

# Granite State Electric Company d/b/a Liberty Utilities

ORIGINAL
N.H.P.U.C. Case No. <u>DE 12-023</u>
Exhibit No. <u>#6 Redacted</u>
Witness _____
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## Default Service

For the Period Beginning  
November 1, 2012

Testimony and Schedules  
of  
John D. Warshaw  
and  
Daniel L. Mahoney

September 14, 2012

Submitted to:  
New Hampshire Public Utilities Commission  
Docket No. DE 12-023



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**DIRECT TESTIMONY**

**OF**

**JOHN D. WARSHAW**

**AND**

**DANIEL L. MAHONEY**

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1 **I. Introduction**

2 **John D. Warshaw**

3 Q. Please state your name and business address.

4 A. My name is John D. Warshaw, and my business address is 11 Northeastern Blvd., Salem,  
5 NH 03079.

6  
7 Q. Please state your position.

8 A. I am the Manager, Electric Supply for Liberty Energy Utilities (New Hampshire) Corp.  
9 (“Liberty Energy NH”) which is the sole shareholder of Granite State Electric Company  
10 (“Granite State” or the “Company”) and provides services to Granite State. I oversee the  
11 procurement of power for Default Service for Granite State as well as the procurement of  
12 renewable energy certificates (“RECs”).

13  
14 Q. Please describe your educational background and training.

15 A. I graduated from the State University of New York Maritime College in 1977 with a  
16 Bachelor of Science in Nuclear Science. I received a Master’s in Business  
17 Administration from Northeastern University in 1986. In 1992, I earned a Master of Arts  
18 in Energy and Environmental Management from Boston University.

19  
20 Q. What is your professional background?

21 A. In November of 2011, I joined Liberty Energy NH as Manager, Electric Supply for  
22 Granite State. Prior to my employment at Liberty Energy NH, I was employed by  
23 National Grid USA Service Company (“National Grid”) as a Principal Analyst in Energy

1 Supply – New England from 2000 to 2010. In that position I conducted a number of  
2 solicitations for wholesale power to meet the needs of National Grid’s New England  
3 distribution companies. I also administered both short-term and long-term power  
4 purchase agreements for National Grid’s New England distribution companies. Prior to  
5 my employment at National Grid, I was employed at COM/Energy (now NSTAR) from  
6 1992 to 2000. From 1992 to 1997, I was a Rate Analyst in Regulatory Affairs at  
7 COM/Energy responsible for supporting state and federal rate filings. In 1997, I  
8 transferred to COM/Electric to work in Power Supply Administration.

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

12 A. Yes. I most recently testified before the Commission in Docket DE-09-010 on June 17,  
13 2009.

14  
15 Q. Have you testified before any other state regulatory agencies?

16 A. Yes. I have testified before both the Massachusetts Department of Public Utilities and  
17 the Rhode Island Public Utilities Commission regarding electric supply and renewable  
18 portfolio procurement activities.

19  
20 **Daniel L. Mahoney**

21 Q. Please state your name and business address.

22 A. My name is Daniel L. Mahoney, and my business address is 11 Northeastern Blvd.,  
23 Salem, NH 03079.

1

2 Q. Please state your position.

3 A. I am the Manager of Load Data Services for Liberty Energy NH. In that capacity, I am  
4 responsible for data collection, data storage and data reporting, including load research  
5 and the electric supplier load settlement with the ISO New England as it relates to  
6 Granite State.

7

8 Q. Please describe your educational background and training.

9 A. I graduated from the University of Massachusetts with a Bachelor of Science, Civil  
10 Engineering in 1994. In 2004, I obtained a Graduate Certificate in Power System  
11 Engineering Management from Worcester Polytechnic Institute. In 2006, I was awarded  
12 a Master of Science in Power Systems Management from Worcester Polytechnic  
13 Institute. In addition, I hold an EIT Certification in Massachusetts, and am a member of  
14 CEATI's Power Quality Information Working Group as well as IEEE's Stray Voltage  
15 Working Group.

