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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

March 19, 2013 - 10:08 a.m.
Concord, New Hampshire

* * REDACTED * *
(For public use)

NHPUC MAY14/13 PM 4:23

RE: DE 13-018
GRANITE STATE ELECTRIC COMPANY
d/b/a LIBERTY UTILITIES:
*Default Service for the period
May 1, 2013 through July 31, 2013
for the Large & Medium Customer Group,
and May 1, 2013 through October
31, 2013 for the Residential and Small
Commercial Customer Group.*

PRESENT: Chairman Amy L. Ignatius, Presiding
Commissioner Robert R. Scott
Commissioner Michael D. Harrington

Clare Howard-Pike, Clerk

APPEARANCES: Reptg. Granite State Electric Company
d/b/a Liberty Utilities:
Sarah B. Knowlton, Esq.

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Thomas C. Frantz, Director/Electric Division

Court Reporter: Steven E. Patnaude, LCR No. 52

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I N D E X

PAGE NO.

WITNESS PANEL: **JOHN D. WARSHAW**
 DANIEL L. MAHONEY

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LIMITED

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E X H I B I T S

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P R O C E E D I N G

1
2 CHAIRMAN IGNATIUS: Good morning,
3 everyone. I'd like to open this hearing in Docket DE
4 13-018, which is Granite State Electric Company, doing
5 business as Liberty Utilities, the first of its 2013
6 default service solicitation proceedings. And, in
7 accordance with the accelerated docket structure
8 established a number of years ago, we are having a hearing
9 on the results of the solicitations for both the Large
10 Commercial Group and the Small Commercial -- I'm sorry,
11 the Large Customer Group and the Small Customer Group,
12 Large for a three-month block of power and the Small for a
13 six-month block of power.

14 So, let's begin with appearances please.

15 MS. KNOWLTON: Good morning,
16 Commissioners. My name is Sarah Knowlton. I'm the
17 Assistant General Counsel with Liberty Energy Utilities
18 New Hampshire Corp. And, I'm here today on behalf of
19 Granite State Electric Company, which does business as
20 Liberty Utilities. And, with me from the Company today is
21 John Warshaw and Dan Mahoney.

22 CHAIRMAN IGNATIUS: Good morning.

23 MS. AMIDON: Good morning,
24 Commissioners. Suzanne Amidon, for Commission Staff.

1 With me today is Tom Frantz, the Director of the Electric
2 Division. I have spoke to Ms. Hollenberg. She planned to
3 be here, but is inadvertently called to another meeting,
4 and asked me to convey that to the Commission, and to let
5 the Commission know her principal interest was in a loss
6 factor study that was filed in connection with this
7 particular filing. And, she will look at the transcript
8 following the hearing to see if there are any additional
9 questions, and the Company has agreed to respond to those
10 questions.

11 CHAIRMAN IGNATIUS: All right. Thank
12 you. And, she understands that, because of the
13 requirements that an order come very quickly, the
14 transcript won't be ready in time for that, but they could
15 be follow-up questions in another, either outside of the
16 docket or in another docket?

17 MS. AMIDON: That's correct. The loss
18 factor study is not part of the filing that needs to be
19 approved with an order by Friday. So that her review of
20 that can be delayed until a transcript is available.

21 CHAIRMAN IGNATIUS: Great. That sounds
22 perfect.

23 MS. KNOWLTON: And, the Company is very
24 happy to speak with the Office of Consumer Advocate at any

1 time, I mean, whether it's in a docket or not. If they
2 would like to call us and ask questions about the filing,
3 Mr. Warshaw, Mr. Mahoney, and myself are glad to be
4 available.

5 CHAIRMAN IGNATIUS: All right. That
6 sounds good. And, thank everybody for getting in on time
7 with the storm, we appreciate it, and didn't want to have
8 to consider a delay, given the rapidity with which these
9 dockets move. So, thank you.

10 Is there anything before Mr. Warshaw
11 takes the stand?

12 MS. KNOWLTON: I wanted to propose that
13 we mark for identification as "Exhibit 1" the confidential
14 version of the Company's March 15th, 2013 filing. It's
15 labeled "Default Service for the Period Beginning May 1st,
16 2013 Testimony and Schedules of John D. Warshaw". And, as
17 "Exhibit 2", the redacted version of that filing. And, my
18 understanding is is that Staff does have some questions
19 about the loss factor report that we filed at the same
20 time as the Default Service filing. So, we're happy also
21 to mark that for identification as "Exhibit 3".

22 MS. AMIDON: Thank you.

23 MS. KNOWLTON: And, because the Staff
24 has questions regarding the loss factor report, I have

[WITNESS PANEL: Warshaw~Mahoney]

1 asked Mr. Mahoney to join us today. He didn't prefile
2 testimony. But, if the Commission would be agreeable, I
3 would propose that Mr. Mahoney take the stand with
4 Mr. Warshaw. They could sit as a panel. And, Mr. Mahoney
5 would be available to answer questions that relate to
6 metering and borderline customers in the loss factor
7 update report.

8 CHAIRMAN IGNATIUS: Any opposition to
9 that?

10 MS. AMIDON: No. Thank you.

11 CHAIRMAN IGNATIUS: All right. That
12 sounds fine.

13 (The documents, as described, were
14 herewith marked as **Exhibit 1**, **Exhibit 2**,
15 and **Exhibit 3**, respectively, for
16 identification.)

17 (Chairman and Commissioners conferring.)

18 CHAIRMAN IGNATIUS: That's fine. If the
19 two gentlemen want to take the stand, please do so.

20 (Whereupon **John D. Warshaw** and
21 **Daniel L. Mahoney** were duly sworn by the
22 Court Reporter.)

23 **JOHN D. WARSHAW, SWORN**

24 **DANIEL L. MAHONEY, SWORN**

DIRECT EXAMINATION

1
2 BY MS. KNOWLTON:

3 Q. Good morning. Mr. Warshaw, I'll start with you. Would
4 you please state your full name for the record.

5 A. (Warshaw) John D. Warshaw.

6 Q. By whom are you employed?

7 A. (Warshaw) Liberty Energy Utilities New Hampshire Corp.

8 Q. What is your position and responsibilities with that
9 Company?

10 A. (Warshaw) I am the Manager of Electric Supply. And,
11 among my responsibilities is the procurement of default
12 service for Granite State customers.

13 Q. Mr. Mahoney, would you please state your full name for
14 the record.

15 A. (Mahoney) Daniel L. Mahoney.

16 Q. By whom are you employed?

17 A. (Mahoney) Liberty Energy New Hampshire Corp.

18 Q. What is your position and responsibilities with the
19 Company?

20 A. (Mahoney) I'm the Manager of Load Data Services.

21 Q. Mr. Warshaw, turning back to you, are you familiar with
22 the Company's Default Service filing that's been
23 marked, the confidential version, as "Exhibit 1" today?

