

National Grid

January 2012 Retail Rate Filing

Testimony and Schedules  
of  
Scott M. McCabe  
and  
James L. Loschiavo

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Submitted to:  
New Hampshire Public Utilities Commission  
Docket DE 11-\_\_\_

Submitted by:

**nationalgrid**



**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.

5

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 (“National Grid” or “the Company”).

10

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.

14

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 (“Commission”)?

11 A. Yes.  
12

13 **II. Purpose of Testimony**

14 Q. What is the purpose of your testimony?

15 A. The purpose of my testimony is to present National Grid’s proposed rate adjustments for  
16 2012 in accordance with the Company’s reconciliation and adjustment provisions of its  
17 tariff, and the Company’s Amended Restructuring Settlement Agreement approved in  
18 Docket No. DR 98-012 (“Amended Settlement Agreement”). The reconciliations and  
19 adjustments I describe in my testimony relate to the Stranded Cost Charge and  
20 transmission charges.  
21

22 The purpose of each reconciliation is to determine the difference between revenues

1 collected under these mechanisms and the Company's actual expenses. For the  
2 Company's Stranded Cost Charge and transmission charges, the Company calculates an  
3 adjustment factor based on the result of each of these reconciliations, which is used to  
4 determine whether a refund or further collection from customers is necessary. This  
5 filing also presents the final reconciliation of balances approved for refund or recovery  
6 through adjustment factors, the refund or recovery of which has been completed since the  
7 Company's last reconciliation filing on November 19, 2010, and proposes a disposition  
8 of any remaining balances relating to these adjustment factors. I will discuss each  
9 provision subject to reconciliation, its reconciliation, and its proposed adjustment factor  
10 separately.

11  
12 My testimony also presents the proposed rate design for the Company's forecasted 2012  
13 transmission expenses, as provided for in the Company's Transmission Service Cost  
14 Adjustment Provision, and changes in National Grid's Stranded Cost Charge in  
15 accordance with the Company's Amended Settlement Agreement.

16  
17 Q. Please summarize the results of the adjustments and reconciliations which National Grid  
18 proposes to implement in 2012.

19 A. As I describe in more detail later in my testimony, National Grid proposes to implement  
20 the following adjustments to its rates and charges beginning January 1, 2012, for usage  
21 on and after that date:

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<u>Charge or Factor (¢/kWh)</u>	<u>2011</u>	<u>2012</u>	<u>Increase (Decrease)</u>
Stranded Cost Charge (avg.)	0.020¢	0.080¢	0.060¢
Transmission Service Charge (avg.)	<u>1.577¢</u>	<u>1.554¢</u>	<u>(0.023¢)</u>
Total	1.597¢	1.634¢	0.037¢

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.

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

3 A. National Grid is proposing to increase the uniform Stranded Cost Charge it assesses from  
4 0.020¢ per kilowatt-hour (excluding Stranded Cost adjustment factors) to 0.080¢ per  
5 kilowatt-hour (excluding Stranded Cost adjustment factors) for the period beginning  
6 January 1, 2012. At the time of this filing, NEP has not finalized its 2012 CTC, but  
7 expects to do so on or before December 1, 2011, at which time it will provide the  
8 reconciliation report to the Commission and the signatories to the Amended Settlement  
9 Agreement in accordance with Section 3.5 of the Wholesale Settlement approved by the  
10 Federal Energy Regulatory Commission. The Company intends to update its proposed  
11 Stranded Cost Charge prior to the hearing in this proceeding if the final CTC is different  
12 than today's proposed value.

13

14 **Reconciliations**

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

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

1 reconciliation for the period October 2010 through September 2011 are included in  
2 Schedule SMM-2.

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

6 A. The adjustments in Column (c) on pages 2 and 3 of Schedule SMM-2 are reflected in  
7 January 2011 for Rates D-10, G-1, V and Streetlights, and represent the final balance of  
8 the 2010 Stranded Cost adjustment factor reconciliation after completion of the refund of  
9 the reconciliation balance for the period October 2008 through September 2009 at the  
10 end of 2010. The reconciliation and remaining amount for each rate class are found in  
11 Schedule SMM-3. Reflecting these amounts as adjustments in the current period's  
12 reconciliation ends the 2010 Stranded Cost adjustment factor reconciliation and provides  
13 final resolution of the remaining balance.