16

17 Q. What is your professional background?

18 A. In October of 2011, I joined Liberty Energy NH as Manager of Load Data Services.  
19 Prior to my employment at Liberty Energy NH, I was employed by National Grid, from  
20 2008 to 2011 as Lead Project Manager. In that capacity, I was responsible for managing  
21 distribution capital investment projects in excess of 1 million dollars. From 2006 to  
22 2008, I was employed as a Senior Engineer at National Grid and responsible for National  
23 Grid's electric customer's complaints to resolve stray voltage and power quality

1 problems. From 2001 to 2006, I was employed by Granite State as a Senior Operations  
2 Engineer. In that capacity, I was responsible for designing, building, and operating  
3 Granite State's electric distribution system. From 1998 to 2001, I was employed by  
4 Massachusetts Electric Company as an Operations Engineer. In that role, I was  
5 responsible for providing overall electrical engineering services required to maintain and  
6 operate the electric distribution system in the Merrimack Valley area of Massachusetts.  
7 From 1996 to 1998, I was employed by New England Power Service Company -  
8 Westborough, Massachusetts, where I was an Engineer responsible for designing,  
9 managing and operating the MV-90 data collection system used to monitor hourly load  
10 data at over 500 delivery points between the transmission and distribution systems.  
11 Finally, from 1987 to 1996, I was a Field Accountant with New England Power Service  
12 Company - Westborough, Massachusetts in which I provided overall construction support  
13 for electrical construction projects including substations, transmission and distribution  
14 lines projects, power plant reconstruction and power plant maintenance.

15  
16 Q. Have you previously testified before the New Hampshire Public Utilities Commission  
17 ("Commission")?

18 A. No. I have testified before the Department of Environmental Protection In Massachusetts  
19 to permit a directional drilling project.

20  
21 **II. Purpose of Testimony**

22 Q. Mr. Warshaw, what is the purpose of your testimony?

23 A. The purpose of my testimony is to request Commission approval of Granite State's

1 proposed Default Service rates for (i) the Large and Medium Commercial and Industrial  
2 Customer Group (“Large Customer Group”<sup>1</sup>) for the three-month period November 1,  
3 2012 through January 31, 2013 and (ii) the Residential and Small Commercial Customer  
4 Group (“Small Customer Group”<sup>2</sup>) for the six-month period November 1, 2012 through  
5 April 30, 2013. My testimony will describe the process used by Granite State to procure  
6 Default Service for the Large Customer Group and Small Customer Group, the proposed  
7 Default Service rates, how the Company proposes to meet its 2012 and 2013 Renewable  
8 Portfolio Standard (“RPS”) obligation and the resulting Renewable Portfolio Standard  
9 Adder for service rendered on and after November 1, 2012.

10  
11 Q. Mr. Mahoney, what is the purpose of your testimony?

12 A. The purpose of my testimony is to address the Company’s Default Service Loss Factor  
13 Investigation which was filed with the Commission on August 31, 2012.

14  
15 **III. Default Service Bidding Process**

16 Q. Mr. Warshaw, why does Granite State need to procure Default Service for both the Large  
17 Customer Group and the Small Customer Group for the period beginning November 1,  
18 2012?

19 A. Pursuant to the procurement process approved by the Commission, which I describe later  
20 in my testimony, Granite State procures power supply through contracts having a three-

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<sup>1</sup> The Large Customer Group is comprised of 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.

<sup>2</sup> The Small Customer Group is comprised of 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 month term for the Large Customer Group and six-month term for the Small Customer  
2 Group. Granite State's currently effective Default Service supply contracts for both the  
3 Large Customer Group and the Small Customer Group expire on October 31, 2012.

4 Therefore, to assure that Default Service will continue to be available, Granite State  
5 requires a new Default Service supply arrangement beginning November 1, 2012.

6  
7 Q. Please describe the process Granite State used to procure its Default Service supply for  
8 the period beginning November 1, 2012.

9 A. Granite State conducted its procurement of Default Service supply in accordance with  
10 applicable law and Commission directives. The Company complied with the solicitation,  
11 bid evaluation and procurement process set forth in the Settlement Agreement dated  
12 November 18, 2005, which agreement was approved by the Commission in Order No.  
13 24,577 ("Order") on January 13, 2006 in Docket DE 05-126 and amended by Order No.  
14 24,922 in Docket DE 08-011 (as amended, the "Settlement Agreement"). Granite State  
15 issued a request for proposals ("RFP") for certain power supply services and sought a  
16 supplier(s) for Granite State's Default Service covering the Large Customer Group and  
17 Small Customer Group.