24 A. (Warshaw) Yes.

[WITNESS PANEL: Warshaw~Mahoney]

1 Q. And, did you have a role in preparing that filing?

2 A. (Warshaw) Yes, I did.

3 Q. Would you please describe that.

4 A. (Warshaw) I was responsible for running the procurement
5 that resulted in our selection of two suppliers to
6 provide default service to our energy service customers
7 in the Small Customer Group and the Large Customer
8 Group. I also worked with and supervised the analysts
9 that put together the additional rates that are
10 proposed to be effective May 1st of 2013, and also the
11 various adjustment factors that will also go into
12 effect effective May 1st, 2013.

13 Q. Do you have any corrections to either Exhibit 1 or
14 Exhibit 2?

15 A. (Warshaw) No, I do not.

16 Q. If I were to ask the questions contained in your
17 testimony today, would your answers be the same?

18 A. (Warshaw) Yes, they would.

19 Q. Would you just describe the procurement process that
20 was followed that resulted in your testimony and
21 schedules today.

22 A. (Warshaw) Yes. In February of 2013, we, Granite State,
23 issued a RFP for the supply of default service for a
24 three-month term for its Large Customer Group effective

[WITNESS PANEL: Warshaw~Mahoney]

1 May 1st and a six-month term for its Small Customer
2 Group effective May 1st also. The reason that we have
3 May 1st is that the previous RFP and solicitations, the
4 supply ends on April 30th of 2013.

5 Q. How many bids did the Company receive for each of the
6 blocks?

7 A. (Warshaw) We had two blocks. And, if you refer to -- I
8 had that right here.

9 CHAIRMAN IGNATIUS: Before you answer
10 that question, can I be certain? In some proceedings,
11 people have asked to protect the number received, in other
12 proceedings, perhaps not here, but -- so that we have a
13 clear transcript when it needs to be protected. Just
14 throw that out before we go further.

15 MS. KNOWLTON: Thank you.

16 CHAIRMAN IGNATIUS: I know it's in the
17 materials themselves, but --

18 BY THE WITNESS:

19 A. (Warshaw) If you look on the filing, on Bates stamp
20 Page 121, at the top, you will see the number of bids
21 that we received in the two blocks.

22 BY MS. KNOWLTON:

23 Q. And, which is -- would you just identify Block A and
24 Block B, and which is which customer group?

[WITNESS PANEL: Warshaw~Mahoney]

1 A. (Warshaw) Block A is the Large Customer Group and Block
2 B is the Small Customer Group.

3 Q. Did you receive the same number of bids on an
4 indicative bid basis?

5 A. (Warshaw) On an indicative bid basis, we received a
6 different number of bids.

7 Q. For both blocks or for one block?

8 A. (Warshaw) For just the Block A.

9 Q. And, do you have an explanation for why that other
10 bidder didn't come forward and make a bid after the
11 indicative bids were submitted?

12 A. (Warshaw) I could only assume that that supplier, based
13 on my experience with working with that supplier in
14 previous solicitations, they're fairly conservative.
15 And, this is one of the -- they're back bidding with
16 Granite State. So, they probably decided to take a
17 conservative approach and only bid on one of the
18 blocks, instead of both blocks.

19 Q. Okay. Can you identify in the filing where the
20 Commissioners can see the names of the winning
21 suppliers?

22 A. (Warshaw) Yes. If you go to -- well, it's in my
23 testimony, but it's also, if you go to Bates stamp Page
24 130, it will identify the two winning suppliers. And,

[WITNESS PANEL: Warshaw~Mahoney]

1 for the Large Customer Group, that was NextEra Energy
2 Power Marketing; and, for the Small Customer Group,
3 that was Exelon Generation Company, which is recently
4 -- or, used to be known as "Constellation Energy", but,
5 with the recent merger with Exelon, they're changing
6 the name of the group that does these kind of bids to
7 "Exelon Generation Company".

8 Q. And, Mr. Warshaw, are the names of those bidders
9 confidential?

10 A. (Warshaw) No, they are not.

11 Q. Would you walk us through the rates that are being
12 proposed today.

13 A. (Warshaw) Yes. We are proposing that, for the base
14 commodity rates, we are proposing a rate of 6.078 cents
15 per kilowatt-hour for the Small Customer Group for the
16 period May 1st through October 31st, 2013. You can
17 find this on Page 21, Bates stamp 21 of my testimony.
18 And, for the Large Customer Group, we're proposing a
19 rate of 5.704 cents for May, 6.573 cents for June, and
20 6.849 cents for July.

21 Q. How did these rates compare to the rates that are
22 currently in effect?

23 A. (Warshaw) These rates are lower than the currently
24 effective rates.

[WITNESS PANEL: Warshaw~Mahoney]

1 Q. Have you calculated the rate impact on an average
2 residential customer of the proposed default service
3 rates?

4 A. (Warshaw) Yes. The rate impact is approximately a
5 6 percent reduction for a residential customer. And,
6 you can find more information on that on Bates stamp
7 Page 32, and also in my Schedule JDW-16.

8 Q. Mr. Warshaw, if you would stay with Page 21 of your
9 testimony, Bates 21, I see that there's a chart there
10 that the first row reflects the base default service
11 rate, which is, I understand, what you just went
12 through. Would you please walk us through each of the
13 other factors and adders that are part of the rates
14 that the Company is proposing for approval today?

15 A. (Warshaw) Yes. We are also proposing to change the
16 Default Service Adjustment Factor effective May 1st,
17 2013, and that would be a reduction in that factor to
18 0.087 cents per kilowatt-hour. And, that would be for
19 both blocks, both the Large Customer Group and the
20 Small Customer Group. We're also looking at --

21 Q. But, actually, can I stop you there? Just I want you
22 to explain, for each of these factors, you know, what
23 costs are in the Default Service Adjustment Factor?

24 A. (Warshaw) In the Default Service Adjustment Factor,

[WITNESS PANEL: Warshaw~Mahoney]

1 that is mostly the difference between the revenue that
2 the Company received from its customers, as compared to
3 the costs it incurred in serving those customers for
4 commodity purchases. And, as a result, there was a
5 small undercollection that has to be collected from
6 customers.

7 Q. And, if you -- can you show us where in the filing that
8 Default Service Adjustment Factor is, the workpapers
9 associated with the derivation of that rate?

10 A. (Warshaw) Yes. It would be on -- whoops. It would be
11 on Bates stamp Page 169.

12 Q. Okay. And, would you walk us through the columns there
13 and explain the calculation that was done.

14 A. (Warshaw) Yes. Well, the (a) -- Column (a) is just the
15 value in Column (f), plus the value -- the interest
16 added to it in Column (i). And, that's just a running
17 balance. But, if you look at Column (b) is the revenue
18 that the Company receives -- received on a monthly
19 basis from its customers. Column (c) is additional
20 revenue that the -- or, revenue or costs that the
21 Company incurred over that same period. And, if you'll
22 notice, and, then, in Column (d), that is the expenses
23 that the Company incurs on paying its suppliers for the
24 default service on a monthly basis. And, we end up

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[WITNESS PANEL: Warshaw~Mahoney]

1 with either an over/under by month. And, there's an
2 interest rate of 3.25 cents [percent?] that's added to
3 that. And, that's how we end up with, at the very end
4 of the calculation, an \$82,000 shortage.

