

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

December 13, 2006 - 9:07 a.m.  
Concord, New Hampshire

NHPUC DEC14'06 PM 1:45

RE: DE 06-115  
GRANITE STATE ELECTRIC COMPANY d/b/a  
NATIONAL GRID: Default Service Request  
for Proposals for the Period November 1, 2006  
through April 30, 2007 and November 1, 2006  
through January 31, 2007.  
(Hearing regarding proposed Default Service  
rates for the Large Customer Group for the  
period beginning February 1, 2007 through  
April 30, 2007)

**PRESENT:** Chairman Thomas B. Getz, Presiding  
Commissioner Graham J. Morrison  
Commissioner Clifton C. Below

Christine True, Clerk

**APPEARANCES:** Reptg. Granite State Electric Company d/b/a  
National Grid:  
Alexandra E. Blackmore, Esq.

Reptg. PUC Staff:  
Suzanne G. Amidon, Esq.

Court Reporter: Steven E. Patnaude, CCR

ORIGINAL





1                   **CHAIRMAN GETZ:** Is there anything before  
2 we hear from the witness?

3                   **MS. BLACKMORE:** I'd like to mark for  
4 identification as an exhibit the Company's December 8  
5 Default Service filing in this docket, which includes  
6 Mr. Hager's testimony and schedules. And, there's both a  
7 confidential and a non-confidential volume of the filing.  
8 And, I'd also like to mark for identification as an  
9 exhibit a copy of Page 149 of the confidential volume with  
10 larger print to make it easier to read.

11                   **CHAIRMAN GETZ:** Okay. Next is three, so  
12 we'll mark for, just trying to remember which convention  
13 we're using, let's mark the December 8 filing, the public  
14 portion, as "Exhibit 3". And, then, we'll mark the  
15 confidential version of that as "Exhibit 4". And, you had  
16 the -- I'm sorry, Ms. Blackmore, the --

17                   **MS. BLACKMORE:** Page 149.

18                   **CHAIRMAN GETZ:** -- Page 149 as "Exhibit  
19 5".

20                   (The documents, as described, were  
21 herewith marked as **Exhibits 3, 4, and 5,**  
22 respectively, for identification.)

23                   **MS. BLACKMORE:** Has the witness been  
24 sworn in?

[Witness: Hager]

1                   **MR. PATNAUDE:** No. I'm sorry.

2                   (Whereupon **Michael J. Hager** was duly  
3                   sworn and cautioned by the Court  
4                   Reporter.)

5                   **MICHAEL J. HAGER, SWORN**

6                   **DIRECT EXAMINATION**

7 BY MS. BLACKMORE:

8           Q       Mr. Hager, would you please state your full name and  
9                   business address.

10          A       Michael Hager, 55 Bearfoot Road, in Northborough,  
11                   Massachusetts.

12          Q       And, what is your position with National Grid?

13          A       I am the Vice President of Energy Supply.

14          Q       And, what are your duties and responsibilities in  
15                   that position?

16          A       I oversee and direct all of the power procurement and  
17                   energy supply related activities for National Grid,  
18                   both in New England and currently temporarily  
19                   overseeing the New York activities as well.

20          Q       Mr. Hager, I'm showing you what's been marked as  
21                   "Exhibit 3". Can you please describe it?

22          A       Yes. That is the prefiled testimony and exhibits,  
23                   the public version of the prefiled testimony and  
24                   exhibits.

[Witness: Hager]

1 Q And, do you have any corrections to make to your  
2 testimony at this time?

3 A Yes, I do.

4 Q Could you describe the corrections?

5 A Yes. On Page 9, on the Bates page there, in the  
6 chart at the top, which lists rates, in the column  
7 labeled "Large Customer Group Commodity Costs", for  
8 March 2007, the number is shown as "9.963", and that  
9 number should be "9.693".

10 Q Do you adopt the testimony and schedules contained in  
11 Exhibit 3 as your own?

12 A Yes, I do.

13 Q Would you please summarize your testimony.

14 A Yes. My testimony describes the competitive  
15 solicitation process that the Company went through to  
16 procure Default Service for its large customers for  
17 the period February 2007 through April of 2007. It  
18 describes the process, the bid results that we  
19 received, and the resulting rates from the selections  
20 that we made following that process.