18  
19 Q: Was the Company's solicitation for the period beginning November 1, 2012 consistent  
20 with the Company's prior solicitations for Default Service?

21 A. Yes, Granite State's Default Service RFP was conducted in a manner similar to previous  
22 solicitations. The only change was that the solicitation was conducted by Liberty Energy  
23 NH as it now owns Granite State. National Grid assisted during the entire solicitation

1 process, including reviewing bids to verify the accuracy of the selection process. This  
2 process is consistent with the process approved by the Commission in the Order as well  
3 as with Granite State's past procurements.  
4

5 Q. Could you describe the nature of the RFP that Granite State issued?

6 A. On August 13, 2012, Granite State issued a RFP to approximately twenty-five potential  
7 suppliers soliciting power supplies for the period November 1, 2012 through April 30,  
8 2013. Granite State also distributed the RFP to all members of the New England Power  
9 Pool ("NEPOOL") Markets Committee and posted the RFP on National Grid's energy  
10 supply website.<sup>3</sup> As a result, the RFP had wide distribution throughout the New England  
11 energy supply marketplace. The RFP requested fixed pricing for each month of service  
12 on an as-delivered energy basis. Prices could vary by month and by service – that is, the  
13 prices did not have to be uniform across the entire service period or between the two  
14 customer groups. A copy of the RFP is provided as Schedule JDW-1.  
15

16 Q. Are the Company's Default Service rates consistent with least cost resource  
17 planning?

18 A. Yes. As indicated during the hearing held before the Commission on December 17, 2009  
19 in Docket DE 09-010 (Default Service proceeding) and in the Company's previous  
20 Default Service filings, the Company received a waiver from the Commission regarding  
21 its compliance with the Least Cost Integrated Resource Plan for generation issues.

22 Nevertheless, the Company has conducted its Default Service RFP process in a manner

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<sup>3</sup> The RFP was posted on National Grid's website pursuant to the Amended and Restated Transition Services Agreement between Granite State and National Grid whereby National Grid is providing certain energy procurement services to Granite State post-closing.

1 that is consistent with least cost planning principles by proposing Default Service rates  
2 resulting from a competitive bidding process. This is consistent with least cost planning  
3 goals, which are to minimize costs in the procurement of energy.  
4

5 **IV. Results of Default Service Bidding**

6 Q. Mr. Warshaw, did Granite State receive responses to the RFP?

7 A. Yes. Indicative proposals were received on September 5, 2012. Final proposals were  
8 received on September 12, 2012. None of the bidders made their provision of Granite  
9 State's Default Service contingent upon the provision of any other service. A summary  
10 of the RFP process and bid evaluation is included in Schedule JDW-2.  
11

12 Q. How do the current futures prices for electricity and natural gas compare to the futures  
13 prices at the time of the Company's March 14, 2012 and September 14, 2011  
14 solicitations?

15 A. The futures market prices for electricity and natural gas at the time of the March 14, 2012  
16 and September 14, 2011 solicitations as well as current futures market prices are shown  
17 in Schedule JDW-3. These are the two most recent solicitations for both the Large and  
18 Small Customer Groups.  
19

20 Q. Did Granite State select any of the proposals received in response to the RFP?

21 A. Yes. Granite State evaluated the bids received and selected the two suppliers that: (i)  
22 provided a bid that was conforming to the RFP, (ii) had the lowest price, (iii) met the  
23 credit requirements described in the RFP, and (iv) passed our qualitative evaluation. On