5 Q. Okay. And, going back to Column (c), looking at the
6 note, it indicates that there's been "revenue collected
7 from borderline sales customers". Can you explain what
8 that revenue is?

9 A. (Warshaw) Yes. Effective October -- well, in
10 September, there was a Borderline Sales Agreement that
11 was signed between Granite State Electric Company and
12 National Grid. And, that allows us to bill National
13 Grid for those customers that Granite State serves, but
14 they just happen to be in the actual service territory
15 of Massachusetts Electric. And, there's a monthly
16 calculation that's based on the actual -- the revenues
17 that would have been incurred by Granite State, if
18 Granite State had served those customers. And, we
19 provide a monthly bill to National Grid to pay that
20 invoice. And, so far, there's been four calculations.
21 And, my understanding is that there have been four
22 invoices issued.

23 Q. Okay. Now, we're turning back to Page 21 of your
24 testimony.

[WITNESS PANEL: Warshaw~Mahoney]

- 1 A. (Warshaw) And, this is -- and, can I just finish? That
2 this Column (c), this value, is only the commodity
3 piece. There's also additional revenue that's
4 collected from National Grid for the distribution costs
5 and also the transmission costs.
- 6 Q. Is that reflected anywhere in this filing?
- 7 A. (Warshaw) No, it's not.
- 8 Q. And, why is that?
- 9 A. (Warshaw) Because the transmission costs would be
10 included in a future reconciliation that the Company
11 would file in November of this year.
- 12 Q. Okay. Now, turning back to Page 21, if you would. The
13 next column -- or, the next row, excuse me, is the
14 "Default Service Cost Reclassification Adjustment
15 Factor". If you would explain what that factor is and
16 what's happening to that rate in this proposal?
- 17 A. (Warshaw) Yes. Again, this rate is going down from the
18 previous rate. And, these are costs that the Company
19 incurs to procure its default service supplies. And,
20 this would be labor, labor and other costs. And, if
21 you go to --
- 22 Q. I think that might be Page 194 in the filing, --
- 23 A. (Warshaw) Oh, yes.
- 24 Q. -- if you're looking for the detail behind it.

[WITNESS PANEL: Warshaw~Mahoney]

1 A. (Warshaw) Yes. That would be on Bates stamp Page 194.
2 And, the costs for this year is a mix of National Grid
3 and Liberty Utilities' costs, because, as you know,
4 National Grid sold Granite State to Liberty Utilities
5 in July. And, Liberty Utilities' costs are a
6 combination of direct labor from Liberty Utilities, and
7 also TSA costs that National Grid billed Liberty
8 Utilities for support of the procurement process.

9 Q. And, did National Grid provide any support in
10 association with this filing?

11 A. (Warshaw) National Grid did not support the procurement
12 piece. That was done completely by Liberty Utilities.
13 But National Grid did do the support on the development
14 of the various rates and reconciliations.

15 Q. Okay. So, back to Page 21 and the chart there. The
16 next row is for the "Renewable Portfolio Standard
17 Adder". Would you walk us through what that is and --

18 A. (Warshaw) Yes.

19 Q. -- which direction that rate is going in?

20 A. (Warshaw) That is the -- the RPS adder is the cost that
21 the Company expects to incur to meet New Hampshire's
22 Renewable Port Standards for 2013. The cost is going
23 up from what the Company had filed for 2012. And, we
24 are -- we have used this "0.428" in previous filings

[WITNESS PANEL: Warshaw~Mahoney]

1 for 2013. Basically, because, in looking at the market
2 prices, they have not changed significantly enough to
3 revise the RPS adder. And, as a result, we are
4 proposing final default service rates for the Large
5 Customer Group of 6.656 cents -- I mean for the Small
6 Customer Group, of 6.656 cents for the six-month period
7 beginning May 1st. And, for the Large Customer Group,
8 it would be 6.258 cents for May, 7.127 cents for June,
9 and 7.403 cents for the month of July.

10 Q. Mr. Warshaw, when does the Company need the order by
11 for these proposed rates?

12 A. (Warshaw) We would need the order by Friday of this
13 week.

14 Q. Thank you. Mr. Warshaw, if you would now turn your
15 attention to Exhibit 3, which is the March 15th, 2013
16 "Default Service Loss Factor Investigation Update". Do
17 you have that before you?

18 A. (Warshaw) Yes, I do.

19 Q. And, was this report prepared by you or under your
20 direction?

21 A. (Warshaw) This report was actually prepared by Dan
22 Mahoney.

23 Q. Did you have any involvement?

24 A. (Warshaw) I had some review of this, but it was mostly

[WITNESS PANEL: Warshaw~Mahoney]

1 written and developed by Dan, Mr. Mahoney.

2 Q. Mr. Mahoney, if you would look at Exhibit 3, do you
3 have that before you?

4 A. (Mahoney) Yes, I do.

5 Q. Is Mr. Warshaw's characterization of the preparation of
6 the report correct?

7 A. (Mahoney) Yes, it is.

8 MS. KNOWLTON: Okay. And, I think, at
9 this point, I'd make the witnesses available for
10 cross-examination.

11 CHAIRMAN IGNATIUS: All right.

12 MS. AMIDON: Thank you.

13 CHAIRMAN IGNATIUS: Thank you.

14 Ms. Amidon.

15 MS. AMIDON: Thank you. Good morning.

16 WITNESS WARSHAW: Good morning.

17 MS. AMIDON: Glad you could all be here
18 in this snow.

19 **CROSS-EXAMINATION**

20 BY MS. AMIDON:

21 Q. Mr. Warshaw, I just wanted to follow up on your
22 discussion with Attorney Knowlton about the Default
23 Service Adjustment Factor and the Default Service
24 Reclassification Adjustment Factor. These two factors

[WITNESS PANEL: Warshaw~Mahoney]

1 were approved by the Commission in connection with the
2 Settlement Agreement that was approved in 2006 for the
3 Company -- well, it was previously for National Grid,
4 but for Granite State's procurement of default service,
5 is that correct?

6 A. (Warshaw) Yes.

7 Q. And, the intention of these two factors was to reflect
8 the actual costs that the Company incurred in procuring
9 default service for its customers, is that fair?

10 A. (Warshaw) Yes.

11 Q. Okay. And, also to follow up another one, you said
12 that National Grid had received four invoices pursuant
13 to an agreement that you reached with them concerning
14 certain borderline customers?

15 A. (Warshaw) Not -- Yes. That's a service agreement on a
16 FERC tariff, yes.

17 Q. On a FERC tariff. And, have all those invoices been
18 paid?

19 A. (Warshaw) I don't know if they have been paid yet. I
20 did hear that the first two invoices were initially --
21 a check was issued, but there was a billing error, and
22 it went to a -- had a bad address and the checks got
23 returned to National Grid. And, they're working on
24 correcting that.

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[WITNESS PANEL: Warshaw~Mahoney]

1 Q. Okay. But, pursuant to the FERC tariff, they haven't
2 -- you haven't had any problem receiving payment from
3 National Grid, other than this address error?