21 Q Did the Company solicit bids from suppliers that  
22 contained both pass-through and all-inclusive prices  
23 for capacity costs?

24 A Yes, it did.

[Witness: Hager]

1 Q And, can you explain why the Company selected a  
2 winning bidder whose bid contained pass-through  
3 capacity costs?

4 A Yes. After evaluating the implied -- the cost of  
5 locking in on an all-inclusive basis the capacity  
6 costs, comparing that adder for the lowest cost  
7 bidder to our estimate of expected costs, as well as  
8 the costs from other bidders who were not selected in  
9 the solicitation, we determined that the proposed  
10 rate from the winning bidder was higher than our  
11 estimate and what other bidders had proposed, and  
12 thus the added premium for the price certainty was  
13 not warranted on behalf of customers.

14 Q How does the Company propose the pass-through -- the  
15 pass-through costs will be recovered from customers?

16 A Consistent with how we've done this in the past, the  
17 retail rate that we've established includes the  
18 Company's estimate of capacity costs. To the extent  
19 that the actual pass-through costs are slightly  
20 higher or lower, they will be trued up as part of the  
21 annual reconciliation process.

22 Q Can you explain how the Company calculated the  
23 proposed adder to recover pass-through capacity  
24 costs?

[Witness: Hager]

1       A     That calculation begins with understanding how ISO  
2           New England will assess capacity costs to our  
3           wholesale suppliers. And, so, we started with the  
4           ISO market rules. And, on their market rules, it  
5           would be their tariff pages 7232 through 7276B, as in  
6           "boy", which is the market rules that are in effect  
7           as of December 1st, 2006. Within those rules, on  
8           Page 7276, is a section that deals with how the  
9           capacity costs will be allocated. And, it states  
10          that they will be allocated on a percentage of a load  
11          ratio -- a supplier's load ratio share on the peak  
12          hour for the prior calendar year times the total  
13          capacity costs that are assessed in the marketplace.

14                        So, we then went through, using that  
15                        cost allocation formula, and performed our own  
16                        calculation of that. And, that calculation is  
17                        provided on Bates Page 132 in our filing. And, it  
18                        begins at the top of that, on Column 1, by our  
19                        determining what we believe the total capacity would  
20                        be in the marketplace for each month during this  
21                        service period. We then multiply that by the value  
22                        in Column 2, which is the load ratio share of the  
23                        Default Service load, based on the August 2006 peak  
24                        hour in the pool, which is further calculated lower

[Witness: Hager]

1 in that page, I'll get to that next. So, by  
2 multiplying those two values together, we come up  
3 with what we anticipate the ISO will assess for  
4 capacity obligations in each month during the service  
5 period in Column 3. Column 4 there indicates the  
6 \$3.05 per kilowatt-month rate that all capacity costs  
7 will be paid. And, so, our capacity obligation,  
8 column 3, would thus be assessed at \$3.05. So,  
9 Column 5 comes up with total capacity costs that we  
10 expect in each month. We've divided those total  
11 costs by anticipated megawatt-hours during the supply  
12 period, to arrive at a rate of \$10.40 a  
13 megawatt-hour.

14 Q Are you referring to Page -- Bates Page 132 of the  
15 non-confidential volume?

16 A Yes, I am.

17 **MS. BLACKMORE:** Okay. I'm not sure that  
18 the Staff members have that.

19 **MS. AMIDON:** May I ask what page it is  
20 on the confidential?

21 **THE WITNESS:** No, --

22 **MS. AMIDON:** I think it's 138 on the  
23 confidential.

24 **MS. BLACKMORE:** Oh, is it? Okay.

[Witness: Hager]

1                   **MS. AMIDON:** And, that's what we have.  
2                   And, I just want to be sure, because I don't know if the  
3                   -- I don't know what the Commission has in front of them.

4                   **MS. BLACKMORE:** That's correct. It's  
5                   Page 138 of the --

6                   **THE WITNESS:** The chart that I'm looking  
7                   at is Attachment 9.

8                   **MS. BLACKMORE:** Yes.