1 September 12, 2012, Granite State entered into a wholesale Transaction Confirmation  
2 with NextEra Energy Power Marketing, LLC (“NextEra”), the winning bidder for the  
3 Large Customer Group block, to provide Default Service to the Large Customer Group  
4 for the three-month period November 1, 2012 through January 31, 2013, and with  
5 Dominion Energy Marketing, Inc. (“Dominion”), the winning bidder for the Small  
6 Customer Group block, to provide Default Service to the Small Customer Group for the  
7 six-month period November 1, 2012 through April 30, 2013. Together, a Transaction  
8 Confirmation and a Master Power Agreement provide the terms for the purchase of  
9 Default Service from a supplier. A copy of the NextEra Master Power Agreement was  
10 filed with the Commission on September 17, 2007 in Docket DE 07-012 (Default Service  
11 proceeding). A copy of the First Amendment to the Master Power Agreement was filed  
12 with the Commission on September 20, 2010 in Docket DE 10-020 (Default Service  
13 proceeding). A copy of the Transaction Confirmation between Granite State and  
14 NextEra, with certain confidential sections redacted, is attached hereto as Schedule JDW-  
15 4 A copy of the Dominion Master Power Agreement was filed with the Commission on  
16 March 16, 2009 in Docket DE 09-010. A copy of the First Amendment to the Master  
17 Power Agreement was filed with the Commission on September 20, 2010 in Docket DE  
18 10-020. The Transaction Confirmation between Granite State and Dominion, with  
19 certain confidential sections redacted, is attached hereto as Schedule JDW-5. Although  
20 the Transaction Confirmations and Master Power Agreements have differences from the  
21 sample power supply agreement in the Settlement Agreement approved by the  
22 Commission, the executed documents do not shift any of the risks or obligations  
23 described in the sample power supply agreement provided in the Settlement Agreement.

1    **V.    Renewable Portfolio Standard**

2    Q.    Mr. Warshaw, what is the RPS obligation for 2012 and 2013?

3    A.    As specified in the RPS law, RSA 362-F, the RPS obligation for calendar year 2012 is a  
4            minimum of ten and sixty-five hundredths percent (10.65%) of Granite State's Default  
5            Service load, of which at least three percent (3.0%) can come from Class I New  
6            Renewable Energy Resources, at least fifteen hundredths percent (0.15%) can come from  
7            Class II Solar Energy Resources, at least six and one-half percent (6.5%) can come from  
8            Class III Existing Renewable Energy Resources and at least one percent (1.0%) can come  
9            from Class IV Existing Renewable Energy Resources. For calendar year 2013, the RPS  
10           requirement was amended by the New Hampshire Legislature and requires that a  
11           minimum of twelve percent (12.00%) of Granite State's Default Service load come from  
12           renewable resources, of which at least three and eight tenths percent (3.8%) can come  
13           from Class I New Renewable Energy Resources, at least two tenths (0.2%) can come  
14           from Class I New Renewable Useful Thermal Energy, at least two tenths (0.2%) can  
15           come from Class II Solar Energy Resources, at least six and one-half percent (6.5%) can  
16           come from Class III Existing Renewable Energy Resources and at least one and three  
17           tenths percent (1.3%) can come from Class IV Existing Renewable Energy Resources.

18  
19   Q.    How does Granite State expect to satisfy its RPS obligations consistent with the RPS  
20           rules as promulgated by the Commission?

21   A.    On February 18, 2009, Granite State entered into an amended settlement agreement with  
22           Commission Staff and the Office of Consumer Advocate intended to resolve all issues  
23           associated with the process by which Granite State would comply with the requirements

1 of the RPS law and the Puc 2500 rules (“Amended RPS Settlement”). The Amended  
2 RPS Settlement was approved by the Commission on March 23, 2009 in Order No.  
3 24,953 in Docket DE 09-010. The Company may satisfy RPS obligations by providing  
4 either RECs for each RPS class from the New England Power Pool Generation  
5 Information System (“NEPOOL-GIS”) or by making an Alternative Compliance  
6 Payment (“ACP”) to the state of New Hampshire’s Renewable Energy Fund. As  
7 specified in the Amended RPS Settlement, Granite State requested bidders to provide a  
8 separate RPS compliance adder with their bids. This RPS compliance adder is the  
9 incremental charge by a bidder for agreeing to take on the RPS obligation with the  
10 Default Service obligation.

11  
12 Q. If a winning bidder’s RPS compliance adder is accepted, how would the bidder satisfy  
13 the RPS obligation?

14 A. The supplier assumes the RPS obligation for its transaction when the RPS compliance  
15 adder is accepted. This means that the supplier must deliver RECs to satisfy each RPS  
16 class obligation to the Company’s NEPOOL-GIS account, or it must pay the Company  
17 the ACP for the undelivered RECs. The quantity of RECs required is calculated by  
18 multiplying the RPS obligation percentage for each REC class by the electricity sales for  
19 the term of the transaction.