4 A. (Warshaw) Right.

5 Q. Okay. Thank you. Now, you referenced your Exhibit
6 JDW-16. In that exhibit, the Company depicts the bill
7 impacts for a range of customers and customer usage, is
8 that correct?

9 A. (Warshaw) Yes.

10 Q. And, you mention the rate impacts for residential
11 customers as being a "decrease of 6 percent", is that
12 right?

13 A. (Warshaw) Approximately 6 percent, yes.

14 Q. And, I notice that the -- there are two ways that the
15 Company calculates this. One is for a customer with
16 typical usage of 500 kilowatt-hours. But the Company
17 also calculates it for the customer average usage for
18 the past 12 months, is that right?

19 A. (Warshaw) Yes.

20 Q. And, what was the average customer usage for the past
21 12 months, for residential customers?

22 A. (Warshaw) That was 675 kilowatt-hours.

23 Q. And, is the --

24 A. (Warshaw) Per month.

[WITNESS PANEL: Warshaw~Mahoney]

1 Q. Okay, per month. Thank you. So, what is the rate
2 impact for a customer using the average of 675
3 kilowatt-hours per month?

4 A. (Warshaw) It's 6.2 percent.

5 Q. Okay. So, that's also a reduction, is that correct?

6 A. (Warshaw) Correct.

7 Q. Okay. Thank you. You attached to your testimony, as
8 is customary with these dockets, the Customer Migration
9 Calculation or Report, and that is at Bates stamp 245,
10 JDW-18, is that right?

11 A. (Warshaw) Yes.

12 Q. And, what has -- what is your assessment of the
13 customer migration levels? And, by that, I mean do you
14 think they remain relatively stable or has there been
15 any discernable change in customer migration rates?

16 A. (Warshaw) They have been relatively stable. As you can
17 see, they kind of -- there's a little bit of movements
18 up and down on a monthly basis, but nothing really --
19 there's nothing really significant in any of the
20 changes.

21 Q. Okay. Thank you. And, I wanted to ask you about the
22 REC prices, too. I noticed, pursuant to the Settlement
23 Agreement you have that was approved by the Commission
24 regarding REC procurement, you, when you solicited

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[WITNESS PANEL: Warshaw~Mahoney]

1 power supply from the suppliers in this instance,
2 you've also solicited REC compliance, is that correct?

3 A. (Warshaw) Yes.

4 Q. And, so, if a supplier was going to respond to that,
5 they would have an adder attributed to REC compliance,
6 is that right?

7 A. (Warshaw) Yes.

8 Q. And, you did not -- you received -- well, why don't you
9 explain to me, I think that your testimony says you
10 received a REC compliance offer from one winning
11 bidder, but not the other. So, could you explain how
12 that worked out? You know, whether it was the Large
13 Customer Group where they offered the REC compliance?
14 I think that's Page 18 of your testimony.

15 A. (Warshaw) Oh, okay. I was --

16 Q. I mean "Page 18" -- "Bates stamp 18" of your testimony.

17 A. (Warshaw) Only the winning bidder of the Large Customer
18 Group had submitted a RPS adder, and that RPS adder was
19 higher than what our estimate of the market prices are
20 for RECs.

21 Q. And, we noticed that the winning bidder for the Small
22 Customer Group did not provide a RPS adder?

23 A. (Warshaw) Correct.

24 Q. Do you have any -- do you have a -- have you thought

[WITNESS PANEL: Warshaw~Mahoney]

1 about that and do you have an explanation for why you
2 think that that bidder did not supply a REC adder?

3 A. (Warshaw) I would say that one of the things is that
4 the REC market for New Hampshire RECs is not as liquid
5 as other states. And, also, the prices that we're
6 seeing in the market are very close to ACP. And, being
7 a conservative supplier, that supplier elected not to
8 provide a bid and not to incur that obligation to
9 provide RECs to Granite State.

10 Q. And, in fact, if we look at, and I'm looking at Exhibit
11 1, Page 133, which is "RPS Cost Adder Calculations",
12 how -- it looks to me, and I'd like your comment on
13 that, that the "Obligation Weighted Cost", which is at
14 Section 5, Line 7, at the bottom of the page, the ACP
15 calculated for 2013 and the market price calculated for
16 2013, there's not much difference between those two.

17 A. (Warshaw) No, there's not.

18 Q. And, is that because the market is tight for New
19 Hampshire qualified RECs?

20 A. (Warshaw) Yes. It is tight.

21 Q. And, just one more question on this particular area.
22 On Page 19 of your -- well, it's Bates stamp 19 of your
23 testimony, Line 11, it states that "The Company
24 received bids for RECs and contracted for Class I and

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[WITNESS PANEL: Warshaw~Mahoney]

1 Class IV obligations for 2012 and Class I obligations
2 for 2013." I notice that Class III RECs are not
3 mentioned here. Has there been -- are Class III RECs
4 more difficult to find than other RECs in the market?

5 A. (Warshaw) Yes. They're almost impossible to find in
6 the marketplace.

7 Q. Thank you. Okay. And, now, I wanted to turn to
8 Exhibit 3. So, Mr. Mahoney, I expect that this would
9 be you. And, this is, again, it's the "Loss Factor
10 Investigation Update". Under Section 3, "Borderline
11 Customers", Liberty identified 186 customers of
12 Massachusetts Electric that it serves. Do you know
13 what the breakdown is by rate class, for example,
14 residential, commercial, small commercial?

15 A. (Mahoney) The majority of the customers are
16 residential. There are two or three customers that are
17 -- yes, there's one G-2; there's 173 D; eight G3; and
18 four other D Rate customers.

19 Q. Thank you. And, what are the services that Liberty
20 supplies these customers? Is it just the power
21 supplier or is it distribution services? Or both?

22 A. (Mahoney) Liberty provides them with distribution
23 services, transmission services, and supplier services.

24 Q. And, do these borderline customers contribute to

[WITNESS PANEL: Warshaw~Mahoney]

1 Liberty's loss factor?

2 A. (Mahoney) Yes, they do.

3 Q. In connection with the types of payments that are made
4 by these borderline customers, do they also pay, for
5 example, the System Benefit Charge?

6 A. (Mahoney) Yes.

7 Q. Have you observed any increase or decrease in the
8 number of customers or have they been pretty steady
9 through the review that you've done?

10 A. (Mahoney) The number of customers is consistent. It
11 hasn't changed.

12 Q. Now, under Section 2 of Exhibit 3, "Payment for
13 Borderline Sales", the settlement negotiations with --
14 include what kind of revenue? In other words, is it
15 default service? For example, is it energy supply? Or
16 is it energy supply, distribution, and transmission?

17 A. (Warshaw) We are under settlement discussions with
18 National Grid, and the exact makeup of what that
19 settlement will be has not been finalized yet. And,
20 when we do finalize the settlement, we will provide
21 notice to the Commission.

22 Q. So, obviously, this is something you can't talk about,
23 because it's still under negotiation?

24 A. (Warshaw) Correct.

[WITNESS PANEL: Warshaw~Mahoney]

1 MS. KNOWLTON: And, I would add for the
2 record, we are in active settlement negotiations, they are
3 confidential in nature. But I'll say we're making good
4 progress. And, as soon as we have an outcome that we can
5 share with you, we absolutely will do that, as well as
6 with the Office of Consumer Advocate.