9                   **THE WITNESS:** I'm confused. In my  
10                  public version, it appears on Page 132; in the  
11                  confidential version, it appears on Page 138.

12                  **MS. BLACKMORE:** Okay. Good.

13                  **MS. AMIDON:** I just wanted to make sure  
14                  everybody could follow along.

15                  **CHAIRMAN GETZ:** I think we're all  
16                  aligned.

17                  **MS. BLACKMORE:** Okay.

18                  **MS. AMIDON:** Sorry.

19 BY MS. BLACKMORE:

20                  Q     Please continue.

21                  A     So, that is how the -- the process that we used to  
22                  calculate the \$10.40 expected -- \$10.40 per  
23                  megawatt-hour expected cost. Lower in the page, we  
24                  provided the basis for how we calculated the load

[Witness: Hager]

1 ratio share that's used in Column 2. Even further  
2 lower in that page, for each of those months, we've  
3 identified how we came up with the expected amount of  
4 capacity that would be paid in the marketplace for  
5 each of those months. Whichever page you're on, if  
6 you were to flip to the next page, which is  
7 Attachment 10, that's a similar calculation. The  
8 only difference there being in the expected total  
9 amount of megawatts in the Pool. What we tried to do  
10 there is anticipate, you know, to the extent that the  
11 capacity market were to attract additional capacity,  
12 how much could that be and how high could that rate  
13 run. And, there was one line item on capacity  
14 imports where we anticipated an additional 500 or so  
15 megawatts coming into the Pool, and tried to assess  
16 how the change in the rate, based on that change in  
17 assumption, the rate went from \$10.40 to \$10.56.

18 Q And, can you also explain how the Default Service  
19 loss factor figures into the retail Default Service  
20 rates?

21 A Yes. The Company pays its wholesale supplier based  
22 on megawatt-hours associated with our Default Service  
23 load at the wholesale metering point. From that  
24 point, through the transmission and distribution

[Witness: Hager]

1 system, there occur losses, so that the amount of  
2 kilowatt-hours consumed at a customer meter are  
3 lower. In order to balance the revenues and  
4 expenses, what we need to do is take the rate at the  
5 wholesale delivery point, convert it from dollars per  
6 megawatt-hour to cents per kilowatt-hour, essentially  
7 just divide the rate by ten for that conversion.  
8 And, then, we have to gross it up to reflect the  
9 losses along the line. And, we do that -- we do that  
10 by multiplying by a quantity of load that we had at  
11 the wholesale metering point and dividing it by the  
12 quantity of load at the retail metering point, over a  
13 recent period. We typically use a 12-month period.  
14 And, the calculation that we performed here was based  
15 on losses at both -- or, metered values at both of  
16 those locations for the 12-month period ending in  
17 September of 2006. That loss factor is approximately  
18 four percent. The calculation that's used is  
19 actually carried out to further decimal points.

20 Q Thank you. And, what is the typical bill impact on  
21 the large customers or customer that will result from  
22 the proposed rates?

23 A Just to complete my prior answer, I was looking for a  
24 public version of the document, but there is none.

[Witness: Hager]

1 Exhibit 5, which we provided, does indicate the loss  
2 factor that was used. I thought it indicated the  
3 kilowatt-hours used. If I could go to the  
4 confidential filing, and that will be Bates Page 142.  
5 At the bottom of that page, we give the specific  
6 kilowatt-hour values that were used in calculating  
7 the losses.

8 Back to your most recent question, the  
9 bill impacts, Schedule MJH-7, starting on Bates  
10 Page 254, provides the typical bill impacts from the  
11 rate. It compares -- The column there that's labeled  
12 "Present Rates", at the bottom, reflects the Default  
13 Service rate that would be in effect on January of  
14 2006, compares it to the proposed rate, which would  
15 be the February 2006 [2007?] rate resulting from this  
16 filing. This analysis, through the pages that  
17 follow, show that the typical bill impact would be a  
18 decrease of somewhere between seven and a half and  
19 eight and a half percent. I would point out that the  
20 March rate will be lower than the February rate. So,  
21 March rates will provide additional rate reductions.  
22 And, the April rate is lower than March, so there  
23 will be further reductions in that month as well.