20  
21 Q. What were the criteria Granite State used to evaluate the RPS compliance adders  
22 provided by the bidders?

23 A. Granite State evaluated the winning bidder’s RPS compliance adder by comparing it to

1 Granite State's estimated market prices for New Hampshire RECs. The RPS compliance  
2 adder from the winning bidder for the Large Customer Group was higher than Granite  
3 State's market estimate for New Hampshire RECs. As a result, Granite State did not  
4 accept this bidder's RPS compliance adder. The winning bidder for the Small Customer  
5 Group did not submit a RPS compliance adder. Granite State plans to issue a request for  
6 proposal in the future for the acquisition of RECs. If Granite State is unable to purchase  
7 sufficient RECs to meet its New Hampshire RPS obligations, it will then, consistent with  
8 the RPS rules, make an ACP to the state of New Hampshire's Renewable Energy Fund.  
9 The bidders' RPS compliance adders can be found in Exhibit 10 of Schedule JDW-2.

10  
11 Q. Is Granite State proposing any changes to the RPS compliance adders at this time?

12 A. Yes. Granite State is proposing to change the Commission-approved RPS compliance  
13 adders in order to reflect the changes in estimated market costs to meet RPS obligations  
14 required in the RPS regulations as described previously. The Company is proposing a  
15 new RPS compliance adder for both the Small Customer Group and Large Customer  
16 Group.

17  
18 Q. What changes to the RPS compliance adders for the Small Customer Group and the  
19 Large Customer Group is the Company proposing?

20 A. Effective November 1, 2012, the Company is proposing to decrease the Renewable  
21 Portfolio Standard Adder for the Small Customer Group from 0.396¢ per kWh to 0.387¢  
22 per kWh in 2012. In addition, the Company is also proposing to decrease the Renewable  
23 Portfolio Standard Adder for the Large Customer Group from 0.408¢ per kWh to 0.387¢

1 per kWh. Finally, effective January 1, 2013, the Company is proposing to increase the  
2 Renewable Portfolio Standard Adder for both the Small and Large Customer Groups to  
3 0.428¢ per kWh.  
4

5 Q. How did Granite State calculate the Renewable Portfolio Standard Adder for 2012 and  
6 2013?

7 A. As shown in Schedule JDW-6, Granite State used the recent 2012 and 2013 market prices  
8 for all REC Classes. Market prices were provided by REC price summaries distributed  
9 by brokers. The retail RPS costs were calculated on a per MWh basis. The Company  
10 divided the calculated costs by ten in order to convert from a \$ per MWh retail cost to a ¢  
11 per kWh rate for retail use.  
12

13 Q. Please explain the increase in costs to comply with the RPS obligations in 2013.

14 A. The increase in the RPS compliance costs are the result of the increase of RPS  
15 obligations across New England states, including New Hampshire.  
16

17 Q. What happens if Granite State's actual RPS compliance costs are different from that used  
18 in calculating the RPS compliance adder?

19 A. Granite State reconciles its costs of RPS compliance with the revenue billed to customers  
20 from the RPS compliance adder. This reconciliation occurs as part of the Company's  
21 annual default service reconciliation filing in March of each year.  
22

23 Q. Has Granite State been able to contract for RECs?

1 A. Yes. In March 2012, Granite State issued a request for proposal to procure RECs to  
2 approved New Hampshire renewable generators, generators in the process of applying for  
3 approval to generate New Hampshire RECs, as well as other REC suppliers, for its 2011  
4 and 2012 RPS obligations. The Company received bids for RECs and contracted for  
5 Class I obligations for 2011 and 2012. Granite State shared the results of this request for  
6 proposal with Staff prior to executing a contract for the purchase of RECs.

7  
8 Q. When will Granite State issue the next REC request for proposal?

9 A. Granite State plans to issue a REC request for proposal in late September or early  
10 October 2012 to procure RECs to satisfy the 2012 and 2013 RPS obligations. Granite  
11 State will attempt to procure the quantity of RECs necessary to satisfy the 2012 and 2013  
12 obligations for load that will be serviced under Default Service supply contracts.

13  
14 **VI. Default Service Commodity Costs and Retail Rates**

15 Q. Mr. Warshaw, please summarize the power supply cost at the retail meter based on  
16 Granite State's expected procurement cost used to develop the proposed retail rates.