7 MS. AMIDON: Thank you.

8 BY MS. AMIDON:

9 Q. Now, if we look at Bates stamp 134, the Default Service
10 Loss Factor for the Large Customers is "1.07864", and,
11 for the Small Customers, it's "1.09226", and that would
12 be, I think, 7.8 percent and 9.2 percent respectively.
13 Are these loss factors increasing?

14 A. (Mahoney) It's difficult to say if they're increasing
15 at this time or not. The report has additional -- the
16 Loss Factor Report has -- that I have has data through
17 August of this month, but additional data is not
18 available, or I don't have it with us right now. So,
19 we would request some more time to get that data, if we
20 need it.

21 Q. Okay. But, what I'm saying is, would you accept
22 subject to check that, if I compare these loss factors
23 with those that were in your September 2012 filing,
24 that these are larger than those?

[WITNESS PANEL: Warshaw~Mahoney]

1 A. (Warshaw) I would accept that subject to check.

2 A. (Mahoney) Yes.

3 Q. And, is there any reason you could put your finger on
4 to explain why they would be continuing to increase?

5 A. (Mahoney) I can't identify the reason right now.

6 Q. Okay. But we can continue to have discussions about
7 that issue, as Ms. Knowlton suggested?

8 A. (Mahoney) Yes.

9 Q. And, obviously, resolving this issue is not necessary
10 for the Commission to determine the default service
11 solicitation by Friday?

12 A. (Warshaw) Correct.

13 A. (Mahoney) Yes.

14 MS. AMIDON: With your permission, I
15 think Mr. Frantz has a few questions.

16 CHAIRMAN IGNATIUS: That's fine. Thank
17 you.

18 MR. FRANTZ: Good morning.

19 WITNESS WARSHAW: Good morning.

20 WITNESS MAHONEY: Good morning.

21 BY MR. FRANTZ:

22 Q. In the report, you mentioned that Massachusetts
23 Electric Company expected to take two years to conduct
24 the necessary engineering analysis, until they get to a

[WITNESS PANEL: Warshaw~Mahoney]

1 possible solution to this problem. Does that seem
2 inordinately long to you or does that seem reasonable?

3 A. (Mahoney) It seems reasonable. What we're asking them
4 to do is install three separate meters, and two on the
5 state line and one in our Charlestown substation.
6 There are several engineering steps that are required.
7 They have to have engineers go out, look over the area,
8 identify new facilities that need to be installed.
9 They need to order equipment, build metering units,
10 have those installed. So, there are several steps that
11 are required. Two years is reasonable, to me. I
12 expect that the work will be done before that, based on
13 what I'm hearing. But, you know, two years is
14 reasonable.

15 Q. Does Massachusetts Electric have any incentive to
16 actually do it any quicker than that? And, put another
17 way, is Liberty or its customers held harmless for any
18 extension of time that this takes?

19 A. (Mahoney) No, they are not.

20 Q. So that any extension of time, those losses are
21 actually on Liberty and its customers, and not on
22 Massachusetts Electric Company. Is that what you're
23 saying?

24 A. (Mahoney) That's right. We monitor the power flows

[WITNESS PANEL: Warshaw~Mahoney]

1 along the border, and also any modifications to our
2 system. But, at this point, there's no way to measure
3 power flows across the border.

4 Q. Do you believe there's anything that the Company can do
5 to speed that process up or help in any regard to make
6 it quicker and better for Liberty or its customers?

7 A. (Mahoney) Yes. And, I've been monitoring the process.
8 I know their projects are created. And, I can monitor
9 those projects, and I can talk to the people within
10 National Grid, to try to stay on top of where they are
11 and what has been done, so they don't drag on.
12 Ordering equipment to install takes time, and to
13 develop the plan to install the equipment also takes
14 time. So, I will monitor it closely to make sure that
15 they do this work diligently.

16 Q. I'm not saying they won't. But, if they don't, what
17 options do you have?

18 A. (Mahoney) We could install the equipment ourselves,
19 although the same issue is required. We would have to
20 order it all, and go out and design the site and
21 install equipment to mount the metering on. So, it
22 would take us some time as well.

23 MR. FRANTZ: Okay. Thank you.

24 MS. AMIDON: That concludes our

[WITNESS PANEL: Warshaw~Mahoney]

1 questions. Thank you.

2 CHAIRMAN IGNATIUS: Thank you.

3 Questions from the Bench? Commissioner Harrington.

4 CMSR. HARRINGTON: Good morning. Just a
5 couple of questions on the rates, and then a little bit on
6 that report.

7 BY CMSR. HARRINGTON:

8 Q. You did mention that the rates were about, for
9 residential, about 6 percent lower than the present
10 rates. By this, you mean from this winter's rates,
11 correct?

12 A. (Warshaw) Yes.

13 Q. Okay. And, how do they vary from last summer's rates,
14 since that's what we're really -- these are summer
15 rates we're setting for residential customers?

16 A. (Warshaw) I believe that these rates will be a little
17 higher than they were last summer. But, exactly how
18 much they are, I did not bring that information with
19 me.

20 Q. Well, maybe as we seem to be given to this new paradigm
21 now, where, unlike in the past where we had highest
22 rates and highest usage of electricity in the summer,
23 now, because of natural gas costs, we're having higher
24 rates in the winter than the summer, it may be helpful

[WITNESS PANEL: Warshaw~Mahoney]

1 if, in future filings of this type, you did bring a
2 comparison of winter to winter and summer to summer, so
3 we'll have a better idea of what's happening, and, you
4 know, a more apples-to-apples comparison, if you will.
5 A. (Warshaw) I do have, just thinking about that, if you
6 go to Bates stamp 137.
7 Q. You have a chart there that shows --
8 A. (Warshaw) I do have a chart.
9 Q. I was just going to get to that page.
10 A. (Warshaw) And, it does show that the pricing, and I
11 only brought it for the Small Customer Group, the
12 increase in -- and this is just on the commodity piece.
13 This is not the actual impact on customers taking
14 service at, you know, total impact. It shows that the
15 commodity as an increase of about 21.6 percent.
16 Q. Okay. That's the bottom line there, down at the --
17 A. (Warshaw) That's the bottom line, yes.
18 Q. And, the other ones are reflecting natural gas and then
19 the futures. Okay. So, it's about 21 percent from
20 last summer?
21 A. (Warshaw) Correct.
22 Q. Okay.
23 A. (Warshaw) Yes. And -- sorry. And, just to say, it is
24 odd that we're moving into a period of time where

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[WITNESS PANEL: Warshaw~Mahoney]

1 pricing in the winter is now peaking, even though load
2 is peaking in the summer.

3 Q. Yes. That's, like I say, it's a new paradigm. It's
4 changed completely from what we saw in the past. And,
5 then, referring to -- well, I'll go back to Page 21,
6 Bates stamp, we'll start there. And, just trying to go
7 through the different reconciliation methodologies.
8 And, I'm just not quite sure what was exactly
9 reconciled in there, as far as the time frame. So, for
10 the first column, there's a "2013 Default Service
11 Adjustment Factor", that's your -- what you would need
12 to make yourself whole, basically, is the
13 overcollections or undercollections from previous
14 years, and this trues it up, is that correct?