24 Q Are the proposed Default Service rates for the Large

[Witness: Hager]

1 Customer Group reflective of current market prices?

2 A Yes, they are. And, I reached that conclusion in two  
3 ways. One is, they were the result of a competitive  
4 solicitation, where we chose the lowest cost  
5 supplier. Those rates, by definition, would reflect  
6 what the market was willing to price and sell this  
7 power at. Second, we did an independent analysis  
8 based on prior costs and changes in both electric  
9 futures and gas futures markets, and determined that  
10 the rates that we were receiving were consistent with  
11 what we would have expected based on our independent  
12 calculation.

13 MS. BLACKMORE: Thank you. I have no  
14 further questions.

15 CHAIRMAN GETZ: Ms. Amidon.

16 MS. AMIDON: Thank you.

17 CROSS-EXAMINATION

18 BY MS. AMIDON:

19 Q If we -- I'm not asking you to identify the specific  
20 information, but just for purposes of assisting the  
21 Commission, the "Final Bid Ranking at Wholesale"  
22 appears on Attachment 11 in the confidential  
23 document, Exhibit C-4, on Page 141. Is that correct?  
24 I'll give you time to look for it.

[Witness: Hager]

1 A That is the final ranking, which includes the  
2 capacity costs to that as well.

3 Q Page 141?

4 A Page 1 -- I'm sorry. That excludes the capacity  
5 costs.

6 Q Right.

7 A Page 140 includes capacity costs.

8 Q And, if you look at this, Bidder A is highlighted?

9 A Yes.

10 Q And, Bidder A is Consolidated Edison, is that  
11 correct?

12 A Yes.

13 Q And, on the following page, Page 142, it shows the  
14 "Final Bid Ranking at Retail". And, this is -- this  
15 is the attachment that includes capacity, is that  
16 correct?

17 A Yes.

18 Q And, Bidder B, for Block D, which is New Hampshire  
19 large customers, has an average price and a weighted  
20 average price that's less than Bidder A, is that  
21 correct?

22 A That's correct.

23 Q And, you chose to pass through the capacity costs,  
24 correct?

[Witness: Hager]

1 A Correct.

2 Q What -- Had you determined what the risk would be  
3 that the capacity, passing through capacity may incur  
4 in additional costs to customers, as opposed to using  
5 or choosing a supplier who had an all-in fixed bid?

6 A Yes.

7 Q And, could you explain your analysis?

8 A Certainly. We started our analysis by looking at the  
9 bid results on Page 141, which is the bids that  
10 excluded capacity costs. And, determined that Bidder  
11 A had the lowest cost on there.

12 Q That's the -- they had the lowest cost for energy?

13 A Lowest cost for all products, excluding the capacity  
14 costs. We then added to that bid price what we  
15 thought our estimate of capacity costs were from --  
16 let me back up here -- from Page 138, and came up  
17 with a -- and that was \$10.40. And, so, we came up  
18 with a total price that we would expect to pay, both  
19 for the all -- the fixed prices associated with this  
20 service, plus our estimate of what the capacity costs  
21 were.

22 We then went to review the bids that  
23 were all-inclusive, including capacity, shown on  
24 Page 140. And, on that page, the low bidder was

[Witness: Hager]

1 Bidder B. But their low bid price was higher than  
2 the price of Bidder A without capacity, plus our  
3 estimate. That they were about 60 cents a  
4 megawatt-hour higher, in that fashion. So, we then  
5 went and looked at our estimate of capacity costs,  
6 \$10.40, and tried to determine, you know, is it  
7 possible that it could be higher or it could be  
8 lower, we can't guarantee that rate. But we're  
9 trying to assess the risks up and down. What we had  
10 found is that Bidder A had provided a number that was  
11 higher than our assessment. Other bidders came in  
12 below our assessment. So, we figured the market was  
13 probably leaning towards a lower value than the  
14 higher value, but, and after consulting with  
15 Commission Staff, had determined that the higher  
16 premium to lock in the cost was not in the interest  
17 of our customers, and thus we chose to go on a  
18 pass-through basis.