14  
15 Q. Has the Company prepared a reconciliation of the Stranded Cost adjustment factors that  
16 were implemented in 2010 and 2011?

17 A. Yes. Schedule SMM-3 presents the final reconciliation for the 2010 factor and Schedule  
18 SMM-4 presents the current status of the reconciliation for the 2011 factors. The 2010  
19 Stranded Cost adjustment factors were intended to refund a combined net over collection  
20 of \$4,664, which was refunded to customers during 2010. By the end of 2010, the  
21 Company had under refunded customers by a net of \$1,266. This amount, as discussed  
22 above, is reflected in this year's reconciliation as an adjustment to credit to customers the

1 net over collection balance. This final balance is reflected in January 2011, as the  
2 Company indicated would occur in its November 19, 2010 Retail Rate Filing.

3  
4 The currently effective 2011 Stranded Cost adjustment factors are intended to refund or  
5 collect a combined net under collection of \$258 to customers on rates D-10, T, V and M,  
6 and this net amount is being reflected on customers' bills during 2011. By the end of  
7 October 2011, the status of the 2011 Stranded Cost adjustment factor reconciliation is a  
8 combined net under collection of \$90, which remains to be collected from customers by  
9 the end of 2011. Any remaining balances after the end of the refund/recovery period will  
10 be reflected as adjustments in next year's reconciliation in January 2012.

11  
12 **2012 Adjustment Factors**

13 Q. Has the Company calculated proposed Stranded Cost adjustment factors for 2012?

14 A. Yes. Schedule SMM-5 calculates a Stranded Cost adjustment factor per kilowatt-hour  
15 for each rate class to be applied to all retail delivery service customer bills in that rate  
16 class for the period January 2012 through December 2012. A Stranded Cost adjustment  
17 factor is indicated for classes D-10 and M. The remaining rate classes (D, G-1, G-2 G-3,  
18 T and V) have balances so low that their calculated adjustment factor is zero. Therefore,  
19 the balances for these rate classes will be carried forward as the beginning balance in the  
20 next reconciliation period (October 2011 through September 2012). Consequently, there  
21 will be no Stranded Cost adjustment factors for these rate classes.

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

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

11

12 **IV. Transmission Service**

13 **Transmission Service Cost Adjustment Provision**

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

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

19

20 **Reconciliations**

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

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

4

5 Q. Has the Company prepared such a reconciliation?

6 A. Yes, it is contained in Schedule SMM-6. This reconciliation reflects actual transmission  
7 revenue for the period October 2010 through September 2011 and actual transmission  
8 expenses for the period October 2010 through August 2011 and estimated expenses for  
9 September 2011.

10

11 Q. Please explain the October 2010 and January 2011 adjustments on Schedule SMM-6,  
12 page 1, Column (c)?

13 A. The adjustment in October 2010 is related to the true up of the estimated expenses for  
14 September 2010 reflected in last year's transmission service reconciliation for the period  
15 October 2009 through September 2010 to arrive at the over collection upon which the  
16 2010 transmission service adjustment factor is based. As described in the November 19,  
17 2010 Retail Rate Filing, the adjustment in January 2011 is related to the final balance of  
18 the September 2009 under recovery of transmission costs recovered through the 2010  
19 transmission service adjustment factor, which is discussed below.

20

21 Q. Why, on page 2 of Schedule SMM-6, does the month October 2011 appear to show only  
22 a partial month of transmission revenue?

1 A. The transmission service reconciliation involves a comparison of revenue billed on a  
2 cycle basis with expenses incurred on a calendar month basis. In order to match more  
3 accurately transmission service revenue with expenses, the reconciliation is designed to  
4 account for actual usage which occurs during the period covered by the reconciliation,  
5 regardless of the month in which such usage is billed. Thus, the September 2011 usage  
6 that was billed in October 2011 is reflected in this year's reconciliation.

7  
8 Q. Has the Company prepared reconciliations for the 2010 and 2011 transmission service  
9 cost adjustment factors?