15 A. (Warshaw) Yes.

16 Q. Okay. Now, and this true-up, on Page 29, it says, in
17 your answer to the question, "This schedule takes both
18 the Default Service under collection from Schedule
19 JDW-9 (covering the period February 2012 through
20 January 2013), and then the estimated RPS under
21 collection", so forth and so on. Regarding the Default
22 Service undercollection, so, this includes January of
23 this year?

24 A. (Warshaw) Yes.

[WITNESS PANEL: Warshaw~Mahoney]

- 1 Q. Okay. The whole month? Because, obviously, I'm
2 assuming there was a significant amount of under
3 collection in that month, because no one expected the
4 prices to spike the way they did.
- 5 A. (Warshaw) Right. But our prices have nothing to do
6 with the market price. Our prices were fixed back in
7 September.
- 8 Q. Okay. That was my next question then. But this was
9 all based on your contracts that were done in advance?
- 10 A. (Warshaw) Correct.
- 11 Q. Okay. And, given that, and I know this is difficult to
12 do, but what do you anticipate for next winter?
13 Because there was -- somebody lost a lot of money. It
14 wasn't Liberty and it wasn't their rates to customers,
15 because there was contracts signed. But, as we
16 approach next winter, what would you say you expect the
17 impact of rates to be then? What type of an increase
18 are we looking at based on this past winter?
- 19 A. (Warshaw) I have not looked that far in advance.
- 20 Q. But is it safe to assume that these same companies are
21 not going to lose a great deal of money? There was --
22 and hundreds of millions of dollars were lost in the
23 electric markets by various groups in the months of
24 January and February. I think the ISO estimated it to

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1 be, I don't know, a billion dollars or something like
2 that. Now, people that had fixed contracts, like
3 Liberty, didn't pay any more for that, and the
4 customers were protected by having the contracts. But
5 I would assume the sellers of electricity next year are
6 going to come in with the idea that prices could do the
7 same thing as they did this winter, which would have I
8 think a significant increase in pricing for the
9 contracts you'd see?

10 A. (Warshaw) I would not say that there would be a
11 significant increase in price, because the nature of
12 these kinds of contracts, once we select a supplier for
13 a fixed contract, they usually go out into the
14 marketplace and hedge their costs, so that they are
15 also not -- they're not exposed to the market. So that
16 the profit that they have built into their pricing they
17 will ensure and get.

18 Exactly, you know, who down, you know,
19 down that stream of customers actually got -- wholesale
20 suppliers got hit by that cost, that may have been
21 someone that hedged and locked in a contract with one
22 of our suppliers. There may be some ramification of
23 that loss for next summer, but -- for next winter, but
24 I have not calculated that.

[WITNESS PANEL: Warshaw~Mahoney]

1 Q. But somebody lost the money, and someone is going to
2 make sure they don't lose -- try to do the best they
3 can to make sure they don't lose it again next winter?

4 A. (Warshaw) Right.

5 Q. Okay. Going to Page 133, I had a question on the Class
6 III RECs, in the middle of the page. And, if I'm
7 reading this right, with the ACP for 2013 is "31.50",
8 and you think that the market price of RECs is going to
9 be "_____". Given the fact that there was so much ACP
10 payments for Class III RECs this past year, and I think
11 your statement was "it's impossible to find Class III
12 RECs", or something to that effect, why aren't you just
13 simply going across and saying that the market will be
14 at or very, very close or right at the ACP?

15 MS. KNOWLTON: And, Mr. Warshaw, before
16 you answer that question, I'd like to note for the record
17 that that market price is confidential.

18 CMSR. HARRINGTON: Okay.

19 MS. KNOWLTON: And, if that could be
20 indicated on the transcript, I would appreciate it.

21 **BY THE WITNESS:**

22 A. (Warshaw) For market prices, I use information that I
23 receive from various broker sheets. And, I try to be
24 consistent in how I calculate my market price across

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1 all of the various classes. So, if the broker sheets
2 are reflecting maybe a slight discount from the ACP,
3 even though I have not been able to contract for those
4 RECs, I try to stay with a consistent process of using
5 the values that I have in those broker sheets.

6 BY CMSR. HARRINGTON:

7 Q. So, this is the same process you've used in the past,
8 but maybe what you're saying, there's a possibility we
9 could see that go closer to the ACP price that we have
10 in other years?

11 A. (Warshaw) Correct.

12 Q. Okay. And, one last question, going back to the loss
13 factor. Can you just help me and walk through, how did
14 this cross-border mix-up come about? Why is it we have
15 customers in, you know, one state being billed to the
16 other state and so forth and so on?

17 A. (Warshaw) It's one of those historical things that
18 utilities, you know, at borders, find that it is
19 sometimes cheaper to utilize another utility's
20 facilities to serve customers, as opposed to building,
21 you know, investing in a significant distribution
22 network, to maybe possibly get around a mountain or get
23 around a lake, or some other, you know, natural
24 blockage that would create a very expensive service for

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1 a very few number of customers in one service
2 territory, but those customers can easily be served by
3 another utility at the adjoining service territory.
4 And, that's where you get these borderline service
5 agreements. And, they're fairly common, to the point
6 where they're actually, you know, they're all FERC
7 filed.

8 Q. I guess I kind of understand the logic of that, and it
9 makes perfect sense. If you had, you know, someone
10 putting in two houses that was right over the border,
11 and they were connecting from the other state, where
12 the nearest service line was 10 miles away in the state
13 they actually reside in, it wouldn't make much sense to
14 run it 10 miles, if they could do it in 200 feet. But,
15 when this was done, wasn't there something put into
16 place at that time to ensure that all the money went to
17 where it was supposed to go? And, why is it we seem to
18 have this continued confusion now over who's paying who
19 what?

20 A. (Warshaw) I can't speak for what National Grid did back
21 in 2006 and onward for service to these customers.
22 This was a situation that was identified as part of the
23 separation of Granite State from National Grid.

24 Q. Okay. So, whatever was done, was done, and maybe it

[WITNESS PANEL: Warshaw~Mahoney]

1 was just one part of National Grid to the other part of
2 National Grid, so no one really looked that closely at
3 it. And, when there was separate companies involved,
4 that's when the issue came to fruition?

5 A. (Warshaw) Again, I can't speak for National Grid. But
6 it did get identified at the closing.

7 CMSR. HARRINGTON: All right. All
8 right, thank you. That's all the questions I had.

9 CHAIRMAN IGNATIUS: Thank you.
10 Commissioner Scott.

11 CMSR. SCOTT: Good morning. I almost
12 said "afternoon". It's afternoon someplace, I'm sure.

13 WITNESS MAHONEY: Good morning.

14 BY CMSR. SCOTT:

15 Q. My questions really are following up on the Loss Factor
16 Investigation Update. So, this is helpful I just want
17 to get a couple things clear, so, I'm sure these are
18 easy answers for you. So, each customer of these
19 borderline areas in question, they each have their own
20 meter, though, correct? Each one is separately
21 metered?