19 Q And, what is the adder? Is it \$10 and -- is it  
20 \$10.56?

21 A We based our rates on our calculation of expected  
22 costs of \$10.40 a megawatt-hour. I'm sorry, we based  
23 our rates, if you look at Attachment 18, Page 149, we  
24 based our rates on the higher of our two calculated

[Witness: Hager]

1 values of \$10.56 per megawatt-hour.

2 Q That's what I thought. Thank you. Based on your  
3 expert opinion, why do you think that the suppliers  
4 had that, such a range of costs for capacity in the  
5 fixed bids?

6 A Perhaps some of them might have had an existing  
7 capacity position that they were willing to discount  
8 the value in order to win the load and make  
9 additional profits on serving the megawatt-hours.  
10 Perhaps they have a different calculation, different  
11 view as to how many megawatt-hours -- megawatts will  
12 be compensated in the marketplace.

13 Q Was -- strike that. Did Grid adopt the same concept  
14 of or the same proposal of passing through capacity  
15 costs for the rest of its affiliates?

16 A This solicitation included not only New Hampshire  
17 industrial or large customers, but Massachusetts  
18 industrial group customers. We went through the same  
19 process, but the Massachusetts bid for the lowest  
20 supplier had a cost of capacity that was lower than  
21 our estimate. And, in that case, it made sense for  
22 us to lock in the price of capacity in our bid.

23 Q Okay. Thank you. I wanted to talk about the Power  
24 Supply Agreement. Are there any material changes in

[Witness: Hager]

1 the Power Supply Agreement that are of interest, for  
2 example, in the credit or the security provisions?

3 A While the terms of that agreement are different than  
4 the standard contract we started with, the rules and  
5 responsibilities, the rights and the obligations and  
6 the risks borne and obligations borne by both us, as  
7 a buyer, and the seller, have not shifted one way or  
8 the other. They remain the same. The security  
9 provisions in the agreement we struck are consistent  
10 with the obligations of our suppliers, that we have  
11 to have an investment grade rated entity or the need  
12 to post additional security. There are some more  
13 specific terms in how we deal with those postings,  
14 what to do when certain events or additional  
15 collateral that may be needed to be posted by either  
16 us, as a buyer, or a seller. And, those are in the  
17 events of a default or in the case of a downgrade  
18 below established limits of the counterparty and/or  
19 their guarantor. So, there's a bit more extensive  
20 language than we've seen in other contracts. But it  
21 puts down into words actions that are consistent with  
22 how our other agreements would work.

23 Q And, did the Company have any problems complying with  
24 the security requirements in the contract?

[Witness: Hager]

1 A No, it does not.

2 Q This is an issue that arose in the Unitil docket, and  
3 I just want to raise it here so that the Commission  
4 understands that they may be seeing something similar  
5 in your next filing. On what basis does Granite  
6 State file reconciliations with the Commission for  
7 Default Service?

8 A The reconciliation of purchased power costs?

9 Q Yes.

10 A That occurs on an annual basis.

11 Q And, when would we be expecting to see that filing  
12 with the Commission?

13 A I believe the -- the first reconciliation, this began  
14 in May, I believe we're anticipating our first  
15 reconciliation of, certainly, of the Default Service  
16 adder, would come up in May of this year. And, we  
17 are trying to establish whether that would be --  
18 we're anticipating that would be part of our next  
19 Default Service filing, sometime in mid March, for  
20 rates that would go into effect on May 1st. Our  
21 expectation is we would work with Staff after the  
22 first of the year to understand the -- or better  
23 define the appropriate time frame to make that  
24 filing, whether it's part of our next Default Service

[Witness: Hager]

1 filing or whether it's a separate filing before or  
2 after that, and work through some technical issues,  
3 so that the filing addresses all of the issues and  
4 concerns that have been raised in other proceedings.

5 Q Thank you.

6 A I was hesitating earlier.

7 Q I'm sorry.

8 A That's the reconciliation of the Default Service  
9 adder for administrative costs and other issues. I'm  
10 unclear as to whether our reconciliation of purchased  
11 power costs is part of that or part of a separate  
12 annual filing that's made.

13 Q That's a good answer. Thank you. And, in connection  
14 with that, on Page 11 of your testimony, you propose  
15 an RFP schedule for the next -- looks like the next  
16 two solicitations. Is that -- Is that what that is?