10 A. Yes. They are included as Schedule SMM-7 and Schedule SMM-8, respectively. As  
11 shown in Schedule SMM-7 for the 2010 transmission service adjustment factor, of the  
12 \$109,881 under collection from the October 2008 through September 2009 transmission  
13 service reconciliation, \$105,655 had been recovered through the end of 2010, resulting in  
14 the Company under recovering \$4,226 of what it was allowed to recover for that period.  
15 The Company has reflected this amount in this year's transmission service reconciliation  
16 in January 2011, which can be seen on Schedule SMM-6, page 1, Column (c). As shown  
17 in Schedule SMM-8 for the 2011 transmission service adjustment factor, of the \$180,517  
18 over collection from the transmission service reconciliation for the period through  
19 September 2010, \$135,769 has been refunded through October 2011, and \$44,748  
20 remains to be refunded through the end of the year. Any remaining balance, either  
21 positive or negative, will be reflected in next year's transmission service reconciliation in  
22 January 2012.

1

2 **2012 Adjustment Factor**

3 Q. Is the Company proposing a transmission service adjustment factor for 2012?

4 A. Yes. The Company is proposing a uniform transmission service adjustment factor credit  
5 of (0.116¢) per kWh as calculated in Schedule SMM-9.

6

7 Q. How was this adjustment factor derived?

8 A. This factor was calculated by dividing the over collection of transmission expense at  
9 September 2011 from Schedule SMM-6 by the forecasted kilowatt-hour deliveries for  
10 calendar year 2012.

11

12 Q. How would this factor be implemented?

13 A. The transmission service adjustment factor would become effective for usage on and  
14 after January 1, 2012. The proposed adjustment factor would be applied to bills of all  
15 customers taking transmission service through the Company.

16

17 **2012 Base Transmission Service Rates**

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

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

1 on cost-incurrence.

2

3 Q. What is the forecast of 2012 transmission costs?

4 A. As discussed in the testimony of James L. Loschiavo included in this filing, the  
5 Company's transmission costs are expected to be approximately \$15.4 million in 2012.  
6 This forecast of transmission expense yields an average rate of 1.670¢ per kWh, which  
7 compares to the currently effective average transmission rate of 1.596¢ per kWh,  
8 exclusive of the transmission service cost adjustment factor. Based on these estimates,  
9 the Company determined that it should propose new rates effective January 1, 2012 to  
10 better match the projected incurrence of transmission costs. The Company is including  
11 its proposed transmission service rate design based on this forecast of transmission  
12 expenses for 2012 in Schedule SMM-10.

13

14 Q. How does the Company propose to design the base transmission rates effective January  
15 1, 2012?

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

22

1 V. **Effective Date and Bill Impact**

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

3 A. Consistent with the Commission's rules on the implementation of rate changes, the  
4 Company is proposing that all of the above rate changes be made effective for usage on  
5 and after January 1, 2012.

6

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

8 A. Yes. A bill comparison for a typical residential 500 kilowatt-hour customer receiving  
9 Default Service has been included in this filing on page 1 of Schedule SMM-11. The  
10 total bill impact of the rates proposed in this filing, as compared to rates in effect today,  
11 is a monthly bill increase of \$0.55 or 0.81%, from \$68.12 to \$68.67. In addition, a bill  
12 comparison for a Default Service residential customer with an average kilowatt-hour  
13 usage of 672, which is the average monthly usage over the most recent twelve month  
14 period from November 2010 through October 2011, has also been included in this filing  
15 on page 2 of Schedule SMM-11. The total bill impact of the rates proposed in this filing,  
16 as compared to rates in effect today, is a monthly bill increase of \$0.74 or 0.80%, from  
17 \$92.30 to \$93.04.

18

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

21 A. Yes. It is included as Schedule SMM-12. The Summary of Rates reflects both the  
22 proposed rate changes contained in this filing and the currently effective distribution and

1 default service rates, as well as the currently effective Electricity Consumption Tax and  
2 Systems Benefit Charge. Upon receiving an order from the Commission approving the  
3 Company's proposed rate changes in this proceeding, the Company will file a Seventy-  
4 fifth Revised Page 84, Summary of Rates tariff page reflecting the approved rates.

5

6 **VI. Conclusion**

7 Q. Does this conclude your testimony?

8 A. Yes.