22 A. (Warshaw) Yes.

23 Q. Okay. So, currently, obviously, from the two
24 utilities, it's -- at least you know that much. So,

[WITNESS PANEL: Warshaw~Mahoney]

1 it's easy to cross, I assume, for billing purposes, how
2 much they use and --

3 A. (Warshaw) Yes. National Grid provides Granite --
4 Liberty Utilities with the monthly billing values for
5 those customers that are served by them.

6 Q. Okay. And, I assume part of the settlements you're
7 talking about is, for instance, who reads those meters,
8 all those type of costs are trying to be figured out
9 now?

10 A. (Warshaw) The settlement is looking more at how to deal
11 with the situation from 2006, until the signing of the
12 service agreement for the borderline service tariff.
13 Going forward with the borderline service tariff, it's
14 very specific about what costs National -- Granite
15 State/Liberty Utilities would be billing National Grid
16 for those customers that are being served from Liberty
17 Utilities' distribution system.

18 Q. Okay. Good. Thank you. Regarding the three meters to
19 be put in, so that will allow -- would it compensate
20 for line losses? Or, what extra does that provide?
21 Help me out.

22 A. (Warshaw) The inclusion of additional meters on lines
23 that are currently not metered would allow the
24 calculation of load for the Granite State territory to

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[WITNESS PANEL: Warshaw~Mahoney]

1 be more accurate. Right now, if there is load flowing
2 from Granite State to another utility on those
3 unmetered lines, there is no way to determine how much
4 load is flowing into those -- the borderline utility.

5 Q. Okay. Great.

6 A. (Warshaw) The "border utility", not to be confused with
7 "borderline customers".

8 Q. Thank you. And, how would the cost of those
9 three meters be covered? How are you attributing
10 between the two utilities?

11 A. (Mahoney) The meters are going to be owned and
12 purchased and installed by New England Power Company
13 and Mass. Electric Company. So, National Grid.

14 Q. Okay. And, I believe you were asked earlier, back to
15 the borderline customers, they pay a Systems Benefits
16 Charge. Do they also -- are they getting benefits
17 under the CORE programs, do we know?

18 A. (Warshaw) Those customers are served by Mass. Electric,
19 and they receive service and any other energy efficient
20 programs through Mass. Electric. The borderline
21 service agreement basically allows Granite State to
22 bill National Grid for service for those customers as
23 if they were served by Granite State at retail. So,
24 all of the retail costs that a Granite State customer

[WITNESS PANEL: Warshaw~Mahoney]

1 would receive from Granite State in their bill is being
2 factored into the bill that Granite State is issuing to
3 National Grid, on a monthly basis.

4 CMSR. SCOTT: Well, thank you. That's
5 all I have.

6 CHAIRMAN IGNATIUS: Thank you. A couple
7 of questions further.

8 BY CHAIRMAN IGNATIUS:

9 Q. You showed us where additional revenues had been
10 received from the border customers. I assume that's
11 what you're saying, that, from that agreement forward,
12 payments are being paid to Liberty. It's the period
13 from 2006 to 2012 that's in question?

14 A. (Warshaw) Correct.

15 Q. And, so, part of the negotiations are for repayment, to
16 the extent that's required, to Liberty for the period
17 that Mass. Electric was keeping the revenues, but the
18 service was actually -- customers were paying Mass.
19 Electric, rather than paying the New Hampshire Granite
20 State affiliate, is that right?

21 A. (Warshaw) Correct.

22 Q. And, the concerns that Mr. Frantz raised about it
23 taking two years to get this completed on the
24 installation, the actual engineering and installation

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1 of new meters. Is there anything that the Commission
2 could do to accelerate that? He asked what the Company
3 might do. But is there anything that you think, from
4 an order from the Commission that would accelerate it,
5 or is it simply a matter of the time it takes for
6 vendors and engineering, that sort of thing?

7 A. (Mahoney) It's really just the time it takes to install
8 this type of equipment. The metering equipment has to
9 be ordered special, it's specially designed. Poles
10 have to be set, different groups have to get involved
11 in engineering, different groups have to get involved
12 with testing and installing the equipment. So, --

13 Q. Do you think they're taking it as a high priority item?

14 A. (Mahoney) I think they are -- they are moving forward
15 with this, they have developed projects, they are
16 diligently working on this. So, yes, I do.

17 Q. Thank you. On the rate setting, I'd ask you to turn to
18 Page 21, Mr. Warshaw. Just a couple more questions.
19 On the "Default Service Adjustment Factor", you say it
20 had gone down, but you also said there had been a small
21 underrecovery. Is it going down because there had been
22 a greater underrecovery built in in a prior rate
23 period, and that's why it's going down?

24 A. (Warshaw) Yes. The adjustment factor that was approved

[WITNESS PANEL: Warshaw~Mahoney]

1 for May 1st, 2012 onward had a much larger
2 underrecovery by Granite State for its commodity costs
3 than we're seeing in this adjustment period.

4 Q. I also wondered, in the Default Service Cost
5 Reclassification Adjustment Factor, your
6 administrative/labor costs, why is it that the
7 Residential and Small Class administrative charge is
8 almost double the Medium and Large Classes?

9 A. (Warshaw) A big, major part of that is that there's
10 just many more residential customers that we need to
11 work on that piece.

12 Q. I would have thought it went the other way. That
13 having more people to spread it across would make for a
14 lower number?

15 A. (Warshaw) I didn't look into that feature of the
16 calculation as closely as I should have. I apologize.

17 Q. So, the back-up pages that show you how you reached
18 those numbers are where in the filing?

19 A. (Warshaw) On Page Bates stamp 199.

20 Q. And, those -- that's just the resulting number from
21 whatever calculations you made. It doesn't show you
22 how you built to those?

23 CMSR. HARRINGTON: If I just may, is it
24 a possible reason here that the Medium and Large C&I

[WITNESS PANEL: Warshaw~Mahoney]

1 customers, where there's less of them, they have a much
2 higher per kilowatt load per customer than the residential
3 ones?

4 WITNESS WARSHAW: Yes, they do.

5 CMSR. HARRINGTON: So, that would make
6 -- I think would make dealing with them a little bit
7 easier.

8 WITNESS WARSHAW: Yes. I apologize.

9 CHAIRMAN IGNATIUS: That's all right. I
10 was getting whispered the exact same thing from that end
11 and what Commissioner Harrington said. So, it's obvious
12 that --

13 CMSR. HARRINGTON: That's what happens
14 when you sit between two engineers.

15 CHAIRMAN IGNATIUS: That's right. It
16 was clear to everyone else, so, two out of three is not
17 bad. That may be the end of the questions I had. Let me
18 just double check. Yes, that's it. Thank you.