17 A Yes. That is our current estimate of the time frame  
18 for the next two Default Service solicitations. And,  
19 those dates may change slightly. And, to the extent  
20 they do, we will coordinate well in advance with the  
21 Commission. But that is our current time frame for  
22 when we expect to conduct these solicitations, make  
23 Commission filings, and require orders from the  
24 Commission.

[Witness: Hager]

1 Q Well, this is very helpful for Staff, because we can,  
2 at this point, look ahead and try to schedule  
3 hearings, because of the short turnaround on this.  
4 So, if there are any changes, if the Company could  
5 provide them as soon as those changes are made, that  
6 would be very helpful.

7 Finally, I wanted to ask the Company if  
8 it would be able to comply with reporting to the  
9 Commission on a quarterly basis month-by-month the  
10 migration of the large customers to the competitive  
11 market. And, I think we're looking at by load and by  
12 class. Would that be something that the Company --  
13 okay, strike that. All customers by load and by  
14 class. Is that something the Company would be  
15 willing to provide?

16 A Certainly. And, we can work out, outside of the  
17 hearing, the specific information. And, it sounds  
18 like you're looking, by rate class, the number of  
19 customers at the end of each month that have gone to  
20 a competitive supplier and the associated  
21 kilowatt-hours with that load. We can certainly  
22 provide that. And, we can work out with Staff  
23 whether it's appropriate to make that as a separate  
24 stand-alone filing or to include that with each

[Witness: Hager]

1 Default Service solicitation as a schedule, since  
2 we're in here quarterly with those solicitations as  
3 well, rather than create a separate filing.

4 **MS. AMIDON:** Thank you. That concludes  
5 my questions.

6 BY CMSR. BELOW:

7 Q I have a question, more for future reference than the  
8 immediate matter. But, when we look at the  
9 calculation of monthly typical bills, such as on Page  
10 257 of the public record, the Company, of course, has  
11 a distribution demand charge, which is calculated  
12 perhaps somewhat differently than the, in effect, the  
13 demand charge for capacity in the wholesale system,  
14 which perhaps you could describe that. But, as I  
15 understand it, that would be charged based on an  
16 individual customer's peak demand, whether it was  
17 coincident with system peak or not, is that correct?

18 A Our distribution demand charge?

19 Q Yes.

20 A Yes. It's based on customer's peak, the  
21 non-coincident peak.

22 Q Non-coincident peak. And, right now, in effect what  
23 we now have in the -- through the market is this  
24 approximately penny per kilowatt-hour demand charge

[Witness: Hager]

1 based on coincidence with peak or what translates  
2 into a penny per megawatt-hour -- or, a penny per  
3 kilowatt-hour, I should say, as opposed to a kilowatt  
4 charge. But it is sort of keyed, it's being --  
5 flowing back through to all the customers based on  
6 the customers, as a group, their coincident peak with  
7 the system peak, correct?

8 A Correct.

9 Q So, that sort of a coincident peak doesn't  
10 necessarily correlate with what you track for  
11 individual customers of their -- for their demand  
12 charge, in terms of their individual peak?

13 A Correct.

14 Q Okay. For this table, when you present the current,  
15 the current present rates, exactly what are the  
16 present rates? What period is that?

17 A Those are rates in effect January of 2007.

18 Q So, it's a month-to-month sort of comparable. It's  
19 comparing -- no, no, that's not right. It's  
20 comparing what is January '06 with what will become  
21 February -- I'm sorry. What is it exactly compared?  
22 We don't quite have apples-to-apples do we here?

23 A This analysis compares the rates that would have been  
24 back in January of 2007 --

[Witness: Hager]

1 Q Okay.

2 A -- to the rate that would be in effect on February --  
3 throughout February of 2007.

4 Q I'm sorry, say that again. It's a February --

5 A It compares January 2007 rates --

6 Q January '07, not January '06. Okay.

7 A -- to February 2007 rates.

8 Q Okay. That makes more sense. You don't have a  
9 comparison of February '06 to February '07 here, do  
10 you?

11 A No.

12 Q But, as you noted, they continue to decline in April  
13 and March, relative to the prior month, but you don't  
14 have a calculation of how February, March or April  
15 compared to the prior year?