17 A. The load-weighted average of the power supply costs for the Large Customer Group is  
18 6.791¢ per kWh compared to the load-weighted average of 4.670¢ per kWh for the period  
19 August 2012 through October 2012. The load-weighted average of the power supply  
20 costs for the Small Customer Group is 6.545¢ per kWh compared to the load-weighted  
21 average of 4.923¢ per kWh for the period May 2012 through October 2012. The power  
22 supply costs at the retail customer meter (¢ per kWh) were calculated by multiplying the  
23 commodity prices at the wholesale level (\$ per MWh) by the applicable loss factor and

1 then dividing the results by ten. The applicable loss factors can be found in the RFP  
2 summary in Schedule JDW-2. The loss factor is a calculated ratio of wholesale  
3 purchases to retail deliveries.  
4

5 Q. Have the loss factors changed from the Company's previous Default Service filings?

6 A. Yes. In several of its prior Default Service filings, the Company calculated the power  
7 supply costs at the retail customer meter (¢ per kWh) with loss factors that were a ratio of  
8 wholesale purchases to retail deliveries over the twelve-month period ending December  
9 31, 2007.  
10

11 Q. What loss factors were used for this filing?

12 A. The applicable loss factors can be found in the RFP Summary in Schedule JDW-2.  
13

14 Q. Why did the Company change the period used to calculate the loss factor for this filing?

15 A. As indicated in its Default Service filing made in December 2011, New England Power  
16 replaced a meter in Tewksbury in November 2011. Now that the replacement is  
17 complete, the Company is using more current wholesale purchase and retail delivery data  
18 in the calculation of its loss factors rather than data from December 31, 2007 which was  
19 used to derive the prior loss factors. Any variation from calculated to actual loss factors  
20 will be captured in the reconciliation mechanism pursuant to Granite State's Default  
21 Service Adjustment Provision.  
22

1 Q. What are the Default Service rates that the Company is proposing for the Large Customer  
2 Group?

3 A. As presented in Schedule JDW-7, the Company is proposing monthly Default Service  
4 rates for the Large Customer Group based on the three monthly contract prices contained  
5 in the supply agreement with the winning Default Service supplier for the Large  
6 Customer Group. On line (6) these rates are adjusted by the currently effective Default  
7 Service Adjustment Factor in accordance with Page 87 of Granite State's tariff. On line  
8 (7) these base rates are further adjusted by the currently effective Default Service Cost  
9 Reclassification Adjustment Factor to recover administrative costs associated with  
10 Default Service in accordance with Page 93 of Granite State's tariff. Finally, on line (8)  
11 these rates are adjusted by the proposed RPS adders discussed above. As displayed on  
12 line (9), the proposed base Default Service rates for the Large Customer Group are  
13 6.521¢ per kWh, 7.697¢ per kWh, and 8.925¢ per kWh for the months of November 2012  
14 through January 2013.

15

16 Q. What are the Default Service rates that the Company is proposing for the Small Customer  
17 Group?

18 A. The Company is proposing a fixed six-month base Default Service rate for the Small  
19 Customer Group based on the weighted average of the six monthly contract prices  
20 contained in the supply agreement with the winning Default Service supplier for the  
21 Small Customer Group, the Default Service Cost Reclassification Adjustment Factor, the  
22 Default Service Adjustment Factor, and the proposed RPS adders. The calculation of the  
23 six month Default Service rate for the Small Customer Group is presented in Schedule

1 JDW-8. As displayed on line (20), the proposed base Default Service rate for the Small  
2 Customer Group is 7.525¢ per kWh.

3  
4 Q. How will Granite State reconcile any difference in costs associated with Default Service?

5 A. To the extent that the actual cost of procuring Default Service vary from the amounts  
6 billed to customers for the service, Granite State will continue to reconcile the difference  
7 through a reconciliation mechanism pursuant to Granite State's Default Service  
8 Adjustment Provision contained in its currently effective Retail Delivery Tariff.

9  
10 Q. Has the Company determined the impact of these proposed rate changes on customer  
11 bills?