19 Any redirect, Ms. Knowlton?

20 MS. KNOWLTON: I have a few questions on
21 redirect.

22 **REDIRECT EXAMINATION**

23 BY MS. KNOWLTON:

24 Q. Mr. Warshaw, without disclosing specific amounts that

[WITNESS PANEL: Warshaw~Mahoney]

1 have been discussed between Massachusetts Electric
2 Company and Granite State Electric Company, has
3 Massachusetts Electric Company made a proposal to pay
4 Granite State Electric Company for borderline sales
5 that occurred during the period of on or around
6 July 1st, 2006 through September 30th, 2012?

7 A. (Warshaw) Yes.

8 Q. And, is it a matter of negotiation of what that amount
9 is at this point?

10 A. (Warshaw) Yes.

11 Q. I think there's one other issue that I think would be
12 helpful to clarify for the Commission. And, that
13 relates to the customers -- or, the customer, of the
14 Granite State Electric Company customer, in New
15 Hampshire, that is being served by Massachusetts
16 Electric Company's distribution system. And, I just
17 feel, for purposes of clarity, it will be helpful if
18 you could, either Mr. Mahoney or Mr. Warshaw, just give
19 a brief description for the Commission and the Staff
20 about the nature of that service and the status of that
21 situation.

22 A. (Warshaw) Again, there's a single customer that is in
23 Granite State's service territory that is served from
24 an adjoining utility, Mass. Electric. We are awaiting

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[WITNESS PANEL: Warshaw~Mahoney]

1 from Mass. Electric, I guess, a service agreement for
2 borderline sales to determine how to bill for that one
3 customer. And, it's in the process of being developed.

4 Q. And, who has -- which utility has been billing that
5 customer to date?

6 A. (Warshaw) That customer has been billed by Granite
7 State Electric for retail service.

8 Q. No, actually, I'd --

9 A. (Warshaw) Oh, wait. That's right.

10 Q. -- I'd ask Mr. Mahoney whether he wants to add or
11 clarify what Mr. Warshaw just said, --

12 A. (Warshaw) I'm sorry about that.

13 Q. -- because I don't believe that's correct.

14 A. (Mahoney) No. That customer is being billed by
15 Massachusetts Electric.

16 Q. Right. So, is it -- would it be correct then to say
17 that Granite State, to the best of your knowledge,
18 Granite State Electric Company does not owe
19 Massachusetts Electric anything for service of that
20 customer, because that customer has been billed by
21 Mass. Electric historically?

22 A. (Mahoney) Yes, that's correct.

23 Q. And, is that the case still today?

24 A. (Mahoney) Yes, it is.

[WITNESS PANEL: Warshaw~Mahoney]

1 Q. Okay. And, will that need to change in this new
2 paradigm, of the separation between Granite State
3 Electric Company and its former affiliate,
4 Massachusetts Electric Company?

5 A. (Mahoney) Yeah, it will change.

6 Q. Okay. And, what is the -- what is your understanding
7 of the timing of that and what steps need to occur to
8 make that happen?

9 A. (Mahoney) What we need to do is, Mass. Electric will
10 need to change that customer in their billing system,
11 so that it's represented as a New Hampshire customer.
12 New Hampshire will then have to read that meter.
13 Granite State Electric will read the meter and provide
14 that meter data to Mass. Electric. And, then, they
15 will -- they will bill -- I'm sorry. Granite State
16 Electric will bill the customer based on meter reads
17 that are provided from National Grid/Mass. Electric.

18 Q. Which customer class is this customer in?

19 A. (Mahoney) It's a residential customer.

20 Q. And, would you describe for us, what is the
21 configuration of that customer's service such that the
22 customer needs to be served through the Massachusetts
23 Electric distribution facilities?

24 A. (Mahoney) The customer is served from Methuen, Mass.,

[WITNESS PANEL: Warshaw~Mahoney]

1 on a driveway that comes from Massachusetts, up into
2 the southern part of Salem, on the south part of a
3 lake. So, it's very difficult for Granite State to
4 serve. It would be cost-prohibitive.

5 CHAIRMAN IGNATIUS: Can I ask a
6 question? The report says it's a "customer in Pelham, New
7 Hampshire". That doesn't sound right.

8 WITNESS MAHONEY: The customer is
9 actually in Salem, New Hampshire.

10 CHAIRMAN IGNATIUS: All right.

11 MS. KNOWLTON: I don't have anything
12 further for the witnesses.

13 CHAIRMAN IGNATIUS: Thank you. Then,
14 you're excused. Thank you very much. Although, why don't
15 you wait there just as we wrap up.

16 We have the identification of the three
17 exhibits. Is there any opposition to striking the
18 identification and making them permanent exhibits?

19 MS. AMIDON: No.

20 CHAIRMAN IGNATIUS: Seeing none, we will
21 do that. Unless there is anything further we have before
22 we move to closings?

23 (No verbal response)

24 CHAIRMAN IGNATIUS: Then, Ms. Amidon.

1 MS. AMIDON: Thank you. Staff has
2 reviewed the filing. And, we have determined that the
3 Company has conducted the bid solicitation, evaluation,
4 and selection of the winning bidder process consistent
5 with the Settlement Agreement approved by the Commission
6 in Order Number 24,577, in Docket 05-126. And, we believe
7 the resulting rates are market-based and would recommend
8 that the Commission approve the Petition.

9 In addition, we've reviewed the
10 information for which the Company has requested
11 confidential treatment pursuant to Puc 201, and we believe
12 that these are the same categories of information which
13 are eligible for confidential treatment under those rules.

14 Finally, we do have some concern about
15 how long it is going to take to resolve the issue that are
16 the subject of the loss factor investigation. But we
17 understand we can make further inquiry in that process as
18 we go along, and appreciate the willingness of the Company
19 to discuss any additional issues as they may arise.

20 CHAIRMAN IGNATIUS: Thank you.
21 Ms. Knowlton.

22 MS. KNOWLTON: Thank you. As the filing
23 and the testimony today reflects, the procurement process
24 that has been used to result in the proposed rates today

1 complies with all of the legal requirements that apply to
2 Default Service procurement. The Company requests that
3 the Commission approve the rates as proposed, and that it
4 issue an order by this Friday, doing so so that the
5 Company may complete the process as required by law.

6 With regard to the borderline sales
7 issue, the Company understands that it's an issue of great
8 concern to the Commission and to the Staff and the Office
9 of Consumer Advocate, and want to assure you that the
10 Company is undertaking many efforts to diligently pursue
11 this. And, would just like to state that, you know, we
12 are glad at any time to answer questions that folks may
13 have, the Commission may have about this topic. We really
14 want to be as transparent as we can about this. And, as
15 soon as we have any update to provide with regard to a
16 settlement with Mass. Electric and status of meter
17 installations, we absolutely will let you know as soon as
18 possible.

19 So, with that, I'd like to thank
20 everyone today.

21 CHAIRMAN IGNATIUS: Thank you. Then, we
22 will take all this under advisement. We understand the
23 need for a Friday order, and we will meet the deadline.
24 Thank you for your help. And, I wish everyone in the

1 distribution system and all of the line crews that this is
2 a day that turns out to be not too bad. It's a snowstorm,
3 but hopefully won't be anything that's beyond just normal
4 clean-up. So, let's keep our fingers crossed. Thank you.

5 **(Whereupon the hearing ended at 11:17**
6 **a.m.)**

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