16 A No, we did not provide that here.

17 Q Okay. Do you know if that's higher or lower?

18 A In general, I believe last winter was higher than  
19 this winter. So, I believe they are lower. I did  
20 quickly calculate the average Default Service -- the  
21 arithmetic average of the Default Service rates for  
22 the current three month period, November, December,  
23 January, to the average rate February, March, and  
24 April. I believe the February, March, April rate

[Witness: Hager]

1 will be slightly higher on average than the prior  
2 three months. But, from a customer's perspective,  
3 this was set up that the rate that they will see on  
4 their bill in January is whatever is shown on here,  
5 come February that rate will go lower, March will go  
6 lower, April will go lower yet again.

7 Q That's shown in Exhibit 5, the three-month to  
8 three-month average. Is that --

9 A Yes. The three-month average for February, March,  
10 and April, on an arithmetic average basis is -- let's  
11 call it 10 cents per kilowatt-hour. That does not  
12 include the administrative adder.

13 Q Which is approximately 3.4 percent higher than the  
14 November '06 through January '07 average, is that  
15 correct?

16 A That is -- That is correct. According to the numbers  
17 we have on Exhibit 5, the November '06 through  
18 January '07 current rate, which includes -- I'm not  
19 sure if it includes the administrative adder or not,  
20 is 9.674 cents. So, roughly, four mills or  
21 four-tenths of a cent per kilowatt-hour, on average,  
22 the rates will be higher over the next three-month  
23 period versus the current three-month period.

24 **CMSR. BELOW:** Okay. Thank you.

[Witness: Hager]

1                   **CHAIRMAN GETZ:** I just had one question,  
2 a follow-up on Ms. Amidon's request for quarterly  
3 reporting on migration data. I guess, unless Staff feels  
4 strongly otherwise, I think it might be helpful for us to  
5 see that information attached to the testimony that's  
6 filed, so we can see it in one place.

7                   **THE WITNESS:** Okay.

8                   **CHAIRMAN GETZ:** Are there any other  
9 redirect, Ms. Blackmore?

10                   **MS. BLACKMORE:** I have no further  
11 questions.

12                   **CHAIRMAN GETZ:** Anything else, Ms.  
13 Amidon?

14                   **MS. AMIDON:** No.

15                   **CHAIRMAN GETZ:** Then, the witness is  
16 excused. Thank you very much. Okay. Is there any  
17 objection to striking the identifications and entering the  
18 exhibits as full exhibits?

19                   **MS. BLACKMORE:** No.

20                   **CHAIRMAN GETZ:** Then, they will be  
21 entered as full exhibits. Anything else, before  
22 opportunity for a closing statement?

23                   (No verbal response)

24                   **CHAIRMAN GETZ:** Hearing nothing, then,

1 Ms. Amidon.

2 **MS. AMIDON:** Staff has reviewed the  
3 filing and has determined that Granite State did comply  
4 with the solicitation process and the bid evaluation  
5 process that the Commission ordered in Docket Number  
6 05-126. One observation we have is that there may be some  
7 risk in selecting a pass-through on capacity. And, we are  
8 always concerned that the customers, even the large  
9 commercial customers, receive the lowest price possible.  
10 So, while we don't have any objection to that, we just  
11 want to make sure that the Commission understands that  
12 we'll be looking at the lowest cost option every time when  
13 we get one of these Default Service filings from the  
14 Company.

15 In addition, I would say that we've  
16 reviewed the Motion for Confidential Treatment and have no  
17 objection to that, and note that it's similar to the  
18 confidential treatment that the Commission has afforded  
19 such information in prior dockets on Default Service.  
20 And, that concludes my statement.

21 **CHAIRMAN GETZ:** Thank you.

22 Ms. Blackmore.

23 **MS. BLACKMORE:** Thank you. National  
24 Grid is respectfully requesting that the Commission issue

1 an order approving the proposed Default Service rates no  
2 later than December 15th, so that the rates can become  
3 effective for usage on and after February 1st, 2007.

4 Thank you.

5 **CHAIRMAN GETZ:** Okay. Thank you. Then,  
6 we will close the hearing and take the matter under  
7 advisement.

8 **(Hearing ended at 9:47 a.m.)**

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