12 A. Yes. The Company has provided typical bill impacts in Schedule JDW-9. The effect of  
13 the Company's proposal on the monthly bill of a 500 kWh residential default service  
14 customer is an increase of \$8.21, or 13.6%, from \$60.54 to \$68.75. In addition, a bill  
15 comparison for a Default Service residential customer with an average kWh usage of 665,  
16 which is the average monthly usage over the 12 months ending August 2012, has also  
17 been included. The total bill impact of the rates proposed in this filing, as compared to  
18 rates in effect today, is a bill increase of \$10.91 or 13.4% from \$81.23 to \$92.14. For  
19 other customers in the Small Customer Group, increases range from 12.5% to 18.6% (see  
20 pages 1 to 9 of Schedule JDW-9). For customers in the Large Customer Group  
21 illustrative bill impacts for the three-month period ending January 2013 have a range of  
22 19.4% to 24.2% increase as compared to the three-month period ending October 2012  
23 (see pages 10 to 16 of Schedule JDW-9).

1

2 Q. What is the basis for the increase in Default Service rates?

3 A. As shown in Schedule JDW-3, the futures market prices for both electricity and natural  
4 gas are higher in the winter period than in the summer period, thus resulting in higher  
5 prices for this solicitation. This is because of New England's current reliance on natural  
6 gas for electric generation. Natural gas prices normally peak during the winter months  
7 due to heating load.

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

10 A. Yes. It is included as Schedule JDW-10. The Summary of Rates reflects the proposed  
11 Default Service rate changes contained in this filing. Upon receiving orders in this  
12 proceeding, the Company will file a Second Revised Page 84, Summary of Rates,  
13 reflecting the approved rates.

14

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

18 A. Yes. The quarterly report of customer migration information for the 2nd quarter of  
19 calendar year 2012 is included as Schedule JDW-11.

20

21 **VII. Default Service Loss Factor Investigation**

22 Q. Mr. Mahoney, did Granite State investigate the causes of the losses as agreed to and  
23 ordered in the last Default Service hearing (Order No. 25,376)?

1 A. Yes. Granite State investigated the causes of the losses experienced by both its Large  
2 Customer Group and Small Customer Group taking Default Service. A report of its  
3 investigation was filed with the Commission on August 31, 2012. A copy of the report  
4 may be found in Exhibit DLM-1.

5  
6 Q. What causes of losses on Granite State's distribution system were identified in the  
7 investigation?

8 A. Granite State investigated the following causes of losses in its distribution system:

9 Transmission Losses

10 Meter Inaccuracies

11 Distribution Losses

12 Service to Borderline Customers

13 Residual (unmetered) losses

14

15 Q. Did Granite State also compare its magnitude of losses with losses in other distribution  
16 company systems?

17 A. Yes. Granite State compared its losses with those experienced by Unitil Energy Services  
18 in New Hampshire and National Grid's distribution company in Massachusetts. The  
19 losses for Granite State and Unitil were comparable, which as explained in the report,  
20 may be attributable in large part to the relative density of the New Hampshire and  
21 Massachusetts service territories.

22 Q. What conclusion did Granite State reach as a result of its investigation?

1 A. Granite State identified a number of causes of losses on its system and described a few  
 2 planned and proposed modifications that may result in reduced losses. Granite State also  
 3 confirmed that its losses are similar to losses experienced by Unitil Energy Services in  
 4 New Hampshire but slightly elevated when compared to National Grid's distribution  
 5 company in Massachusetts.

6

7 **VIII. Conclusion**

8 Q. Mr. Warshaw, when will Granite State issue the next RFP for Default Service?

9 A. The Large Customer Group rates proposed in this filing end on January 31, 2013. Per the  
 10 terms of the Settlement Agreement, Granite State will issue a RFP for the Large  
 11 Customer Group in November 2012. For purposes of notice to the Commission, the  
 12 following table illustrates Granite State's proposed timeline for the next RFP:

13

RFP	November 2012 RFP
RFP Issued	November 7, 2012
Indicative Bids Due	December 4, 2012
Final Bids Due	December 11, 2012
Contract Execution	December 12, 2012
Default Service Filing to Commission	December 14, 2012
Commission Order Needed	December 21, 2012
Service Begins	February 1, 2013

14

15 Q. Does this conclude your testimony?

16 A. Yes. It does.

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