision ("TSCA")?

A. The Company recovers its transmission-related expenses pursuant to the TSCA, which allows the Company to recover costs billed to it by ISO-New England and New England Power Company.

Reconciliations

Q. Does the TSCA provide for a reconciliation of the Company's transmission revenue and transmission expense?

A. Yes. The Company's TSCA provides for the full reconciliation of transmission revenue and expense and rate adjustment for any over recovery or under recovery of transmission costs from the prior year.

Q. Has the Company prepared such a reconciliation?

A. Yes, it is contained in Schedule SMM-6. This reconciliation reflects actual transmission revenue for the period October 2009 through September 2010 and actual transmission expenses for the period October 2009 through August 2010 and estimated expenses for September 2010.

Q. Please explain the January 2010 adjustment on Schedule SMM-6, page 1, Column (c)?

A. As described in the November 20, 2009 Retail Rate Filing, the adjustment of ($153,733) is related to the final balance of the September 2008 under recovery of transmission costs recovered through the 2009 transmission service adjustment factor, which is discussed below.

Q. Why, on page 2 of Schedule SMM-6, does the month October 2010 appear to show only a partial month of transmission revenue?

A. The transmission service reconciliation involves a comparison of revenue billed on a cycle basis with expenses incurred on a calendar month basis. In order to match more accurately transmission service revenue with expenses, the reconciliation is designed to account for actual usage which occurs during the period covered by the reconciliation, regardless of the month in which such usage is billed. Thus, the September 2010 usage that was billed in October 2010 is reflected in this year's reconciliation.

Q. Has the Company prepared reconciliations for the 2009 and 2010 transmission service cost adjustment factors?

A. Yes. They are included as Schedule SMM-7 and Schedule SMM-8, respectively. As shown in Schedule SMM-7 for the 2009 transmission service adjustment factor, of the $1,983,018 under collection from the October 2007 through September 2008 transmission service reconciliation, $1,829,285 had been recovered through the end of

2009, resulting in the Company under recovering $153,733 of what it was allowed to recover for that period. The Company has reflected this amount in this year's transmission service reconciliation in January 2010, which can be seen on Schedule SMM-6, page 1, Column (c). As shown in Schedule SMM-8 for the 2010 transmission service adjustment factor, of the $109,881 under collection from the transmission service reconciliation for the period through September 2009, $84,248 has been recovered through October 2010, and $25,633 remains to be recovered through the end of the year. Any remaining balance, either positive or negative, will be reflected in next year's transmission service reconciliation in January 2011.

2011 Adjustment Factor

Q. Is the Company proposing a transmission service adjustment factor for 2011?

A. Yes. The Company is proposing a uniform transmission service adjustment factor credit of (0.019¢) per kWh as calculated in Schedule SMM-9.

Q. How was this adjustment factor derived?

A. This factor was calculated by dividing the under collection of transmission expense at September 2010 from Schedule SMM-6 by the forecasted kilowatt-hour deliveries for calendar year 2011.

Q. How would this factor be implemented?

A. The transmission service adjustment factor would become effective for usage on and after January 1, 2011. The proposed adjustment factor would be applied to bills of all customers taking transmission service through the Company.

2011 Base Transmission Service Rates

Q. Why is the Company proposing new base transmission rates at this time?

A. The Company's TCA states that the base transmission rates shall be established annually based on a forecast of transmission costs incurred by the Company to provide transmission service to its retail delivery service customers. The rate at which these costs are collected is to be calculated separately for each of the Company's rate classes based on cost-incurrence.

Q. What is the forecast of 2011 transmission costs?

A. As discussed in the testimony of James L. Loschiavo included in this filing, the Company's transmission costs are expected to be approximately $14.5 million in 2011. This forecast of transmission expense yields an average rate of 1.596¢ per kWh, which compares to the currently effective average transmission rate of 1.621¢ per kWh, exclusive of the transmission service cost adjustment factor. Based on these estimates, the Company determined that it should propose new rates effective January 1, 2011 to better match the projected incurrence of transmission costs. The Company is including its proposed transmission service rate design based on this forecast of transmission expenses for 2011 in Schedule SMM-10.

Q. How does the Company propose to design the base transmission rates effective January 1, 2011?

A. Since base transmission rates are unique by rate class, the first step in designing the proposed base transmission rates is to allocate the forecast of transmission costs to each rate class. The determination of the class-specific expense allocation is based on each rate class's contribution to the system peak. This methodology has been described in the Company's prior annual Retail Rate Filings and has been accepted by the Commission. The analysis is set forth in Schedule SMM-10 on page 2.

V. <u>Effective Date and Bill Impact</u>

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 January 1, 2011.

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

A. Yes. A bill comparison for a typical residential 500 kilowatt-hour customer receiving Default Service has been included in this filing on page 1 of Schedule SMM-11. The total bill impact of the rates proposed in this filing, as compared to rates in effect today, is a bill decrease of $1.17 or 1.75%, from $67.00 to $65.83. In addition, a bill comparison for a Default Service residential customer with an average kilowatt-hour usage of 669, which is the average monthly usage over the most recent twelve month period from November 2009 through October 2010, has also been included in this filing on page 2 of Schedule SMM-11. The total bill impact of the rates proposed in this filing, as compared to rates in effect today, is a bill decrease of $1.56 or 1.73%, from $90.36 to $88.80.

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

A. Yes. It is included as Schedule SMM-12. The Summary of Rates reflects both the proposed rate changes contained in this filing and the currently effective distribution and default service rates, as well as the currently effective Electricity Consumption Tax and Systems Benefit Charge. Upon receiving an order from the Commission approving the Company's proposed rate changes in this proceeding, the Company will file a Sixty-ninth Revised Page 84, Summary of Rates tariff page reflecting the approved rates.

VI. Conclusion

Q. Does this conclude your testimony?

A. Yes.